HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

An In-Depth Analysis of the Facts, Origins and Trends of Housing and Community Development in California

CALIFORNIA 100

VISION & STRATEGY FOR THE NEXT CENTURY

ABOUT CALIFORNIA 100

The California 100 Initiative envisions a future that is innovative, sustainable, and equitable for all. Our mission is to strengthen California's ability to collectively solve problems and shape our long-term future over the next 100 years.

California 100 is organized around 15 policy domains and driven by interrelated stages of work: research, policy innovation and engagement with Californians. California 100's work is guided by an expert and intergenerational Commission. Through various projects and activities, California 100 seeks to move California towards an aspirational vision—changing policies and practices, attitudes and mindsets, to inspire a more vibrant future.

This California 100 Report on Policies and Future Scenarios was produced as part of California 100's research stream of work, in partnership with 20 research institutions across the state. California 100 sponsored grants for data-driven and future-oriented research focused on understanding today and planning for tomorrow. This research, anchored in California 100's 15 core policy domains, forms the foundation for the initiative's subsequent work by considering how California has gotten to where it is and by exploring scenarios and policy alternatives for what California can become over the next 100 years.

The California 100 initiative is incubated through the University of California and Stanford.

CALIFORNIA 100 RESEARCH TEAM

Henry E. Brady, Ph.D., Director of Research
Lindsay Maple, M.P.P., Senior Research Analyst
Ava Calanog, M.P.P., Assistant Director of Research

THE CALIFORNIA 100 EXECUTIVE LEADERSHIP TEAM

Allison Berke, Ph.D., Director of Advanced Technology
Henry E. Brady, Ph.D., Director or Research
Amy Lerman, Ph.D., Director of Innovation
Jesse Melgar, M.P.P., Director of Engagement
Karthick Ramakrishnan, Ph.D., Executive Director

READ MORE ABOUT HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

For additional information, read the related report at California100.org.

DISCLAIMER The contents of this report reflect the views of the authors, who are responsible for the facts and the accuracy of the information presented herein. This document is disseminated under the sponsorship of the University of California in the interest of information exchange. The University of California assumes no liability for the contents or use thereof. Nor does the content necessarily reflect the official views or policies of the State of California. This report does not constitute a standard, specification, or regulation.

HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

An In-Depth Analysis of the Facts, Origins and Trends of Housing and Community Development in California

UCLA Lewis Center for Regional Policy Studies, UCLA cityLAB, UC Berkeley Terner Center for Housing Innovation

CALIFORNIA 100 RESEARCH PARTNERS

This Report is one of 15 reports that will be released in 2022 as part of the California 100 Initiative. We are proud to partner with the following research centers and institutes across California on our work:

ADVANCED TECHNOLOGY AND BASIC RESEARCH

- Bay Area Council Economic Institute/Bay Area Science and Innovation Consortium
- Silicon Valley Leadership Group Foundation's California Center for Innovation

AGRICULTURE AND FOOD SYSTEMS

- California Polytechnic State University, San Luis Obispo, Natural Resources Management and Environmental Sciences

ARTS, CULTURE, AND ENTERTAINMENT

- Allosphere at the University of California, Santa Barbara

BUSINESS CLIMATE, CORPORATE GOVERNANCE, AND ASSET FORMATION

- Loyola Marymount University, College of Business Administration

CRIMINAL JUSTICE REFORM AND PUBLIC SAFETY

- University of California, Irvine School of Social Ecology

EDUCATION

- University of California, Berkeley Institute For Young Americans
- University of California, Berkeley Graduate School of Education

ECONOMIC MOBILITY, INEQUALITY, AND WORKFORCE

- Stanford University Digital Economy Lab
- Stanford University Institute for Economic Policy Research

ENERGY, ENVIRONMENT, AND NATURAL RESOURCES

- University of California, Berkeley Goldman School of Public Policy's Center for Environmental Public Policy

FEDERALISM AND FOREIGN POLICY

- Stanford University's Bill Lane Center for the American West

FISCAL REFORM

- The Opportunity Institute

GOVERNANCE, MEDIA, AND CIVIL SOCIETY

- Stanford University Center for Democracy, Development and the Rule of Law

HEALTH AND WELLNESS

- University of California, Los Angeles Center for Health Policy Research

HOUSING AND COMMUNITY DEVELOPMENT

- University of California, Los Angeles Lewis Center for Regional Studies
- cityLab at UCLA
- University of California, Berkeley Terner Center

IMMIGRANT INTEGRATION

- University of Southern California Equity Research Institute

TRANSPORTATION AND URBAN PLANNING

- University of California, Los Angeles Institute of Transportation Studies

ABOUT THE UCLA LEWIS CENTER FOR REGIONAL POLICY STUDIES

Los Angeles is the center of one of the largest and most economically powerful regions in the world. But it also has some of the country's highest levels of income inequality, driven by surging housing costs, residential segregation, stagnant wages, and gaps in access to high-quality transportation and education. Housed in the UCLA Luskin School of Public Affairs, the Ralph & Goldy Lewis Center for Regional Policy Studies advances research on how people live, move, and work in the Los Angeles region, with a focus on policies and interventions that provide paths out of poverty. Since 1989, Lewis Center scholars and staff have produced high-quality research on transportation access, housing affordability, labor, immigration, and many other topics, spotlighting the policy impact on vulnerable populations.

ABOUT CITYLAB

cityLAB, founded in 2006, is a multidisciplinary center in UCLA's Architecture and Urban Design Department focused on leveraging design for spatial justice and to address contemporary urban concerns. Specifically, cityLAB explores the challenges facing the 21st century metropolis, expanding the possibilities for our cities to grow more equitably, livably, sustainably, and beautifully, with affordable housing at the center of its efforts. cityLAB's investigations comprise rigorous scholarship as well as practical implication, design and theory, and formal exploration of cultural and political consequence. The lab initiates its own projects related to four core initiatives: spatial justice, the postsuburban metropolis, rethinking green, and new infrastructures.

Located in Los Angeles, cityLAB's efforts extend far beyond that region. cityLAB has received wide notoriety: it has been featured in Newsweek and CNN-International, along with numerous professional publications; its core members are invited to teach and lecture internationally; cityLAB was selected to participate as a new form of practice at the Venice Architectural Biennale in 2010; and in 2016, cityLAB co-authored state accessory dwelling unit policy that changed the face of California suburbs (AB 2299). cityLAB's founder, Dr. Dana Cuff, is the recipient of numerous awards and a prolific author, all grounded in the lab's research and teamwork including her forthcoming book, Architectures of Spatial Justice (MIT Press, 2023).

ABOUT THE TERNER CENTER FOR HOUSING INNOVATION

The Terner Center for Housing Innovation at UC Berkeley develops bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Established in 2015, Terner Center conducts policy research and analysis to identify and advance innovative public and private sector solutions responsive to this mission. Terner Center's research focuses in three areas: increasing the supply and lowering the cost of housing in ways that align with equity and environmental goals; expanding access to quality homes and communities to support racial, social, and economic inclusion; and driving innovation in housing policy and practice. Since 2015, the Terner Center has released over 55 major publications on topics such as the effectiveness of state policies to expand housing supply (including SB 9, ADUs, and commercial zoning reform), the impacts of affordable housing on the economic well-being of lower-income households, the adaptive reuse of commercial buildings, and racial disparities in access to homeownership. In addition to our research publications, Terner Center staff provide ongoing guidance to policymakers including state legislators, local elected officials, federal regulators, as well as nonprofit, advocacy organization, and private sector leaders. In 2021, Terner Center launched a new nonprofit, Terner Housing Innovation Labs (Terner Labs), to support our innovation work by transforming research and policy expertise into actionable tools, programs, and partnerships with the public and private sector. Terner Labs initial two programs are The Housing Lab, an accelerator for early-stage social innovations that make housing more affordable and fair, and the Housing Affordability Data Lab, which creates analytical tools and data sets to inform data-based government decision-making.

HOUSING AND COMMUNITY DEVELOPMENT REPORT AUTHORS:

Shane Phillips, Housing Initiative Project Manager, UCLA Lewis Center for Regional Policy Studies

Carolina Reid, I. Donald Terner Distinguished Professor in Affordable Housing and Urban Policy in the Department of City and Regional Planning, UC Berkeley and Faculty Research Advisor, Terner Center for Housing Innovation

Dana Cuff, Director, cityLAB-UCLA; Professor of Architecture and Urban Design; Urban Planning

Kenny Wong, Assistant Director of Design Research, cityLAB-UCLA; Lecturer, University of Arizona

Report development, revisions, and publication by California 100

RESEARCH PARTNER ACKNOWLEDGMENTS:

The authors would like to thank Cassie Hoeprich, Miki Kobayashi, Shazia Manji, Emmanuel Proussaloglou, Xiuwen Qi, and Sam Wilkinson for all of their support on the data analysis, writing, and interviews for this project. We would also like to express our sincerest thanks to everyone who we interviewed for this project; this report would not have been possible without their expertise and insights. We also thank David Garcia, Elizabeth Kneebone, and Ben Metcalf for their review and comments on this paper.

CALIFORNIA 100 ACKNOWLEDGMENTS:

Special thank you from California 100 to Institute For The Future for their guidance and assistance in developing the future scenarios for each report.

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

INTRODUCTION 10

FACTS 11

ORIGINS 42

TRENDS 55

- Macro Trends 55
- Critical Uncertainties 59

CONCLUSION 76

APPENDIX 77

REFERENCES 79

INTRODUCTION

California's housing crisis is not just one thing. There are myriad crises, and they are interconnected: housing cost burdens, household instability and homelessness, racial segregation, economic inequality, health disparities, and climate change are all exacerbated by California's inability to build sufficient housing (especially for lower-income households) and ensure that new supply is fairly distributed across communities and in ways that reduce greenhouse gas emissions. Every day, there's a news story of people leaving the state for cheaper places, of a renter doing their best to stave off an eviction, or of a community struggling with gentrification and displacement. The politics of housing in the state also sometimes feel intractable: cities continue to rely on exclusionary zoning tactics to thwart new supply, while developers, labor unions, NIMBYs, YIMBYs, and tenant advocates all stake out opposing views of what is needed to solve the crisis. All of this contributes to California's future housing trajectory feeling grim.

But it's not all doom and gloom in the Golden State. There are signs of change—hints of policy reform that could put California on a different, more progressive and environmentally sustainable housing trajectory. There's a growing consensus that solving the crisis will require a comprehensive strategy that includes the production of new housing, the preservation of units zmarket. The state legislature has passed major legislation in recent sessions designed to weaken the stranglehold of single-family zoning, streamline the production of affordable housing, and strengthen oversight and accountability of how jurisdictions plan for new housing supply. And Governor Newsom (as well as some local city and county leaders) have made unprecedented commitments to funding affordable housing and homeless shelters in the coming years.

Which path will California take? How do stakeholders across envision the future of housing in California? Is it possible to turn the state's longstanding housing crisis around? And what will it take to do so?

To support the development of potential future scenarios for the California 100 initiative, this report lays out a framework for understanding California's current housing landscape and the

key trends and policies that will shape the next several decades. We begin by reviewing where we are now: what do housing conditions in the state look like, and for whom? What are the characteristics of the housing crisis, and its implications for individuals, households, and communities? In the second section, we review the origins of the contemporary housing crisis: how did we get here? What factors have most shaped patterns of residential segregation, rising costs, and housing insecurity? In the third and final section, we highlight the key drivers that will play a role in shaping California's housing future, including both macro-level forces (such as rising income inequality and climate change) and the critical uncertainties that will determine whether policies perpetuate the housing inequality and instability that defines California today or move the state to a more just and sustainable future.

FACTS

Writing about housing in California in the summer of 2021, in the midst of the ongoing COVID-19 pandemic, it is difficult to know exactly what the "facts" are, let alone what the future might hold. Many of the datasets used to understand housing conditions haven't caught up with the pandemic's disruptions, making it difficult to predict whether it will have lasting impacts on the housing market. Certainly, prior to the pandemic and its associated economic downturn, California was facing a severe housing shortage, leading to unsustainable housing cost burdens for both renters and homeowners, rising evictions and homelessness, and worsening commutes as households were forced to move further away from job centers to find affordable housing. Data suggest that the COVID-19 pandemic has only amplified these conditions. Even as of September 2021, with the worst of the shutdowns over, an estimated 2 million adults in California were behind on their housing payments and at risk of eviction or foreclosure (U.S. Census 2021). Nearly 80 percent of those behind on their rent or mortgage were people of color (compared to just 60 percent of California adults overall), reinforcing the ways in which systemic racism continues to influence all aspects of life, including housing, work, and health.

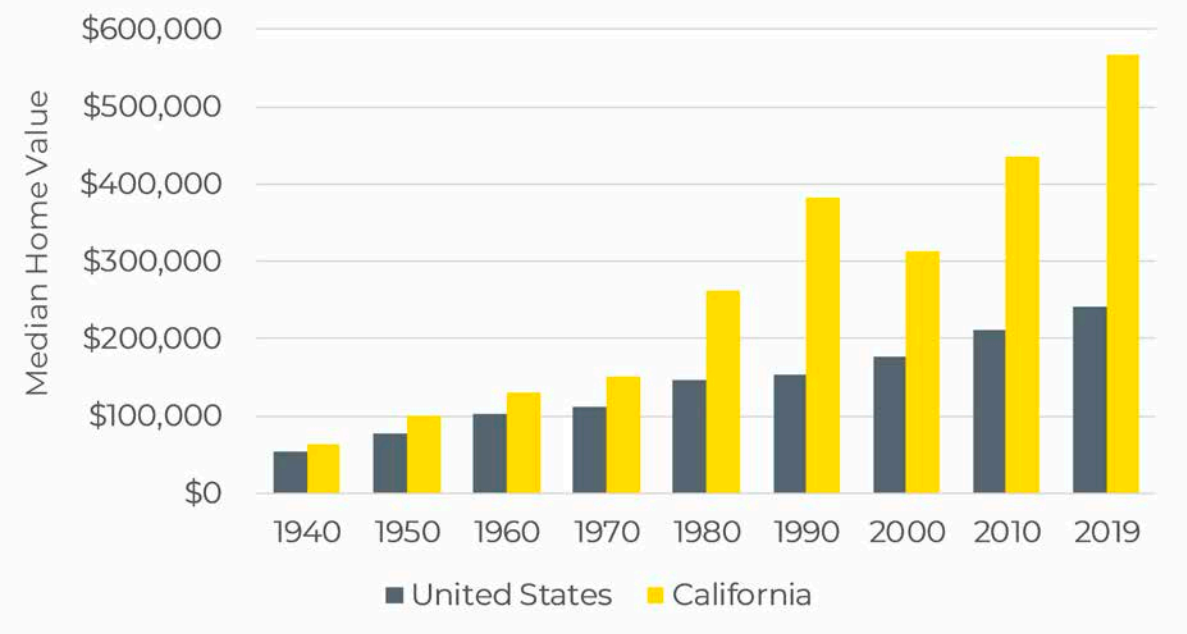
In this section, we present an overview of housing conditions in California. Where possible, we present data that extends our understanding of housing through 2021, but in some cases we rely on data that capture conditions prior to the pandemic. The section is organized around key facts that characterize California's housing market and its affordability crisis.

CALIFORNIA HAS AMONG THE HIGHEST HOUSE PRICES IN THE NATION.

Home prices in California are staggeringly high compared to much of the rest of the country. Statewide, the median home value hit a high of $568,500 in 2019, more than double the median price in the United States ($240,500). This was not always the case: although California's house values have always been somewhat higher than the rest of the United States, it wasn't until the 1970s that the state's house prices began to significantly diverge from the rest of the nation (Figure 1).

The statewide median obscures even higher housing costs in the state's coastal metropolitan regions (Figure 2). In January 2021, median home values in the majority of Bay Area counties

Figure 1 **Median Home Prices, California and the United States, 1940-2019**

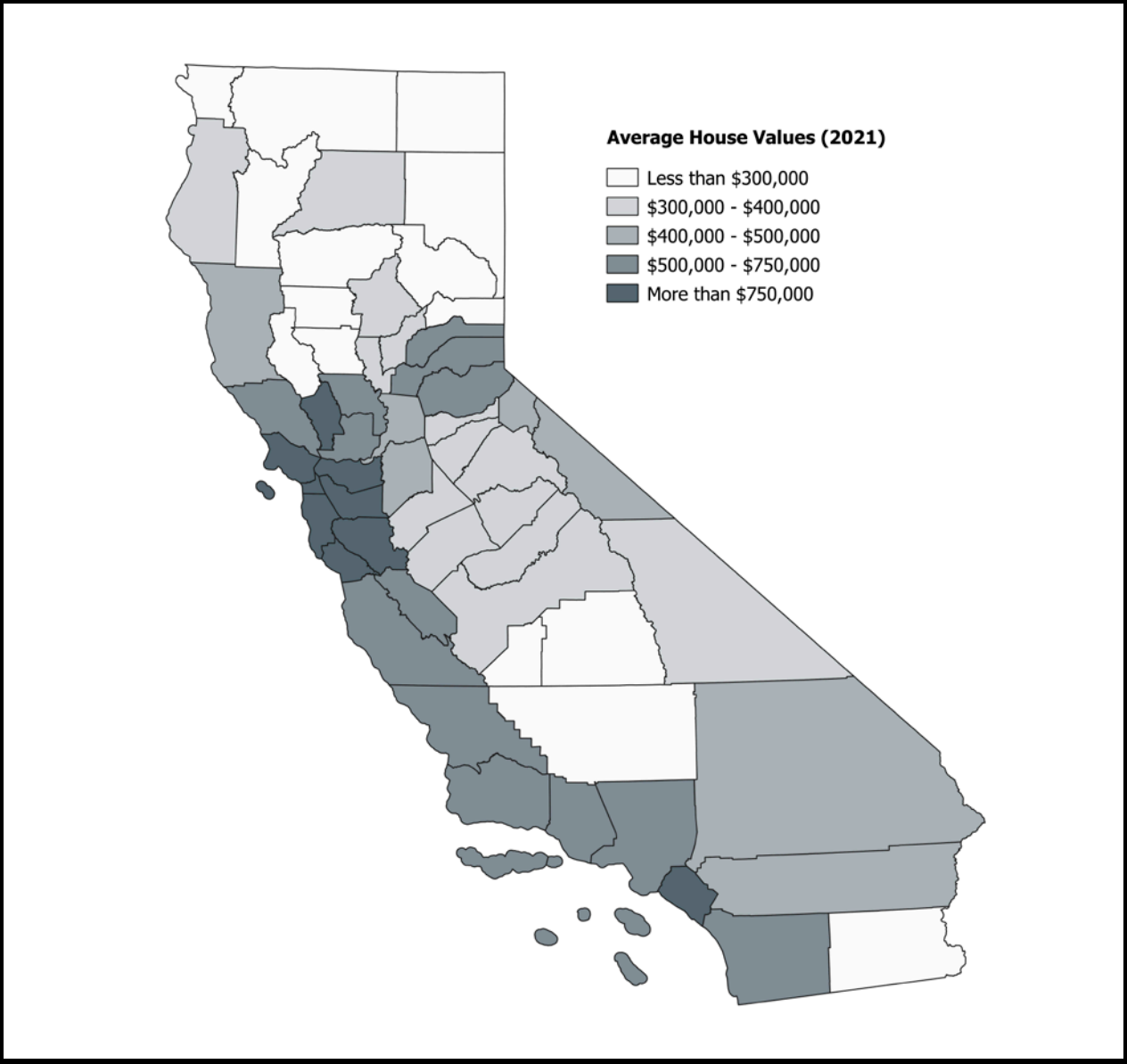


SOURCE: U.S. Census Bureau, American Community Survey (ACS), 2010 and 2019 1-year sample data, Table B25077; Historical Census of Housing Tables: Home Values, 2000.

NOTE: Median home prices are inflation-adjusted to 2019 prices using the U.S. Bureau of Labor Statistics (BLS) Consumer Price Index (CPI) for all items in the average U.S. city.

exceeded $1,000,000, with San Francisco's median house value hitting $1.2 million. Despite expectations that the pandemic would lead to a softening of demand, house prices increased as households that weathered the crisis (e.g., those who could do their work remotely and who benefited from being in technology based industries) bid up a limited supply of homes for sale.

Figure 2 **Zillow Home Value Index by California Counties**



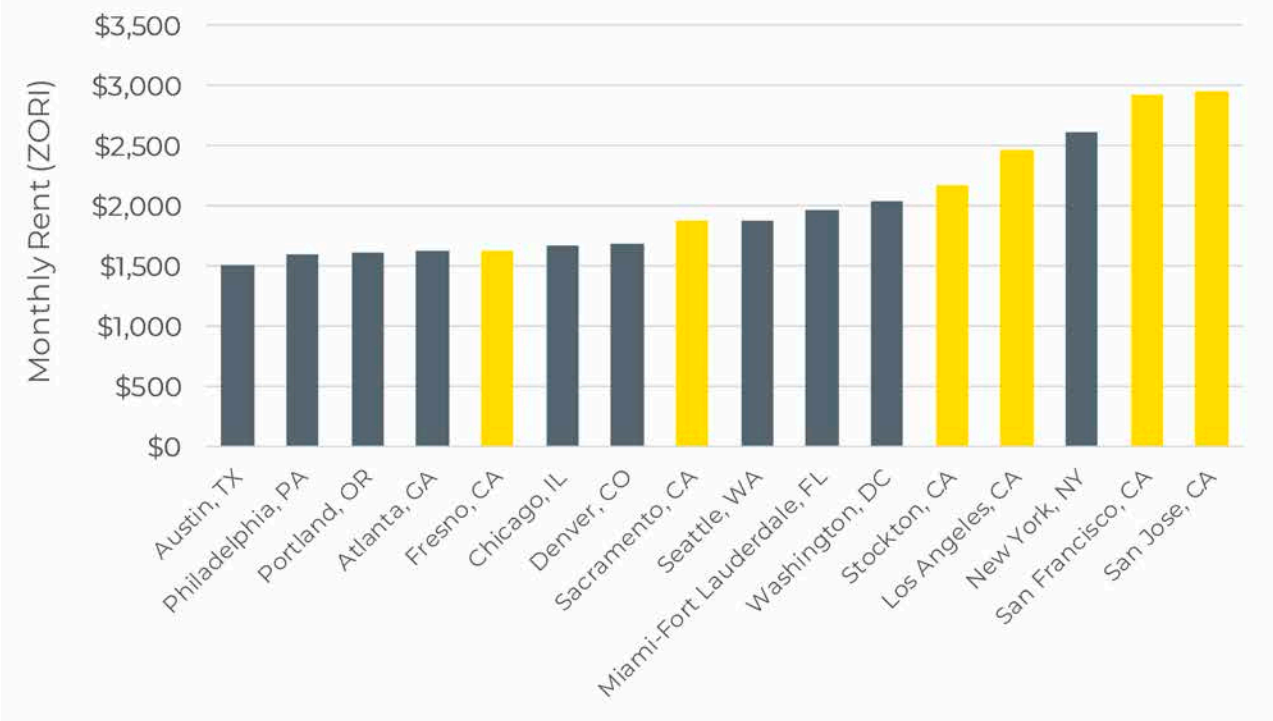
SOURCE: Zillow, 2021.

NOTE: Reflects the typical value for homes in the 35th to 65th percentile range. Based on seasonally adjusted data as of 4/30/2021 for single-family homes and condominiums.

CALIFORNIA'S RENTS FAR ECLIPSE THOSE OF OTHER MAJOR U.S. CITIES.

California's high house values also translate into high rents. (Figure 3). Median rents in San Francisco and San Jose hover around $3,000 a month, the highest in the nation. Even in some of the lower-cost metros in the state—such as Fresno, Stockton, and Sacramento—median rents exceed those of other major metropolitan areas such as Austin, TX and Portland, OR. The stark gap in rental costs has persisted even through the pandemic, though California rents have been slower to "bounce back" to pre-pandemic levels relative to other cities and more affordable cities have experienced an uptick in rental price due to the influx of teleworkers (Hwang, 2021).

Figure 3 **Median Rents in Metro Areas, 2021**



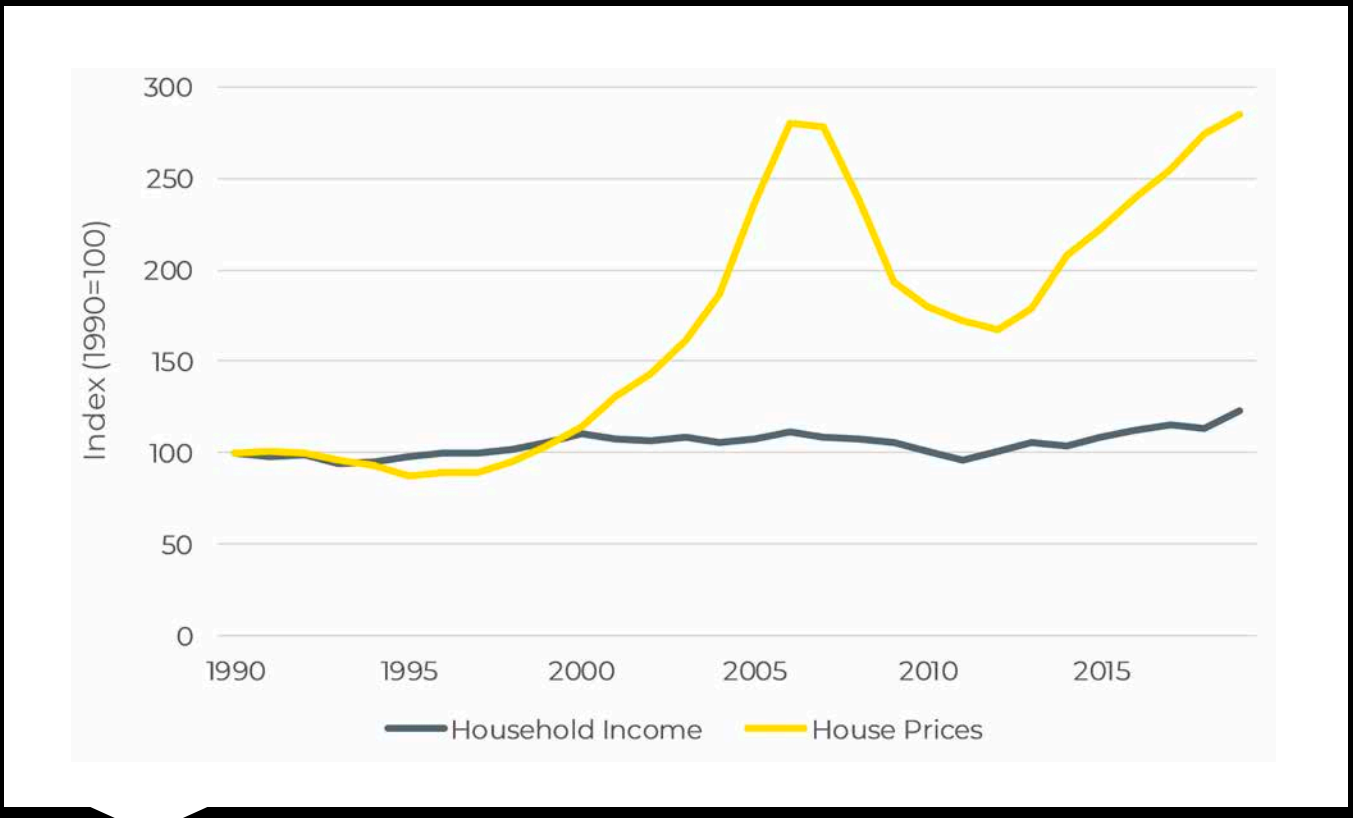
SOURCE: Zillow, 2021.

NOTE: Zillow's rent index—ZORI—is calculated using prices for the same rental units over time, then aggregating those rents across all properties repeatedly listed for rent on Zillow.

FOR THE MAJORITY OF HOUSEHOLDS, INCOMES HAVE FAILED TO KEEP UP WITH RISING HOUSING COSTS.

Housing affordability is a function of both housing costs and household incomes. Although wages in California are higher than in other states, over the past two decades, home values have risen much faster than household incomes (Figure 4). Even accounting for home price volatility related to the foreclosure crisis and Great Recession, between 2000 and 2019, home values increased by roughly 180 percent. In contrast, median household incomes in California increased by only 23 percent over the same time period.

Figure 4 **Growth in House Prices Compared to Median Household Incomes**



SOURCE: Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), Economic Research Division, 1990-2020.

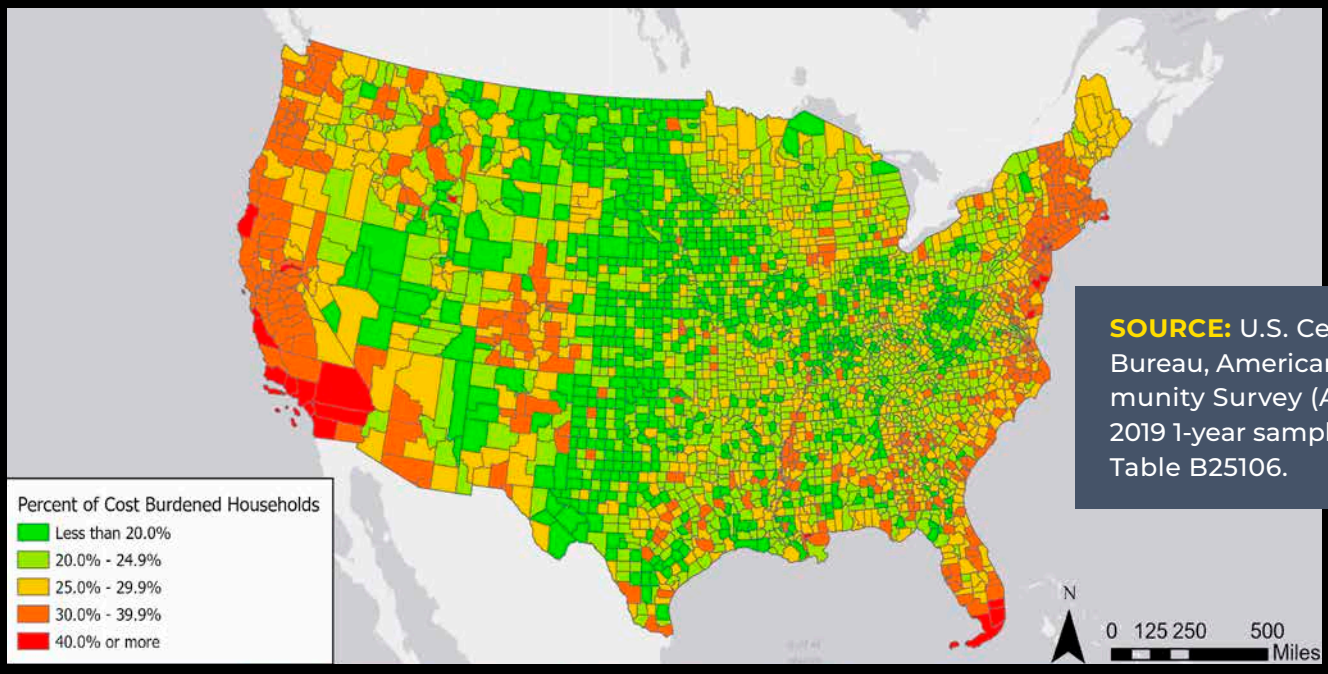
NOTE: All-Transactions House Price Index for California, Index Q1 1990=100, Quarterly, Not Seasonally Adjusted. Median household income inflation adjusted using 2019 CPI-U-RS adjusted dollars.

The implications of this mismatch between housing costs and incomes reverberate across the state, as many working families see their ability to afford housing slipping away. To provide just one example, in 2000, a public school teacher with an average salary of $68,000 would have earned enough to buy a median priced home. Today, that same teacher would have to earn closer to $115,000 to buy the median priced home in California, but the average teacher salary has increased to only $78,000. If they worked in Oakland, where teacher salaries are in line with the statewide average, they would need to earn closer to $170,000 to be able to buy a median priced house—assuming they could come up with a $200,000 down-payment.

THE MISMATCH BETWEEN HOUSING COSTS AND HOUSEHOLD INCOMES LEADS TO SEVERE HOUSING COST BURDENS, PARTICULARLY FOR LOWER-INCOME HOUSEHOLDS.

In 2019, about 40.6 percent of California households were housing cost-burdened, spending at least 30 percent of their household income on rent or mortgage payments. This represents a new record of over 5 million households in the state facing housing cost burdens. Although the problem of high housing costs has become especially acute in coastal, job-rich metro areas including Los Angeles, San Diego, and the Bay Area, households are facing high housing cost burdens throughout the state (Figure 5). Cost burdens are higher for renters: 53.1 percent of renter households in the state are cost burdened, compared to 29.7 percent of owner households.

Figure 5 **Percent of Households Burdened by Housing Costs**



SOURCE: U.S. Census Bureau, American Community Survey (ACS), 2019 1-year sample data, Table B25106.

Excessive housing cost burdens are particularly pronounced for lower-income renters, as shown in Figure 6. Approximately 92 percent of extremely low-income (ELI) renter households—those who make less than 30 percent of the median income for the county in which they live—are cost burdened, and nearly 80 percent of ELI renters are severely cost burdened, meaning they pay at least 50 percent of their income on housing. The majority of very low (50% of AMI) and low-income (80% of AMI) households are also cost burdened. As prices in the state have risen, affordability concerns are also moving up the income ladder. Between 2010 to 2019, the share of middle-income (80-120% of AMI) households who were cost burdened rose from 27 to 35 percent.

Figure 6 **Rent Burdens in California by Income Level, 2019**

SOURCE: U.S. Census Bureau, Public Use Microdata Sample (PUMS), 2019.

NOTE: Extremely Low-Income (0-30% AMI), Very Low-Income (30-50% AMI), Low-Income (50-80% AMI), Middle-Income (80-120% AMI), High Income (120% AMI and above)

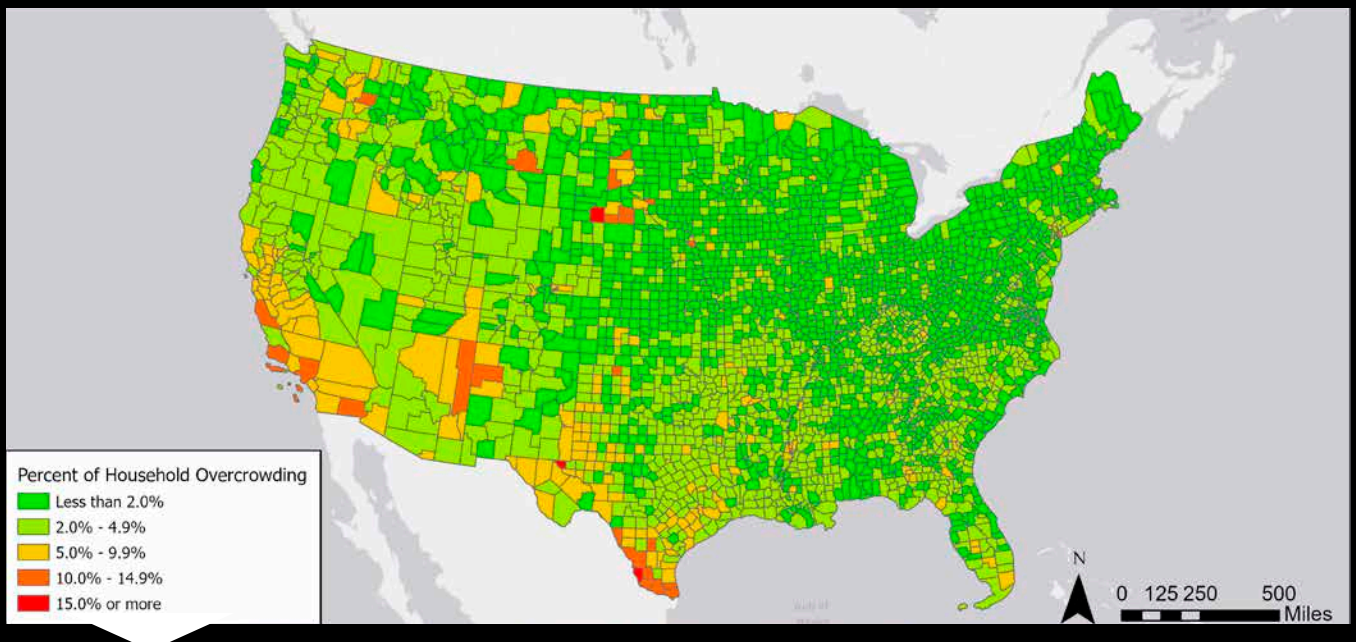
The lack of affordable housing increases economic insecurity among California families, and can force families to spend less on other basic necessities. Unaffordable housing costs can also force

families and individuals to accept substandard housing. California—especially Southern California—has a significantly larger percentage of overcrowded households than in other parts of the U.S. (Figure 7). Although overcrowding as a concept can be subject to differing urban environments and cultural norms, it has been identified as a key dimension of housing insecurity, as well as heightened risk of negative health impacts and COVID-19. Recent research found that just a 5 percent increase in the percent of households with poor housing conditions resulted in a 50 percent higher risk of COVID-19 incidence and a 42 percent higher risk of COVID-19 mortality across U.S. counties (Ahmad et al., 2020).

"Affordability metrics alone don't capture the full extent of need. Even when a renter isn't cost burdened it doesn't mean quality or sufficient housing, especially for families. Look at real life examples: whole families living in studio apartments in Chinatown or the Tenderloin."

- Pratibha Tekkey, Tenderloin Housing Clinic

Figure 7 **Percent of Households Facing Overcrowding**



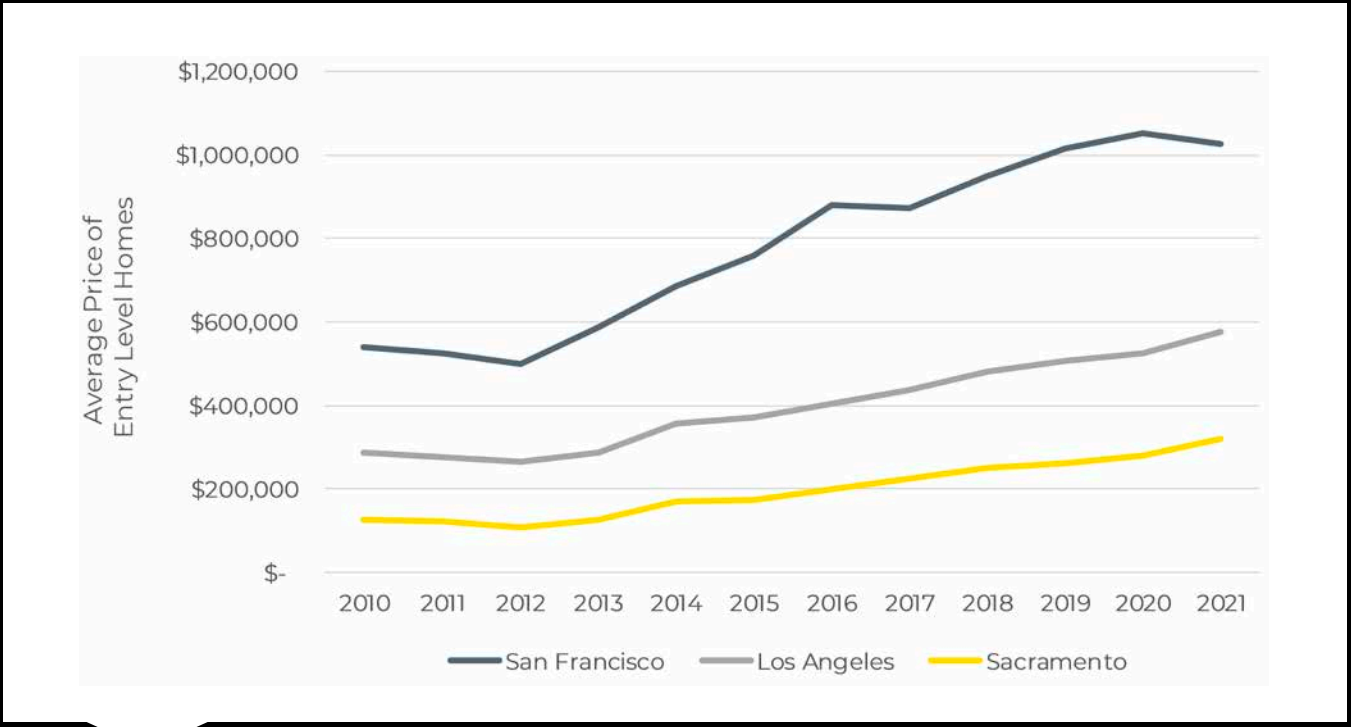
SOURCE: U.S. Census Bureau, American Community Survey (ACS), 2019 1-year sample data, Table B25014.

NOTE: Overcrowding is defined as households with more than one occupant per room

CALIFORNIA'S HIGH HOUSING COSTS CONTRIBUTE TO LOWER HOMEOWNERSHIP RATES, PARTICULARLY FOR HOUSEHOLDS OF COLOR.

Only 58.8 percent of Californians own their home, the third lowest homeownership rate in the country (behind only New York and Washington, D.C.). The combination of high home prices and tightened credit requirements has made it increasingly difficult for first-time homebuyers to enter the market. In addition, as construction costs have risen, new stock tends to be larger and sold at higher price points, leading to a dearth of "entry level" homes (Figure 8). The state's major metro areas have all seen a decline in the share of for-sale inventory priced at more affordable levels, and lower-tiered homes (defined as those in the bottom third of sales prices) have seen prices almost double since the recession (Kneebone & Trainer, 2019).

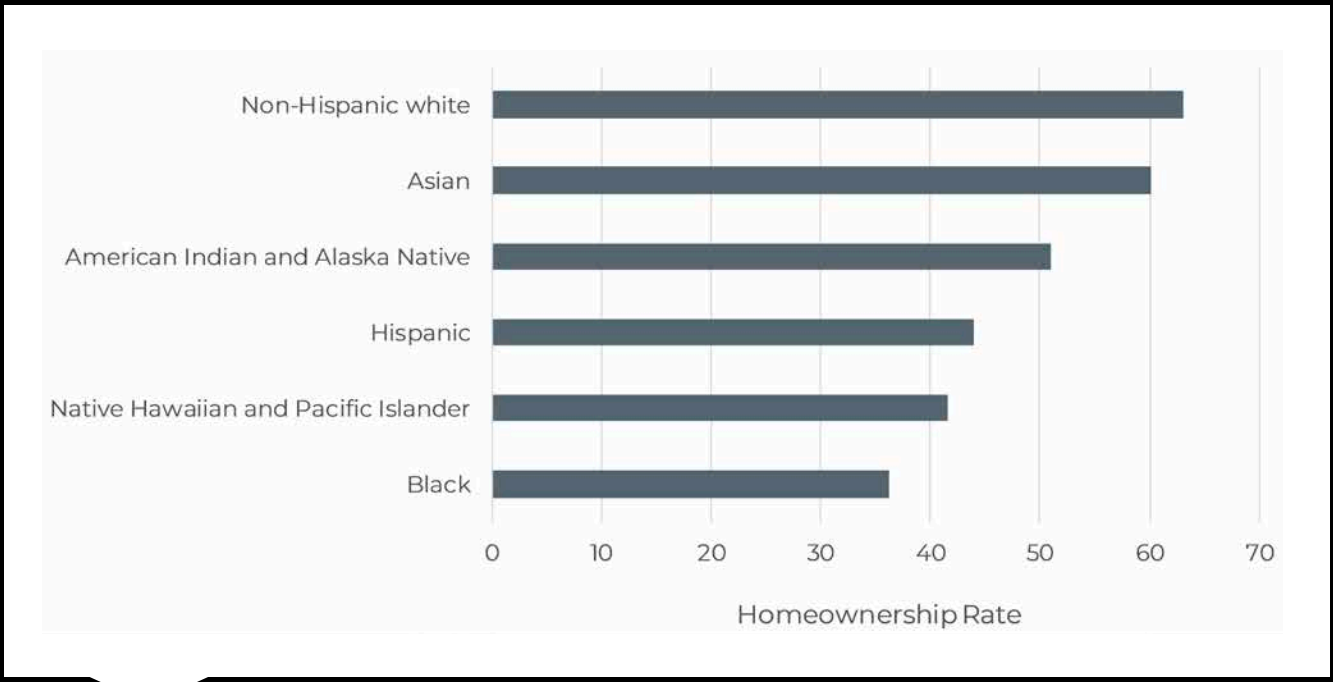
Figure 8 **Trends in Entry Level Home Prices, 2010 - 2021**



SOURCE: Zillow House Value Index (ZHVI), available online at https://www.zillow.com/research/data/. Entry level homes are defined as those comprising the bottom third of house prices in the metro area.

The lack of homeownership access is particularly pronounced for households of color. Approximately 63 percent of non-Hispanic white households in the state own their home, compared to just 44 percent of Hispanic households and 36 percent of Black households (Figure 9).

Figure 9 **Homeownership rate by Race/Ethnicity, California, 2019**



SOURCE: American Community Survey, 2019, 1-Year Estimate, B25003

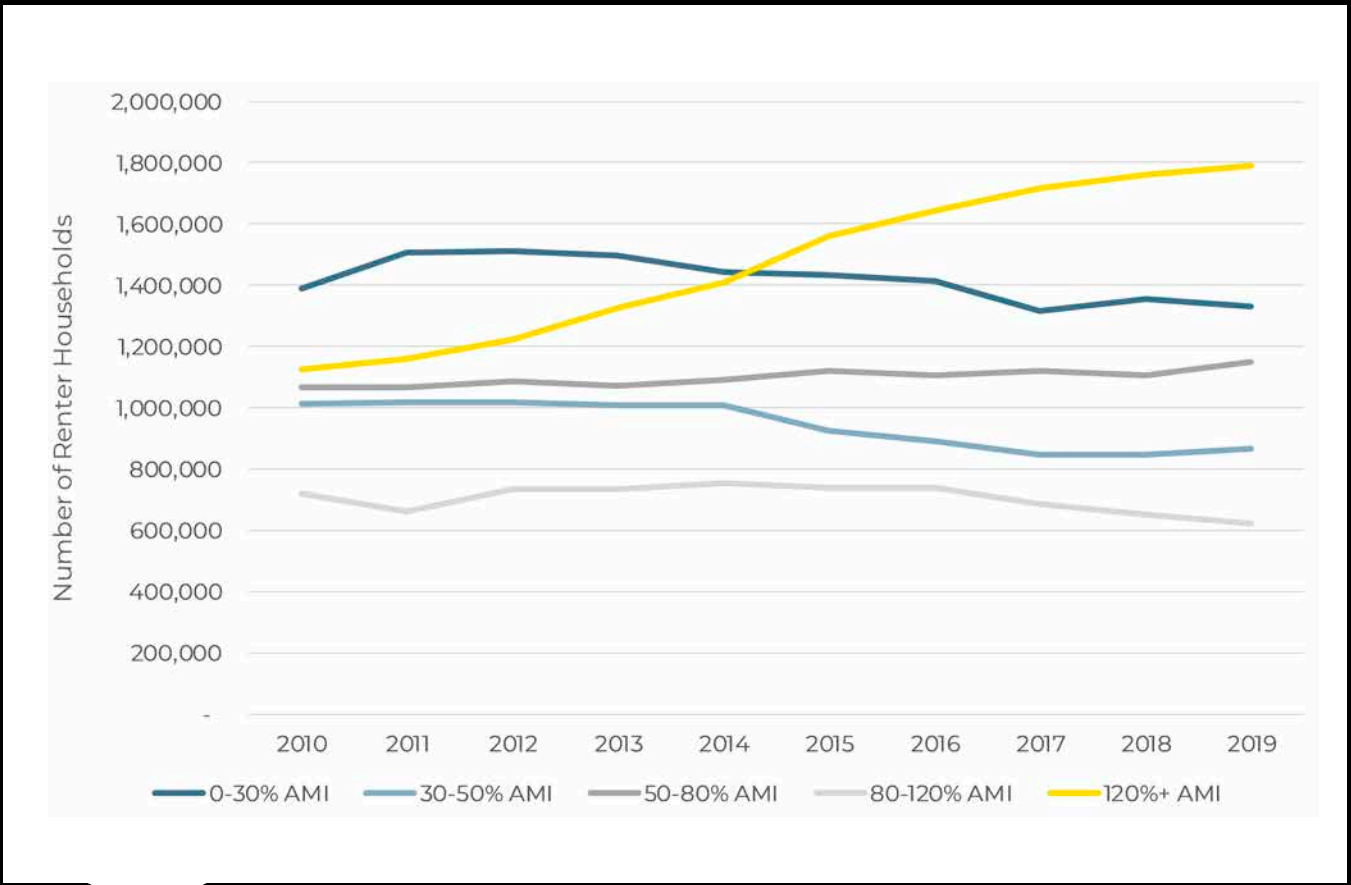
NOTE: Does not include data for Two or More Races or Other Race

AN INCREASING SHARE OF CALIFORNIA HOUSEHOLDS ARE RENTERS, PLACING ADDITIONAL PRESSURE ON THE EXISTING RENTAL STOCK.

The high cost of homeownership has led to an increase in rental demand, including among higher-income households. In California, the number of renters grew 12 percent between 2009 and 2019, adding more than 630,000 renter households. This growth in rental households can be tied to a number of interrelated factors, including the foreclosure crisis, the impact of the recession on household incomes, rising student and consumer debt, rising home prices, and

the difficulties of obtaining credit as banks have tightened their lending standards. High-income households earning 120 percent of AMI or greater comprise the largest share of rental market growth in California since 2010 (Figure 10).

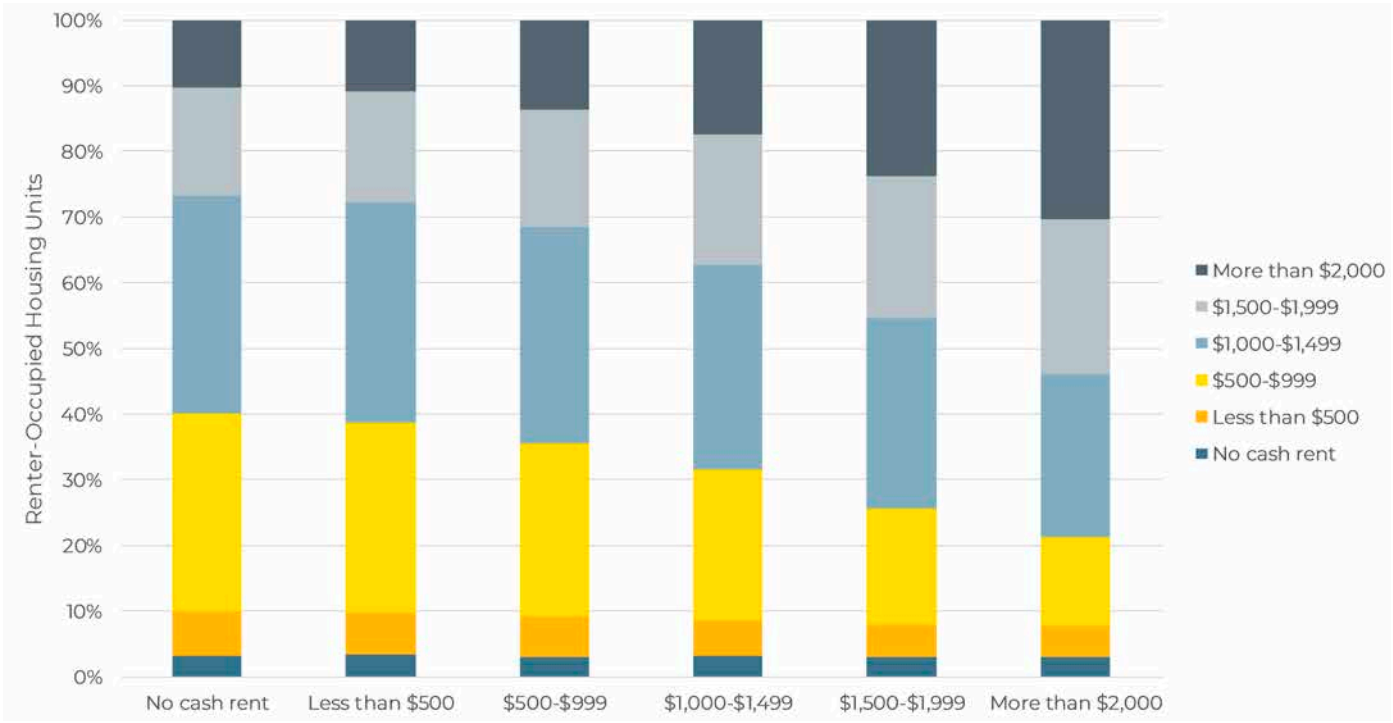
Figure 10 **California Renter Household Growth 2010-2019, by AMI Band**



SOURCE: American Community Survey, PUMS data, 1 year estimates, and California Department of Housing and Community Development Income thresholds.

The overall lack of supply—coupled with the growth in higher income renter households who can bid more for available units—places pressure on the rental supply, leading to a rise in rents across the board. Between 2009 and 2019, California's share of units with rents less than $1,000 per month decreased from around 40 to 20 percent, a loss of almost 900,000 units (Figure 11).

Figure 11 **California Supply of Rental Units by Gross Rent, 2011-2019**



SOURCE: U.S. Census Bureau, American Community Survey (ACS), 2009, 2011, 2013, 2015, 2017, and 2019 1-year sample data, Table B25063.

In addition to the loss of affordable non-subsidized units (sometimes referred to as Naturally Occurring Affordable Housing or NOAH), there are concerns that an increasing number of subsidized properties will convert to market-rate. The California Housing Partnership (CHPC) estimates that since 1997, roughly 18,000 affordable rentals have been lost due to owner decisions to opt-out of affordability covenants (California Housing Partnership, 2021). They expect this trend to accelerate; their 2021 analysis of subsidized units at risk of market-rate conversion finds that there are more than 30,000 affordable homes at risk of losing their subsidy or affordability covenants in the next decade, and that 23 percent may convert to market-rate in just the next year.

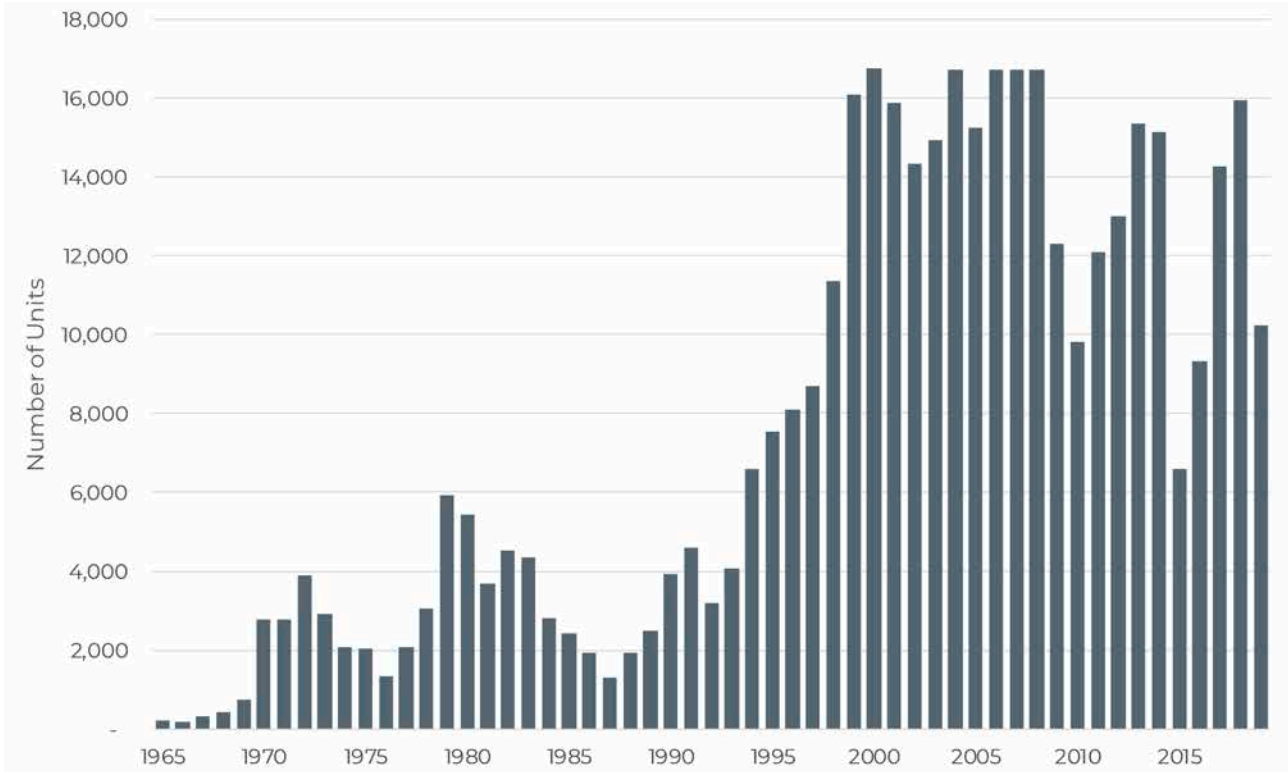
FUNDING FOR HOUSING ASSISTANCE TO HELP LOWER-INCOME HOUSEHOLDS IS INSUFFICIENT TO MEET DEMAND.

The loss of lower-cost rentals is particularly troubling in light of the fact that new market supply is not affordable to lower-income households, nor will market-rate construction "filter" down fast enough to fully address the state's affordable housing crisis. Rents affordable at 30 or 50 percent of area median income (AMI) are too low to cover the landlord's operating expenses, much less development costs, meaning that some form of subsidy to either the landlord, tenant, or developer is needed to support the long-term affordability and quality of the unit (Collinson, 2011). Public funding is needed to support these households with programs such as rental assistance, affordable housing construction, and legal aid, yet these programs are sorely underfunded at both the state and federal levels.

Indeed, subsidized housing in the United States has never been an "entitlement program" (unlike food stamps, for example, which are available to any household that meets the eligibility requirements). In California, less than one in four households who are eligible for housing assistance receives it (Fischer & Sard, 2017). As the state's affordable housing crisis has worsened, the supply of Housing Choice Vouchers—which allow tenants to rent units on the market and have part of their rent paid by the federal government—has remained essentially flat.

Even as the state has bolstered its production of subsidized housing units (Figure 12), these new units are nowhere near enough to make up for the loss of the affordable market stock. Unstable funding for affordable home development is impeding the ability to meet California's housing needs, particularly for lower-income households. In recent years, the state legislature and voters have approved billions of dollars in new funding for affordable housing targeted at low-income households, veterans, unhoused residents, and farmworkers, among others. However, federal gap financing—through programs such as HOME and the Community Development Block Grant—has declined steadily over the years. Between 2003 and 2015, the annual allocations to California for these two programs alone dropped from over $1.08 billion to just $480 million, even as the affordability crisis worsened (CA Department of Housing and Community Development, 2018).

Figure 12 **Annual Production of Subsidized Housing Units, California**



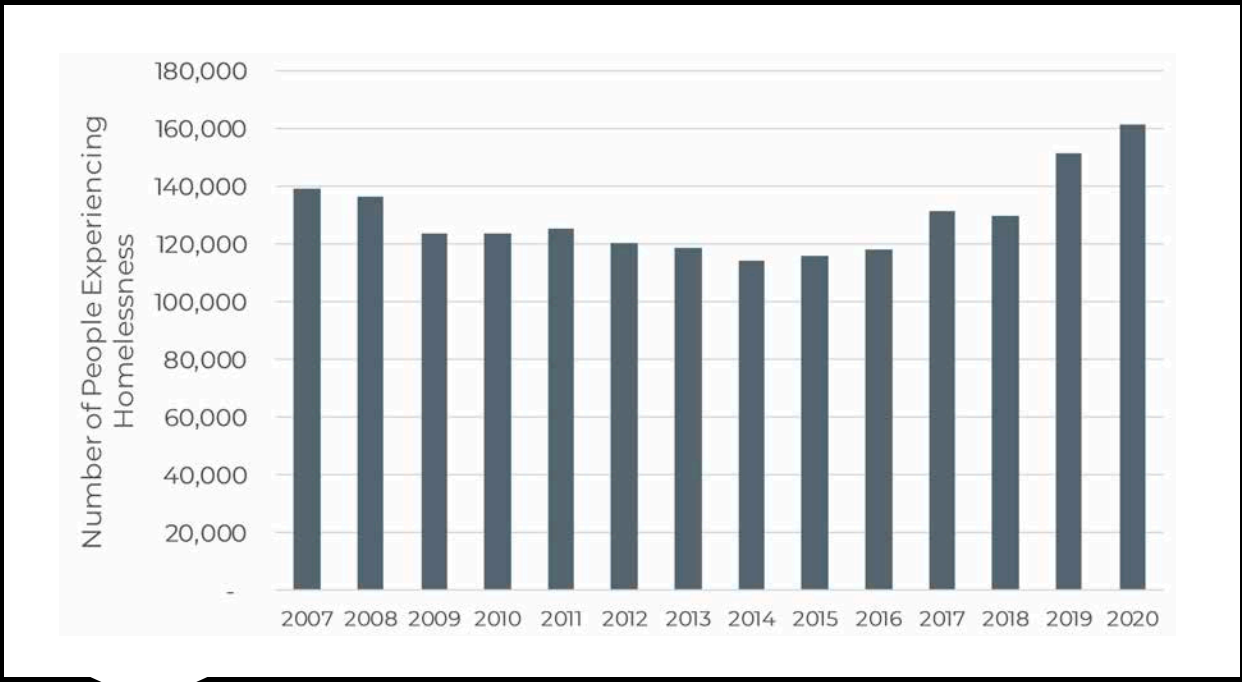
SOURCE: California Housing Partnership, data available online at https://chpc.net/benefitsmap.

THE AFFORDABILITY CRISIS IS CONTRIBUTING TO RISING HOMELESSNESS ACROSS THE STATE.

The growing number of households facing rising housing costs and cost burdens contributes directly to the state's homelessness crisis (Figure 13). In 2020, an estimated 161,500 individuals in California were unhoused, though this point-in-time estimate is considered by many to be a gross underestimate of the number of people who experience homelessness throughout the year. The rate of homelessness in California, at 40.9 per 10,000 residents, is fourth highest in the nation after Washington DC, New York, and Hawaii. Indeed, more than one-quarter of people who are experiencing homelessness in the United States live in California, though the state is

home to only 12 percent of the nation's overall population. Furthermore, while homelessness in the rest of the country has either remained steady or declined, California's homeless population has increased by nearly 40 percent—an additional 45,800 individuals—in the last five years (HUD, 2020).

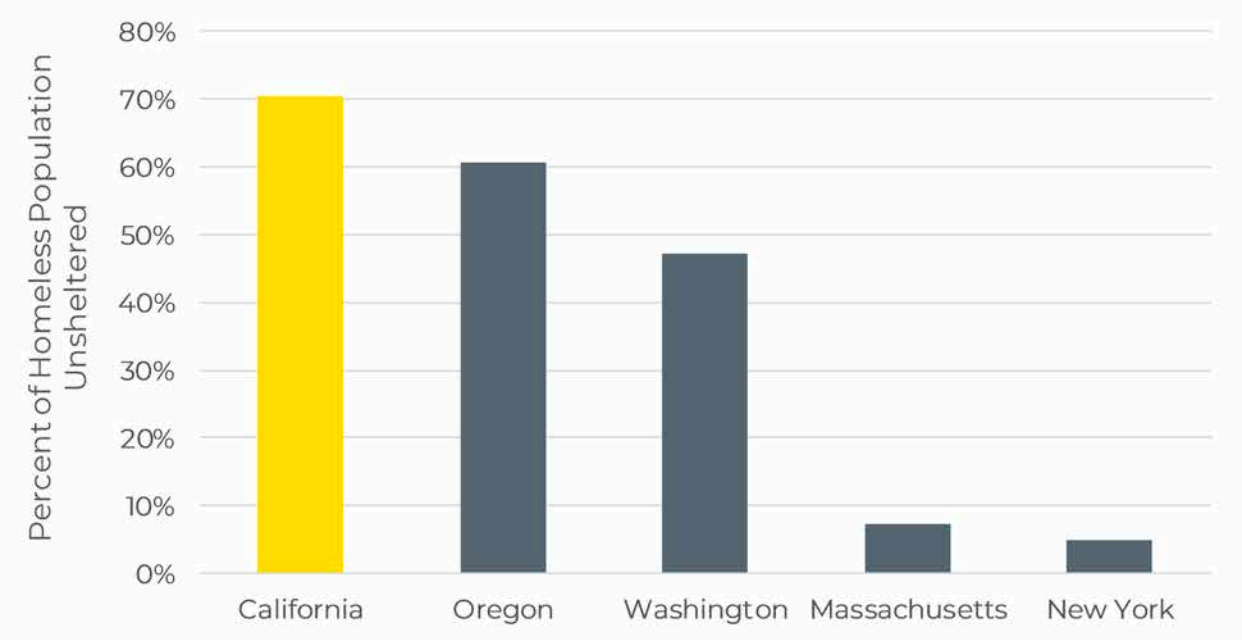
Figure 13 **Growth in California's Homeless Population, 2007-2020**



SOURCE: U.S. Department of Housing and Urban Development (HUD), Continuums of Care, Point-in-Time Count, 2007-2020.

Not only does California have the highest absolute number of unhoused people, it also continues to have the largest share of unsheltered homeless individuals in the United States. Nearly 70 percent of California's homeless population is unsheltered (Figure 14). There are nearly ten times more unsheltered homeless individuals in California than in any other state (National Alliance to End Homelessness, 2020). This difference is most apparent between California and Massachusetts and New York, which both have "Right to Shelter" laws, but the share of homeless who are unsheltered in California also remains higher than in Oregon or Washington, which don't.

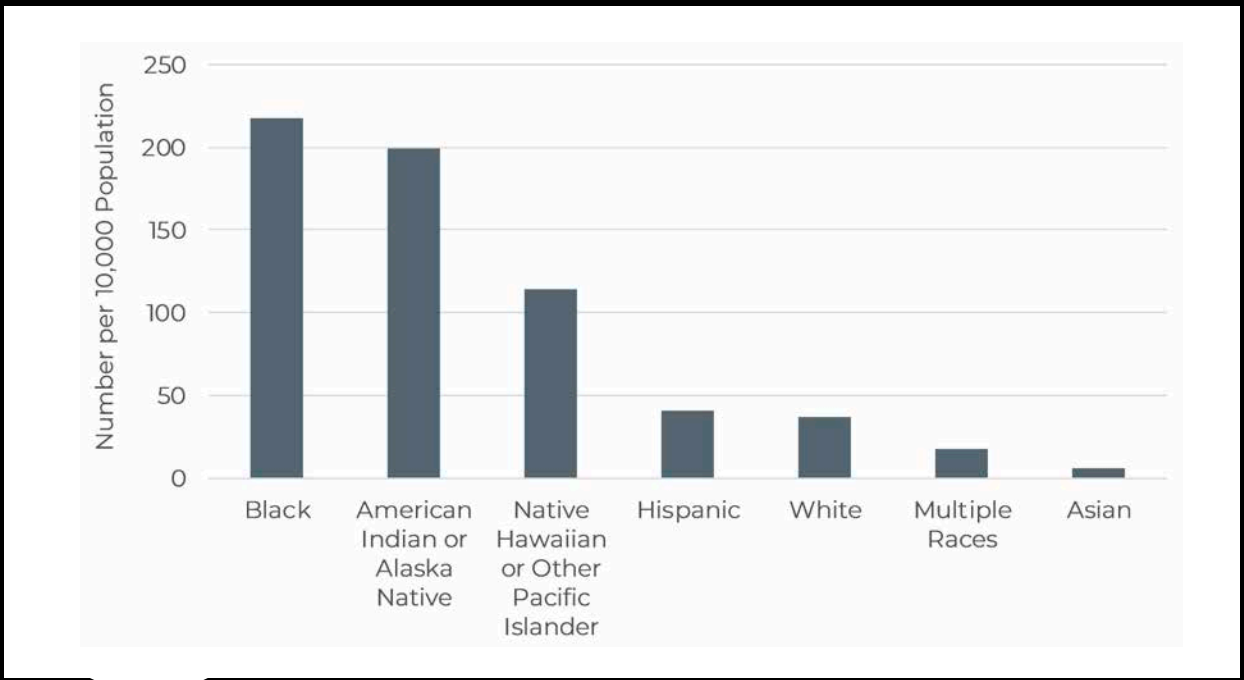
Figure 14 **Percent of Unsheltered Homeless by State, 2007-2020**



SOURCE: U.S. Department of Housing and Urban Development (HUD), Continuums of Care, Point-in-Time Count, 2007-2020.

Longstanding and systemic racial discrimination leads to significant disparities in who is represented among the homeless population. People of color are significantly more likely to experience homelessness (Figure 15). Black individuals have the highest rate of homelessness in the state (217 out of every 10,000 Black individuals were homeless in 2020). Native Americans, while a small share of the overall population, also have significantly higher risk of experiencing homelessness, as do Native Hawaiians and Pacific Islanders.

Figure 15 **Homelessness in California by Race and Ethnicity**



SOURCE: U.S. Department of Housing and Urban Development (HUD), Continuums of Care, Point-in-Time Count, 2020; U.S. Census Bureau, ACS, 2019 one-year sample data, Table B02001.

Though many people believe that California's mild weather and relatively generous social spending "attracts" unhoused people to the state, surveys indicate that the large majority of homeless individuals have lived in their current county for at least ten years. In Los Angeles, for example, about 64 percent of homeless unsheltered adults lived in the county prior to becoming homeless while only 22 percent were from out of state (LASHA, 2020). While the causes of homelessness are complex and multifaceted, studies repeatedly show a strong association between housing affordability and homelessness. About 59 percent of unhoused residents in Los Angeles County attributed their homelessness to economic hardship in 2020, more than any other cause (LASHA, 2020). Similarly, the majority of San Francisco's homeless cited losing their jobs as the primary reason (26 percent) for their inability to obtain or retain housing, whereas alcohol or drug use (18 percent) and mental health issues (8 percent) were less common. Lack of housing further perpetuates homelessness and poverty, as 28 percent of respondents reported that having no permanent address was the greatest obstacle to obtaining employment (HIRD, 2019).

We increasingly see criminalization of homelessness, and the linking of new supportive housing with criminal enforcement strategies around encampments. In LA, new ordinances intentionally link criminalization and displacement to programs creating much-need new housing. This false choice is unjust and counter-productive. How do we build the housing we absolutely need, but in a way that doesn't increase criminalization practices that are counterproductive to the goal?

- Doug Smith, Public Counsel

Homelessness entails significant costs, both to those experiencing housing instability or the lack of shelter, and to the state as a whole. Homelessness is associated with poor physical and mental health, and unsheltered individuals have higher rates of HIV infection, alcohol and drug abuse, mental illness, tuberculosis, and other conditions. Individuals experiencing homelessness also face greater challenges in accessing health care, and the chronic stress associated with the lack of housing can either trigger or exacerbate mental health problems and chronic conditions. The cost of treating the chronically homeless with medical services and criminal justice interventions can also far exceed the cost of prevention and rapid re-housing: In Santa Clara County, for example, 5 percent of homeless individuals cost an average of over $100,000 in public assistance in a single year, with most of the cost attributed to medical expenses including emergency room visits, inpatient care, and mental health treatment (Flaming et al., 2015).

ALTHOUGH HIGH HOUSING COSTS ARE CONCENTRATED IN THE STATE'S COASTAL AREAS, CALIFORNIA'S RURAL AND INLAND COMMUNITIES ALSO EXPERIENCE CHALLENGES RELATED TO HOUSING AFFORDABILITY, QUALITY, AND INSECURITY.

California's inland and rural counties have some of the highest poverty rates in the state. Table 1 ranks the top 15 counties in the state with the highest rates of poverty. Poverty rates in counties such as Imperial, Fresno, and Humboldt are almost twice as high as the state's overall poverty rate (at 11.8 percent). These high rates of poverty contribute to high housing cost burdens. In California, 36 percent of rural households are cost-burdened, exceeding the national rural average of 25 percent (Scally & Gilbert, 2018).

Table 1 **Poverty Rates, Top 15 Counties, 2019**

Top 15 Counties by Poverty Rate	Poverty Rate
Imperial	25.1
Fresno	20.6
Humboldt	19.6
Kern	19.1
Tulare	18.8
Yolo	18.1
Madera	17.6
Merced	16.8
Butte	15.9
Kings	15.2
Yuba	14.7
San Joaquin	13.7
Los Angeles	13.4
San Bernardino	13.3
Mendocino	13.2

SOURCE: U.S. Census Bureau, American Community Survey (ACS), 2019 1-year

Native American populations living on tribal lands and farmworkers face particularly severe housing challenges. Between 15 and 20 percent of homes on tribal land require major physical improvements and need to be modernized, substantially rehabilitated, or completely replaced. Substandard and structurally deficient conditions are common in farmworker housing as well, conditions that are often worsened by crowding or lack of affordability (CA Department of Housing and Community Development, 2018).

"Inland and rural communities struggle with providing affordable housing; the costs of building are still high, but market rents are low, meaning that supply doesn't get built. And there's not as much local funding as in coastal areas to 'close the gap.' So we see high rates of housing cost burdens and insecurity."

- Kristine Williams, Enterprise Community Partners

Rural and inland counties can also face greater challenges in providing affordable housing, particularly when incomes are too low to support new housing developments. Tenant protections are also often weaker; despite lower total evictions, rural counties such as Merced, Tulare, and Lake all have eviction rates that are four to five times as high as in places like San Francisco or Los Angeles. Rural households can also face challenges in accessing legal aid organizations or other community service organizations (Pruitt & Newman, 2019).

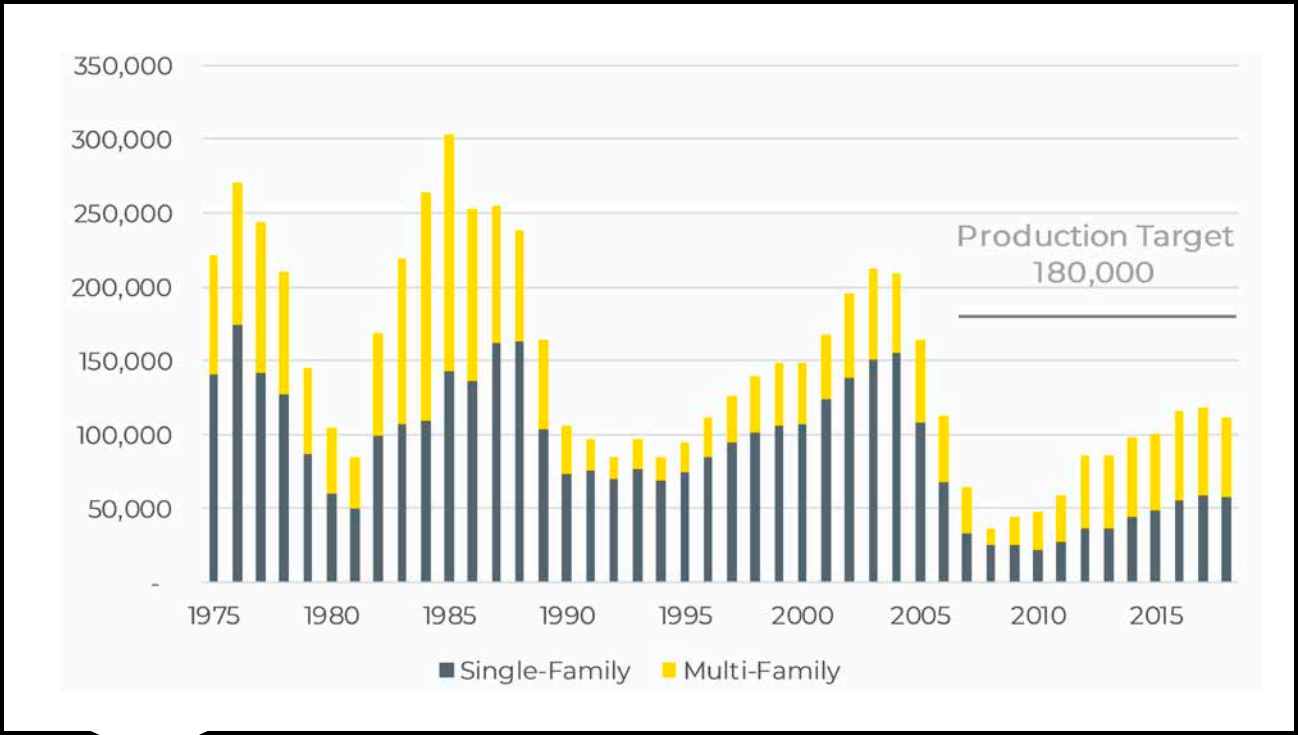
THE MAJOR DRIVER OF CALIFORNIA'S AFFORDABILITY CRISIS IS ITS FAILURE TO BUILD ENOUGH HOMES TO MEET DEMAND.

California's housing crisis is, in large part, attributable to the fact that the production of housing has fallen far below current and growing demand. California ranks 49th among all U.S. states in terms of housing units per capita, with 358 units per 1,000 people, far below the national average of 419 units per 1,000 people (Woetzel et al., 2016). Although estimates vary as to the actual production needed to address the lack of supply, [1] California's housing agencies project that the state needs to build 1.8 million new homes between 2015-2025 to meet demand—an estimated 180,000 units per year (California Department of Housing and Community Development, 2018). The greatest need is for low-cost homes, with California requiring an estimated 1.3 million homes to meet the current needs of low-income households across the state (Mazzella & Rosenfeld, 2020).

[1] A 2015 analysis by the state Legislative Analyst's Office estimated an average shortfall of 70,000 to 110,000 units per year between 1980 and 2010, and identified the underproduction of housing as a key contributor to California's high housing prices (California Legislative Analyst's Office, 2015). A 2016 report by the consulting firm McKinsey estimated a housing gap of 3.5 million homes (McKinsey Global Institute et al., 2016), and this target was adopted by advocates and elected officials across the state, including Governor Gavin Newsom, who called for building 500,000 new homes per year for the next 7 years (Newsom, 2017).

Although housing production has climbed considerably since the Great Recession, compared to historical patterns—both in per capita and in absolute terms—production is at a relative ebb. The state built an average of 204,000 units per year from 1963 to 1989, yet it averaged only 114,000 units per year between 1990 and 2019 (California Department of Finance, 2019). Indeed, even the recent "boom" falls far short of the 180,000 homes per year needed to meet estimated demand (Figure 16).

Figure 16 **California Construction Authorized Through Building Permits, 1975-2019**



SOURCE: 1975-2019 annual residential construction permit data from Construction Industry Research Board. 2015-2025 Projected Annual Need from HCD Analysis of State of California, Department of Finance.

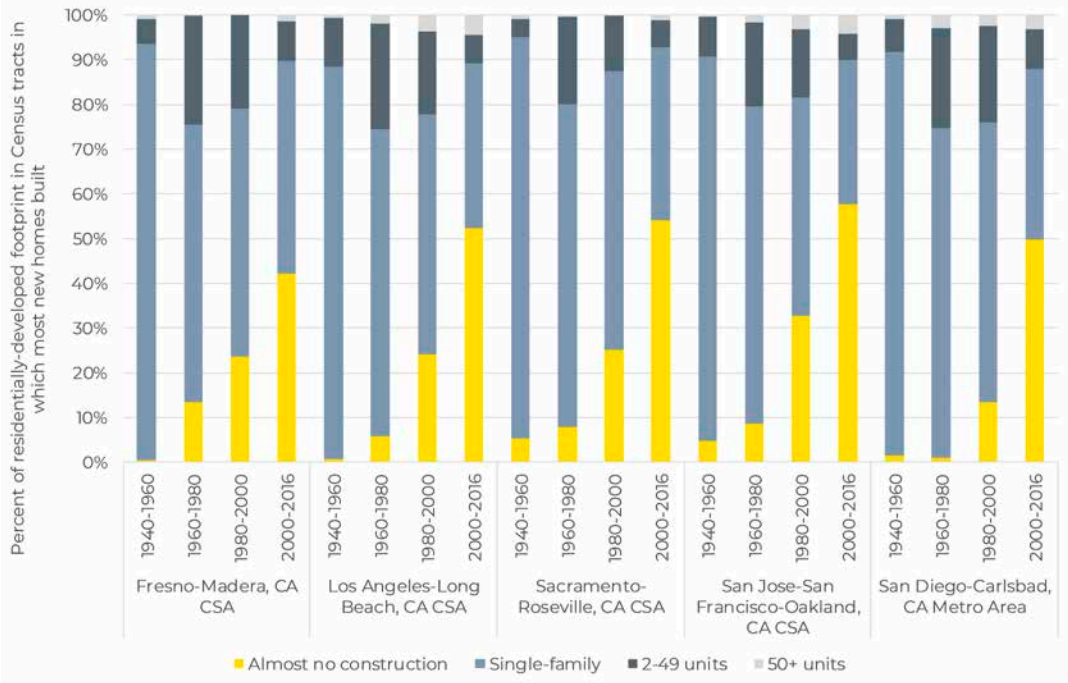
The lack of production has been especially acute for multifamily housing. Although the share of multi-family permits has increased since 2009, the majority of housing development in California remains in single-family homes. A Terner Center survey of local jurisdictions in California found that on average, nearly 75 percent of land within cities was zoned to only allow single-family homes, while only 20 percent allowed for multi-family development (Mawhorter & Reid, 2018). This restrictive zoning regime has prevented a gradual densification of the urban core: the majority of new residential construction in California has occurred on the periphery of its metro areas, or in just a few select neighborhoods (Romem, 2018).

"Whether to do infill or greenfield development is a false question. We won't solve our housing problems with just infill - and we won't solve it with greenfield alone. We need more production everywhere."

-Randall Lewis, Lewis Group of Companies

Figure 17 shows the shifting patterns of development in select California metropolitan areas from the 1940s to the present. Two notable patterns stand out: first, the growing share of neighborhoods that produce no new housing at all. Nearly 50 percent of neighborhoods added less than 0.1 new homes per acre per decade. Transitioning a neighborhood from a stereotypical suburban density of 4 homes per acre to a borderline walkable one of 10 homes per acre at this rate would take more than 600 years (Romem, 2018). Second, even with the focus on building more infill and multi-family housing, the past two decades have still seen less dense development than in the 1960s and 70s, greatly undermining affordability and climate change mitigation goals.

Figure 17 **Shifting Patterns of Metropolitan Housing Production, 1940-2016**



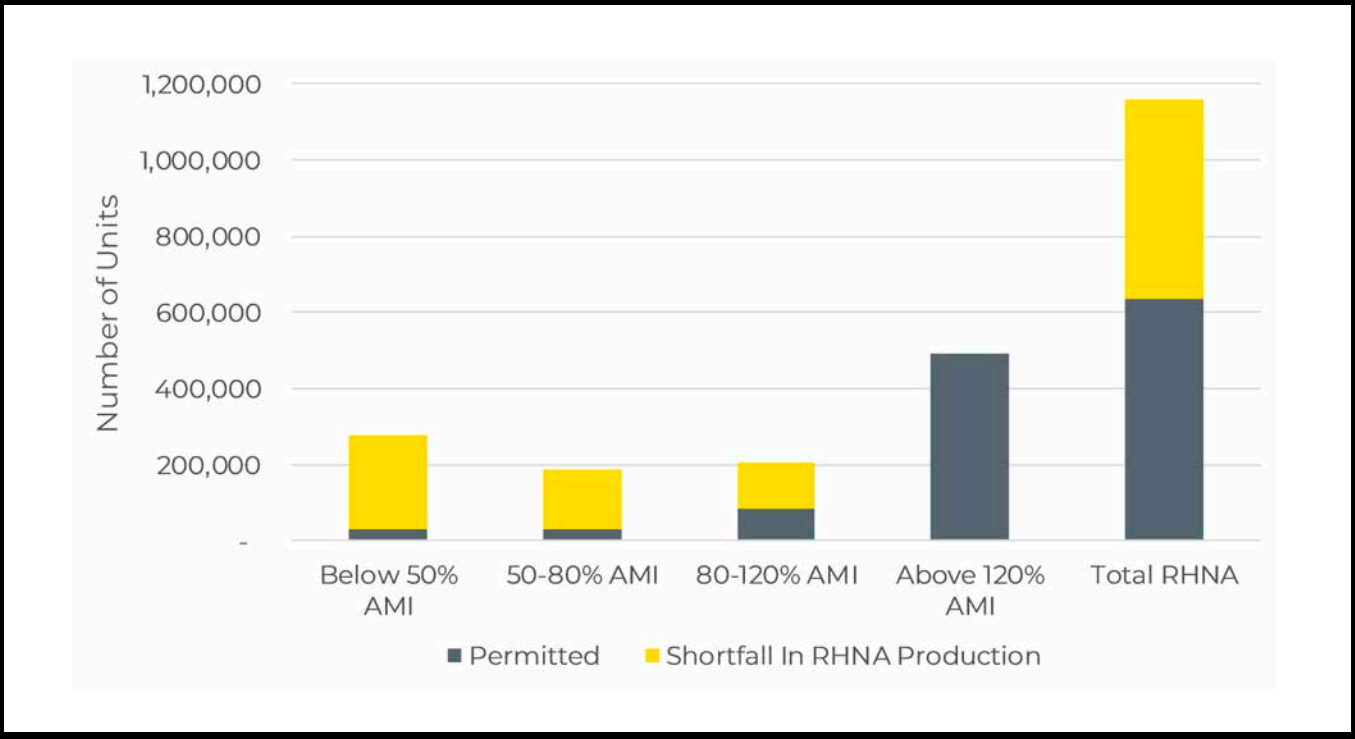
SOURCE: Romem, Issi. "America's New Metropolitan Landscape: Pockets Of Dense Construction In A Dormant Suburban Interior." BuildZoom, 2018. https://www.buildzoom.com/blog/pockets-of-dense-construction-in-a-dormant-suburban-interior.

"There's been a dramatic increase in production on the above market side —120% of AMI and above—over the last 8 years, in part due to zoning changes. But we're still far short of the need for affordable housing production, which has a lot to do with lack of funding."

-Helmi Hisserich, LeSar Development Consulting

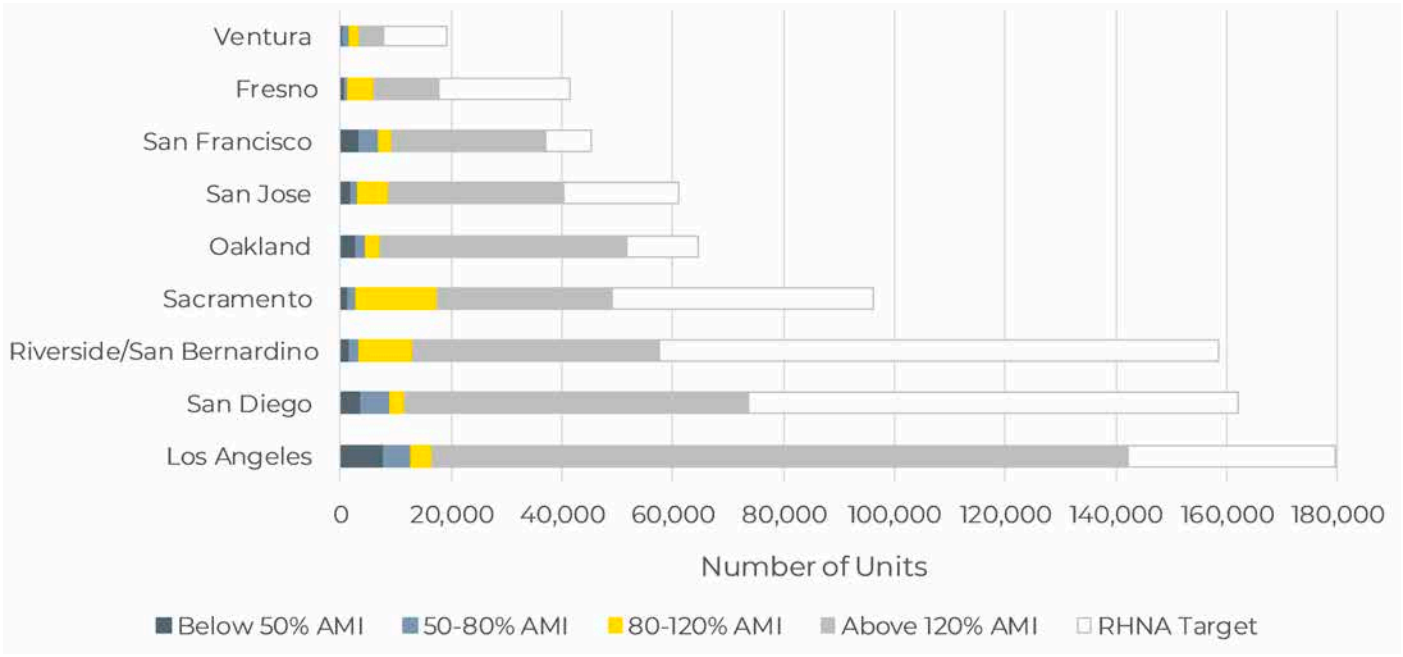
Indeed, across the state, land use and zoning restrictions continue to inhibit the production of new housing stock to meet demand. California is one of the few states in the nation that has a "fair share" housing law. Passed in 1969, this law requires all California cities, towns, and counties to plan for new housing needs—established by the Regional Housing Needs Allocation (RHNA) process—in their General Plan Housing Element. Although there is significant debate about the effectiveness of the RHNA process and the methodology by which the allocations are set (El-mendorf et al., 2020), data show that even with relatively modest targets, jurisdictions are far

Figure 18a **Progress towards RHNA Production by Income Group, California, 5th Cycle**



from meeting their production goals, especially for housing affordable to lower-income households. The 5th RHNA cycle—which spans 2013-2021 or 2014-2022 based on the region of the state—allocated approximately 1.2 million units for production across the state's jurisdictions, broken down by affordability levels. While the 5th cycle isn't concluded for all jurisdictions, less than 15 percent of the target for housing units affordable to those earning less than 80 percent of AMI has been met, although the state as a whole has met its targets for units affordable to households over 120 percent of AMI (Figure 18a). There are also variations across MSAs in terms of progress toward meeting RHNA targets (Figure 18b).

Figure 18b **Progress towards RHNA Production, California Metros, 5th Cycle**

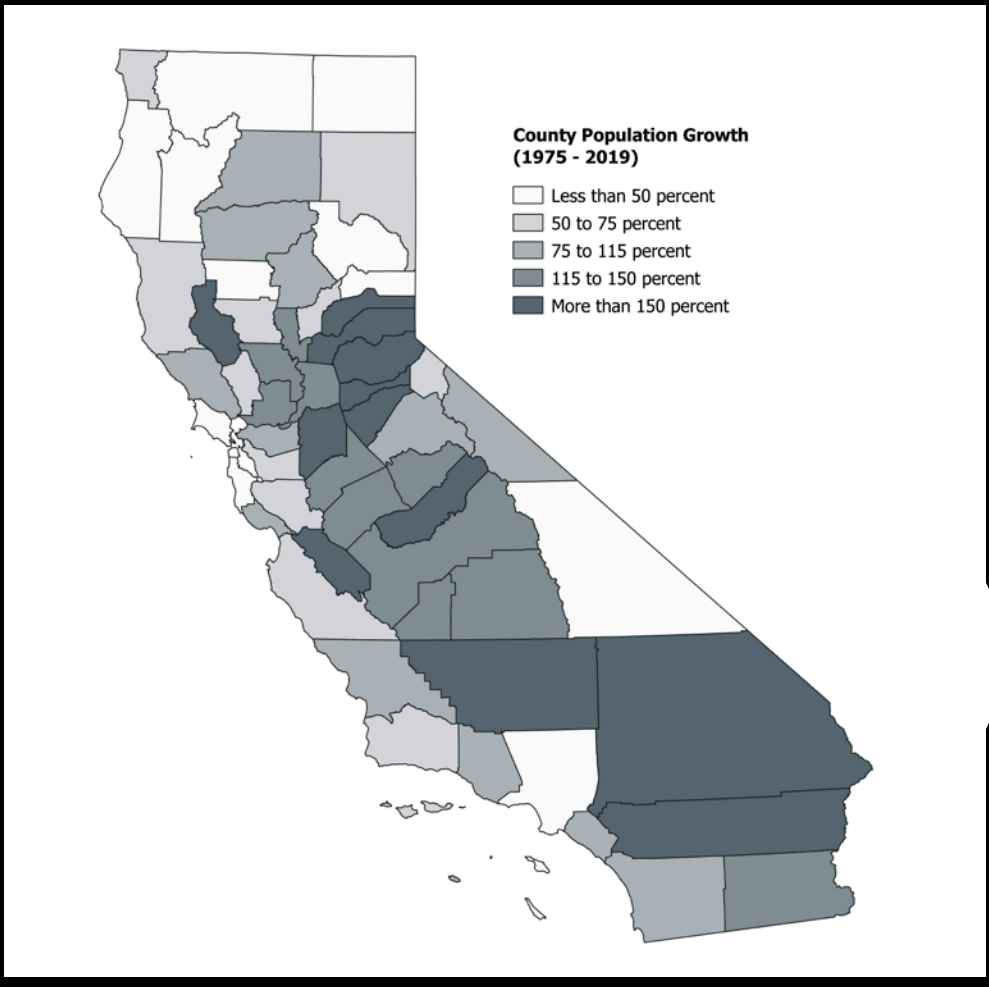


SOURCE: Terner Center analysis of the California Department of Housing and Community Development's 5th Cycle Annual Progress Report Permit Summary, Reporting Year 2019.

THESE SHORTFALLS IN HOUSING PRODUCTION LEAD TO A MISMATCH BETWEEN THE PRICE AND LOCATION OF HOUSING AND THE DIVERSE NEEDS OF CALIFORNIA'S POPULATION AND LABOR FORCE.

Even as the production of new supply has lagged, the demand for housing has continued to grow. California's population has nearly doubled over the past half-century, from just under 20 million people in 1970 to 39.5 million in 2021. The fastest growth rates have been in inland Southern California counties, followed by the Central Valley (Figure 19). The state's population did decline in 2020—for the first time since the state was founded—but only by approximately 180,000 residents, and most experts assume that this decline was temporary due to conditions created by the COVID-19 pandemic (California Department of Finance, 2021).

Figure 19 **Population Growth Rates (1975-2019) by County**



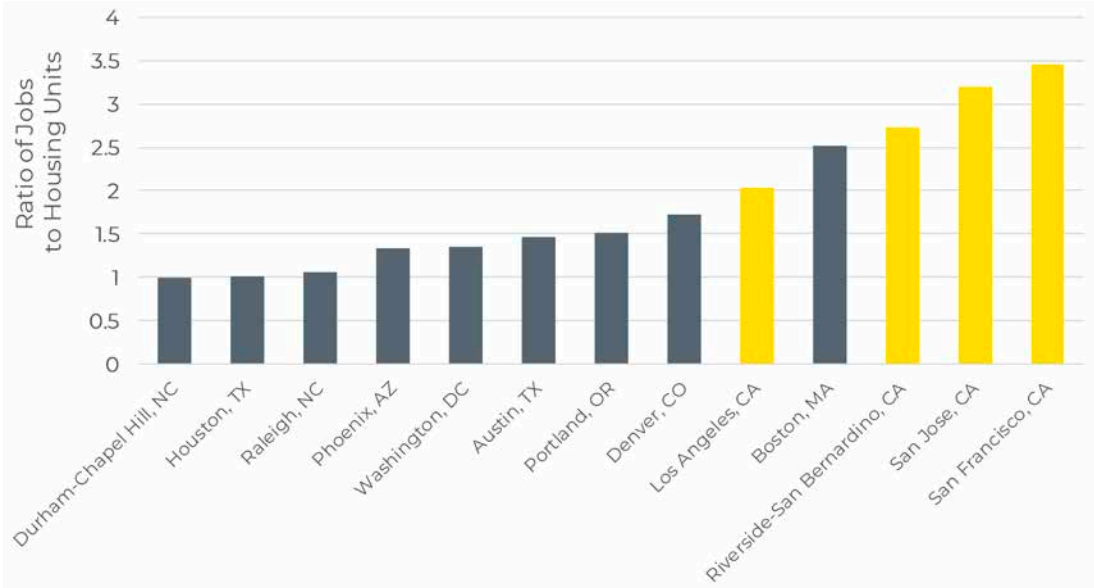
SOURCE: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change—January 1, 2020 and 2021. Sacramento, California, May 2021.

"We have a housing shortage. Objective measures of that are important. We have had to invent our own, like 'homes per adult'. This gets people's attention. People always want to know 'how many units do you need? We want to get up to the national average.'"

-Matt Glesne, City of Los Angeles

Analysis of county-level employment and housing stock increases shows that housing growth lags far behind job growth, particularly in Los Angeles and the Bay Area (Mawhorter, 2019). California cities build significantly less housing than other metropolitan areas in relation to the number of jobs created (Figure 20). This jobs-housing imbalance, especially in employment-rich centers, has led to a decline in the share of workers who live and work in the same city. Recent research shows that these imbalances are also contributing to households moving further from their jobs, increasing commute distance across the state (Blumenberg & King, 2021; Taylor et al., 2020).

Figure 20 **Jobs-Housing Ratio, High Job-Growth Metro Areas, 2008 -2019**



NOTE: Ratio is the change in annual average wage and salary employment over the number of housing permits issued between 2008 and 2019.

SOURCE: Kober, Eric. The Jobs-Housing Mismatch: What it Means for U.S. Metropolitan Areas, Manhattan Institute, July 7, 2021. Available online at https://www.manhattan-institute.org/jobs-housing-mismatch-what-it-means-metropolitan-areas.

THE STATE'S HOUSING SUPPLY IS ALSO POORLY SUITED TO MEETING THE NEEDS OF CALIFORNIA'S CHANGING DEMOGRAPHICS.

California's changing demographics also have far-reaching implications for its future housing needs. The state is becoming increasingly diverse: Latinos surpassed whites as the state's single largest ethnic group in 2014. In 2019, no racial or ethnic group constituted a majority of California's population: 39% of state residents were Hispanic, 36% where non-Hispanic white, 15% were Asian or Pacific Islander, 6% were Black, with the remaining percentages comprised of Native Americans, Alaska Natives, or those who self-identified as multiracial or other. California is also home to the highest share of foreign-born residents in the United States. According to 2019 estimates, 27 percent (or 10.6 million) of Californians are foreign-born, more than double the share in the rest of the nation (12 percent). The lack of housing supply priced at entry levels for these often younger, lower-income households limits their ability to buy homes, as current supply disproportionately favors those households with generational wealth (Loh and Farrar,

"Thirty to 100 years from now, what kind of housing will be there for community members? .... We need diversification: seniors, family, and single adult housing."

- Pratibha Tekkey, Tenderloin Housing Clinic

The second important trend is the aging of California's population. By 2030, about one in five Californians will be 65 or older, an increase of approximately 3 million senior households. This shift will increase the number of seniors facing housing affordability and independent living challenges, especially among structurally vulnerable groups such as renters, people of color, and those who live in the rural regions of the state. Although the increase in older populations will also increase the supply of housing for sale (as seniors move out of their homes), in California, Proposition 13 (which in effect fixes property taxes at the time of purchase) serves to lower exits from homeownership, potentially keeping older Californians in place longer than they

"In the past people would move when they retire, but now people are retiring in place meaning existing housing doesn't turn over as quickly."

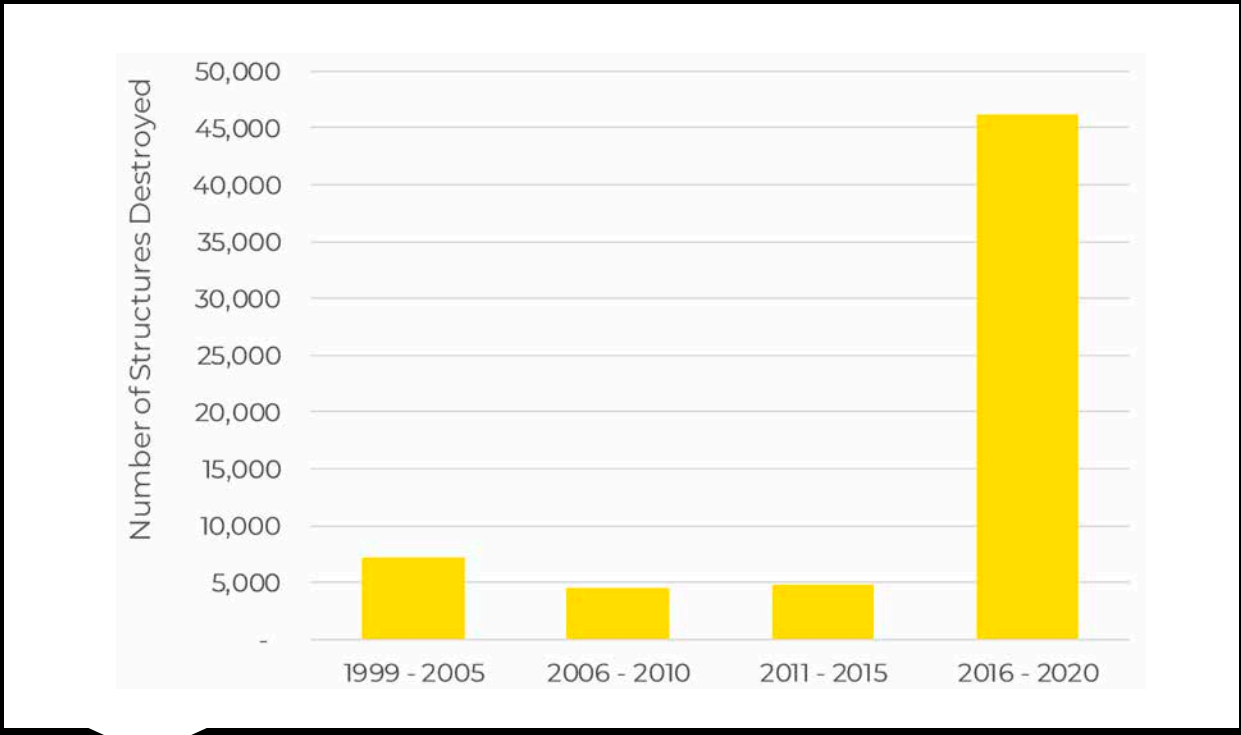
-Alfred Twu, East Bay for Everyone

would otherwise choose (Wasi & White, 2005). In addition, the growth in the senior population will increase the demand for affordable, accessible housing that is well connected to health services (Joint Center for Housing Studies, 2016).

WILDFIRES AND SEA-LEVEL RISE THREATEN EXISTING HOUSING STOCK IN HIGH-RISK AREAS THROUGHOUT THE STATE.

According to CalFire, about 11 million people—in 4.5 million homes—live in the wildland-urban interface (WUI) where they are more vulnerable to fires (Smith, 2019). Estimates suggest that 15 percent of homes—more than two million—are located in areas at high or extreme risk of wildfire (Verisk Analytics, 2021). A combination of higher temperatures, increased brush and vegetation due to changes in forest management practices, and an increase in lightning-induced fires have led to the uptick in fires and fire severity (Byrant & Westerling 2014, Stephens et al 2013, Westerling et al 2016). Five of the six largest state wildfires since 1932 all occurred in 2020, leading to unprecedented loss of housing and other buildings (Figure 21).

Figure 21 **Loss of Building Structures due to Wildfires**



SOURCE: California Department of Forestry and Fire Protection (CAL FIRE)

"Water infrastructure is a big topic - entire communities don't have access to water. We need to consider drought consequences more intentionally as we build."

– Kristine Williams, Enterprise Community Partners

While wildfires have had the most visible impact to date, the state's housing stock is also at risk from flooding, particularly in smaller coastal cities. This problem is particularly acute for the affordable housing stock. For example, more than 90 percent of Foster City's affordable housing is at risk of flooding and other sea-level rise-related effects (Buchanan et al., 2020). A recent analysis estimated that in California, the number of affordable units in danger of flooding is expected to increase by 40 percent by 2050 (Buchanan et al., 2020).

Drought conditions also threaten to hinder new production needed to address the state's housing shortage and affordability crisis. Moratoriums on new water connections, such as the one enacted by the Marin Municipal Water District, can halt or stall housing development (Dooley, 2021). Homes in many communities, including Tulare County, are not connected to a municipal water system, relying instead on private wells that can dry up and leave families without water (Perez, 2015).

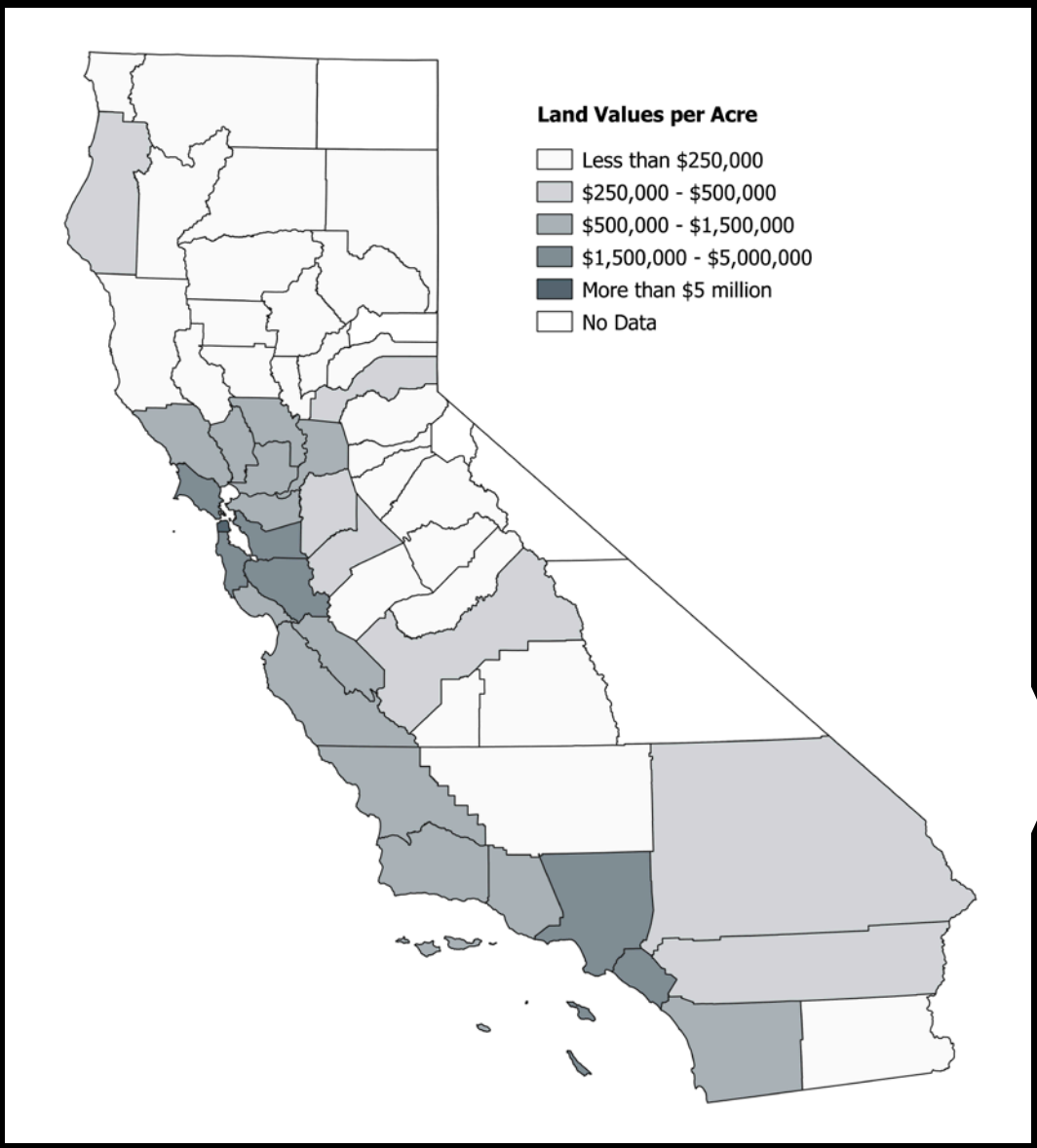
CALIFORNIA'S HOUSING DEVELOPMENT COSTS ARE AMONG THE HIGHEST IN THE COUNTRY, RAISING COSTS AS WELL AS THE NEED FOR EVER HIGHER SUBSIDIES FOR AFFORDABLE PROJECTS.

Even as the state has boosted funding for affordable housing, the costs of development have soared. In California, the average development cost for a unit of affordable housing ranges from $400,000 to $700,000, with permanent supportive housing in Los Angeles and the Bay Area costing around $585 per square foot to build. To put these costs in perspective, these costs are between 15 and 50 percent higher than the average development costs for a unit of affordable housing in New York City (U.S. Government Accountability Office, 2018).

To some degree, the high cost of housing in California relates to the high cost of land, especially in the coastal markets (Figure 22). From 2000 to 2016, the cost of land increased by 76 percent in the United States, but in San Francisco, land prices more than doubled during the same time period;

in Los Angeles prices almost tripled (Terner Center, 2017). The average land value per acre in California in 2019 was nearly $2.5 million, compared to approximately $720,000 for the United States (Davis et al., 2021). A typical suburban development has approximately 5 homes per acre, meaning that the land costs alone for a single-family home in California runs around $500,000.

Figure 22 **Land Value Per Acre of Single-Family Zoned Parcels in California by County, 2019**



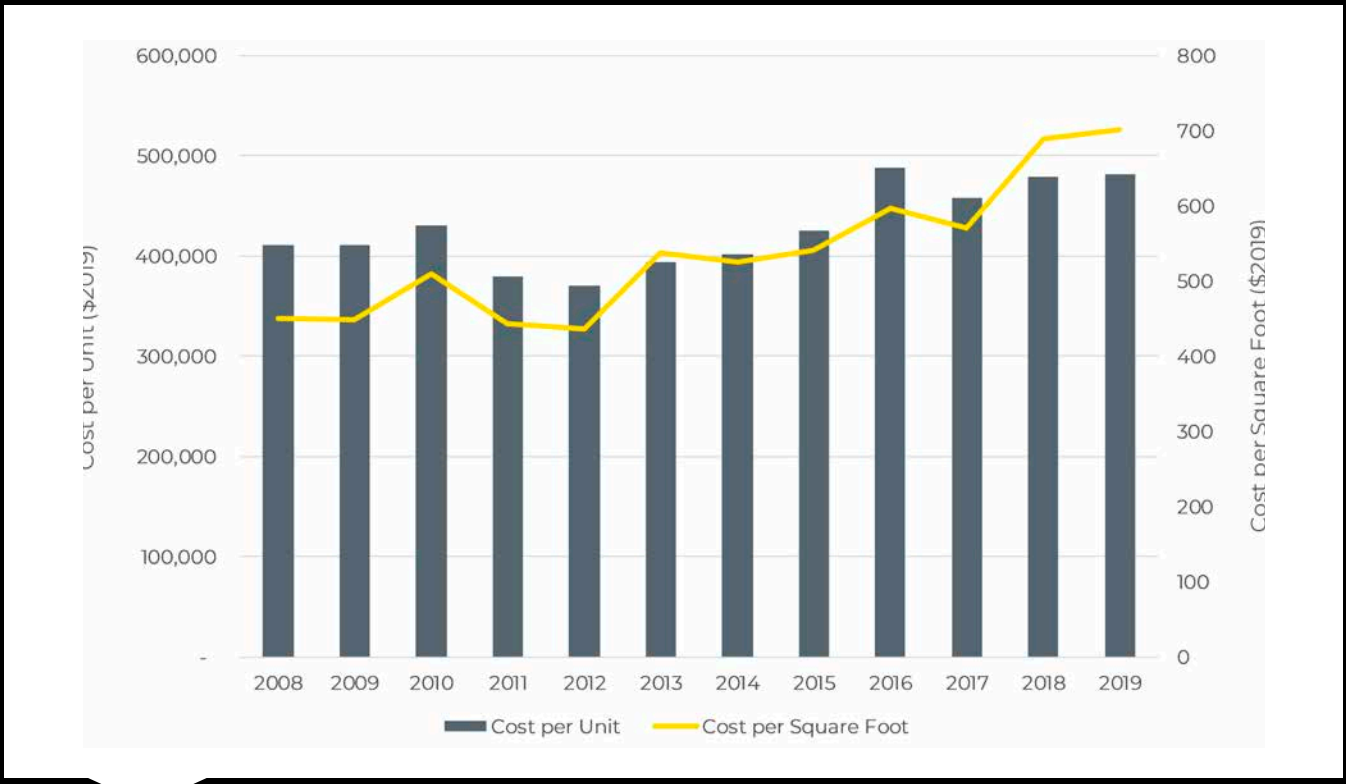
SOURCE: FHFA Land Price Data for 2019. Values reflect as-is land value per acre of single-family zoned parcels in California counties.

Yet California's high housing costs are not a function of land costs alone—they also reflect rising construction and development costs. In a 2018 study, the Terner Center for Housing Innovation

analyzed a unique dataset of multifamily project construction costs and found that construction costs per square foot rose 25 percent between 2009 and 2018, to an average of $200 per square foot (Raetz et al., 2020). In the Bay Area—the most expensive region in the state to build new housing—average construction costs approached $400 square foot.

Affordable housing construction costs are rising as well, being subject to all of the same cost pressures as market-rate housing construction (Figure 23). Between 2008 and 2019, the average cost per unit of 9% Low Income Housing Tax Credit (LIHTC) development in California rose by more than 17 percent, from $411,000 to $480,000; the cost per square foot rose by 55 percent during the same time period (Reid, 2020).

Figure 23 **Total Development Costs, LIHTC 9% New Construction Projects, 2008-2019**

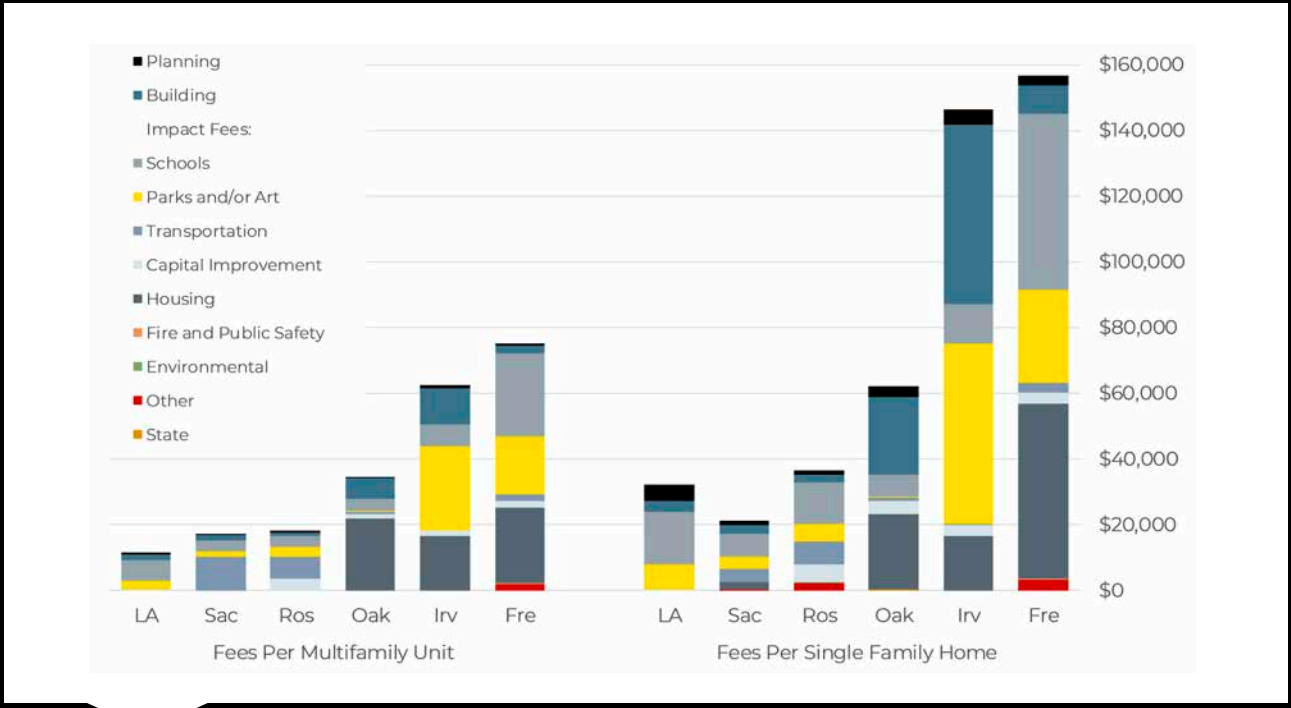


SOURCE: Reid, Carolina. "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program." Berkeley, CA: Terner Center for Housing Innovation, March 2020. https://ternercenter.berkeley.edu/research-and-policy/development-costs-lihtc-9-per-cent-california/.

While the main driver of these costs are increases in hard construction costs, including labor and materials, affordable housing typically requires developers to stitch together many different sources of funding, each with their own timelines and requirements. The increased financial complexity of affordable housing developments comes with additional costs, for example those associated with higher attorney and consultant fees, delayed development timelines, and increases in the amount of interest a developer must pay.

California also has higher than average development impact fees [2] compared to the rest of the country. Average fees in California were 2.7 times the national average in 2019 (Duncan Associates, 2019). An analysis of development fees in seven California cities found that fees vary significantly across the state and can amount to anywhere from 6 to 18 percent of the median home price for single family housing. To provide just one example, average fees on a multifamily unit in Fremont came to approximately $75,000, while on a single-family home, they topped $150,000 (Figure 24) (Mawhorter et al., 2018). City governments have been turning to development fees as a way to generate revenue for essential services and public benefits, having lost a significant amount of property tax revenue with the 1978 passage of Proposition 13. Impact fees are also levied to help pay for affordable housing, and help to offset the funding that was lost with the elimination of Redevelopment Agencies in 2012.

Figure 24 **Estimated Development Fees for a Unit in Prototypical 100-Unit Multifamily and 20-Home Single Family Project**



SOURCE: Mawhorter, Sarah, David Garcia, and Hayley Raetz. "It All Adds Up: The Cost of Housing Development Fees in Seven California Cities." Terner Center for Housing Innovation, March 2018.

Regulatory requirements of all kinds can drive up the cost of development as well. For example, local land use regulations such as minimum parking requirements and lot sizes often lead to higher housing costs by necessitating more land per unit. Regulatory requirements meant to provide public benefit also increase the cost of development. For example, green building standards—meant to decrease energy use and conserve water—in Los Angeles have increased construction costs by nearly 11 percent (Kim, Greene & Kim, 2014). Prevailing wage requirements and project labor agreements are also associated with higher costs; these requirements, while intended to serve a public good in the form of higher wages, add an estimated 16 percent to development costs (Raetz et al., 2020; Reid, 2020; Ward, 2021).

HIGH HOUSING COSTS ARE LEADING TO RISING MIGRATION, BOTH OUT OF THE STATE AND TO CHEAPER REGIONS WITHIN THE STATE.

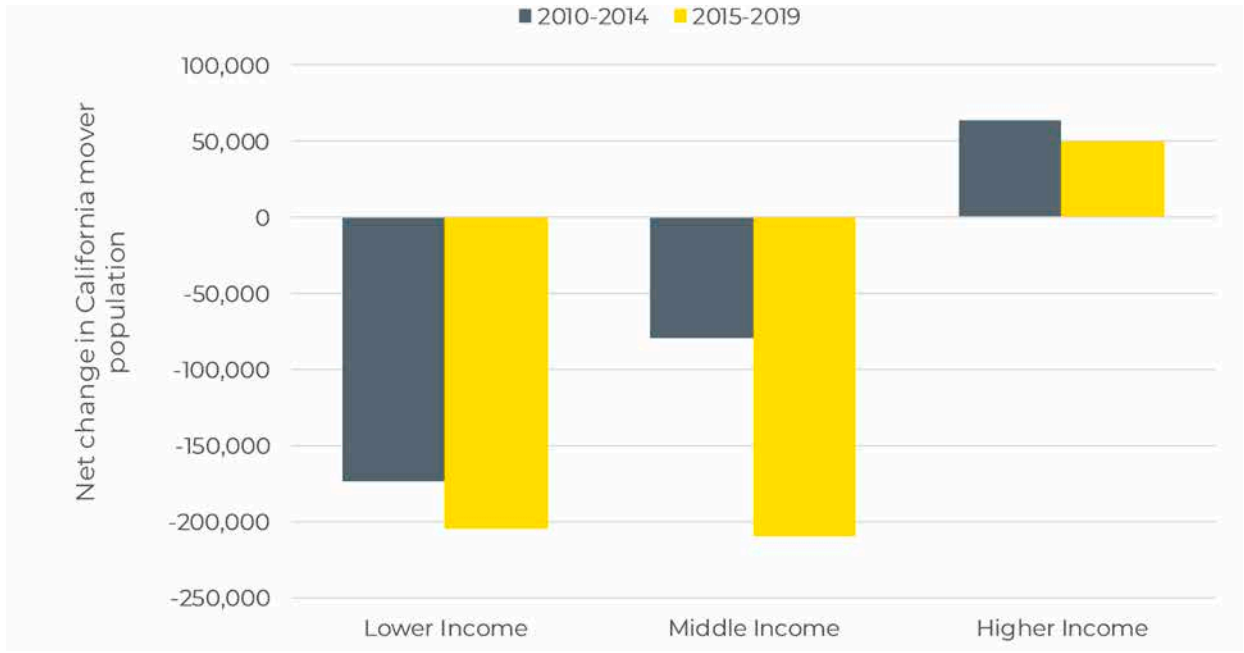
Over the last decade, 1.3 million residents moved out of California, with almost 500,000 residents leaving between 2018 and 2020 (Johnson, McGhee & Cuellar Mejia, 2021). While immigration and natural increases have contributed to continued population growth (see above), rising housing costs are clearly influencing migration patterns both outside and within the state. Of particular concern are the ways in which higher housing costs are leading to the displacement of lower-income households (Figure 25). Almost all of the net domestic out migration has been of households earning less than $50,000 per year, with the vast majority comprising households earning less than $30,000 annually (Perry, 2018). In contrast, in-migrants tend to be higher-income and more educated (Johnson, 2021).

"We are at a point in Los Angeles and California where we're seeing the population plateau or even decline for the first time since the 18th century. That is not only a statistical change; it's a shift in how we define ourselves, in our civic identity. The fundamental reason people are leaving is the high cost of housing."

– Christopher Hawthorne, City of Los Angeles

[2] Cities and jurisdictions levy development fees on new housing to help pay for city services – like plan reviews, permit approvals, and inspections – that are required for housing projects to come to fruition, and to offset the public costs of new development – like new or expanded infrastructure – and to pay for other public benefits like parks and affordable housing.

Figure 25 **Out- and In-migration by Household Income**

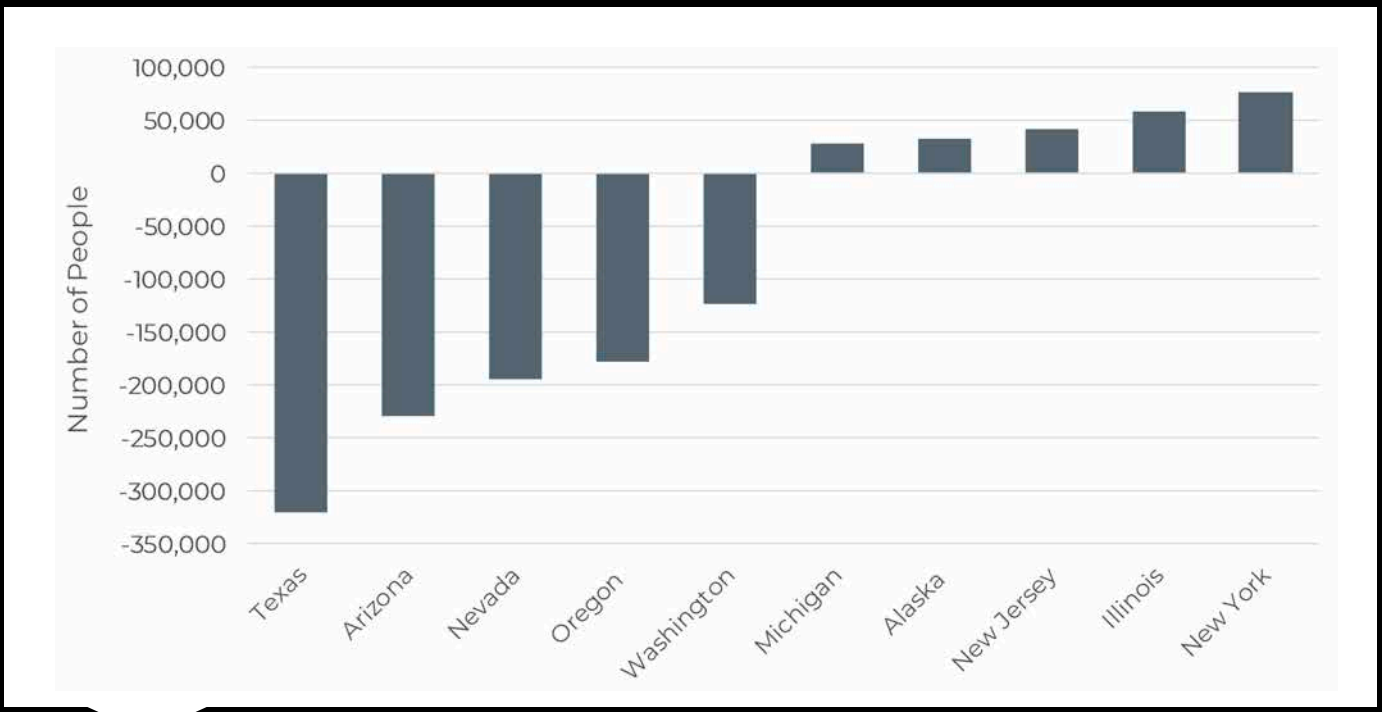


SOURCE: PPIC, based on American Community Survey data. Johnson, Hans (2021). Who's Leaving California, and Who's Moving In? Accessed via https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/

NOTE: Lower income is defined here as up to two times the poverty level (less than $51,750 for a family of four). Middle income is more than twice the poverty level and less than five times the poverty level ($138,750). Higher income is more than five times the poverty level (above $138,750).

Those departing California are overwhelmingly going to states where housing is more affordable. Texas is the most popular destination, followed by Arizona, Nevada, Oregon, and Washington. The states with the largest net domestic in-migration to California are New York and Illinois (Figure 26).

Figure 26 **California Net Domestic Migration by State, 2006 to 2016**



SOURCE: Next 10, California Migration. Accessed via https://www.next10.org/sites/default/files/2019-06/California-Migration-Final2.pdf

Yet there is also evidence that displacement is happening within the state. Research shows that lower-income households are increasingly being pushed out of the state's expensive coastal markets. For example, in the Bay Area, 40 percent of households who left the Bay Area between 2010 and 2016 earned less than $50,000 (in contrast only 10 percent of those who left earned more than $200,000). Low- to moderate-income Bay Area out-migrants were most likely to move from the Bay Area to Sacramento and other Central Valley destinations. Additionally, those moving from the Bay Area to more affordable parts of the state were disproportionately Black and Hispanic, raising concerns about how the housing crisis is affecting communities of color and leading to gentrification and displacement in higher-cost areas (Kneebone & Romem, 2018). Nearly 50 percent of Hispanic out-movers and 36.4 percent of Black out-movers from the Bay Area went elsewhere in California (excluding the higher-cost Los Angeles and San Diego regions), compared to only 29.1 percent for other groups. The discrepancy between in- and out-migrants that shows up in the Bay Area also emerges in the Los Angeles region, although to a more modest degree (Kneebone & Romem, 2018).

RISING HOUSE PRICES AND COST BURDENS MAY ALSO UNDERMINE THE LONG-TERM ECONOMIC VITALITY OF THE STATE, AS WELL AS ITS EQUITY AND CLIMATE CHANGE GOALS.

The affordability crisis has significant negative repercussions for the state's economy, equity, and the environment. According to research by economists Chang-Tai Hsieh and Enrico Moretti, the lack of affordable housing in cities like San Francisco and San Jose costs the U.S. economy about $1.95 trillion a year in lost wages and productivity (Hsieh & Moretti, 2019). In addition, research is increasingly showing that local growth controls and local discretion in the permitting process are significantly associated with rising residential segregation and inequality (Lens & Monkkonen, 2016). Failing to expand the supply of housing, both income-restricted and market-rate, may also undermine California's climate change goals, as families are forced to move further and further from jobs to find housing they can afford, resulting in increased emissions from vehicle miles traveled (Cervero, 1996).

ORIGINS

California, as with the rest of the United States, was built on violence toward Native peoples and the dispossession of their lands. From 1776 to 1887, the United States transferred nearly 1.5 billion acres of indigenous land into American control (Onion & Sant, 2014). Researchers estimate that up to 93 million Americans—99.7 percent of them white settlers—are direct beneficiaries of the wealth and land transfers generated by the 1862 Homestead Act.

In California, the seizure of Native Californian land precedes the state's founding, with the establishment of the Spanish Missions between 1769 and 1823. Yet scholars point to 1848, when Mexico formally ceded its claims over California to the United States, as the year that "altered the lives of California's First Nations forever." [3] California's indigenous peoples experienced widespread massacres, kidnapping, enslavement, and land theft during the first several decades of American rule; had events transpired differently following the U.S.-Mexican war, almost a third of state land would still belong to Native tribes (Wood, 2008). The UC system was built on this history of dispossession: The Morrill Land-Grant College Act of 1862 (and the successor Morrill Act of 1890), helped to establish University of California campuses, yet these institutions were founded on appropriated land or funded with proceeds from the sale of formerly Native land (Nash, 2019). The theft and exploitation of land owned or used by indigenous populations has been repeated throughout the state and nation's history.

The origins of the state's housing crisis also sit within the nation's private property land regime. Since its very founding, property in the United States has been constructed as private property—perhaps owned by the state (as in public lands), but rarely imagined as collective lands. This private property regime has shaped everything that has come after, including the construction of legal rights and citizenship—an enduring mechanism for social stratification—and limits on governmental intervention (Blomley, 2004). Although clearly established private property rights are believed to support economic development, they also privilege the actions of the property owner, something that echoes strongly in contemporary fights over zoning, displacement, and racial justice (Soto, 2007).

A true accounting of the origins of California's housing crisis thus requires a much longer historical and theoretical perspective than we can cover here. Instead, we highlight three key factors

[3] Edward Castillo has called the period after the U.S./Mexican War "a twisted Darwinian laboratory showcasing the triumph of brute force aided by a pathogenic and technological assault on a native people unparalleled in Western hemispheric history."

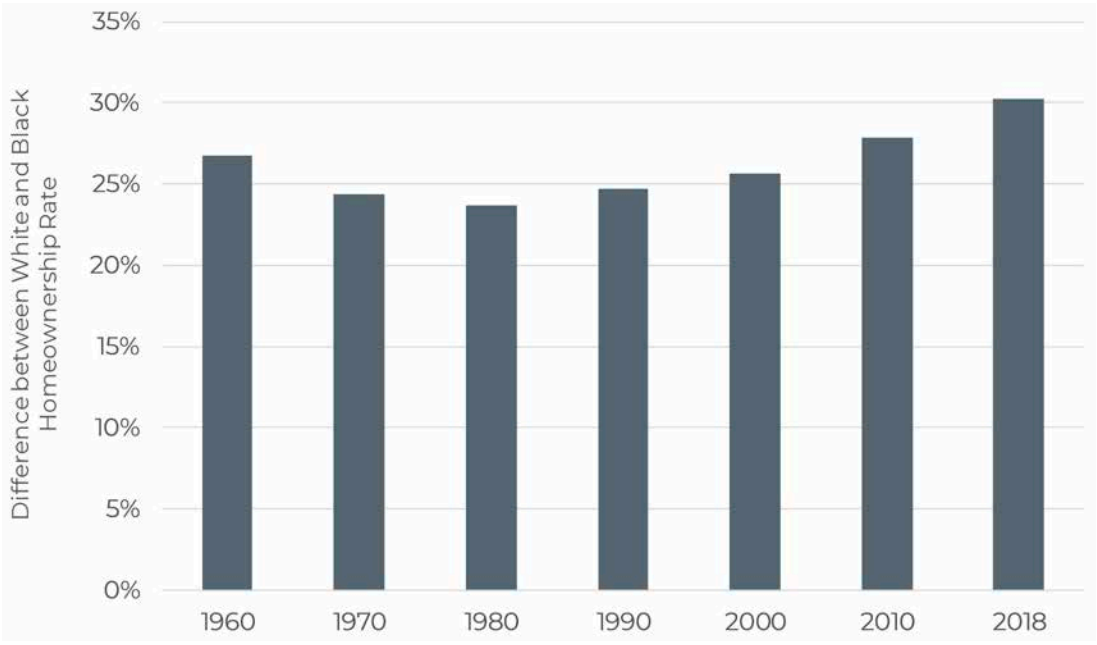
that we believe help to explain the state's current housing crisis: ongoing racial discrimination and segregation, exclusionary zoning and land use regulations, and the privileging of home-ownership over renting (including Proposition 13). Each of these have their origins in historical politics and practices, but continue to shape the present day, with homeowners and non-Hispanic white households enjoying considerably greater wealth, neighborhood amenities, and political power than their renter and non-white counterparts.

SYSTEMIC RACISM AND THE LEGACY OF RACIAL DISCRIMINATION IN BOTH HOUSING AND FINANCIAL MARKETS ARE FUNDAMENTAL TO UNDERSTANDING CALIFORNIA'S CONTEMPORARY HOUSING LANDSCAPE, FROM RACIAL DIFFERENCES IN ACCESS TO HOME-OWNERSHIP TO ENDURING RESIDENTIAL SEGREGATION.

In February 1968, the Kerner Commission report plainly laid out the conditions of the American housing market and its implications for Black households: "White society is deeply implicated in the ghetto. White institutions created it, white institutions maintain it, and white society condones it." The commission also made it clear that segregation was not benign, noting that the nation was "moving toward two societies, one black, one white—separate and unequal." One month later, Dr. Martin Luther King, Jr. was assassinated, and a week after that, the Fair Housing Act of 1968 was signed into law by President Lyndon B. Johnson. With the passage of the Fair Housing Act, housing discrimination based on race, religion, national origin, and sex was finally prohibited by federal law.

Despite the passage of the Fair Housing Act, however, housing markets remain deeply stratified by race and ethnicity. Nationally, the Black/White homeownership gap is larger today than in 1968 (Figure 27). And although there has been progress in reducing outright discrimination in housing and credit markets, the average non-Hispanic white household still lives in a neighborhood that is overwhelmingly white (71 percent) (Loh et al., 2020).

Figure 27 **The Black/White Homeownership Gap**



SOURCE: Laurie Goodman, Jun Zhu, and Rolf Pendall (2017). "Are Gains in Black Homeownership History?" The Urban Institute, accessed online at https://www.urban.org/urban-wire/are-gains-black-homeownership-history.

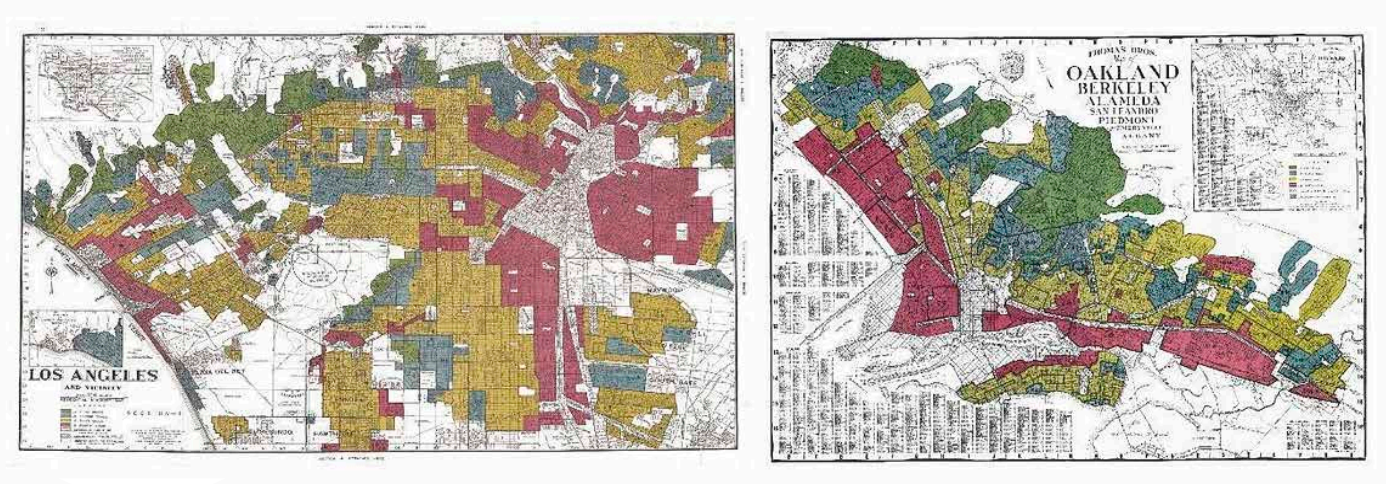
These unequal conditions are rooted in historical discrimination against people of color, sanctioned and advanced by governmental policies. Much of the infrastructure and ideas that shape today's housing market—from the 30-year amortizing mortgage, to the Federal Housing Administration, to roles played by Fannie and Freddie—were established in response to the market turmoil precipitated by the Great Depression (Reid, 2021). The collapse of the banking system in 1929 revealed the fragility of the existing financial system, and led to broad reforms to bolster the U.S. economy. Among those reforms (which included the creation of the Social Security Administration and the Public Works Administration in other sectors [4]) was the federal Home Owners Loan Corporation (HOLC), which was designed to respond to the rising wave of foreclo-

[4] As far as Social Security is concerned, as originally created in the 1930s, it did not cover agricultural workers or domestic servants, which left out many African-American and Latino/a workers until reforms included all workers other than agricultural workers. In addition, greater rates of working "under the table" for African-American and Latino/a workers means that earnings inequalities translate into even greater inequalities in Social Security income in retirement (Hogan, Kim, and Perrucci 1997).

sures confronting the nation (Hogan, Kim, & Perrucci 1997). The HOLC introduced amortizing home mortgages, which increased the affordability of home purchases and allowed homeowners to gradually build wealth in their homes through regular, level payments that paid down their loan balance (Conley, 2009; Oliver & Shapiro, 2006). [5]

However, the HOLC also perpetuated the use of race as a variable in appraising property values and risk. The HOLC hired local real estate agents to survey properties; appraisers were instructed to consider the condition of the house as well as the surrounding neighborhood, including its racial composition (See Figure 28). In a practice that has come to be known as "redlining", neighborhoods were designated as "low risk" and colored green if it was home to "not a single foreigner or negro..." Conversely, neighborhoods that displayed the "infiltration of inharmonious

Figure 28 **HOLC Redlining Maps for Los Angeles and Oakland**



SOURCE: Mapping Inequality: Redlining in New Deal America, University of Richmond Digital Scholarship Lab, available online at: https://dsl.richmond.edu/panorama/redlining.

[5] Amortizing loans were not completely new, with some Building and Loan institutions offering an amortizing second loan (Fishback et al., 2011).

racial groups" or a "concentration of negro population" were deemed "hazardous" and colored red (Rothstein, 2017). These maps thus codified pervasive racism in the financial system and reinforced *de jure* discrimination in housing and mortgage markets. [6]

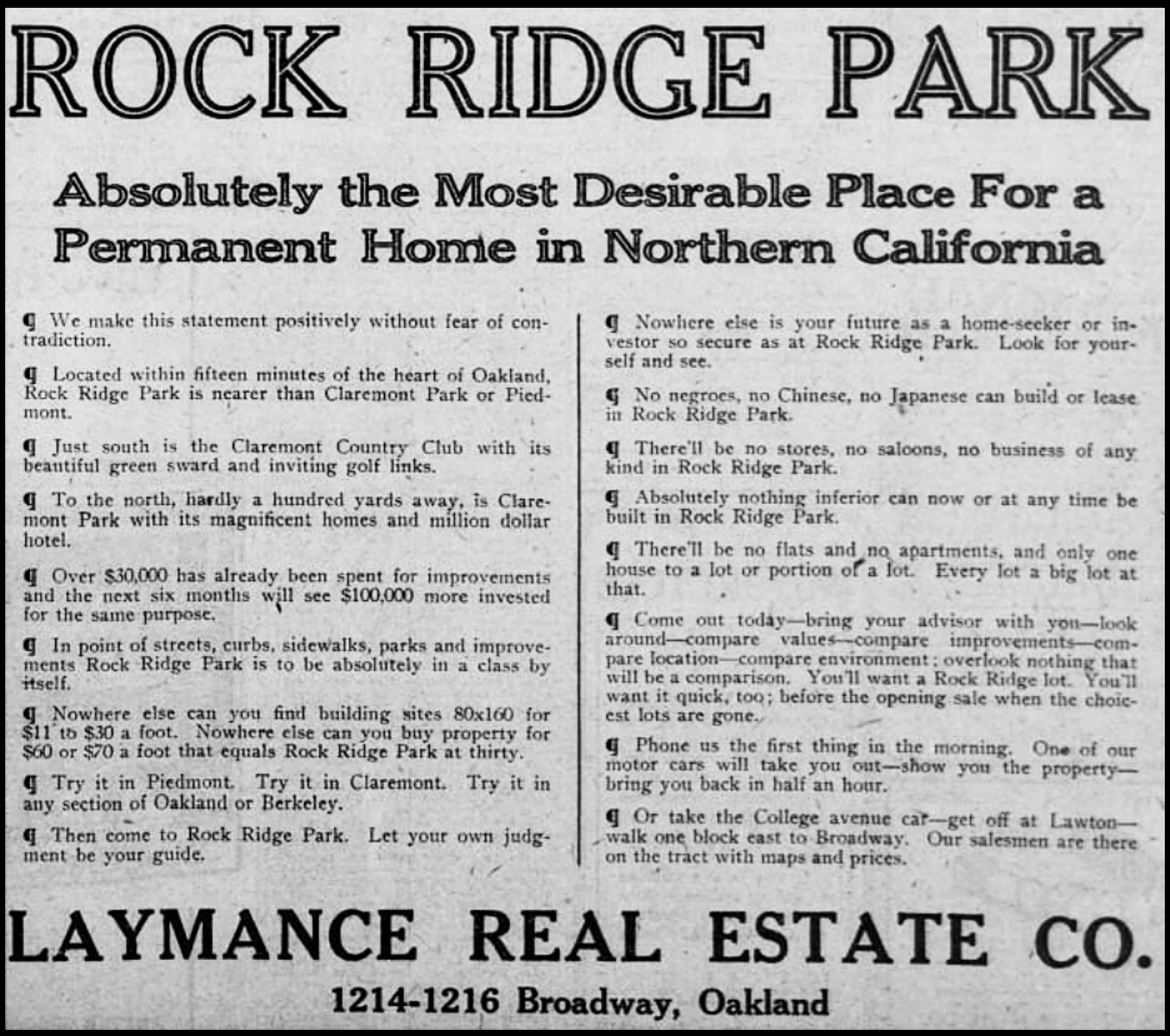
As Rothstein argues, the HOLC maps "put the federal government on record" as explicitly linking Black households and communities to lower quality housing and neighborhoods (Rothstein, 2017). The Federal Housing Administration (FHA) continued the practice of using race as a determinant for risk in its appraisal system for mortgage insurance, discouraging banks from making loans on properties in redlined areas and creating a financial incentive for maintaining residential segregation (Rothstein, 2017). [7]

The FHA also played a role in extending and strengthening the practice of racial covenants on newly built suburban neighborhoods to ensure whites-only communities. Although race-based zoning was deemed unconstitutional in 1917 in *Buchanan v. Warley*, the decision only applied to legal statutes (such as municipal ordinances), leaving the door open for private agreements that produced similar outcomes. Racial covenants prohibited property owners from selling to, leasing to, or allowing their property to be occupied by specific groups of people, particularly Black households. The effect of the covenants was to close off entire neighborhoods to Black and other non-white residents (Figure 29). Although comprehensive data on the share of California properties that were covered by restrictive covenants are unavailable, research suggests that in the 1940s, approximately 80 percent of Los Angeles was covered by such covenants, and cities such as San Lorenzo in Northern California were built with restrictive covenants on 100 percent of homes (U.S. Commission on Civil Rights, 1973). The legal use of racial covenants continued until the 1948 case of *Shelley v. Kraemer* when the Supreme Court rendered them unenforceable, although their unofficial use continued until 1968, and many properties still include them on their titles today.

[6] Racism in housing policies were not limited to actions by the federal government. Local jurisdictions were similarly influenced by anti-Black racism in shaping urban renewal programs, the siting of public housing in minority neighborhoods, and exclusionary zoning laws (which continue to this day, albeit couched in race-neutral metrics such as minimum lot sizes).

[7] New research reveals that in some cities, FHA had already been discriminating against Black households and communities before HOLC created its maps, and that there was very little difference before and after the HOLC produced the maps. The FHA had maps of its own, but the agency destroyed them all in reaction to a discrimination lawsuit in 1969. (Fishback et al., 2021)

Figure 29 **Advertisement for Rock Ridge Touting its Use of Racial Covenants**



ROCK RIDGE PARK

Absolutely the Most Desirable Place For a Permanent Home in Northern California

¶ We make this statement positively without fear of contradiction.

¶ Located within fifteen minutes of the heart of Oakland, Rock Ridge Park is nearer than Claremont Park or Piedmont.

¶ Just south is the Claremont Country Club with its beautiful green sward and inviting golf links.

¶ To the north, hardly a hundred yards away, is Claremont Park with its magnificent homes and million dollar hotel.

¶ Over $30,000 has already been spent for improvements and the next six months will see $100,000 more invested for the same purpose.

¶ In point of streets, curbs, sidewalks, parks and improvements Rock Ridge Park is to be absolutely in a class by itself.

¶ Nowhere else can you find building sites 80x160 for $11 to $30 a foot. Nowhere else can you buy property for $60 or $70 a foot that equals Rock Ridge Park at thirty.

¶ Try it in Piedmont. Try it in Claremont. Try it in any section of Oakland or Berkeley.

¶ Then come to Rock Ridge Park. Let your own judgment be your guide.

¶ Nowhere else is your future as a home-seeker or investor so secure as at Rock Ridge Park. Look for yourself and see.

¶ No negroes, no Chinese, no Japanese can build or lease in Rock Ridge Park.

¶ There'll be no stores, no saloons, no business of any kind in Rock Ridge Park.

¶ Absolutely nothing inferior can now or at any time be built in Rock Ridge Park.

¶ There'll be no flats and no apartments, and only one house to a lot or portion of a lot. Every lot a big lot at that.

¶ Come out today—bring your advisor with you—look around—compare values—compare improvements—compare location—compare environment; overlook nothing that will be a comparison. You'll want a Rock Ridge lot. You'll want it quick, too; before the opening sale when the choicest lots are gone.

¶ Phone us the first thing in the morning. One of our motor cars will take you out—show you the property—bring you back in half an hour.

¶ Or take the College avenue car—get off at Lawton—walk one block east to Broadway. Our salesmen are there on the tract with maps and prices.

LAYMANCE REAL ESTATE CO.

1214-1216 Broadway, Oakland

SOURCE: Othering and Belonging Institute, UC Berkeley, "Roots, Race and Place," available online at https://belonging.berkeley.edu/rootsraceplace/raciallyrestrictivecovenants

Redlining and racial covenants were not the only policies that led to vastly unequal outcomes for Black households and other people of color. In 1942, President Franklin Roosevelt signed Executive Order 9066, calling for the forced removal of all people of Japanese heritage, most of whom lived on the Pacific Coast, to incarceration centers in the nation's Western interior. This

forced displacement and imprisonment led to the dispossession of property worth between $2 billion and $5 billion (H. Rept. 111-666, 2010). In the 1950s, economic interests led to large urban renewal projects across the state's metropolitan areas. Using their powers of eminent domain, redevelopment agencies condemned areas as "blighted" and seized properties from homeowners and businesses. In West Oakland alone, urban renewal led to the demolition of between 6,600 and 9,700 housing units, displacing over 10,000 people (mostly African Americans) from the neighborhood. Public housing further entrenched practices of racial segregation: local housing authorities resolved not to "enforce the commingling of races," and imposed "neighborhood pattern" policies through the 1950s (Rothstein, 2017). Since then, the federal government has systematically defunded public housing, with the greatest loss of public housing occurring among projects that house Black families.

All of these practices—and many more not mentioned—deserve a detailed accounting and story-telling, and point to the importance of ongoing claims for reparations (Coates, 2014). These are not just relics of the past: America's practices of oppression and expropriation of property owned by Black and other people of color are the origins of today's housing crisis. In a recent study, Jacob Faber finds that cities that were appraised by the HOLC became more segregated than those that were not mapped, reinforcing the ways in which systemic racism persists in shaping contemporary patterns of inequality (Faber, 2020). Other researchers have drawn similar conclusions about the lasting legacy of redlining, finding that neighborhoods that were redlined are associated with higher rates of poverty, lower rates of economic mobility for children (Park & Quercia, 2020), reduced housing supply (Krimmel, 2018), lower life expectancy and higher incidence of chronic diseases (National Community Reinvestment Coalition, 2020), as well as lower house values and homeownership rates (Aaronson et al., 2020).

The racialized history of housing policy in the U.S., including racial covenants, redlining, and discriminatory credit practices, continue to shape racial housing disparities in profound ways (Reid, 2021). Black residents and other people of color face numerous barriers to accessing homeownership and its benefits, even after accounting for differences in income and education. Figure 30 reviews just some of the evidence for the multiple ways in which systemic racism continues to shape homeownership outcomes by race and ethnicity.

Figure 30 **Racial Inequalities across the Homeownership Continuum**

Appraisals: Homes in Black neighborhoods are undervalued by an average of $48,000, amounting to $156 billion in cumulative losses (Perry et al., 2018).

Exclusionary Zoning: Around 90% of neighborhoods in California see almost no lending to Black homebuyers (Reid, 2021).

Mortgage Access and Pricing: Mortgage denial rates are twice as high for Black borrowers; if they do receive a loan, their average interest rate is 33 basis points higher than for non-Hispanic white homeowners (Perry, 2020).

Property tax: In predominantly Black neighborhoods, homeowners face an effective property tax rate that is 50 percent higher than homeowners in nearby, whiter neighborhoods (Berry, 2021).

Credit scores: Black borrowers have a lower median FICO score (626) compared to non-Hispanic white borrowers (751). Twenty-one percent of the Black population has no credit score, compared to 12 percent of non-Hispanic white households (Perry, 2020).

Racial disparities are also pronounced in the rental market. Audit studies have shown that Black, Hispanic, and Asian renters are told about and shown fewer housing units (and in different neighborhoods) than equally qualified white renters (Pager and Shepherd, 2008). Minority renters also experience other forms of discrimination related to housing costs and housing quality, and are more likely to be evicted (Hepburn et al., 2020). And even as the U.S. population has become more diverse, more than 80 percent of metropolitan regions in the United States have become more segregated in recent decades, including California metropolitan areas such as San Jose, Riverside, Sacramento, San Diego, and San Francisco (Menendian et al., 2021).

ZONING LAWS, AND OTHER REGULATIONS THAT GOVERN LAND USE, FUNDAMENTALLY SHAPE WHAT IS BUILT AND FOR WHOM, CONTRIBUTING TO THE STATE'S AFFORDABILITY CRISIS AS WELL AS TO ONGOING PATTERNS OF RESIDENTIAL SEGREGATION.

The breadth and implications of zoning laws are vast, and cover everything from single-family zoning, to the protection of coastal wetlands, to the regulation of noxious or polluting land uses. While there are legitimate and important benefits to zoning laws (for example, separating industrial and hazardous land uses from residential, or preserving green and park space), a defining feature of American zoning is how it has served as one of the most durable forms of legal exclusion and opportunity-hoarding in the housing sector (Talen, 2012). Indeed, in *Euclid v. Ambler* (1926), the case which upheld a valid government interest in maintaining the character of a neighborhood, Justice Sutherland evoked a deep-seated belief in the supremacy of the single-family home:

> "[V]ery often the apartment house is a mere parasite, constructed in order to take advantage of the open spaces and attractive surroundings created by the residential character of the district. Moreover, the coming of one apartment house is followed by others, interfering by their height and bulk with the free circulation of air and monopolizing the rays of the sun which otherwise would fall upon the smaller homes...until, finally, the residential character of the neighborhood and its desirability as a place of detached residences are utterly destroyed."(*VILLAGE OF EUCLID, OHIO, et al. V. AMBLER REALTY CO.*, 1926)

Zoning regulations are also deeply intertwined with racism, both explicitly and implicitly. In the 1880s, California passed a series of laws that limited the location of laundries, which were intended to exclude the Chinese (Modesto, California was the first to create a laundry-free district, in 1885). In late 1910, Baltimore adopted race-based zoning ordinances that prohibited Black residents from residing in specified districts within the city; other cities across the country soon passed their own race-based zoning laws. Berkeley's 1916 comprehensive zoning ordinance, which established single-family residential zones, was heralded by California Real Estate magazine for its "protection against invasion of Negroes and Asiatics." While the U.S. Supreme Court declared racial zoning unconstitutional in 1917, other zoning laws—for example, requiring minimum lot sizes or purposefully allowing industrial uses in Black neighborhoods—have achieved similar ends in many California cities. Indeed, exclusionary and racist logics continue to underlie many cities' resistance to new housing, and especially, to multifamily and affordable housing developments.

The growing divergence in house prices between California and the rest of the nation can be attributed to the tightening of zoning laws in the state in the 1960s and 70s. Spurred by a series of political shifts—including heightened racial tensions and a growing environmental movement—local governments across the state began a program of downzoning to slow new developments. Los Angeles is a notable case. In 1960 the city had a population of 2.5 million and an estimated zoning capacity for 10 million. Over roughly two decades from the late 1960s to the late 1980s, a series of zoning changes were enacted, reducing the city's capacity to just 3.9 million people even as its population rose to 3.5 million by 1990 (Morrow, 2013). The city's limited zoning capacity served to put an effective cap on housing growth but did not address housing demand, leading to housing shortages and persistently rising prices.

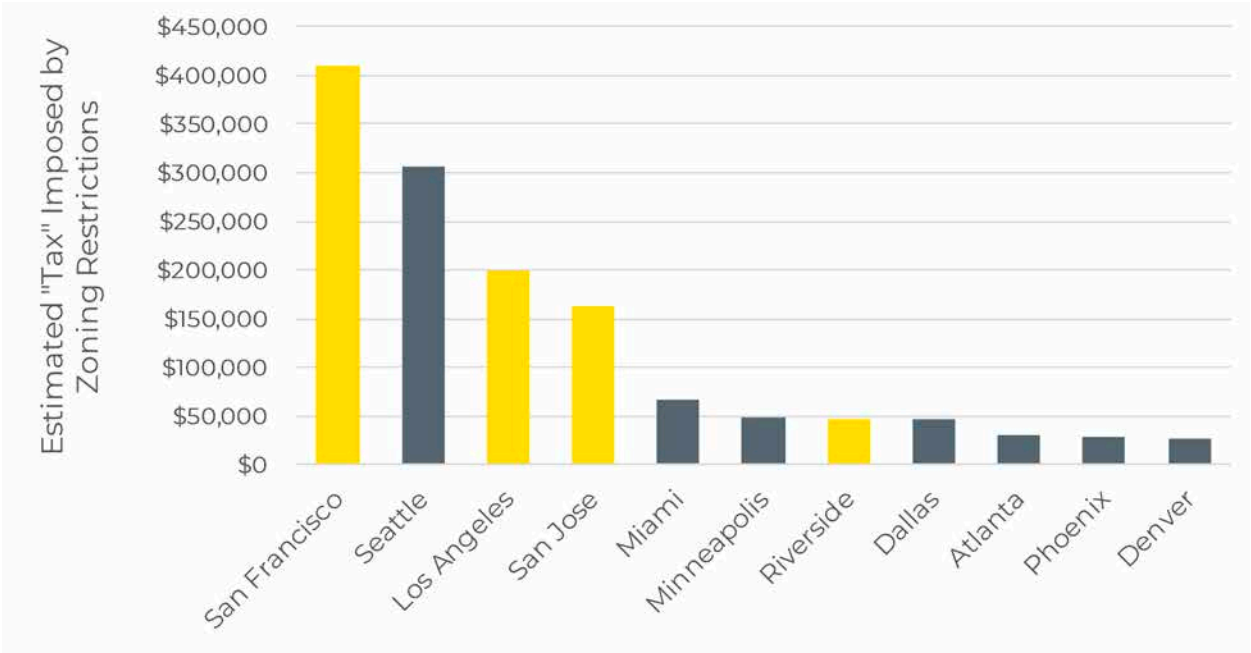
California's zoning codes have also evolved to encompass a wider and stricter array of prohibitions on what can be built on a given parcel, including narrower zoning categories such as single-family-only districts,[9] dwelling unit density limits, minimum parking space and lot size requirements, height limits, building setbacks, and more. While some local jurisdictions have responded to the housing crisis by adopting ordinances that encourage housing production, over two-thirds of cities and counties in California's coastal metros have done the opposite: adopting policies explicitly aimed at limiting housing growth and leading to disparate levels of housing production across communities (CA Legislative Analyst's Office, 2015).

Restrictive zoning and land use regulations have contributed significantly to the state's ongoing housing crisis. A one standard deviation increase in an index of the strength of land use

[9] Berkeley, California is believed to be the first city to adopt a single-family-only zoning district.

regulations is associated with 10 percent less permitting overall and 17 percent less multifamily permitting. Research has also shown that these rules lead to longer development timelines, a larger mismatch between housing and jobs, and greater racial inequality. [10] These tightened land use and zoning regulations also directly contribute to California's high housing costs (Bunten, 2017; Quigley & Rosenthal, 2005). A recent study found that this "zoning tax" is over $400,000 in the San Francisco metro, and between $150,000-$200,000 in Los Angeles and San Jose (Figure 31). This is three to eight times higher than cities such as Dallas and Atlanta, and boosts costs by amounts that exceed the typical household income, with a substantial impact on housing affordability (Gyourko & Krimmel, 2021).

Figure 31 **"Zoning Tax" in Selected Metropolitan Areas**



SOURCE: Joseph Gyourko and Jacob Krimmel, "The Impact of Local Residential Land Use Restrictions on Land Values Across and Within Single Family Housing Markets," Working Paper, Working Paper Series (National Bureau of Economic Research, July 2021), https://doi.org/10.3386/w28993.

[10] The Terner Center fielded a land use survey of California jurisdictions in 2018 and commissioned a series of working papers to use the data to answer research questions about the impact of land use regulations on outcomes (Mawhorter, 2019; Murray & Schuetz, 2019; O'Neill, Gualco-Nelson, & Biber, 2019; Pfeiffer, 2019; Rothwell, 2019; Monkkonen, Lens & Manville, 2020; Durst, 2021).

Zoning also shapes where new housing gets built. Prior to the adoption of zoning and related regulations, when demand for housing increased in a neighborhood, developers could build more densely—taller, with more square footage, higher lot coverage, and/or smaller units—helping to defray the rising price of land. However, as zoning becomes more restrictive, development is pushed to the urban fringes where undeveloped land is more abundant, but also to drier and hotter regions, far from jobs and demanding long, unhealthy, and environmentally unsustainable car commutes. Indeed, a major effect of zoning regulations has been to disperse growth to exurban locations and turn urban centers into a limited, premium product.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

In addition to zoning and other land use constraints, the complexity and length of the development entitlement process in California is a key factor influencing constrained supply and higher housing costs. Depending on the nature of the project, the entitlement process can involve amendments to a General Plan, zoning adjustments, subdivision approvals, site specific permits, conditional use permits, variances, design review, and environmental review under the California Environmental Quality Act (CEQA). As a result, it takes about two and a half months longer, on average, to issue a building permit in coastal communities in California than the typical U.S. metro (seven months compared to four and a half months). In the Bay Area, each additional layer of independent review is also associated with a four percent increase in a city's house prices (CA Legislative Analyst's Office, 2015).

California's Environmental Quality Act (CEQA) has been singled out as an important driver of the state's high housing costs, and is the strictest environmental law in the country. CEQA was enacted in 1970 to protect the quality of the natural environment by requiring public agencies to consider the environmental impacts of their actions. CEQA has been called "the state's most powerful environmental protection," and has contributed to the preservation of the state's natural resources and created opportunities for communities to participate in land use decisions (Lovett, 2012).

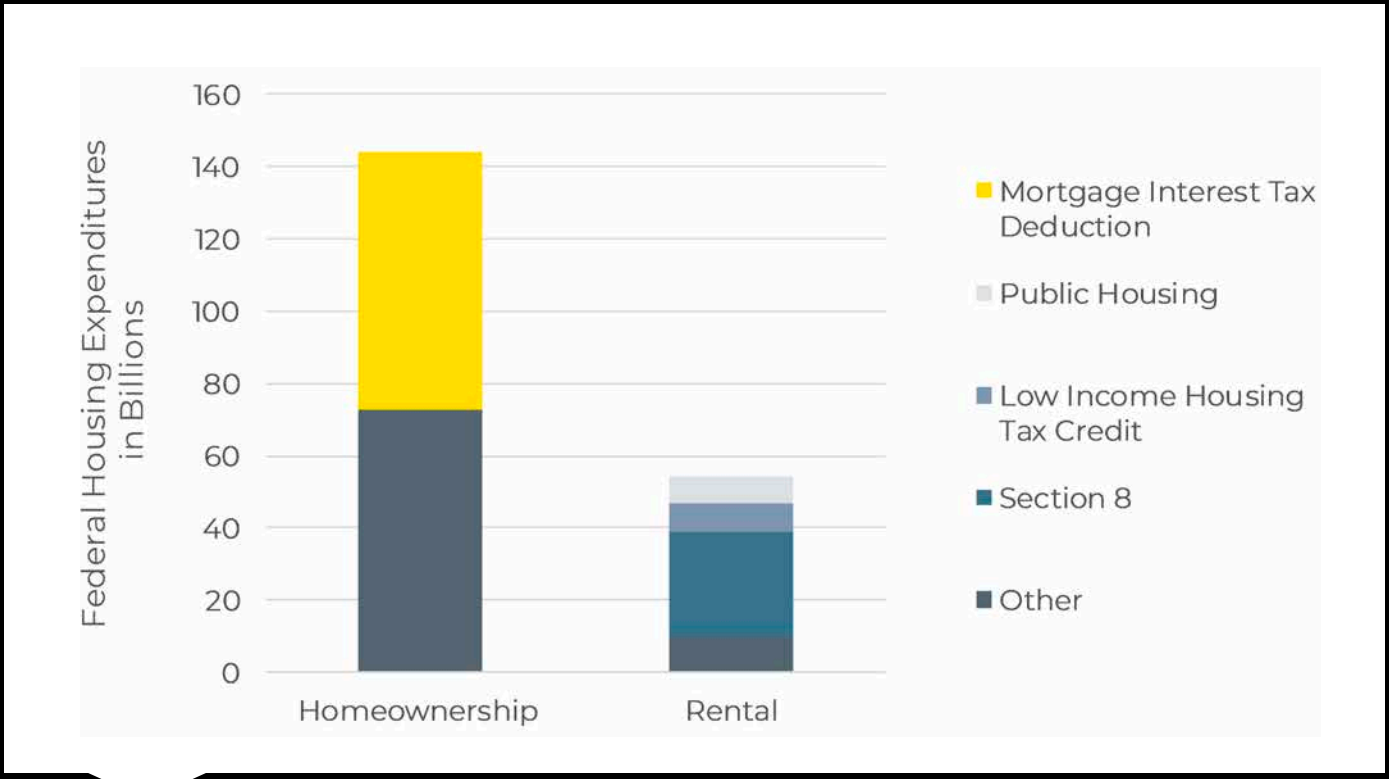
However, the statute also poses barriers to the development of much-needed housing in California, and can raise the costs of projects through delays brought on by complex procedural requirements and/or exactions. When it was initially passed, Environmental Impact Reports (EIRs) required by the law were short, and only covered public projects. In 1972, however, the California courts interpreted a "public project" to include any private development that required governmental approvals. In cities such as San Francisco and Los Angeles, where most projects require discretionary permits, this effectively meant that every apartment building falls under CEQA's purview. In addition, CEQA allows anyone to file a lawsuit, and to do so anonymously, allowing a broad range of interests to stall development for reasons unrelated to environmental

concerns (Hernandez et al., 2015). These lawsuits are common on infill sites, meaning that the law not only thwarts efforts to expand much-needed supply, but also favors growth in undeveloped, suburban and exurban land where fewer potential opponents reside, ultimately undermining the environmental goals CEQA is intended to promote.

PUBLIC FUNDING FOR HOUSING HAS ALWAYS BEEN REGRESSIVE, WITH HOMEOWNERS BENEFITTING FROM SUBSTANTIALLY MORE THAN RENTERS. IN CALIFORNIA, PROPOSITION 13 HAS FURTHER BENEFITTED HOMEOWNERS BY KEEPING PROPERTY TAXES LOW, WHICH IN TURN HAS CONTRIBUTED TO THE EROSION OF PUBLIC FUNDING FOR INFRASTRUCTURE.

Much of the federal government's spending on housing comes through the tax code, and it is homeowners who overwhelmingly benefit from these tax expenditures (Figure 32). More than twice as much is spent on homeowners than on renters.

Figure 32 **Distribution of Federal Expenditures for Housing**



SOURCE: Fischer, Will and Barbara Sard (2017). "Chart Book: Federal Housing Spending is Poorly Matched to Need," Center on Budget and Policy Priorities, available online at https://www.cbpp.org/research/housing/federal-housing-spending-is-poorly-matched-to-need.

Historically, the Mortgage Interest Deduction (MID) has been the single largest federal housing expenditure. For example, in 2017, the deduction was estimated to cost $66.4 billion, only slightly less than it would have cost to eliminate housing cost burdens for all low-income renters in the country (Galante et al., 2016). The Tax Cuts and Jobs Act of 2017 pared down the MID considerably, by doubling the standard deduction and limiting state and local tax deductions.[11] Even so, in 2020, the MID cost the federal government an estimated $30.2 billion, with 64 percent of the fiscal benefits going to households earning over $200,000. Less than 1 percent went to homeowners earning less than $50,000 (Keightley, 2020). Homeowners benefit from other tax policies as well: when homeowners sell their primary residences, they may exclude a portion of the profit from their income taxes ($250,000 filing singly or $500,000 filing jointly). The capital gains exclusion costs the federal government more than $30 billion per year in lost revenues (Schuetz, 2018).

By comparison, significantly less is spent on renters despite objectively greater need. The two largest subsidy categories that support renter households are the Housing Choice Voucher and publicly-subsidized housing development and rehabilitation programs, which cost approximately $35 billion per year. Neither of these programs come close to meeting the needs of low-income Californians. For those granted a spot on the waitlist for a voucher or public housing unit, the average time before receiving assistance is 32 months; this figure doesn't account for the thousands of families who have been unable to put their name on the list because the waitlists are closed. The wait time in San Diego County, for example, where there were 56,737 families on the waitlist at the end of 2020, is more than seven years (Acosta & Gartland, 2021).

"The system to finance affordable housing has become so complex and expensive (e.g., LIHTC), where developers are having to go to sometimes seven lenders to fully finance their projects—including multiple public lenders. This makes projects even more expensive, slows it down, and is unpopular. If local governments could just fund the entire public financing gap, production could move much more quickly."

– Maria Cabildo, California Community Foundation

The LIHTC program, which supports the construction and rehabilitation of housing for low-income households, costs the federal government around $8 billion a year, and has become the

[11] Absent legislative changes, the rules governing the mortgage interest deduction will revert to their pre-TCJA status starting in 2026.

most important source of subsidy for expanding the supply of affordable housing. Since the program's inception in 1987, LIHTC has assisted more than 478,000 affordable units with tax credit awards in California. Yet this too falls far short of need, and the costs and complexity of the program threaten to undermine the reach of the assistance. In addition, the subsidy that is associated with the tax credit is designed to make units affordable to households with incomes at 50–60 percent of AMI, meaning that there is a significant gap in financing units for extremely low-income households.

California's own unique tax policy regime—most notably the 1978 passage of Proposition 13—heightens these inequities between owners and renters, and leads to further housing market impacts. Proposition 13, also known as the People's Initiative to Limit Property Taxation, sets the maximum property tax rate to one percent of a property's assessed value and limits annual increases in assessed value to only 2 percent for as long as someone owns their property. Long-term property owners therefore enjoy a shrinking tax rate as their property's actual value increases faster than their tax payments.

Proposition 13 influences housing in California in three important ways. First, low tax rates for long-term owners encourages the underutilization and long-term speculation of land. For example, a property owner might have purchased a downtown surface parking lot for $100,000 in 1985. Proposition 13's restrictions mean that today the property's assessed value, for tax purposes, is only roughly $220,000, with an annual payment under $2,500. Yet the actual market value of that property might be $20 million; without Proposition 13, that same property would be taxed at over $200,000 per year, giving the owner a strong incentive to redevelop or sell to someone who will. Multiplied across many thousands of parcels statewide, this dynamic serves to limit housing production even in locations where land is zoned for multifamily development. There is also evidence that Proposition 13 leads people to stay in their homes longer—for example, seniors who would otherwise downsize to smaller units, but don't because their taxes would increase—which inhibits supply coming onto the market for new households (Wasi & White, 2005).

"Current tax policy is keeping many older Californians in their homes. While seniors can now transfer their base-year property tax value to a new home, capital gains restrictions are keeping them from moving. With so many older adults choosing to stay put in their large single-family homes, it creates a huge issue for the future of the state."

– Lesley Corsiglia, L Corsiglia Consultancy LLC.

Second, Proposition 13, by reducing local property tax revenues, has necessitated increasing government revenues from other sources, including development impact fees that make it more expensive to build housing. Property tax payments dropped by roughly 60 percent immediately following passage of Proposition 13; adjusted for inflation, cities and counties received roughly $790 per person in 1977–78, but only about $640 per person in 2014–15 (Chu & Uhler, 2016). Lower revenues have made it difficult for large and more diverse counties to support their most vulnerable residents (Toppin, 2019).

Third, while supporters of Proposition 13 argue that it has helped keep housing affordable, the net impact of the law has been to make the state less affordable and more inequitable. The beneficiaries of Proposition 13's tax restrictions are disproportionately white, wealthy, and older. Research from California's Legislative Analyst Office found that two-thirds of the initiative's tax benefits go to homeowners making at least $80,000 a year, with the bulk of that relief going to those earning more than $120,000 a year (CA LAO, 2016). In addition, the negative fiscal impacts of Proposition 13—including the loss of public sector revenues for schools and infrastructure—has greater impacts on poor and middle class households.

TRENDS

Much has changed in California's housing market and policy landscape over the past decade. The nation has recovered from a historic recession and housing crash; fair housing reforms have been enacted, rescinded, and then reaffirmed by alternating presidential administrations; state and local governments have pursued—with some success—efforts including zoning reform, affordable housing and homelessness-related funding measures, and tenant protections; and a more nuanced conversation has evolved to incorporate the demands of both pro-housing and pro-tenant advocates. The COVID-19 pandemic has also led to dramatic impacts on human life, work, and housing, and has further entrenched racial and class inequalities. In this section, we review key empirical and policy trends that are likely to shape California's housing landscape in the coming decades.

MACRO TRENDS

There are some trends that are so large and pervasive that they will shape the future of more than just housing. We have identified four macro trends that future reforms must be respon-

sive to: 1) climate change, 2) rising wealth and income inequality, 3) systemic racism, and 4) political polarization and realignment. To some extent, these trends are outside of California's control—they will require collective action on a national if not global scale. But each is deeply intertwined with housing, meaning that policies designed to solve California's housing crisis are both a precondition for tackling these broader challenges and also deeply dependent on doing so.

CLIMATE CHANGE

Climate change is causing temperatures and sea levels to rise, acidifying and warming the oceans, and causing increasingly severe and frequent weather events; these and many other impacts threaten the lives and livelihoods of people across California. Driven by human-generated greenhouse gas (GHG) emissions, climate change is closely connected with the built environment. Residential energy use accounts for roughly 20 percent of greenhouse gas (GHG) emissions in the United States. The average lifespan of an American home is about 40 years, making planning and design decisions about the housing stock—such as location, size, heating systems, and building materials—crucial to avoid a "carbon lock-in" for these homes for decades to come (Goldstein et al., 2020).

Per capita GHG emissions in California have dropped from a 2001 peak of 14.0 tons per person to 10.5 tons per person in 2019, a 25 percent decrease, and the second lowest rate in the United States (CA Air Resources Board, 2021). Reductions in transportation and residential GHG emissions contributed to these declines, although other sectors of the economy (such as electric power generation) were responsible for a larger share of the drop.

"We need to do a better job of subsidizing infill. Older, downtown areas are far more expensive to redevelop and there's a shortage of dollars, labor, and materials needed to make those projects work."

– Carol J. Ornelas, Visionary Home Builders of California, Inc.

"In the context of our current regulatory framework, infrastructure investment patterns, and market conditions, there are not enough factors to compel most suburban developers to experiment with a new business model by building high density infill housing—despite the success of this model in similar markets and despite strong rents and low vacancies in pioneering Downtown projects—when they can make more predictable profits with less effort and perceived risk by continuing to build in a low density suburban fashion as they have always done."

– Dan Zack, City of Fresno

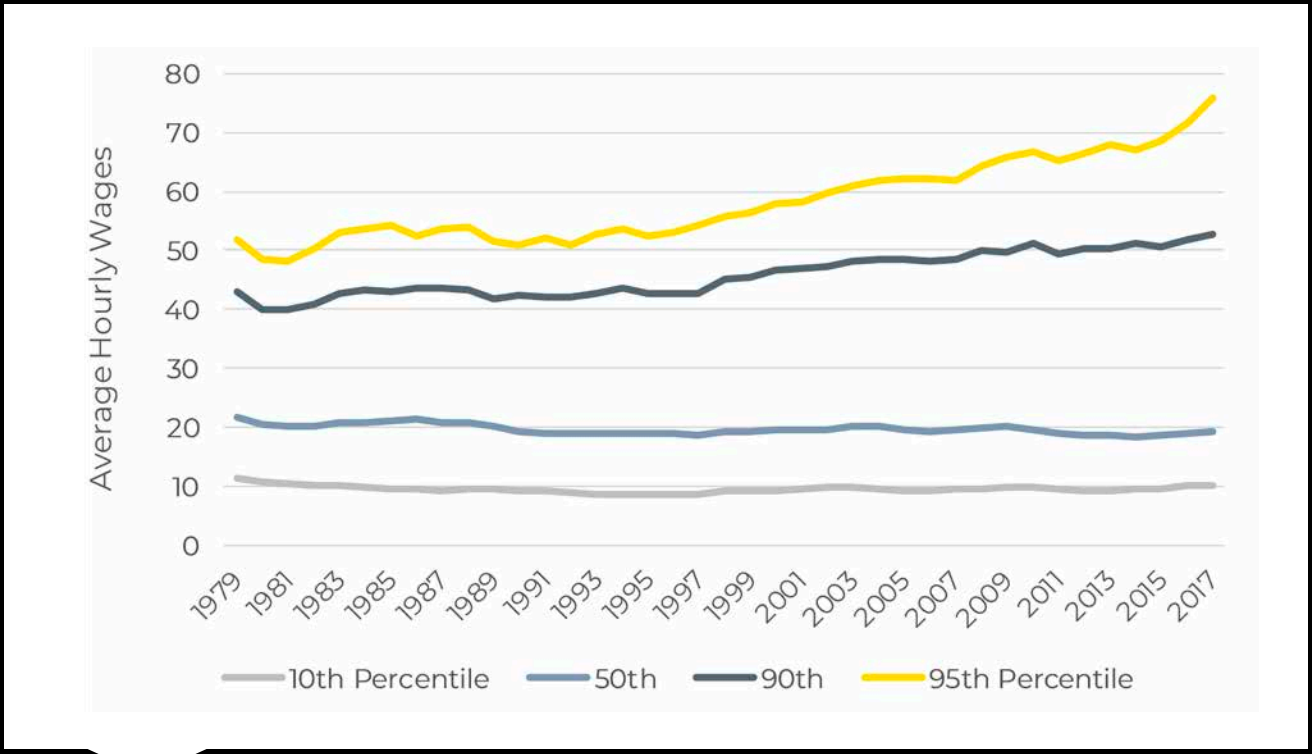
However, these aggregate figures mask considerable variation in energy use. In the most dense and transit-oriented communities in the state, household emissions are half the state average, while in many suburbs, often just a few miles from the urban core, average emissions are upward of 1.5 times higher. [12] Lower emissions in urban areas are a consequence primarily of smaller house sizes and shared walls, both of which reduce heating and cooling needs, and reduced vehicle-miles traveled. These benefits are amplified by locating infill housing in coastal cities and neighborhoods, where weather is comparatively mild, and in wealthier communities, because the emissions gap between high-income urban and suburban residents is much larger than the gap between low-income urban and suburban households (Jones et al., 2018). These data suggest that California is unlikely to achieve its climate goals if housing development continues to sprawl outwards (Kallerman & Weinberg, 2016). In addition, when households are displaced to Sunbelt states like Texas and Arizona, this has the potential to spur the growth of sprawling development patterns in locations where per-capita GHG emissions are dramatically higher.

[12] For tract based estimates of GHG emissions, visit Cool Climate Network, an initiative at UC Berkeley. Accessible online at https://coolclimate.org/maps-2050.

RISING WEALTH AND INCOME INEQUALITY

Income and wealth inequality are both rising in the U.S. Between 1970 and 2018, the median income for upper-income households (those with incomes at least double the median income for all households) grew by 64 percent, from $126,100 to $207,400, and upper-income households' share of aggregate income increased from 29 to 48 percent—nearly half of all income generated in the country. In contrast, the median income for middle class households grew by 49 percent, and just 44 percent for lower-income households (Horowitz et al., 2015). The growth of the wealth gap is even more pronounced, with the median wealth of upper-income households increasing by nearly 150 percent over the past 50 years, to $848,000, and only marginal changes for middle- and lower-income households; in fact, the median household wealth for lower-income households fell by 8 percent over this period, to $11,300.

Figure 33 **Trends in Wages by Income Percentile, California**



SOURCE: UC Berkeley Labor Center, https://laborcenter.berkeley.edu/low-wage-work-in-california/#the-numbers

NOTE: Wages are in 2017 dollars, and do not include tips, overtime, or commissions.

California's gap between rich and poor exceeds that of all but five states. Families at the top of the income distribution in California have 12.3 times the income of families at the bottom ($262,000 versus $21,000, for the 90th and 10th percentiles, respectively, in 2018. Since 1980, incomes for families in the 90th percentile in the state have increased by 60%, while incomes at the 50th percentile (median) and 10th percentile have only grown by 24% and 20% respectively (Bohn & Thorman, 2020). In part, these trends are driven by a growing divergence between lower- and higher-paying jobs (Figure 33). Average hourly wages for those in lower-paid industries—such as food service, retail, health services, and janitorial—have remained flat, while the state has increasingly added high wage jobs in technology, finance, and real estate. In California, 20 percent of all net worth is concentrated in the 30 wealthiest zip codes, home to just 2 percent of Californians (Bohn & Thorman, 2020).

Black and Hispanic families in the state are overrepresented at lower income and wealth levels. They make up only 12 percent of those with incomes above the 90th percentile despite comprising 43 percent of all families in California. Wealth disparities are also high: non-Hispanic white households in the state are estimated to have 6 times more wealth than households of color, a difference in median net worth of $320,000 to $55,000 (Prosperity Now, 2020). The racial wealth gap is partly a consequence of higher homeownership rates for white households, but even among Black and Hispanic homeowners, household equity is lower than for white homeowners (Schuetz, 2020).

Rising income and wealth inequality is likely to lead to greater resistance to new housing, as the most well-resourced households and communities exert their increasing power to maintain the status quo, for their benefit and to the detriment of others. It also contributes directly to intergenerational housing inequality. Those who already hold substantial housing wealth—and their heirs—are likely to perpetuate or grow that advantage over time. Further, if there is a sizable share of the population that is considerably higher-income than the rest of the state, and especially if housing scarcity is endemic, housing prices will be determined by what that privileged group is able to afford, with higher prices and lower living standards for everyone else.

SYSTEMIC RACISM

Progress on housing continues to be undermined by systemic racism, a problem that is felt most acutely by Black individuals and households, but that also affects other people of color. Systemic racism means that explicitly racist practices of the past, such as redlining and racial

"There remains the need for a shift of power. You still having people making decisions on behalf of communities they don't understand."

– Nikki Beasley, Richmond Neighborhood Housing

covenants, as well ongoing systems and structures that perpetuate racial disadvantage, such as bias in home appraisals, lead to persistent disparities along racial and ethnic dimensions. On average, people of color have lower incomes, less wealth, less education, worse health, greater housing cost burdens, and higher risks of homelessness and being a victim of violence compared to non-Hispanic white people. These disparities are not a result of inherent differences between racial, ethnic, or cultural groups; they are a consequence of systemic racism, a network of structures and institutions—operated both consciously and unconsciously—that maintains white supremacy through the conveyance of unearned wealth and privilege to some and barriers to opportunity for others. The existence of systemic racism cannot be solved through housing policy alone, but policies that are deliberately designed to reverse past and current inequities in the housing market are a critical foundation for greater racial equality (Rothstein, 2017).

POLITICAL POLARIZATION AND REALIGNMENT

California, along with the rest of the U.S., is experiencing two political realignments—one along traditional partisan lines, and the other specific to housing and urban planning. While today's political climate feels particularly divided and toxic, it is important to recognize that eras of relatively muted partisan conflict, such as the late 1950s, were also characterized by structural injustice that kept many voices—particularly those of non-white Americans—out of the political arena. Similarly, previous eras of deep division, such as the late 1960s, were far less partisan but hardly less violent or destabilizing.

Nevertheless, the Republican and Democratic parties have grown more ideologically consistent over time, and each has moved further toward their partisan pole: Republicans have moved to the right, and Democrats to the left, and the share of Americans with mixed or moderate views has fallen substantially (Dimock et al., 2014). The shift is even more pronounced among elected officials, primarily on the right: Republicans in the U.S. House of Representatives, in particular, have become far more conservative over the past 45 years, and are further to the right than at

any point in at least 140 years (McCarty, 2014). The divide is also hardening along geographical lines, with cities and inner suburbs moving to the left and rural areas and lower-density suburbs moving right.

"Political polarization is always a barrier, whereas political realignment? New or changing coalitions could be a solution or a problem."

– Darnell Grisby, Transform

In California, the housing crisis has led to a complicated politics around policy solutions—politics that are not easily characterized along ideological or geographical lines. Debates related to SB50, which would have encouraged the development of denser housing along transit corridors, are emblematic of these concerns (Walker, 2020). Tenant and community advocacy groups raised concerns about the bill, citing the potential for additional gentrification and displacement that might accompany new market-rate developments in their neighborhoods, the lack of sufficient affordability targets, as well as the impact the bill would have on community participation in project approvals. Pro-housing advocates—such as developers, business leaders and YIMBY organizers—highlighted the benefits of more supply and the importance of building housing near transit. Suburban communities raised concerns over how densification might change neighborhood character, parking and traffic, as well as home values. Tensions are also emerging between labor unions and affordable housing developers around issues such as Project Labor Agreements, prevailing wage, and the use of modular housing to bring down the costs of construction (Tobias, 2021). While not a full accounting of the different perspectives at play, these examples illustrate the diversity of those engaged in housing policymaking and debate—and the challenges of building a coalition of like-minded individuals large enough to shift the state's housing politics. Such a coalition will be necessary to ensure that future policies are resilient to opposition.

CRITICAL UNCERTAINTIES

What factors will most shape California's housing future? While there are of course many unknowns, in charting the course for the future of housing and community development in the state, two critical uncertainties come to the fore:

- Will the state produce sufficient housing to meet demand? Will that housing be limited to luxury condominiums or sprawling subdivisions? Or will it be built in a way that promotes affordability, supports climate change mitigation, and bolsters community resilience?

- Who will be that housing be for? Will policies largely benefit privileged Californians, including homeowners and the wealthy, or will they uplift a right to housing for all of the state's residents?

"High production needs to be coupled with an equity focus so it benefits across all racial and income lines... taking a holistic view of the housing needs related to the community; We need to agree upon a foundation; is it housing or the developer's profit?"

– Nikki Beasley, Richmond Neighborhood Housing

These two questions are often framed in different ways, for example, contrasting "production" with "preservation" and "protection," or "commodification and speculation" set against "a right to housing." Unfortunately, these critical factors are framed in opposition to one another. According to this line of thinking, policies that facilitate the construction of more housing, especially market-rate, or profit-driven development, will come at the expense of vulnerable or historically oppressed populations, for example by displacing low-income tenants in communities of color. Conversely, policies that establish housing as a human right are often seen as undermining housing production, such as when inclusionary zoning requirements increase the cost and reduce the financial feasibility of development. And there's a third group: majority white, homeowner-dominated communities that actively reject both supply and equity goals and continue to exercise political power locally and in Sacramento to stop legislative efforts to improve affordability and household stability for less privileged households across the state.

We believe that the future of California depends on building more housing in ways that align with the principle that housing serves an important public good, and that policy-makers and funding should align with social equity goals over housing for private gain (often realized through rising property values and wealth). We reject a binary framing of supply versus equity, and instead hope for a future where we achieve both (and indeed, believe one is not possible without the other). If housing production grows without emphasizing social equity—or in ways that increase land and property market speculation—California will leave behind its most vulnerable residents, and ultimately undermine its economic strength. If social equity is prioritized at the expense of housing production, rather than in concert with it, scarcity will persist and the cost of providing housing assistance will become unsustainable. And there's a fourth scenario, one in which the state fails to build enough supply and also neglects to address the problems of gentrification, displacement, housing insecurity, and homelessness, so that neither more supply nor more equitable outcomes are achieved.

Current housing trends in California point to the viability of all these different scenarios. In this section of the report, we present what we think to be the most important trends influencing both housing production and housing equity. Some of these trends are encouraging—for example, recent legislation that holds jurisdictions more accountable to meeting their housing needs, and the unprecedented amount of funding that the State is spending on affordable housing. Others present strong headwinds to making progress on the housing crisis.

TRENDS INFLUENCING HOUSING PRODUCTION

AFTER DECADES OF INACTION, THE STATE HAS PASSED MEANINGFUL LEGISLATION DESIGNED TO INCREASE THE PRODUCTION OF NEW HOUSING.

Spurred by emerging research [13] and the severity of the housing crisis, consensus is growing around the need to build more homes. Recognizing the statewide interest in an adequate and affordable supply of homes, state legislators have taken an active role in recent years in passing legislation designed to increase housing production at the local level. One of the most consequential shifts is the effort to strengthen the Regional Housing Needs Assessment (RHNA) process

[13] The majority of academic research has found that more restrictive land use regulations are associated with reduced housing production and higher land and housing prices, and that the relationship between increased production and lower rents holds even for market-rate housing in lower-income neighborhoods (Been et al., 2019; Phillips et al., 2021).

which sets housing production targets for local governments. California's approach to growth planning over the past 40 years—RHNA and the local housing elements that incorporate RHNA targets—have a very poor track record (Monkkonen, Manville & Friedman, 2019). Production goals have been far too low relative to demand, and due to a lack of accountability measures, cities have consistently failed to hit even their modest targets. Other bills have further strengthened accountability under the RHNA process, with the promise that more cities will make meaningful efforts to plan for new housing in their communities.

"Housing Element law has recently changed and provides more enforcement authority for CA HCD as well as more specificity as to what jurisdictions have to do to meet the standards of the element. This could lead to a shift in how much housing gets built."

– Sophia DeWitt, East Bay Housing Organizations

SB 828 was approved in 2018 to address these shortcomings, requiring local planning authorities to take into consideration a wider range of factors in determining housing production targets, including household overcrowding, past underproduction, and housing cost burden. The effect of the bill on RHNA targets has been dramatic: The Southern California Association of Governments' (SCAG) housing allocation more than tripled from about 400,000 to 1.3 million units. The Association of Bay Area Governments' (ABAG) allocation more than doubled, from around 180,000 homes to 440,000. Cities retain the power to determine how and where they will accommodate this new housing (with some limitations relating to fair housing laws, discussed later), but failing to plan for this growth will cause them to forfeit local control over various planning decisions. For example, SB 35—also passed in 2018—requires cities or counties not meeting their RHNA targets to approve projects that include a certain share of affordable units and meet other eligibility criteria under a streamlined "by-right" process.

Another important suite of reforms has been a series of laws that allow for streamlined construction of accessory dwelling units (ADUs) on most residentially-zoned parcels in the state, including, most crucially, those in single-family-only zones. Among the earliest of these statewide laws was SB 1069, which was passed in 2016 and requires cities to adopt ADU ordinances that adhere to state-level guidelines, such as requiring ministerial approval of ADUs, limiting parking requirements, and other important changes. This bill's passage had a significant im-

pact on ADU production across many municipalities. The number of ADUs permitted across California's largest metropolitan areas increased from 654 in 2016 to 3,126 in 2017, and Los Angeles experienced a particularly large increase (from just 80 permits in 2016 to 1,980 in 2017). Three more key ADU bills—AB 68, AB 881, and AB 670—passed in 2019 to address additional barriers to development and continue the momentum for ADU and junior ADU (JADU) production (Chapple et al., 2020).

"Single-family zoning reform has faced significant resistance from community members who are concerned about the impact of new homes and density on their neighborhoods. There's also a lot of misinformation about SB 9 and other zoning reform efforts that is fueling these concerns."

– Lesley Corsiglia, L Corsiglia Consultancy LLC.

In September 2021 the state also passed SB 9, allowing lot splits and duplexes on most R1 (single family) parcels, effectively permitting four units on sites where only one (excluding ADUs) was allowed before. SB 9 is likely to further expand the supply of smaller-scale and relatively affordable housing through development on newly subdivided lots and the conversion of existing single-family homes into multiple units. This ability to create duplexes and/or split the lot and convey new units with a distinct title would allow property owners to pursue a wider range of financing options (Metcalf et al., 2021). Beyond its direct effect on housing production, SB 9 also represents a landmark shift: For all intents and purposes, single-family zoning is abolished in California—not only the largest state in the nation but also the birthplace of single-family zoning.

In addition to relaxing existing zoning restrictions such as minimum lot size requirements and density limits, the state also prohibited the future tightening of zoning restrictions with the approval of SB 330, the Housing Crisis Act of 2019. The Act is a far-reaching law that seeks to prevent "downzoning" of parcels and other forms of political and bureaucratic obstruction of housing approvals, while also incorporating strong anti-displacement and affordable housing replacement requirements for projects involving the demolition of existing housing. Unlike the other reforms mentioned above, the provisions of SB 330 are not permanent; they are currently set to expire on January 1, 2025.

LOCAL JURISDICTIONS HAVE ALSO PASSED INNOVATIVE POLICIES THAT SEEK TO BOOST THE SUPPLY OF HOUSING.

Although most California cities have made little progress on housing supply reforms, a few have taken the lead with local solutions. One such is Los Angeles, with the 2017 adoption of the voter-approved Transit-Oriented Communities (TOC) incentive program. The TOC program is an evolution of the state density bonus, which until recently allowed up to 35% more units and other developer concessions in exchange for providing income-restricted units on-site. The TOC program takes this concept further, permitting a unit density bonus up to 80%, a floor area bonus up to 50%, and large reductions to parking requirements (including zero parking in some locations) in exchange for affordable units; because the bonuses are larger, projects must also set aside a larger share of units for low-income households, and often at deeper affordability levels. The program also improves upon the state density bonus by limiting incentives to parcels located near transit services, with greater bonuses tied to higher quality transit and closer proximity to transit stops. Since its adoption, over 25,000 units have been approved under the TOC program, including nearly 6,000 income-restricted units—a large share of them for households earning 30 percent of area median income or less (Los Angeles City Planning, n.d).

In recent years San Diego has also adopted local zoning reforms to remove obstacles for new development and increase the production of both market-rate and affordable housing. The city approved the Affordable Homes Bonus Program (AHBP) in 2016, going beyond state law which requires cities to offer a 35% density bonus to projects that include up to 11% of units for low-income households; instead, the AHBP offers a 50% bonus in exchange for a 15% affordability set-aside. The program also offers developers five "incentives" that help improve project feasibility, rather than the three required by state law. Twenty months after adoption, the program led to the entitlement of 2,300 homes, a significant increase over what would have been approved under the state density bonus alone (Parent & Rosas, 2020). In 2019, the city also eliminated parking requirements for projects built near transit and saw market-rate and affordable housing production increase further (Dedousis et al., 2021). Demonstrating local governments' potential to serve as "laboratories of planning," San Diego's density bonus reforms were adopted into state law in 2020 (City News Service, 2020).

STATE AND LOCAL GOVERNMENTS HAVE COMMITTED NEW FUNDING STREAMS DEDICATED TO INCREASING THE SUPPLY OF AFFORDABLE HOUSING.

Even before COVID-19, both state and local governments realized the need to commit additional funding to affordable housing. The dissolution of the state's Redevelopment Agencies in 2012 led to a dramatic cut in funding for affordable housing production—one that other sources of state funding have failed to fill (Figure 34). Yet the severity of the crisis has led to new momentum, not only in new housing legislation, but also in the creation of new funding streams. In 2018, the state passed Propositions 1 and 2, which allocated a combined $6 billion in new funding for the development and preservation of affordable and supportive homes. Governor Newsom renewed his commitment to housing in the 2021-2022 budget, which includes $12 billion for homelessness, targeting a combination of investments in housing and social services, as well as other state housing priorities (Table 2). In addition, local and regional governments passed their own bond measures. For example, since 2015, the Bay Area has raised over $3 billion through local bond measures (Bay Area Council Economic Institute, 2021). Private companies have also contributed, with Google, Facebook, and Apple all making significant financial commitments to address the housing crisis (Myrow, 2020).

"Increased investments in subsidized housing, with a focus on homelessness, has been moving in a positive direction."

-Michael Lane, SPUR

The COVID-19 pandemic has added to the urgency of the housing crisis, and led to unprecedented government actions at both the federal and state level, including eviction moratoria and considerable funding for renter relief. The state also significantly expanded its programs for people experiencing homelessness: Project Roomkey helped to reduce vulnerability to COVID-19 by providing safe shelter for unhoused populations—with an average of 3,700 occupied rooms per night in the Bay Area—while also generating revenue for the hospitality sector,[14] and the first round of Homekey provided funding to convert more than 6,000 hotel and motel rooms in the region into permanent, supportive housing.

[14] Data retrieved from https://data.ca.gov/dataset/covid-19-homeless-impact. Reflects average number of occupied units by county from April 2020 to July 2021.

Table 2 **California's 2021-2022 Housing Budget: New Programs and Allocations**

AMOUNT	DESCRIPTION
$5.2 billion	Cover 100% of past-due rent payments: A combination of state and federal funds will be available to households earning 80% of area median income or below, with extensions of the state's eviction moratorium through September 30 for all tenants—and through March 2022 for those who apply for rental assistance.
$1.75 billion	HCD pipeline projects: These resources are intended to accelerate construction of 6,300 shovel-ready projects facing delays in the state's backlogged tax credit financing system.
$2.75 billion	Project Homekey (FY 2021-2022 and 2022-2023). Homekey projects will continue to not be subject to any local discretionary approvals, and the Homekey CEQA exemption (including its "skilled and trained" labor requirement) is extended to July 1, 2024.
$2 billion	For the next 2 years to local governments to help address homelessness
$500 million	State Low Income Housing Tax Credits
$300 million	New Affordable Housing Preservation Program at HCD
$534.1 million	Infill Infrastructure Grant Program
$50 million	Joe Serna, Jr. Farmworker Housing Grant Program
$45 million	CalHFA Mixed-Income Program
$50 million	Golden State Acquisition Fund
$45 million	To develop state excess sites with affordable housing

SOURCE: California Housing Consoritum, 2021-2022 California Budget Update, available online at https://calhsng.org/2021-2022-california-budget-update/.

STATE AND LOCAL GOVERNMENT AGENCIES ARE INCREASINGLY LINKING LAND USE AND TRANSPORTATION POLICIES, WITH THE GOAL OF SPURRING MORE INFILL DEVELOPMENT.

There is growing awareness that building more homes is not just good for affordability and household stability, but also environmental sustainability—or it can be, if homes are built in the right ways and in appropriate locations. It was in this spirit that state senator Scott Wiener and Daniel Kammen, a lead author for the Intergovernmental Panel on Climate Change, wrote in the *New York Times*, "Housing Policy is Climate Policy."

In the op-ed, Kammen cites his own research assessing the carbon footprint of 700 California cities, and his finding that the development of infill housing—"housing built in urban areas, near transit, jobs and services"—was the most effective greenhouse gas reduction strategy for coastal cities in the state (Wiener & Kammen, 2019). Households drive less when they live in denser, more urbanized neighborhoods, and residents of buildings with five units or more consume half the energy of detached single-family home residents, per capita (Duranton & Turner, 2018). The California Air Resources Board has determined that the state is not on course to meet emissions reduction goals, and that hitting future targets will require land use changes that promote more dense, walkable, transit-oriented communities (California Air Resources Board, 2018).

The City of Los Angeles' Transit-Oriented Communities program is one example of policies that help shift development toward more central, environmentally sustainable locations, while also reducing minimum parking requirements which have been shown to increase car ownership and driving (Manville, 2017; Manville et al., 2013; Manville & Pinski, 2020). Accessory dwelling unit reforms, proposals to allow taller and denser housing near transit (e.g., SB 827, SB 50, SB 9, SB 10), and the recent (though unsuccessful) proposal to eliminate parking requirements (AB 1401) are all examples of state efforts to promote more housing in urban areas and transform communities into more sustainable, less car-oriented places.

Reforms like those listed above are occurring alongside increasing opposition to sprawl development across the state, especially to large master-planned communities where few (if any) homes or jobs currently exist. For years, advocates have been fighting projects like the proposed 19,300-unit Tejon Ranch project and the 21,500-unit Newhall Ranch development, both in Los Angeles County.

However, even as the state seeks to incentivize infill development, California has seen rapid expansion into greenfield areas, and on the fringe of towns in areas at greater risk of wildfires.

Between 1990 and 2010, half of the state's new housing was built in the WUI (Chapple et al 2021). New housing construction in these areas tends to be less expensive, and inadequate supply of affordable housing in urban centers has encouraged further housing and population growth (California Wildfire Strike Force, 2019; Kasler, 2019; NAIC, 2019; Peterman et al., 2019; Thompson, 2019). Development in high-risk areas coupled with an increase in the number and severity of fires means greater fire-related property loss and displacement, along with greater costs associated with fire suppression, emergency response, and rebuilding and recovery efforts (Wiley et al., 2020; Liao & Kousky, 2020).

MORE DEVELOPMENTS ARE TURNING TO MODULAR AND OTHER INNOVATIVE CONSTRUCTION METHODS TO BRING DOWN THE COSTS OF CONSTRUCTION.

> ***"We will be shooting ourselves in the foot if we are not able to explore alternatives - or even pilot solutions - to reduce the cost of housing."***
>
> - Rebecca Foster, Housing Accelerator Fund

A major obstacle to increasing the supply and affordability of homes is the cost of construction. The industrialized construction industry—often referred to as modular or factory-built housing—holds promise for delivering housing faster and more affordably. Approaches vary, but industrialized construction typically involves the partial or complete prefabrication of building elements in off-site facilities before they are transported to the actual project location. Affordable and supportive housing projects using industrialized construction in California have seen relatively consistent time savings in the range of 10 to 20 percent, though cost savings, which stem largely from the reduction in construction time, have been less consistent (Pullen, 2021). However, a recent study on 833 Bryant Street in San Francisco—a permanent supportive housing project that used modular elements and benefited from streamlined approvals and flexible grant dollars—is on pace to build homes, conservatively, about 30 percent faster and at 25 percent less cost per unit than similar projects in the city (Decker, 2021). Off-site housing construction may also offer several other important benefits, including higher quality and energy efficient units (Podder et al., 2020). Factory assembly may also reduce workplace injuries and allow for the development of a more stable and diverse construction labor force.

"Labor requirements and availability are moving in the wrong direction and directly impact the ability to use innovative building technology, which then impacts the ability of affordable housing to pencil."

- Darnell Grisby, Transform

Though off-site construction offers many potential benefits, numerous barriers to widespread adoption remain, including labor union opposition, procedural and building inspection processes that are poorly aligned with modular construction, and restrictions attached to different funding sources (such as against the use of funds for upfront deposits that are often required for a "spot in line" for off-site housing producers). Housing development is also not characterized by the stable, predictable, and consistent work stream that would best match factory production, and lenders and developers are still hesitant to enter long-term partnerships with industrialized construction companies.

DESPITE THESE REFORMS, OPPOSITION TO NEW HOUSING—ESPECIALLY MULTI-FAMILY AND AFFORDABLE BUILDINGS—CONTINUES TO LIMIT NEW SUPPLY.

Exclusionary jurisdictions continue to fight back against higher housing production requirements; in the Bay Area alone, 28 cities and counties submitted appeals to the regional agency protesting the number of units they had been allocated under RHNA. But policies related to increasing housing supply—including reducing regulatory barriers to new developments and streamlining the entitlement process—is leading to political realignments, with progressive and conservative groups sometimes coming together to fight these reforms (but for very different reasons).

To some degree, the impediments to home-building in California stem from anti-housing (or perhaps simply pro-status-quo) attitudes espoused by many of the state's residents. Most people recognize the need for more housing, but many are unwilling to accept the changes necessary to accommodate more homes in their own communities. Constituents who oppose new housing remain politically active and influential, and many policies and processes have been structured to give them disproportionate power. This problem is most pronounced at the local level, where elected officials and residents perceive housing development as imposing concentrated local costs—increasing traffic and reducing parking availability, changing neighborhood character—and diffuse regional or statewide benefits. The fact that the total benefits outweigh the costs is not enough, by itself, to convince many local governments to take appropriate action, and helps explain why the state has played such a pivotal role in recent housing reforms.

"The general population outside of the housing world is less divided. There is an openness to change in land use and zoning that would produce more affordable housing. I am hopeful about that. However, I am pessimistic about how elected officials are remaining polarized."

- Christopher Hawthorne, City of Los Angeles

THE DISTRIBUTION OF NEW HOUSING—ESPECIALLY DENSER APARTMENTS—IS CONCENTRATED IN ONLY A SMALL NUMBER, OFTEN LOWER-INCOME, COMMUNITIES OF COLOR. THIS CONTRIBUTES TO CONCERNS OVER GENTRIFICATION AND DISPLACEMENT IN THESE AREAS.

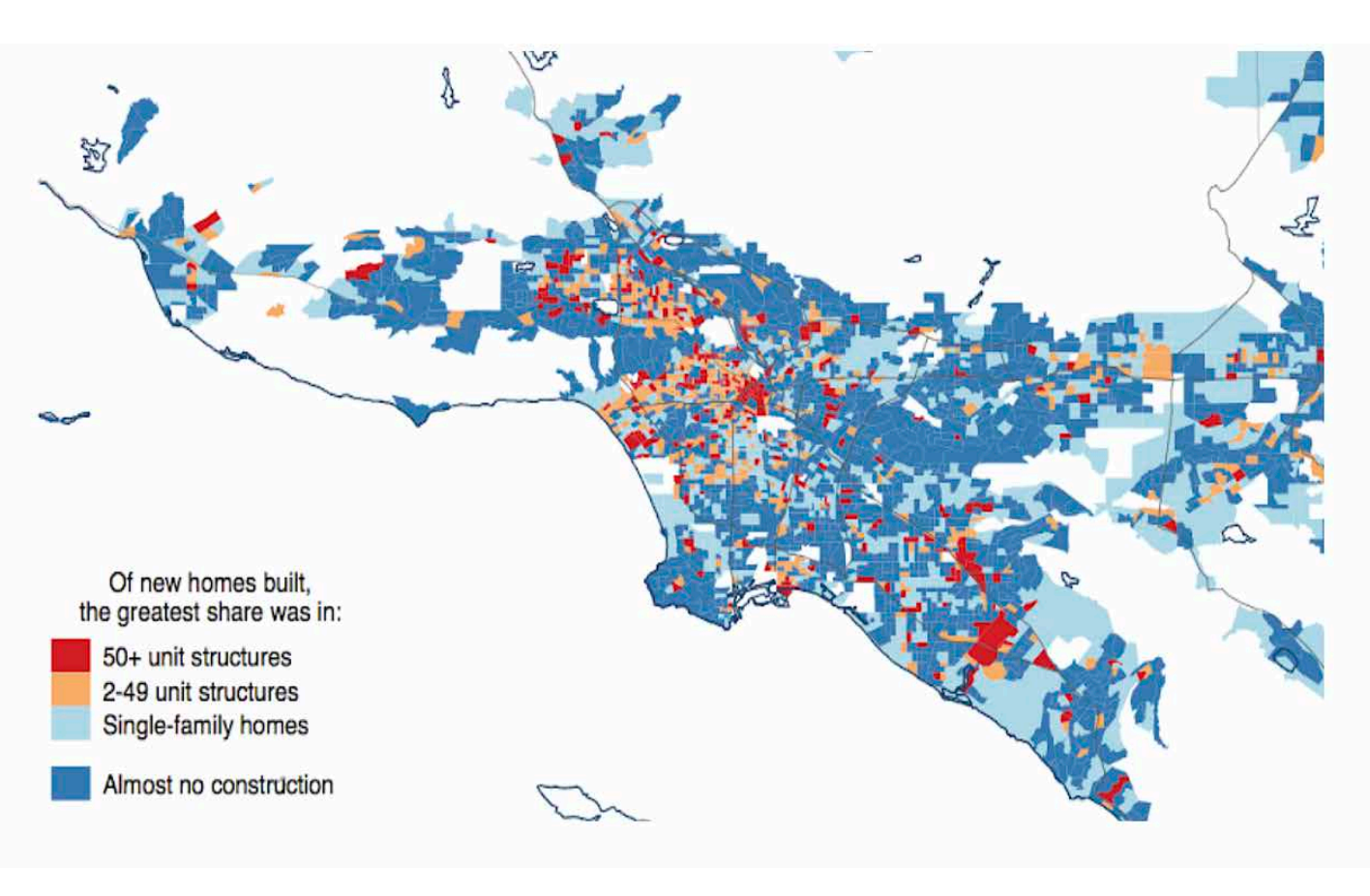
The power and influence of housing opponents is not evenly distributed; it is concentrated in predominantly white, affluent, opportunity-rich neighborhoods. It is these neighborhoods where zoning and other regulations are typically most restrictive, and where detached *single-family* homes are often the only housing type permitted. As a result, a disproportionate share of land in poor communities and communities of color is zoned for multifamily housing. Figure 35 shows this pattern for Los Angeles, highlighting that denser, multi-family construction is happening in only a few neighborhoods throughout the region. Many more are characterized

"How land use reform occurs in lower-income, chronically disinvested neighborhoods matters. We need a nuanced understanding of land use policy and its racist history and policies that protect sensitive communities from displacement. And even in a high resource neighborhood, the production of exclusively market-rate housing is not guaranteed to create housing opportunities at deep affordability levels. This is why we also need standards to produce deed restricted affordable units in high resource areas, as one of many important strategies to remove barriers to equitable housing growth."

- Doug Smith, Public Counsel

by little or no construction at all. Focusing housing development in just a few neighborhoods intensifies the pace of change in these areas, and raises concerns over gentrification. This despite the fact that the majority of academic research has found that the relationship between increased production and lower rents holds even for market-rate housing in lower-income neighborhoods (Been et al., 2019; Phillips et al., 2021).

Figure 35 **Housing Development in Los Angeles, 2000 - 2017**



SOURCE: Romem, Issi. "America's New Metropolitan Landscape: Pockets of Dense Construction in a Dormant Suburban Interior." BuildZoom, 2018. https://www.buildzoom.com/blog/pockets-of-dense-construction-in-a-dormant-suburban-interior.

RISING LAND AND DEVELOPMENT COSTS, AND A LIMITED LABOR PIPELINE, MAKE HOUSING MORE EXPENSIVE TO BUILD

California is stuck in a vicious cycle of rising development costs. In addition to higher land and labor costs, the per-unit expense of soft costs like architectural design and engineering, which are typically a set percentage of total project costs, also go up, as do financing costs. All of this contributes to the high cost of housing, as new supply is priced well above what the median household can afford. Even in Sacramento, a lower-cost part of the state, new two-bedroom apartments are only profitable at around $2,758 per month—a rent level affordable only to those earning more than $110,000 annually (Garcia, 2019).

"We need to do a better job of creating an intentional pipeline for construction labor. This is critical issue for racial equity as well—who has access to apprenticeship programs—we need more capacity to meet expanding labor requirements (like Section 3 programs)."

- Peter Ragsdale, San Joaquin County Housing Authority

A tightened labor pool, especially for union labor, has not only increased the costs of construction, but also contributed to divisive politics around prevailing wage and project labor agreements. Since the recession, there has been a mismatch between the number of permitted units—increasing more than 430 percent between 2009 and 2018—and growth in the construction sector, where the number of workers has expanded by only 32 percent. Surveys of housing developers have consistently listed a shortage of workers as a top concern. For example, in response to a 2019 survey of general contractors in California, more than 60 percent of firms responded that they were "having a hard time filling some or all positions" for craft and salaried workers (Raetz et al., 2020). Although modular and manufactured housing innovations may alleviate some strain on the labor pool, any plan to dramatically increase the production of housing will also require aggressive workforce development in the construction trades.

TRENDS INFLUENCING THE RIGHT TO HOUSING

THERE HAS BEEN A SEA CHANGE AT THE FEDERAL LEVEL, WITH ISSUES RELATED TO HOUSING, INCLUDING ENDING EXCLUSIONARY ZONING AND EXPANDING HOUSING ASSISTANCE, ON THE AGENDA.

The Biden Administration has made housing one of its major priorities, and through both its policy agenda and its bully pulpit, has put forward the need to greatly expand investments in housing assistance and address exclusionary zoning and barriers to fair housing. As a part of his American Jobs Plan, President Biden has also proposed investing more than $300 billion in the construction, acquisition, and rehabilitation of low- and moderate-income housing (The White House, 2021). President Biden has also proposed expanding the Housing Choice Voucher program, which provides rent assistance to low-income rent-burdened households, making it available to all who qualify (Yglesias, 2020). Not only would universal housing vouchers improve the lives of millions of low-income households, it could also spur the development of a large number of income-restricted homes in California and across the nation: with a guarantee that low-income tenants can pay their rent with voucher assistance, it could become easier to secure adequate funding for affordable housing development.

While it is likely that some of these ambitious funding plans will be scaled back during the political process, the Biden Administration is also focused on administrative action to support housing production and affordability (Bernstein et al., 2021). And it is increasingly connecting issues of housing access to exclusionary land use practices. For example, in June 2021, the president's Council of Economic Advisors published an article on the history of exclusionary zoning—a practice which disproportionately benefits more white and affluent communities at the expense of more diverse and poor and working class neighborhoods—and the role it plays in perpetuating segregation and disparities in life outcomes, including the racial wealth gap (Rouse et al., 2021). They also discuss a proposed $5 billion program which would incentivize cities to reform their exclusionary zoning regulations and produce more housing for households with low and moderate incomes.

BOTH THE FEDERAL AND STATE GOVERNMENT HAVE RECOMMITTED TO STRENGTHENING AND ENFORCING FAIR HOUSING LAWS.

Since 1968, government agencies receiving federal funds have had a mandate to "affirmatively further fair housing" (AFFH)—to not just combat discrimination, but also "take meaningful

actions … to overcome patterns of segregation and foster inclusive communities." In practice, this mandate has never been truly enforced, and segregation (and the disparate impacts that accompany it) has not meaningfully improved in many jurisdictions. Over the past decade, the federal and state government have both sought to finally make AFFH a reality.

At the federal level, the U.S. Department of Housing and Urban Development (HUD) approved a new rule in 2015 which increased the obligations of local governments to demonstrate their commitment to affirmatively furthering fair housing. The primary change was to require a new "Assessment of Fair Housing," describing fair housing outcomes within the jurisdiction and outlining plans for improving upon them. These assessments would be submitted to HUD and, unlike the documentation required of cities prior to the 2015 rule, would be reviewed and certified by HUD; local governments without certified assessments would be ineligible for certain federal funds. Although the 2015 rule was reversed by the Trump administration, the Biden administration has expressed its intent to restore and strengthen AFFH.

Not content to wait for federal action, the California state legislature established its own AFFH requirements in 2018 with the approval of Assembly Bill 686. AB 686 mirrors the language of the 2015 HUD rule, and it has been incorporated into the housing element planning process that all California cities must engage in every eight years. To assist with enforcement of the new fair housing requirements, researchers at the UCLA Lewis Center for Regional Policy Studies have developed an "AFFH Sites Score," a simple tool to assess whether cities are promoting more housing opportunities in higher-resource communities, or if they're continuing to relegate most housing capacity—especially low-income housing—to more segregated and poorly-resourced neighborhoods (Monkkonen et al., 2021).

THERE HAS BEEN A GROWING RECOGNITION OF THE IMPORTANCE OF TENANT PROTECTIONS AT BOTH THE LOCAL AND STATE LEVEL.

After several decades of stagnant or eroding tenant protection and anti-displacement regulations, the state legislature and many local governments have recently worked to strengthen tenant rights in various ways.

At the state level, one of the most important bills to pass was Assembly Bill (AB) 1482, the Tenant Protection Act of 2019, which established a statewide rent-stabilization program. Rent control in the state has long been limited by the Costa-Hawkins Rental Housing Act, passed by the California Legislature in 1995, which places restrictions on rent control ordinances enacted

at the local level. Although ballot measures have sought to overturn Costa-Hawkins, these measures have so far failed.

"When 1482 passed, it was a first step, but many thought it was enough and is helping keep people housed. Something we see here in Stockton is that the majority of the rental market is actually made up of single family homes and that whole bucket is exempt from any of those protections... Now people are selling those rentals because the market is so hot and now there's another eviction wave that's happening."

- Kristine Williams, Enterprise Community Partners

"Tenant protection is important, but we need to be sensitive to landlords, especially the non-giant ones. When you look at who owns the rental stock, the majority is mostly mom and pops or pension funds, many of which are for public institutions, such as CalPERS and CalSTRS."

- Randall Lewis, Lewis Group of Companies

AB 1482 reflected a compromise position, and limits annual rent increases to five percent plus the inflation rate, and applies to most multifamily renter-occupied housing in the state, so long as it is at least 15 years old. The state bill does not regulate rents as strictly as most local rent control ordinances, some of which limit annual rent increases to a fraction of the inflation rate, but it does shield tenants against the cases most likely to lead to displacement—rent hikes of 20%, 50%, or 100% or more. In addition, Costa-Hawkins prohibited rent control on any home built after 1995; AB 1482 set a new precedent by breaking with that practice. The law also includes "just cause" eviction protections which ensure that tenants can only be evicted for failing to pay rent or otherwise breaking the terms of their lease, with some exceptions such as for redevelopment or conversion of a property to a different use. Prior to AB 1482, tenants in most rental properties could be evicted for any reason—or no reason at all.

At the local level, several California cities have adopted their own rent stabilization programs in recent years. The cities of Alameda and Mountain View approved rent stabilization and just cause eviction protection programs in 2016, Inglewood and Baldwin Park did so in 2019, as did

Culver City in 2020. Los Angeles County also implemented a rent stabilization program for the unincorporated areas of the county, where more than one million residents live, in 2020.

Tenant protections have also been built into other pieces of legislation. For example, Senate Bill 330, approved in 2019, prohibited "downzonings" and other local ordinances that would serve to further restrict the development of new housing, but it also mandated that tenants displaced by development be offered relocation payments and a right to return to a comparable unit at an affordable rent when the development is completed. Displacement mitigations like right of return and "no net loss"—which mandates that affordable or other protected units be replaced when demolished for new developments—are also becoming more common at the local level, and often accompany reforms that promote more housing construction.

CALIFORNIA HAS SEEN A GROWING MOVEMENT FOR TENANTS' RIGHTS, LED BY STRONG COMMUNITY ORGANIZING, AS WELL AS AN EXPANSION OF COMMUNITY LAND TRUSTS AND OTHER HOUSING MODELS THAT SEEK TO COUNTER HOUSING SPECULATION AND DISPLACEMENT.

Between the wave of foreclosures caused by the Great Recession and rising home prices of the last decade, homeownership has lost its appeal for some households and become unattainable for many more. With more households renting, including higher-income households who might have become homeowners in decades past, upward pressure on rents has increased and renting has become more precarious. These trends, in addition to a growing social movement to address systemic racism and economic inequality, have helped to seed and strengthen tenants' rights groups across the state.

"We've seen an increase in philanthropic funding for a 'power building strategy' in the San Joaquin Valley going towards grassroots CBO's. The hope is that these groups will deepen their capacity and help expand affordable housing production and rights in the Valley; but these are nascent so it's hard to see what will happen. Housing just became a standalone issue in the region 5-10 years ago."

- Kristine Williams, Enterprise Community Partners

By organizing protests and rent strikes at a hyper-local level, down to individual buildings, tenant unions and similar organizations have helped raise awareness of how tenants—especially low-income renters of color—frequently have their rights violated and lack the protections necessary to ensure stable, healthy, affordable housing. They have also empowered residents who previously were unaware of their rights or how to exercise them, and have delivered concrete wins on behalf of tenants by slowing or stopping rent increases, fighting unjust or illegal evictions, and enforcing building code requirements and protections against harassment.

These organizing movements have also led to an expansion of efforts to develop alternative models for housing, such as community land trusts, real estate cooperatives, and community investment funds (Abello, 2021). Efforts in Oakland to pass a Tenant Opportunity to Purchase Act (TOPA)—which gives tenants the right of first refusal to purchase their home if the landlord decides to sell (or convey that right to a nonprofit)—have led to similar efforts in Berkeley. In 2020, SB 1079 instituted a statewide approach to ensuring that foreclosed homes aren't bundled together and sold in bulk to large-scale investors. SB 1079 gives existing tenants of properties in a foreclosure auction up to 45 days to come up with a matching bid to acquire the property themselves—or to work with an eligible nonprofit. In 2021, AB 140 created a new Foreclosure Intervention Housing Preservation Program that dedicates $500 million in low-interest loans for eligible organizations, including community land trusts, to acquire and rehabilitate residential properties of up to 25 units. These efforts are working to build community power and address property speculation, particularly in gentrifying neighborhoods.

HOWEVER, EVEN AS STATE FUNDING FOR AFFORDABLE HOUSING HAS EXPANDED, THESE RESOURCES REMAIN INSUFFICIENT TO MEET THE SCALE OF NEED, ESPECIALLY FOR EXTREMELY LOW-INCOME RENTERS.

The federal government has expanded some funding for affordable housing and rental assistance (and especially so in response to the pandemic), and has signaled its intent to significantly increase rental support and investments in public housing through the Build Back Better legislation, although this failed to pass in 2021. Of an estimated 3.3 million low-income households in the state prior to the pandemic, just one quarter, about 800,000, live in subsidized housing or receive a housing voucher to help with rent (Uhler, 2016). The rest are eligible for housing assistance but do not receive it, due primarily to a lack of local, state, and especially federal funding.

The lack of ongoing rent subsidies, especially for extremely low-income households, threatens the effectiveness of state funding for the construction and acquisition of new affordable supply. Lenders and investors who provide capital for affordable housing will only do so with a guaranteed long-term subsidy to support operating expenses and mortgage payments, especially when residents' rents are too low to ensure that the building is sustainable over the long term. While the state has actively increased the pool of funding for capital financing, the sources of funding available for operations and services have yet to expand to meet need.

WITHOUT SIGNIFICANT INVESTMENTS, THE IMPACTS OF CLIMATE CHANGE (INCLUDING FIRES AND FLOODING) AND OTHER NATURAL DISASTERS WILL FALL DISPROPORTIONATELY ON LOWER-INCOME HOUSEHOLDS AND COMMUNITIES OF COLOR.

Lower-income and Black, Indigenous, and other People of Color (BIPOC) households are more likely to live in areas vulnerable to disasters like floods and wildfires. These same households—and especially renters—are also more likely to live in housing built to older building codes that has not been properly upgraded or maintained. These structures are more vulnerable to damage or destruction during earthquakes, floods, and fires, and as a result low-income and BIPOC communities are at greater risk for displacement and property loss (Burby et al., 2003; Krause and Reeves, 2017; Rosenbaum, 1996). In California, as more land is threatened by sea-level rise and in danger of flooding, affordable housing in low-lying coastal areas is particularly at risk. Particularly in the Bay Area and North Coast, populations threatened by sea level rise are disproportionately BIPOC (Heberger et al., 2009). A recent study also estimated that the number of affordable housing units that are at risk of flooding will increase by 40% by 2050 (Buchanan et al., 2020).

Lower-income households—disproportionately seniors, people with disabilities, and people of color—have fewer resources to invest in mitigation efforts and home renovations or put towards disaster recovery, and less political influence on the distribution of climate mitigation and disaster recovery resources (Lynn, 2003; Cart, 2020). For example, 14 percent of residents affected by Butte County's Camp Fire in 2018 had incomes below the poverty line; 25 percent relied on Medicaid or Medicare for their health coverage (Squires, 2018). Disaster-recovery programs are typically designed to restore wealth, and as a result best serve higher-income homeowners (Cash et al., 2020). Most renters do not have renter's insurance, preventing them from obtaining

"When we have earthquakes, fires, sea level rise, etc., vulnerable people will be impacted more than others, and across the board, we won't be able to house people displaced by climate events. This will spike further migration out of California, displacement, and homelessness."

- Rebecca Foster, Affordable Housing Fund

compensation for loss of their belongings in fires and other disasters, and most renter's insurance does not provide relocation support (Marcus & Verma, 2017). Rapidly escalating fire insurance costs in high-risk areas may also diminish the affordability of homes built further out on the periphery precisely because they offer lower-cost homeownership opportunities (Peterman et al., 2019; Makaula, 2019; Quinton, 2019; Shuman, 2019).

THE UNEVEN IMPACT OF THE COVID-19 PANDEMIC HAS THE POTENTIAL TO EXACERBATE LONGSTANDING INEQUALITIES IN HOUSING.

The COVID-19 pandemic has disrupted the lives of people from all backgrounds, but the impacts have not been evenly distributed according to race or ethnicity, income, education, legal or family status, or location (Liao & De Maio, 2021). In the early months of the pandemic, 47 percent of California households with income under $40,000 per year had someone in the household lose their job, and 63 percent had their work hours or pay cut. Among households earning $80,000 per year or more, only 22 percent had lost their job and 38 percent lost work hours or pay (Bernhardt et al., 2020). Job and income disparities were magnified in housing outcomes: 42% of households with incomes under $40,000 had difficulty paying for their rent or mortgage compared to just 13% of those earning $80,000 or more (a more than three-fold difference). Similar disparities were seen by race and ethnicity, with Black and Hispanic households experiencing job loss or pay cuts at 1.5 to two times the rate of white households. Thirty-three percent of Black households and 44 percent of Hispanic households had trouble paying their rent or mortgage, but the same was true for only 15 percent of white households (a two- to three-fold difference) (Bernhardt et al., 2020). At the same time, financially secure homeowners benefited: Despite a downturn for the economy as a whole, home prices in California were up nearly 19% in the 12 months leading up to June 2021, driven by a combination of remote work, ultra-low interest rates, and limited for-sale inventory (Layton, 2021; Garosi & Uhler, 2021).

"It's not just renters. I'm worried about Black homeowners, and Black landlords with rental properties in the wake of COVID. How do we make sure they don't lose their properties? Black people are more likely to have 1 small rental property, with the majority of the rent going toward the homes' expenses and therefore more likely to be at risk of financial insecurity. "

- Nikki Beasley, Richmond Neighborhood Housing

It is hard to predict exactly how COVID-19 will influence the housing market going forward. Government actions—including eviction moratoria, rent relief programs, expanded unemployment benefits, and direct payments to households—have had a positive impact, keeping more families housed and financially stable than they would have been in absence of these efforts (An et al., 2021; Kneebone et al., 2021). Yet research has also shown that the severity and impacts of a recession on low-income and communities of color often endure long past its official end, raising the potential for a rise in evictions and displacement in the coming months, as well as a continued widening of income and racial inequality.

CONCLUSION

California's housing crisis has been decades in the making, and has reached levels that many believe it now threatens the state's long term economic vitality. The ongoing housing shortage continues to push rents and house values upwards, leading to ever larger cost burdens and displacement pressures. Failing to expand the supply of housing, both income-restricted and market-rate, also threatens to undermine California's climate change goals, as families are forced to move further and further from jobs to find housing they can afford. And racial justice concerns loom large. The legacy of past discriminatory practices lives on in the racial wealth and homeownership gap, elevated rates of eviction and homelessness among Black residents and other people of color, and deeply segregated communities. While racial and ethnic discrimination in the housing market is now formally illegal, it still exists, including housing voucher discrimination, subprime lending, and the "steering" of certain households toward specific communities.

There are signs of progress: recent legislation and funding at the state level—as well as a federal administration that is lifting up housing as a policy priority—promise to improve housing affordability and remove local barriers to increasing supply. But for these efforts to be successful, there needs to be sustained progress on increasing housing across all of the state's jurisdictions, as well as efforts to ensure that the housing that is built meets the needs of all households and communities, including lower-income people and people of color. Ultimately, California's housing future will depend on how it meets the twin goals of production and a right to housing.

APPENDIX

Appendix Table 1 **California Statewide Housing Summary Statistics**

HOUSING OCCUPANCY (PERCENTAGE OUT OF TOTAL UNITS - 14,367,012)		
Total housing units	14,367,012	##
Occupied housing units	13,157,873	91.6%
Vacant housing units	1,209,139	8.4%
Homeowner vacancy rate	1.2	##
Rental vacancy rate	4.1	##
HOUSING TENURE (PERCENTAGE OUT OF TOTAL OCCUPIED UNITS - 13,157,873)		
Owner-occupied	7,218,742	54.9%
Renter-occupied	5,939,131	45.1%
Average household size of owner-occupied unit	3.02	##
Average household size of renter-occupied unit	2.85	##
YEAR HOUSEHOLDER MOVED INTO UNIT (PERCENTAGE OUT OF TOTAL OCCUPIED UNITS - 13,157,873)		
Moved in 2017 or later	3,463,334	26.3%
Moved in 2015 to 2016	1,662,718	2.6%
Moved in 2010 to 2014	2,424,506	18.4%
Moved in 2000 to 2009	2,683,114	20.4%
Moved in 1990 to 1999	1,500,940	11.4%
Moved in 1989 and earlier	1,423,261	10.8%

Appendix Table 1 **California Statewide Housing Summary Statistics**

VALUE OF OWNER-OCCUPIED UNITS (PERCENTAGE OUT OF TOTAL OWNER-OCCUPIED UNITS - 7,218,742)		
Less than $50,000	179,080	2.5%
$50,000 to $99,999	133,518	1.8%
$100,000 to $149,999	131,564	1.8%
$150,000 to $199,999	200,907	2.8
$200,000 to $299,999	664,558	9.2%
$300,000 to $499,999	1,800,185	24.9%
$500,000 to $999,999	2,792,052	38.7%
$1,000,000 or more	1,316,878	18.2%
Median (dollars)	568,500	7.9%
MORTGAGE STATUS (PERCENTAGE OUT OF TOTAL OWNER-OCCUPIED UNITS, 7,218,742)		
Housing units with a mortgage	4,978,989	69.0%
Housing units without a mortgage	2,239,753	31.0%
GROSS RENT AS A PERCENTAGE OF HOUSEHOLD INCOME (GRAPI)		
Occupied units paying rent (excluding units where GRAPI cannot be computed)	5,657,264	##
Less than 15.0 percent	639,714	11.3%
15.0 to 19.9 percent	652,802	11.5%
20.0 to 24.9 percent	698,168	12.3%
25.0 to 29.9 percent	656,330	11.6%
30.0 to 34.9 percent	546,479	9.7%
35.0 percent or more	2,463,771	43.6%
Not computed	281,867	5.0%

REFERENCES

Aaronson, D., Hartley, D., & Mazumder, B. (2020). *The Effects of the 1930s HOLC "Redlining"* Maps (Working Paper 2017-12; pp. 1–94). Federal Reserve Bank of Chicago. file:///C:/Users/Carolina/Downloads/wp2017-12-pdf.pdf

Abello, O. (2021). California Puts up $500 Million for Community Ownership Against Big Real Estate. NextCity, accessed online at https://nextcity.org/daily/entry/california-puts-up-500-million-community-ownership-against-big-real-estate.

Acosta, S., & Gartland, E. (2021). *Families Wait Years for Housing Vouchers Due to Inadequate Funding*. Center for Budget and Policy Priorities. https://www.cbpp.org/research/housing/families-wait-years-for-housing-vouchers-due-to-inadequate-funding

Ahmad, K., Erqou, S., Shah, N., Nazir, U., Morrison, A. R., Choudhary, G., & Wu, W.-C. (2020). Association of poor housing conditions with COVID-19 incidence and mortality across U.S. counties. *PLOS ONE, 15*(11), e0241327. https://doi.org/10.1371/journal.pone.0241327

An, Xudong, Stuart A. Gabriel, and Nitzan Tzur-Ilan. "More Than Shelter: The Effects of Rental Eviction Moratoria on Household Well-Being." SSRN Scholarly Paper. Rochester, NY: Social Science Research Network, July 7, 2021. https://doi.org/10.2139/ssrn.3801217.

Bay Area Council Economic Institute. (2021). *Bay Area Homelessness: New Urgency, New Solutions.* Bay Area Council Economic Institute.

Been, V., Ellen, I. G., & O'Regan, K. (2019). Supply Skepticism: Housing Supply and Affordability. *Housing Policy Debate*, 29(1), 25–40. https://doi.org/10.1080/10511482.2018.1476899

Bernhardt, A., Lindman, T., Huang, K., & Thomason, S. (December, 2020). The Effects of the COVID-19 Pandemic on Workers in California: An Overview of Research to Date. UC Berkeley Labor Center. https://laborcenter.berkeley.edu/wp-content/uploads/2020/12/COVID-research-synthesis-update-2020-12-03.pdf

Bernstein, J., J. Zhang, R. Cummings, & Maury, M. (2021). "Alleviating Supply Constraints in the Housing Market," White House Blog, accessed online at https://www.whitehouse.gov/cea/blog/2021/09/01/alleviating-supply-constraints-in-the-housing-market/.

Berry, C. (2021). Reassessing the Property Tax. Working paper, available online at https://cpb-us-w2.wpmucdn.com/voices.uchicago.edu/dist/6/2330/files/2019/04/Berry-Reassessing-the-Property-Tax-3121.pdf

Blomley, N. (2004). *Unsettling the City: Urban Land and the Politics of Property.* Routledge.

Blumenberg, E., & King, H. (2021). Jobs–Housing Balance Re-Re-Visited. Journal of the American Planning Association, 0(0), 1–13. https://doi.org/10.1080/01944363.2021.1880961

Bohn, S., & Thorman, T. (2020, January). Income Inequality in California. *Public Policy Institute of California*. https://www.ppic.org/publication/income-inequality-in-california/

Burby, R.J., Steinberg, L.J. and Basolo, V. (2003). The tenure trap: The vulnerability of renters to joint natural and technological disasters. Urban Affairs Review, 39(1), pp.32-58

Bryant, B.P., & Westerling, A.L. (2014). Scenarios for future wildfire risk in California: links between changing demography, land use, climate, and wildfire. Environmetrics, 25(6), 454-471. https://doi.org/10.1002/env.2280

Buchanan, M. K., Kulp, S., Cushing, L., Morello-Frosch, R., Nedwick, T., & Strauss, B. (2020). Sea level rise and coastal flooding threaten affordable housing. Environmental Research Letters 15(12), 124020. https://doi.org/10.1088/1748-9326/abb266

Bunten, D. (2017). *Is the Rent Too High? Aggregate Implications of Local Land-Use Regulation*. Board of Governors of the Federal Reserve System (U.S.), Finance and Economics Discussion Series: 2017-064, 2017, 43 Pp.; Board of Governors of the Federal Reserve System (U.S.), Finance and Economics Discussion Series: 2017-064. http://search.proquest.com/econlit/docview/1934212580/4B51D007DFC145DFPQ/49

California Air Resources Board. (2018). 2018 Progress Report: California's Sustainable Communities and Climate Protection Act.

California Air Resources Board (2021). Latest state Greenhouse Gas Inventory shows emissions continue to drop below 2020 target. Press release, available online at https://ww2.arb.ca.gov/news/latest-state-greenhouse-gas-inventory-shows-emissions-continue-drop-below-2020-target#:~:text=Per%20capita%20GHG%20emissions%20in,of%20California's%20economy%20is%20declining.

California Department of Finance (2019). California and U.S. Residential Building Permits and U.S. Housing Starts (Annual data, from 1960). California Department of Finance. https://www.dof.ca.gov/Forecasting/Economics/Indicators/Construction_Permits/

California Department of Finance (2021). E-1 Population Estimates for Cities, Counties, and the State—January 1, 2020 and 2021. California Department of Finance. https://www.dof.ca.gov/forecasting/demographics/estimates/e-1/

California Department of Housing and Community Development. (2013). Housing and Climate Change. California Department of Housing and Community Development. https://www.hcd.ca.gov/policy-research/plans-reports/docs/pb04housing_climate_change0214.pdf

California Department of Housing and Community Development. (2018). California's Housing Future: Challenges and Opportunities; Final Statewide Housing Assessment 2025. California Department of Housing and Community Development. https://www.hcd.ca.gov/policy-research/plans-reports/docs/sha_final_combined.pdf

California Housing Partnership (2021). Affordable Homes At Risk: How Many of California's Affordable Rental Homes Have Converted to Market Rate? How Many are Still at Risk?

California Housing Partnership. https://chpc.net/wp-content/uploads/2021/02/Affordable-Homes-At-Risk-Report-2021.pdf

California Legislative Analyst's Office. (2015). *Common Claims About Proposition 13.* California Legislative Analyst's Office. www.lao.ca.gov

California Legislative Analyst's Office. (2016). *California's High Housing Costs: Causes and Consequences.* California Legislative Analyst's Office. www.lao.ca.gov

California Wildfire Strike Force. (2019). Wildfires and Climate Change: California's Energy Future. Governor Newsom's Strike Force (Report)

Cart, J. (December 3, 2020). Rising seas: California's affordable housing faces worse floods. Cal Matters. https://calmatters.org/environment/2020/12/california-affordable-housing-floods/

Cash, A., Chapple, K., Depsky, N., Roy Elias, R., Krnjaic, M., Manji, S., Montano, H. (2020). Climate Change and Displacement in the U.S. - A Review of the Literature. UC Berkeley Center for Community Innovation.

Center for Migration Studies. (2021). Data Tool: U.S. Unauthorized and Eligible-to-Naturalize Population by State. https://cmsny.org/cms-initiatives/democratizingdata/statedatatool/

Cervero, R. (1996). Jobs-housing balance revisited: trends and impacts in the San Francisco Bay Area. Journal of the american planning association, 62(4), 492-511.

Chapple, K., Garcia, D., Valchuis, E., & Tucker, J. (2020). *Reaching California's ADU Potential: Progress to Date and the Need for ADU Finance*. 21.

Chu, C., & Uhler, B. (2016). *Common Claims About Proposition 13.* Legislative Analyst's Office. https://lao.ca.gov/publications/report/3497

City News Service. (September, 2020). Newsom Signs Gonzalez Incentives Bill For Affordable Housing Developers. KPBS Evening Edition. https://www.kpbs.org/news/2020/sep/28/newsom-signs-gonzalez-incentives-bill-for/

Coates, T.-N. (2014, June). *The Case for Reparations*. The Atlantic. http://www.theatlantic.com/magazine/archive/2014/06/the-case-for-reparations/361631/

Collinson, R. (2011). Rental Housing Affordability Dynamics, 1990—2009. *Cityscape, 13*(2), 71–103.

Conley, D. (2009). *Being Black, Living in the Red: Race, Wealth, and Social Policy in America* (10th Anniversary Edition, With a New Afterword edition). University of California Press.

Cool Climate Network. (2021). California Carbon Footprints Under Climate Targets v2.0. https://coolclimate.org/maps-2050

Davis, M. A., Larson, W. D., Oliner, S. D., & Shui, J. (2021). The price of residential land for counties, ZIP codes, and census tracts in the United States. Journal of Monetary Economics, 118, 413-431.

Decker, N. (2021). *Strategies to Lower Cost and Speed Housing Production: A Case Study of San Francisco's 833 Bryant Street Project*. Terner Center for Housing Innovation. https://terner-center.berkeley.edu/research-and-policy/833-bryant-street-sf/

Dedousis, A., Smith, M., & Manville, M. (May, 2021). Parking Requirements Are Not a Useful Bargaining Chip for Increasing Affordable Housing. Streets Blog Cal. https://cal.streetsblog.org/2021/05/19/parking-requirements-are-not-a-useful-bargaining-chip-for-increasing-affordable-housing/

Dimock, M., Doherty, C. Kiley, J. & Oates, R. (June, 2014). Political Polarization in the American Public: How Increasing Ideological Uniformity and Partisan Antipathy Affects Politics, Compromise and Everyday Life. Pew Research Center. Dooley, E.C. (June 28, 2021). Water and Housing Needs Collide in California's Severe Drought. Bloomberg Law. https://news.bloomberglaw.com/environment-and-energy/water-and-housing-needs-collide-in-californias-severe-drought

Duncan Associates (2019). National Impact Fee Surveys: 2019. Duncan Associates. http://www.impactfees.com/publications%20pdf/2019survey.pdf

Duranton, G., & Turner, M. A. (2018). Urban form and driving: Evidence from U.S. cities. Journal of Urban Economics, 108, 170–191. https://doi.org/10.1016/j.jue.2018.10.003

Durst, N. J. (2021). Land-use regulation and the spatial mismatch between housing and employment opportunities. *Proceedings of the Institution of Civil Engineers-Urban Design and Planning,* 174(1), 37-44. https://californialanduse.org/download/Durst%20Residential%20Land%20Use%20Regulation%202020.pdf

Elmendorf, C. S., Elkind, E., Lens, M., Manville, M., Marantz, N., Monkkonen, P., O'Neill, M., & Trounstine, J. (2020). *Regional Housing Need in California: The San Francisco Bay Area.* UCLA Lewis Center for Regional Policy Studies. https://escholarship.org/uc/item/69j2b63r

Faber, J. W. (2020). We Built This: Consequences of New Deal Era Intervention in America's Racial Geography. *American Sociological Review, 85*(5), 739–775. https://doi.org/10.1177/0003122420948464

Fischer, W., & Sard, B. (2017). Chart book: Federal housing spending is poorly matched to need. Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/sites/default/files/atoms/files/12-18-13hous.pdf

Fishback, P. V., Flores-Lagunes, A., Horrace, W. C., Kantor, S., & Treber, J. (2011). The influence of the Home Owners' loan corporation on housing markets during the 1930s. The Review of Financial Studies, 24(6), 1782-1813.

Fishback, P. V., Rose, J., Snowden, K. A., & Storrs, T. (2021). New Evidence on Redlining by Federal Housing Programs in the 1930s (No. w29244). National Bureau of Economic Research.

Flaming, D., Toros, H., & Burns, P. (2015). *Home Not Found: The Cost of Homelessness in Silicon Valley* (SSRN Scholarly Paper ID 2772270). Social Science Research Network. https://papers.ssrn.com/abstract=2772270

Galante, C., Reid, C. K., & Decker, N. (2016). *The FAIR tax credit: A proposal for a Federal Assistance In Rental Credit to support low-income renters.* Terner Center for Housing Innova-

tion, University of California Berkeley. http://ternercenter.berkeley.edu/fair-tax-credit

Garcia, D. (2019). *Making It Pencil: The Math Behind Housing Development*. 17.

Garosi, J. & Uhler, B. (July, 2021). Home Prices Update: June 2021. Legislative Analyst's Office. https://lao.ca.gov/LAOEconTax/Article/Detail/681

Goldstein, B., Gounaridis, D., & Newell, J. P. (2020). The carbon footprint of household energy use in the United States. *Proceedings of the National Academy of Sciences, 117*(32), 19122–19130. https://doi.org/10.1073/pnas.1922205117

Gyourko, J., & Krimmel, J. (2021). *The Impact of Local Residential Land Use Restrictions on Land Values Across and Within Single Family Housing Markets* (Working Paper No. 28993; Working Paper Series). National Bureau of Economic Research. https://doi.org/10.3386/w28993

H. Rept. 111-666. (November, 2010). Commission on Wartime Relocation and Interment of Latin Americans of Japanese Descent Act. https://www.congress.gov/congressional-report/111th-congress/house-report/666

Heberger, M., Cooley, H., Herrera, P., Gleick, P.H., Moore, E. (2009). The Impacts of Sea-Level Rise on the California Coast. The Pacific Institute.

Hepburn, Peter, Renee Louis, and Matthew Desmond. "Racial and Gender Disparities among Evicted Americans." Sociological Science 7 (December 16, 2020): 649–62. https://doi.org/10.15195/v7.a27.

Hernandez, J. et al. (2015). *In the Name of the Environment: How Litigation Abuse Under the California Environmental Quality Act Undermines California's Environmental, Social Equity and Economic Priorities – and Proposed Reforms to Protect the Environment from CEQA Litigation and Abuse,* Holland & Knight (2015).

Hogan, R., Kim, M., & Perrucci, C. C. (1997). Racial inequality in men's employment and retirement earnings. The Sociological Quarterly, 38(3), 431-438.

Horowitz, J. M., Igielnik, R., & Kochhar, R. (2020). Trends in U.S. income and wealth inequality. Pew Research Center's Social & Demographic Trends Project.

Housing Instability Research Development. (2019). San Francisco Homeless Count and Survey: Comprehensive Report. Applied Survey Research. https://hsh.sfgov.org/wp-content/uploads/2020/01/2019HIRDReport_SanFrancisco_FinalDraft-1.pdf

Hsieh, Chang-Tai, and Enrico Moretti. 2019. "Housing Constraints and Spatial Misallocation." *American Economic Journal: Macroeconomics,* 11 (2): 1-39.

Hwang, Kellie (2021, August 1). Rents are rising fast in 'affordable' U.S. cities. Here's how they compare to S.F. San Francisco Chronicle. https://www.sfchronicle.com/bayarea/article/Once-affordable-cities-closing-gap-with-pricey-16356260.php

VILLAGE OF EUCLID, OHIO, et al. V. AMBLER REALTY CO., 272 U.S. 365 (Supreme Court November 22, 1926). https://www.law.cornell.edu/supremecourt/text/272/365

Johnson, H. (May, 2021). Who's Leaving California—and Who's Moving In? Public Policy Institute of California. https://www.ppic.org/blog/whos-leaving-california-and-whos-moving-in/

Johnson, H., McGhee, E. & Cuellar Mejia, M. (March, 2021). Just the Facts: California's Population. Public Policy Institute of California. https://www.ppic.org/wp-content/uploads/JTF_PopulationJTF.pdf

Joint Center for Housing Studies. (2016). Projections and Implications for Housing a Growing Population: Older Households 2015-2035. Boston, MA: Harvard University.

Jones, C., S. Wheeler, and D. Kammen. (2018). Carbon Footprint Planning: Quantifying Local and State Mitigation Opportunities for 700 California Cities, Urban Planning 3(2): 35-51.

Kallerman, P., & Weinberg, M. (2016). *Another Inconvenient Truth | Bay Area Council Economic Institute.* Bay Area Council Economic Institute. http://www.bayareaeconomy.org/report/another-inconvenient-truth/

Kasler, D., Sabalow, R., Reese, P. (2019). 'Sticker shock' for California wildfire areas: Insurance rates doubled, policies dropped. The Sacramento Bee.

Keightley, M. (2020). *An Economic Analysis of the Mortgage Interest Deduction* (No. R46429). Congressional Research Service.

Kim, J. L., Greene, M., & Kim, S. (2014). Cost comparative analysis of a new green building code for residential project development. Journal of construction engineering and management, 140(5), 05014002. https://ascelibrary.org/doi/full/10.1061/%28ASCE%29CO.1943-7862.0000833

Kneebone, E., & Romem, I. (2018, October). Disparity in Departure: Los Angeles Region Supplement. *Terner Center for Housing Innovation.* https://ternercenter.berkeley.edu/research-and-policy/summary-disparity-in-departure/

Kneebone, E. & Trainer, M. (2019). How Housing Supply Shapes Access to Entry-Level Homeownership. Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/How_Housing_Supply_Shapes_Access_to_Entry-Level_Homeownership_2019.pdf

Kneebone, E., Underriner, Q., & Reid, C. (2021). Paying the Rent in a Pandemic: Recent Trends in Rent Payments Among Affordable Housing Tenants in California, Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/wp-content/uploads/2021/06/Rent-Rolls-June-2021.pdf

Krause, E. and Reeves, R.V. (2017). Hurricanes hit the poor the hardest. Social Mobility Memos (blog).

Krimmel, J. (2018). *Persistence of Prejudice: Estimating the Long Term Effects of Redlining* [Working Paper]. University of Pennsylvania. https://osf.io/uxeaz/

Layton, D. (January, 2021). The Extraordinary and Unexpected Pandemic Increase in House Prices: Causes and Implications. Joint Center for Housing Studies. https://www.jchs.harvard.edu/blog/extraordinary-and-unexpected-pandemic-increase-house-prices-causes-and-implications

Lens, M. C., & Monkkonen, P. (2016). Do strict land use regulations make metropolitan areas more segregated by income?. Journal of the American Planning Association, 82(1), 6-21.

Liao, P. and Kousky, C. (June 10, 2020). The fiscal impacts of wildfires on California municipalities. Wharton Risk Management and Decision Processes Center. https://riskcenter.wharton.upenn.edu/lab-notes/fiscal-impacts-of-wildfires-on-california-municipalities/

Liao, T. F., & De Maio, F. (2021). Association of social and economic inequality with coronavirus disease 2019 incidence and mortality across U.S. counties. JAMA network open, 4(1), e2034578-e2034578.

Los Angeles City Planning. (n.d.). Transit Oriented Communities Incentive Program. https://planning.lacity.org/plans-policies/transit-oriented-communities-incentive-program

Los Angeles City Planning. (n.d.). Housing Progress Reports. https://planning.lacity.org/resources/housing-reports

Los Angeles Homeless Services Authority. (2019). 2019 Greater Los Angeles Homeless Count Presentation. https://www.lahsa.org/documents?id=3437-2019-greater-los-angeles-homeless-count-presentation.pdf

Los Angeles Homeless Services Authority. (2020). 2020 Greater Los Angeles Homeless Count Presentation. https://www.lahsa.org/documents?id=4558-2020-greater-los-angeles-homeless-count-presentation

Loh, T. H., Coes, C., & Buthe, B. (2020, December 16). Separate and unequal: Persistent residential segregation is sustaining racial and economic injustice in the U.S. Brookings. https://www.brookings.edu/essay/trend-1-separate-and-unequal-neighborhoods-are-sustaining-racial-and-economic-injustice-in-the-us/

Lovett, I. (2012). *Critics Say California Law Hurts Effort to Add Jobs, N.Y. Times* (September 4, 2012), http://www.nytimes.com/2012/09/05/us/to-add-jobs-many-in-california-look-to-alter-green-law.html.

Lynn, K. (2003). Wildfire and rural poverty: disastrous connections. Natural Hazards Observer.

Makaula, W. (2019). Homeowner's insurance rates in wildfire-prone areas on rise. KCRA News.

Marcus, J., Verma, P. (2017). Disaster and displacement in the Bay Area. UC Berkeley Economics (Blog).

Manville, M. (2017). Bundled parking and vehicle ownership: Evidence from the American Housing Survey. *Journal of Transport and Land Use, 10*(1), Article 1. https://doi.org/10.5198/jtlu.2016.730

Manville, M., Beata, A., & Shoup, D. (2013). Turning Housing into Driving: Parking Requirements and Density in Los Angeles and New York. *Housing Policy Debate*, 23(2), 350–375.

Manville, M., & Pinski, M. (2020). Parking behaviour: Bundled parking and travel behavior in American cities. Land Use Policy, 91, 103853. https://doi.org/10.1016/j.landusepol.2019.02.012

Mawhorter, S. (2019). Housing Policies in California Cities. Center for California Real Estate and Terner Center for Housing and Innovation. http://californialanduse.org/download/Mawhorter_Housing_Policies_in_California_Cities.pdf

Mawhorter, S., Garcia, D., & Raetz, H. (2018). *It All Adds Up: The Cost of Housing Development Fees in Seven California Cities. Terner Center for Housing Innovation.*

Mawhorter, S., & Reid, C. K. (2018). *Local Housing Policies Across California: Presenting the Results of a New Statewide Survey. Terner Center for Housing Innovation.*

Mazzella, D., & Rosenfeld, L. (2020, March). *2020 California Affordable Housing Needs Report*. California Housing Partnership. http://chpc.net/resources/2020-statewide-housing-needs-report/

McCarty, N. (2014, January 8). What we know and don't know about our polarized politics. *Washington Pos*t. https://www.washingtonpost.com/news/monkey-cage/wp/2014/01/08/what-we-know-and-dont-know-about-our-polarized-politics/

McKinsey Global Institute, Woetzel, J., Mishke, J., Peloquin, S., & Weisfield, D. (2016). *Closing Californias Housing Gap.* https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Urbanization/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.ashx

Menendian, S. S. Gambhir, & A. Gailes (2021). "The Roots of Structural Racism Project: Twenty-First Century Racial Residential Segregation in the United States," UC Berkeley Othering and Belonging Institute.

Metcalf, B., Garcia, D., Carlton, I., & Macfarlane, K. (2021). *Will Allowing Duplexes and Lot Splits on Parcels Zoned for Single-Family Create New Homes?* Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/research-and-policy/duplexes-lot-split-sb-9/

Monkkonen, P., Lens, M., & Manville, M. (2020). Built-out cities? How California cities restrict housing production through prohibition and process. University of California Los Angeles and Terner Center for Housing Innovation.

Monkkonen, P., Lens, M., O'Neill, M., Phillips, S., Preston, G., & Elmendorf, C. (n.d.). Do cities' Housing Element sites Affirmatively Further Fair Housing? The AFFH Sites Score. The University of California Los Angeles, The University of California Berkeley, and The University of California Davis. https://www.lewis.ucla.edu/wp-content/uploads/sites/17/2021/05/AFFH-Sites-Score.pdf

Morrow, G. D. (2013). *The Homeowner Revolution: Democracy, Land Use and the Los Angeles Slow-Growth Movement, 1965-1992* [UCLA]. https://escholarship.org/uc/item/6k64g20f

Murray, C., & Schuetz, J. (2019). Is California's Apartment Market Broken? The Relationship Between Zoning, Rents, and Multifamily Development. Brookings Institution (working paper). https://californialanduse.org/download/Is%20California's%20Apartment%20Market%20Broken%20Schuetz%20Murray%202019.pdf

Myrow, R. (2020, December 9). *Facebook Pledges $150 Million to Build Affordable Housing in the Bay Area. KQED*. https://www.kqed.org/news/11850203/facebook-pledges-150-million-to-build-affordable-housing-in-the-bay-area

Nash, M. A. (2019). Entangled Pasts: Land-Grant Colleges and American Indian Dispossession. *History of Education Quarterly, 59*(4), 437–467. https://doi.org/10.1017/heq.2019.31

National Alliance to End Homelessness. (2020). State of Homelessness: 2020 Edition.

National Association of Insurance Commissioners (NAIC), 2019. Wildfires. The Center for Insurance Policy and Research.

National Community Reinvestment Coalition. (2020, September 10). Redlining and Neighborhood Health. NCRC. https://ncrc.org/holc-health/

Newsom, G. (2017, October 23). The California Dream Starts at Home. *Medium*. https://medium.com/@GavinNewsom/the-california-dream-starts-at-home-9dbb38c51cae

Oliver, M., & Shapiro, T. M. (Eds.). (2006). *Black Wealth / White Wealth: A New Perspective on Racial Inequality, 2nd Edition* (2nd edition). Routledge.

O'Neill, M., Gualco-Nelson, G., & Biber, E. (2019). Comparing perceptions and practice: Why better land use data is critical to ground truth legal reform. Terner Center for Housing Innovation, UC Berkeley. https://californialanduse.org/download/O'Neill_Comparing_Perceptions.pdf

Onion, R., & Sant, C. (2014, June 17). Interactive Time-Lapse Map Shows How the U.S. Took More Than 1.5 Billion Acres From Native Americans. *Slate*. http://www.slate.com/blogs/the_vault/2014/06/17/interactive_map_loss_of_indian_land.html

Pager, Devah, and Hana Shepherd. "The Sociology of Discrimination: Racial Discrimination in Employment, Housing, Credit, and Consumer Markets." *Annual Review of Sociology* 34, no. 1 (August 1, 2008): 181–209. https://doi.org/10.1146/annurev.soc.33.040406.131740.

Parent, C. & Rosas, M. (May, 2020). Good Bargain: An Updated Evaluation of the City of San Diego's Affordable Homes Bonus Program. Circulate San Diego. https://d3n8a8pro7vhmx.cloudfront.net/circulatesd/pages/1316/attachments/original/1591816951/AHBP_status_report_2020_newlogos.pdf?1591816951

Park, K. A., & Quercia, R. G. (2020). Who Lends Beyond the Red Line? The Community Reinvestment Act and the Legacy of Redlining. *Housing Policy Debate, 30*(1), 4–26. https://doi.org/10.1080/10511482.2019.1665839

Penn, I. (August 30, 2021). California's Plan to Make New Buildings Greener Will Also Raise Costs. The New York Times. https://www.nytimes.com/2021/08/30/business/energy-environment/californias-solar-housing-costs.html

Perez, A. (September 1, 2015). How a Town in California is Trying to Survive Without Water. Time. https://time.com/4017476/a-town-without-water/

Perry, F. et al. (May, 2018). California Migration: A Comparative Analysis. Next 10 & Beacon Economics. https://www.next10.org/sites/default/files/2019-06/California-Migration-Final2.pdf

Perry, A., Rothwell, J., & Harshbarger, D. (2018). *The devaluation of assets in Black neighborhoods*. The Brookings Institution. https://www.brookings.edu/research/devaluation-of-assets-in-black-neighborhoods/

Perry, V. (2020). 2020 State of Housing in Black America. Available online at https://shiba2020.com/ .

Peterman, C., Jones, D., Kahn, M., Nava, P., Wara, M. (2019). Final Report of the Commission on Catastrophic Wildfire Cost and Recovery. California Governor's Office of Planning and Research (Report)

Pfeiffer, D. (2019). Regulating ADUs in California: Local Approaches & Outcomes. Center for California Real Estate. Terner Center for Housing Innovation. https://californialanduse.org/download/Pfeiffer_Regulating_ADUs_in_California.pdf

Phillips, S., Manville, M., & Lens, M. (2021). *Research Roundup: The Effect of Market-Rate Development on Neighborhood Rents.* UCLA Lewis Center for Regional Policy Studies. https://escholarship.org/uc/item/5d00z61m

Podder, A., Pless, S., Rothgeb, S., Klammer, N., Blazek, C., Louis, J., & Rashid, K. (2020). *Integrating Energy Efficiency Strategies with Industrialized Construction for our Clean Energy Future* (NREL/CP-5500-77259). National Renewable Energy Laboratory.

Pruitt, L. R., & Newman, Z. (2019). California's Rural Housing Crisis: The Access to Justice Implications. Part III of CalATJ's Rural Justice Policy Paper Series. https://www.calatj.org/wp-content/uploads/2021/01/2019-CA-Rural-Housing-Crisis.pdf

Pullen, T. (2021). *Off-Site Construction in Los Angeles County.* Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/research-and-policy/off-site-construction-in-los-angeles-county/

Quigley, J. M., & Rosenthal, L. A. (2005). The Effects of Land Use Regulation on the Price of Housing: What Do We Know? What Can We Learn? *Cityscape: A Journal of Policy Development and Research, 8*(1), 69–137.

Quinton, S., (2019). As Wildfire Risk Increases, Home Insurance Is Harder to Find. PEW - Stateline.

Raetz, H., Kneebone, E., Reid, C., & Forscher, T. (2020). *The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California.* Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/research-and-policy/hard-construction-costs-apartments-california/

Reid, C. (2020). The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program. Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/research-and-policy/development-costs-lihtc-9-per-cent-california/

Reid, C. (2021). Crisis, Response, and Recovery: The Federal Government and the Black/White Homeownership Gap. Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/blog/crisis-response-recovery/

Romem, I. (2018). America's New Metropolitan Landscape: *Pockets Of Dense Construction In A Dormant Suburban Interior*. BuildZoom. https://www.buildzoom.com/blog/pockets-of-dense-construction-in-a-dormant-suburban-interior

Rosenbaum, E. (1996). Racial/ethnic differences in home ownership and housing quality, 1991. Social Problems, 43(4), pp.403-426.

Rothstein, R. (2017). *The Color of Law: A Forgotten History of How Our Government Segregated America* (1 edition). Liveright.

Rothwell, J. (2019). Land Use Politics, Housing Costs, and Segregation in California Cities. Berkeley, CA: University of California, Berkley, Terner Center for Housing Innovation. https://californialanduse.org/download/Land%20Use%20Politics%20Rothwell.pdf

Rouse, C. Bernstein, J. Knudsen, H. Zhang, J. (June, 2021). Exclusionary Zoning: Its Effect on Racial Discrimination in the Housing Market. The White House Blog. https://www.whitehouse.gov/cea/blog/2021/06/17/exclusionary-zoning-its-effect-on-racial-discrimination-in-the-housing-market/

Scally, C.P & Gilbert, B. (2018) Rural communities need more affordable rental housing. Urban Institute. https://www.urban.org/urban-wire/rural-communities-need-more-affordable-rental-housing

Schuetz, J. (2018, July 10). Under U.S. housing policies, homeowners mostly win, while renters mostly lose. *Brookings*. https://www.brookings.edu/research/under-us-housing-policies-homeowners-mostly-win-while-renters-mostly-lose/

Schweitzer, M. and Tonn, B., 2002. Non-energy benefits from the weatherization assistance program: A summary of findings from the recent literature. Prepared for U.S. Department of Energy, Oak Ridge National Laboratory, Oak Ridge, TN, U.S.A.

Shuman, M. (2019). Fire risk leaves Tuolumne County residents scrambling to find affordable insurance. Modesto Bee.

Smith. J.E. (October 6, 2019). California ignores the science as it OKs more homes in wildfire zones, researchers say. Los Angeles Times. https://www.latimes.com/california/story/2019-10-06/california-ignores-science-homes-wildfire-zones

Soto, H. D. (2007). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. Basic Books.*

Stephens, S.L., Agee, J.K., Fule, P.Z., North, M.P., Romme, W.H., Swetnam, T.W. and Turner, M.G., 2013. Managing forests and fire in changing climates. Science, 342(6154), pp.41-42

Squires, L., 2018. California Wildfires: Mapping Social Vulnerability. Direct Relief.

Talen, E. (2012). Zoning and Diversity in Historical Perspective. *Journal of Planning History, 11*(4), 330–347. https://doi.org/10.1177/1538513212444566

Taylor, B. D., Blumenberg, E., Wasserman, J., Garrett, M., Schouten, A., King, H., Paul, J., & Ruvolo, M. (2020). *Transit Blues in the Golden State: Analyzing Recent California Ridership Trends.* https://escholarship.org/uc/item/32j5j0hb

Terner Center for Housing Innovation. (2017). Terner Center Research Series:

The Cost of Building Housing. Terner Center for Housing Innovation. https://ternercenter.berkeley.edu/wp-content/uploads/2020/08/Cost_of_Building_Housing_Series_Framing.pdf

Thompson, D. (2019). California Struggles with Insurance Costs and Wildfire Risks. Wildland Firefighter.

Tobias, Manuela. "Is Union Labor Requirement in the Way of Easing California's Affordable Housing Crisis?" *CalMatters,* June 16, 2021, sec. Housing. https://calmatters.org/housing/2021/06/california-affordable-housing-unions/.

Toppin, E. (2019, June 3). *Reforming anti-Tax Prop 13 is a Racial Justice Issue*. Othering & Belonging Institute. https://belonging.berkeley.edu/blog-reforming-anti-tax-prop-13-racial-justice-issue

Uhler, B. (2016). *Perspectives on Helping Low-Income Californians Afford Housing*. Legislative Analyst's Office. https://lao.ca.gov/Publications/Report/3345

U.S. Census (2021). Household Pulse Survey, Week 37. https://www.census.gov/data/tables/2021/demo/hhp/hhp37.html

U.S. Commission on Civil Rights. (February, 1973). Understanding Fair Housing. Clearinghouse Publication, (42). www.law.umaryland.edu/marshall/usccr/documents/cr11042.pdf

U.S. Department of Housing and Urban Development. (2017). Leveraging Building Innovations for Housing Affordability. Evidence Matters, Office of Policy Development and Research, Spring 2017. https://www.huduser.gov/portal/periodicals/em/spring17/highlight1.html#title

U.S. Department of Housing and Urban Development. (2020). The 2020 Annual Homeless Assessment Report (AHAR) to Congress. Office of Community Planning and Development. https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf

U.S. Government Accountability Office. (2018). *Low Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management* (GAO-18-637). U.S. Government Accountability Office.

Verisk Analytics (2021). FireLine State Risk Report – California. Verisk Analytics. https://www.verisk.com/siteassets/media/campaigns/gated/underwriting/fireline-state-risk-report/fireline_risk_report_ca-2021.pdf

Walker, Alissa. “The Real Reason California’s Upzoning Bill Failed.” Curbed, February 7, 2020. https://archive.curbed.com/2020/2/7/21125100/sb-50-california-bill-fail.

Wasi, N., & White, M. J. (2005). *Property Tax Limitations and Mobility: The Lock-in Effect of California’s Proposition 13* (Working Paper No. 11108; Working Paper Series). National Bureau of Economic Research. https://doi.org/10.3386/w11108

Ward, J. M. (2021). The Effects of Project Labor Agreements on the Production of Affordable Housing. https://www.rand.org/pubs/research_reports/RRA1362-1.html?utm_source=WhatCountsEmail&utm_medium=NPA:2852:7166:Aug%202,%202021%209:04:56%20AM%20PDT&utm_campaign=NPA:2852:7166:Aug%202,%202021%209:04:56%20AM%20PDT

Westerling, A., Brown, T., Schoennagel, T., Swetnam, T., Turner, M., & Veblen, T. (2014). Briefing: Climate and wildfire in western U.S. forests. In: Sample, V. Alaric; Bixler, R. Patrick, Eds. Forest Conservation and Management in the Anthropocene: Conference Proceedings. Proceedings. RMRS-P-71. Fort Collins, CO: U.S. Department of Agriculture, Forest Service. Rocky Mountain Research Station. p. 81-102., 71, 81–102.

The White House. (May, 2021). Fact Sheet: The American Jobs Plan Will Produce, Preserve, and Retrofit More Than 2 Million Affordable Housing Units and Create Good-Paying Jobs. Briefing Room; Statements and Releases. https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/26/fact-sheet-the-american-jobs-plan-will-produce-preserve-and-retrofit-more-than-2-million-affordable-housing-units-and-create-good-paying-jobs/

Wiener, S., & Kammen, D. (2019, March 25). Opinion | Why Housing Policy Is Climate Policy. *The New York Times*. https://www.nytimes.com/2019/03/25/opinion/california-home-prices-climate.html

Wiley, H., et al. (2020). The cost of wildfires : A closer look at the impacts of wildfires in California. Wharton Risk Management and Decision Processes Center. https://upenn.maps.arcgis.com/apps/Cascade/index.html?appid=00c53c2167c943e5872ee9337a385591

Woetzel, J., Mischke, J., Peloquin, S., & Weisfield, D. (2016). A Tool Kit to Close California’s Housing Gap: 3.5 Million Homes by 2025. McKinsey & Company. https://www.mckinsey.com/~/media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Closing%20Californias%20housing%20gap/Closing-Californias-housing-gap-Full-report.pdf

Wood, W. (2008). The Trajectory of Indian Country in California: Rancherias, Villages, Pueblos, Missions, Ranchos, Reservations, Colonies, and Rancherias. *Tulsa Law Review, 44*(2), 317–364.

Yglesias, M. (July, 2020). Joe Biden’s surprisingly visionary housing plan, explained. The Vox. https://www.vox.com/2020/7/9/21316912/joe-biden-housing-plan-section-8