THE FUTURE OF HOUSING AND COMMUNITY DEVELOPMENT

A CALIFORNIA 100 REPORT ON POLICIES AND FUTURE SCENARIOS

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.

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READ MORE ABOUT THE FUTURE OF HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

For additional background information, read the related Facts-Origins-Trends report at California100.org. The Facts-Origins-Trends report contains all of the references and citations to support the content of this report.

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

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HOUSING AND COMMUNITY DEVELOPMENT

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- cityLab at UCLA
- University of California, Berkeley Terner Center for Housing Innovation

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- University of California, Los Angeles Institute of Transportation Studies

UCLA Lewis Center for Regional Policy 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.

citylab UCLA

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).

TERNER CENTER FOR HOUSING INNOVATION UC BERKELEY

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.

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FOREWORD

"As California Goes, So Goes the Nation, Alas." That was a headline from a *Los Angeles Times* opinion column on April 30, 1989, which noted that, even though "Californians have long considered their state the cutting edge of social and political change… [it] no longer seems the vanguard of political innovation. Other states rarely look to California for policy initiatives."

Fast-forward to 2022, and few would proclaim that California lacks in policy innovation. Quite the contrary. The state has enacted a variety of policies ranging from expansions in immigrant rights and voting rights to health care and higher education, and from large-scale experiments in guaranteed income to ambitious moves towards net-zero emissions in a variety of sectors. And despite the periodic waves of "doom and gloom" reporting about the state, California's economic output over the last 25 years has grown faster than the national average, and on par with GDP growth for the state of Texas.

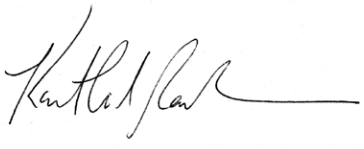
Even so, much remains to be done. While the state has embraced diversity in many ways, the California Dream has been marred by periods of intense racial exclusion. And the Dream remains out of reach for millions in the state today—whether measured by health outcomes, unaffordable housing, or massive disparities in income and wealth. California also recognizes that future progress depends on recognizing and correcting historical wrongs. Its Truth and Healing Council, for example, will provide recommendations aimed at prevention, restoration, and reparation involving California Native Americans and the State. If California's racial diversity represents America's demographic reality by 2100, our work is essential—not only for the long-term success of the state, but also for our country's innovative and equitable future.

This future-focused work is especially pressing today. The COVID-19 pandemic has scrambled a state and nation already undergoing significant changes in economics, politics, and society. The harmful consequences of climate change are at our doorstep,

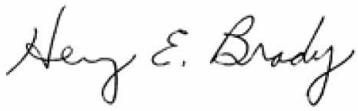
with forest fires and droughts that grow in frequency and intensity each year. The weakening of local media and the growth of disinformation threaten both our civic health and our public health. And staggering inequities in income and wealth, home-ownership and health, threaten the state's reputation as a haven for migrants, domestic and international alike.

In addition to immediate threats that affect our long-term future, we also see plenty of opportunity. Record increases in federal and state spending mean that billions of additional dollars are flowing to state, local, and tribal governments in California. Many jurisdictions are looking to invest in infrastructure that meets the long-term needs of their communities. Philanthropic institutions and individual donors are also looking to make transformative investments that have enduring impact. We have an opportunity to inform and enrich all of these plans and conversations.

Most institutions and organizations in California are focused on immediate challenges, and don't have the luxury of time, dedicated talent, and resources to focus on long-term futures. California 100 is grateful for the opportunity to provide added value at this critical time, with actionable research, demonstration projects, and compelling scenarios that help Californians—government agencies, stakeholder groups, and residents alike— to envision, strategize, and act collectively to build a more innovative and equitable future.



Karthick Ramakrishnan, Ph.D.
Executive Director



Henry E. Brady, Ph.D.
Director of Research

HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

California faces a housing crisis of extraordinary scale and complexity. As a consequence, residents of the state face issues such as rising rents and home prices, gentrification, displacement, high rates of homelessness, overcrowding, increased exposure to pollution, poorly maintained homes, long commutes coupled with limited access to jobs in inland regions, along with segregation by race, ethnicity, and class. 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 conflicting positions of what is needed to solve the crisis. The state has spent decades allowing its housing problems to worsen, and it will likely take decades of action to solve the resulting crisis. All of this contributes to a grim feeling about California's future housing trajectory.

Fortunately, 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 that are affordable to lower-income families,

tenant **PROTECTIONS** to help stem the tide of evictions and displacement, and efforts to **redress longstanding racial inequities** in the housing market. In recent years new political coalitions have formed which combine the interests of builders, renters, environmentalists, labor unions, community groups, and other stakeholders across the state to advocate for more housing, and there has been a renewed commitment to housing policies and funding at both the state and federal level. Progress may be slow, but it is apparent, and there is potential for it to accelerate in the coming years.

As a state, we face a number of difficult yet important questions: Will we take actions of sufficient scope and scale to meet the challenge before us? Can we chart a course to improved affordability, greater household stability, increased social equity, and reduced homelessness—or will our housing trends continue moving in the wrong direction? What does the future of housing in California look like? And how will we get there?

CALIFORNIA HAS AMONG THE HIGHEST HOUSING AND RENTAL PRICES IN THE NATION

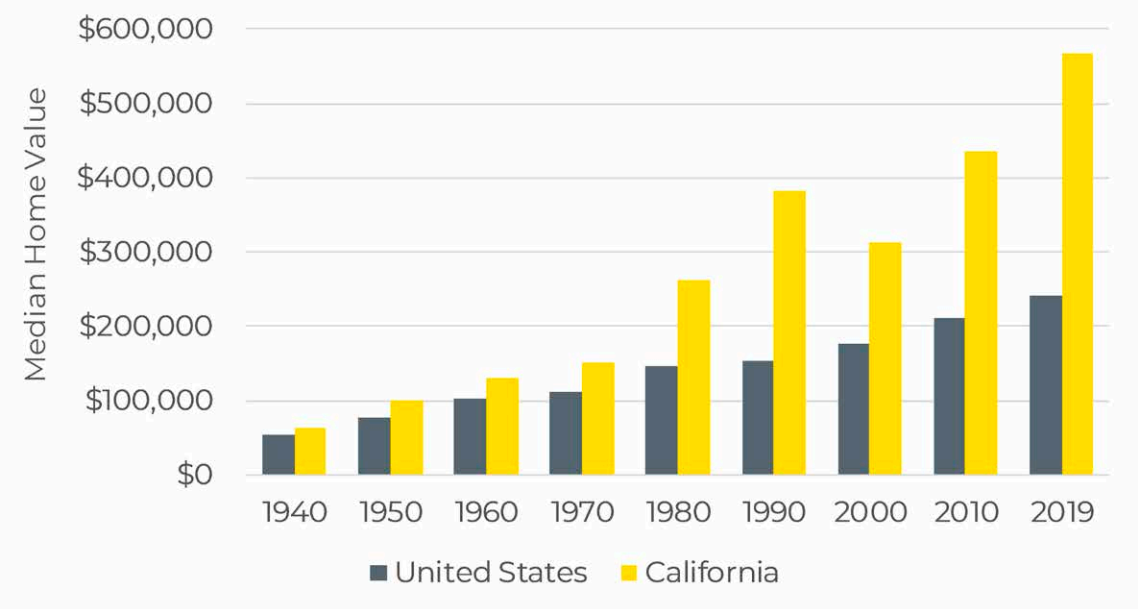
HOME PRICES IN CALIFORNIA ARE STAGGERINGLY HIGH COMPARED TO MUCH OF THE REST OF THE COUNTRY.

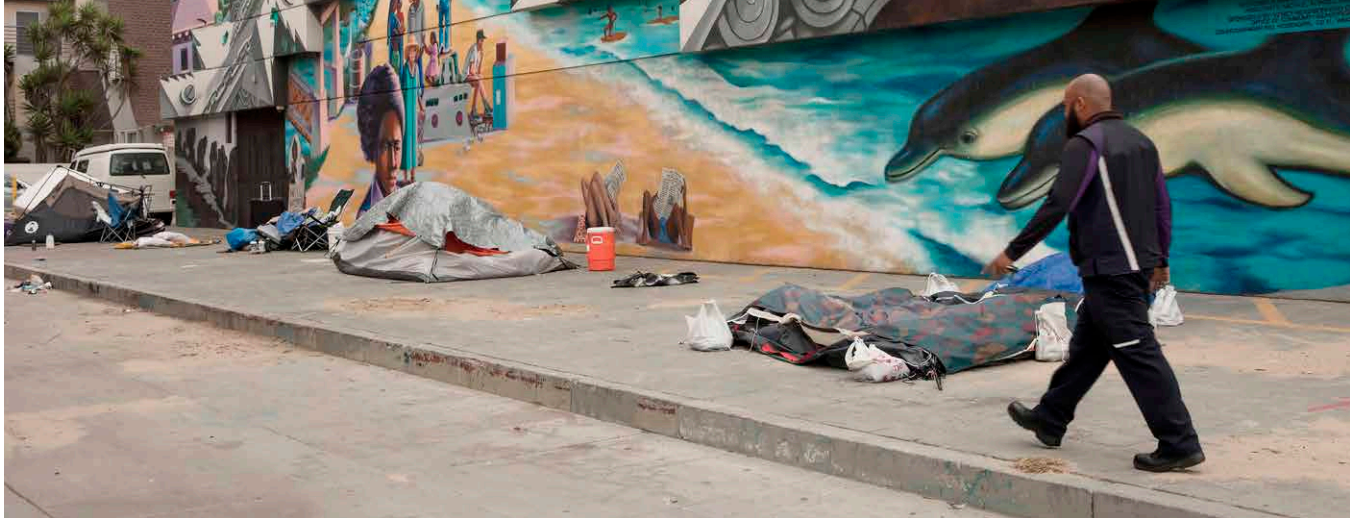
Statewide, the median home value hit a high of $568,500 in 2019, more than double the median price in the United States—$240,500. This was not always the case: although California's home values have long been higher than the rest of the United States, it wasn't until the 1970s that the state's home prices began to significantly diverge from the rest of the nation, as Figure 1 shows. The statewide median obscures even higher housing costs in the state's coastal metropolitan regions.

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.

Figure 1 **Over the Last 40 Years, California's Median Home Values Have Increased Significantly Faster than the Rest of the Nation**



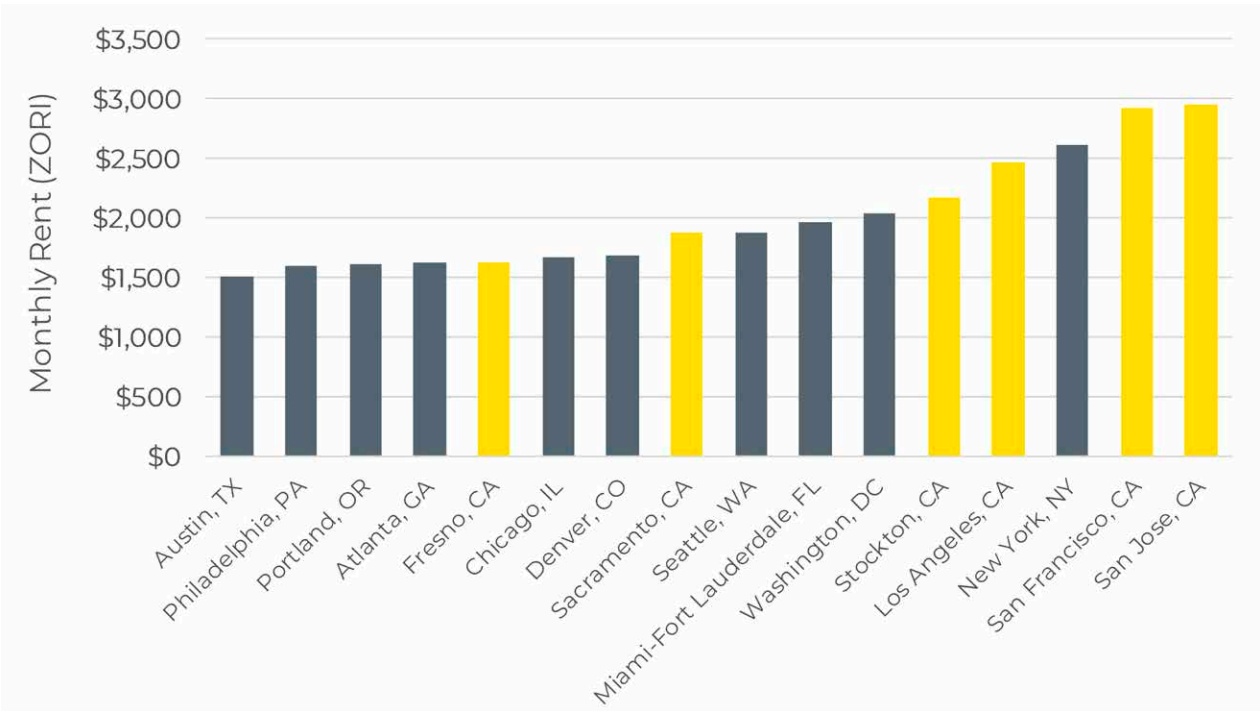


CALIFORNIA'S HIGH HOME VALUES ALSO TRANSLATE INTO HIGH RENTS. Median rents in San Francisco and San Jose hover around $3,000 a month, the highest in the nation. Figure 2 shows that even in some of the lower-cost metros in the state—such as Fresno, Stockton, and Sacramento—median rents exceed those of 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.

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.

SOURCE: Zillow, 2021.

Figure 2 **California Cities Have Among the Highest Median Rents in the Country**



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. 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 about 23 percent over the same time period.

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.

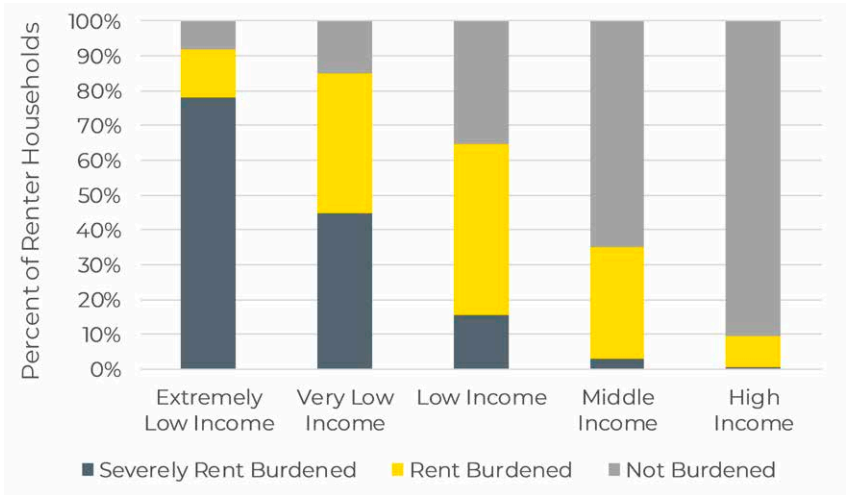
THE MISMATCH BETWEEN HOUSING COSTS AND HOUSEHOLD INCOMES LEADS TO SEVERE HOUSING COST BURDENS.

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. Cost burdens are higher for renters: 53.1 percent of renter households in the state are cost-burdened, compared to 29.7 percent of homeowner households.

Excessive housing cost burdens are particularly pronounced for lower-income renters, as shown in Figure 3. Approximately 92 percent of extremely low-income (ELI) renter households—those who make less than 30 percent of the area median income (AMI) 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.

These high housing cost burdens increase economic insecurity among California families and can lead 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 3 **Lower-Income Renters Are More Likely to Experience Housing Cost Burdens**



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)

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

"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

Data suggest that the COVID-19 pandemic has only amplified housing cost burdens and housing insecurity. As of September 2021, with the worst of the shutdowns over, an estimated 2 million adults in California were still behind on their housing payments and at risk of eviction or foreclosure. Nearly 80 percent of those behind on their rent or mortgage were people of color–compared to 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.

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. 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.

The lack of homeownership access is particularly pronounced for households of color. Approx-imately 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.

AS THE NUMBER OF CALIFORNIA RENTERS INCREASES, EXISTING RENTAL STOCK FACES PRESSURE

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.

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 rental units that cost less than $1,000 per month decreased from around 40 to 20 percent—a loss of almost 900,000 units.

HOUSING ASSISTANCE FOR 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 housing "filter" down fast enough to fully address the state's affordable housing crisis. Rents affordable at 30 or 50 percent of 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. 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. In California, less than one in four households who are eligible for housing assistance receives it.

"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 Consultants

CALIFORNIA'S RURAL AND INLAND COMMUNITIES EXPERIENCE UNIQUE CHALLENGES OF HOUSING AFFORDABILITY, QUALITY, AND INSECURITY

California's inland and rural counties have some of the highest poverty rates in the state. Poverty rates in counties such as Imperial (25.1%), Fresno (20.6%), and Humboldt (19.6%) are almost twice as high as the state's overall poverty rate of 11.8 percent. These high rates of poverty contribute to high housing cost burdens. In California, 36 percent of rural households are housing cost-burdened, exceeding the national rural average of 25 percent.

Within these communities, 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.

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

"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

THE AFFORDABILITY CRISIS IS CONTRIBUTING TO RISING HOMELESSNESS

The growing number of households facing rising housing costs and cost burdens contributes directly to the state's homelessness crisis. 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. 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.

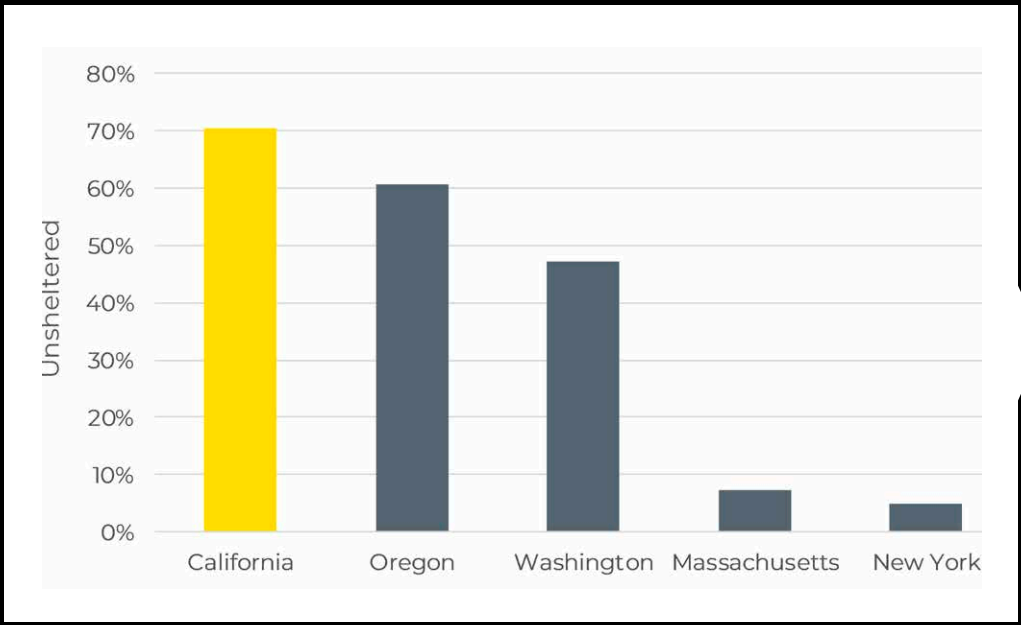
Not only does California have the highest absolute number of unhoused people, it also continues to have the largest share of unsheltered homeless individuals in the United States. Nearly 70 percent of California's homeless population is unsheltered (Figure 4): there are nearly ten times more unsheltered homeless individuals in California than in any other state.

Longstanding and systemic racial discrimination leads to significant disparities in who is represented among the homeless population. Black individuals have the highest rate of homelessness in the state (217 out of every 10,000 Black individuals were homeless in 2020). In comparison, the rate for non-Hispanic whites was 37 out of 10,000. Native Americans, while a small share of the overall population, also have significantly higher risk of experiencing homelessness, as do Native Hawaiians and Asian Pacific Islanders.

"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-needed new housing. This false choice is unjust and counterproductive. 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

Figure 4 **California Has the Highest Percent of Unsheltered Homeless Individuals in the Country**



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

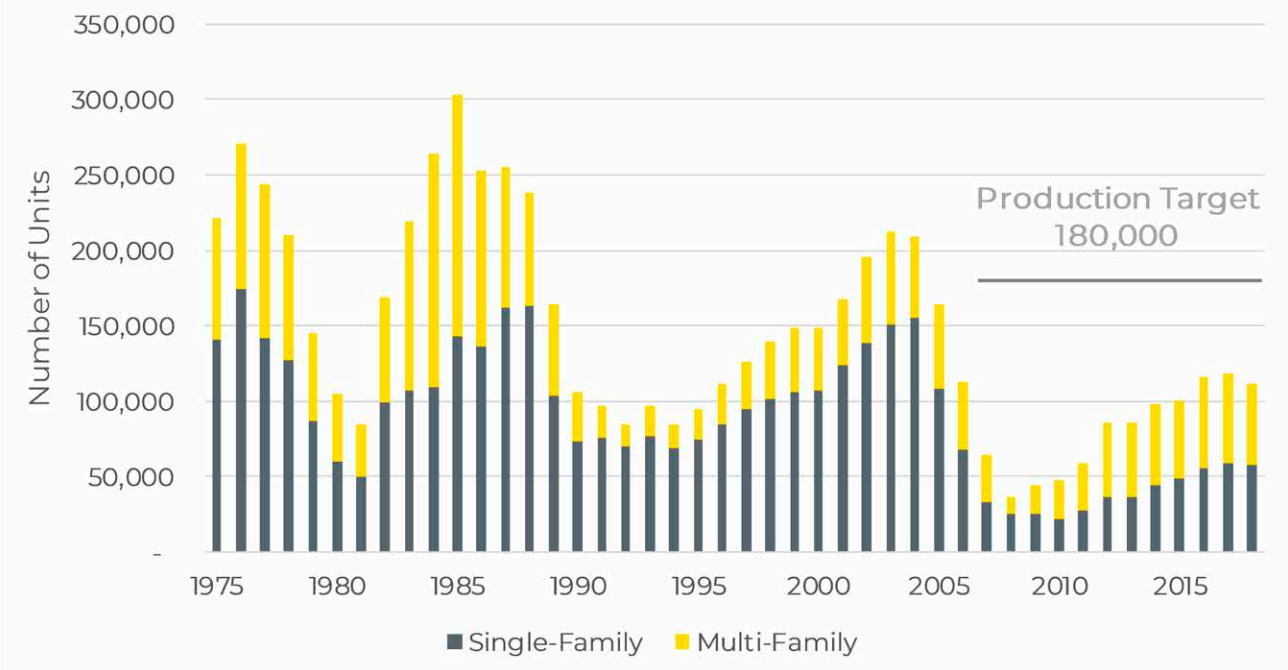
CALIFORNIA'S AFFORDABILITY CRISIS STEMS FROM ITS FAILURE TO BUILD SUFFICIENT HOUSING

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. Although estimates vary as to the actual production needed to address the lack of supply, California's housing agencies project that the state needs to build 1.8 million new homes between 2015 and 2025 to meet demand—an estimated 180,000 units per year (Figure 5 on the following page).

"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 5 **California is Not On Track to Meet the Projected Need for Housing**



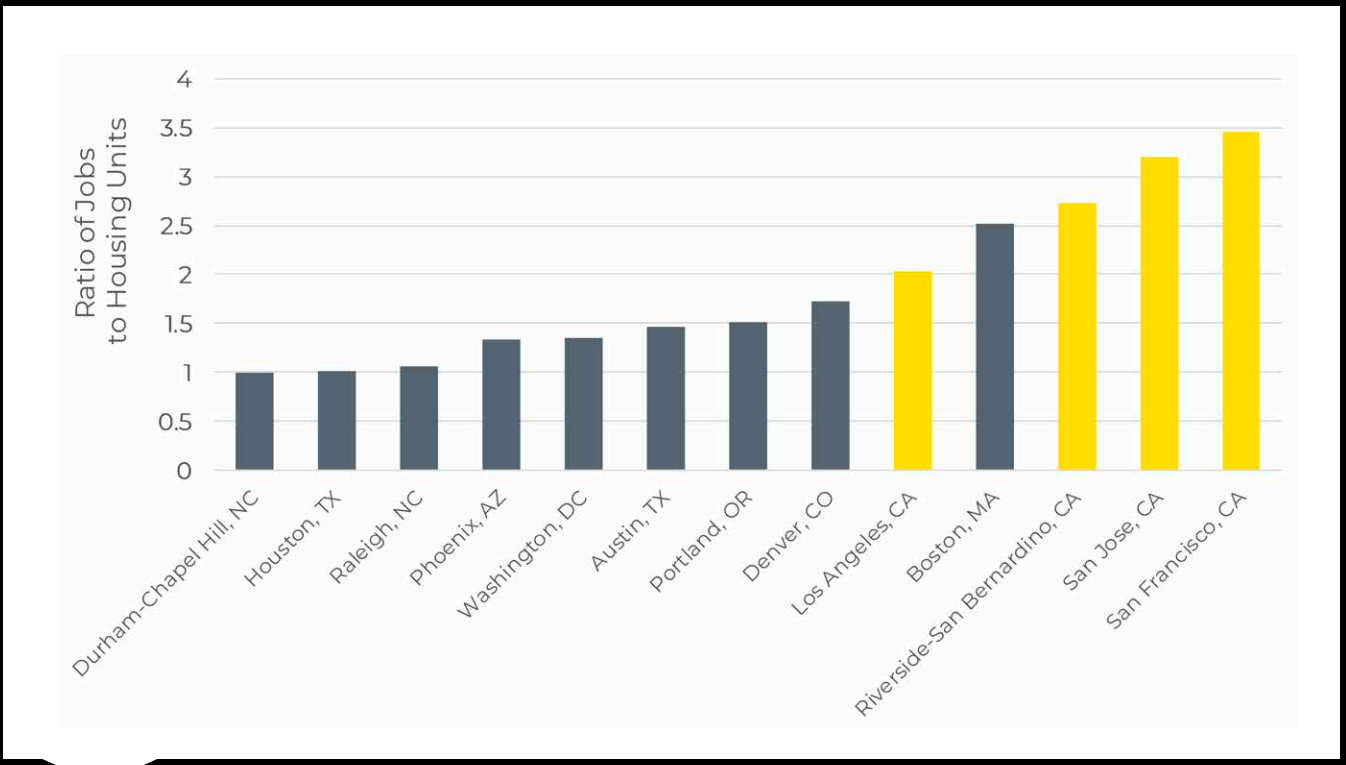
SOURCE: 1975-2019 annual residential construction permit data from Construction Industry Research Board. 2015-2025 Projected Annual Need from HCD Analysis of State of California, Department of Finance.

THE SHORTFALLS IN HOUSING PRODUCTION ARE PARTICULARLY ACUTE IN THE STATE'S COASTAL AREAS, WHICH HAVE SEEN SIGNIFICANT JOB GROWTH

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 in 1970 to 39.5 million in 2021. The fastest growth rates have been in inland Southern California counties, followed by Bay Area and Central Valley counties. 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.

Analysis of county-level employment and housing stock increases also shows that housing growth lags far behind job growth, particularly in Los Angeles and the Bay Area. California cities build significantly less housing than other metropolitan areas in relation to the number of jobs created (Figure 6). 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.

Figure 6 **California Has Not Built Enough Housing in the Regions with Job Growth to Meet the Needs of Residents**



SOURCE: Kober, Eric. The Jobs-Housing Mismatch: What it Means for U.S. Metropolitan Areas, Manhattan Institute, July 7, 2021.

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

HIGH DEVELOPMENT COSTS PUSH UP THE PRICE OF NEW HOMES

California has emerged as one of the most expensive places to build, which drives up the cost of new homes. Between 2009 and 2018, construction costs per square foot rose 25 percent, with the average development cost for a unit of multifamily housing ranging between $400,000 to $700,000 depending on the region. To some degree, the high cost of housing in California relates to the high cost of land, especially in the coastal markets. Yet California's high housing costs are not a function of land costs alone—they also reflect increases in hard construction costs (including labor and materials), stringent building codes, local rules (such as minimum parking requirements), entitlement delays, and development fees.

CLIMATE CHANGE EFFECTS THREATEN EXISTING HOUSING STOCK 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. Estimates suggest that 15 percent of homes—more than two million—are located in areas at high or extreme risk of wildfire. A combination of higher temperatures, increased brush and vegetation due to changes in forest manage-

ment practices, and an increase in lightning-induced fires have led to an uptick in fires and fire severity. Five of the six largest state wildfires since 1932 all occurred in 2020, leading to unprecedented loss of housing and other buildings.

While wildfires have had the most visible impact to date, the state's housing stock is also at risk from flooding, particularly along 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. 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.

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. 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.

HIGH HOUSING COSTS CONTRIBUTE TO RISING MIGRATION BOTH IN AND OUT OF STATE

Over the last decade, 1.3 million residents moved out of California, with almost 500,000 residents leaving between 2018 and 2020. Rising housing costs are clearly influencing migration patterns both outside and within the state. 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.

> ***"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,
> Office of Los Angeles Mayor Eric Garcetti

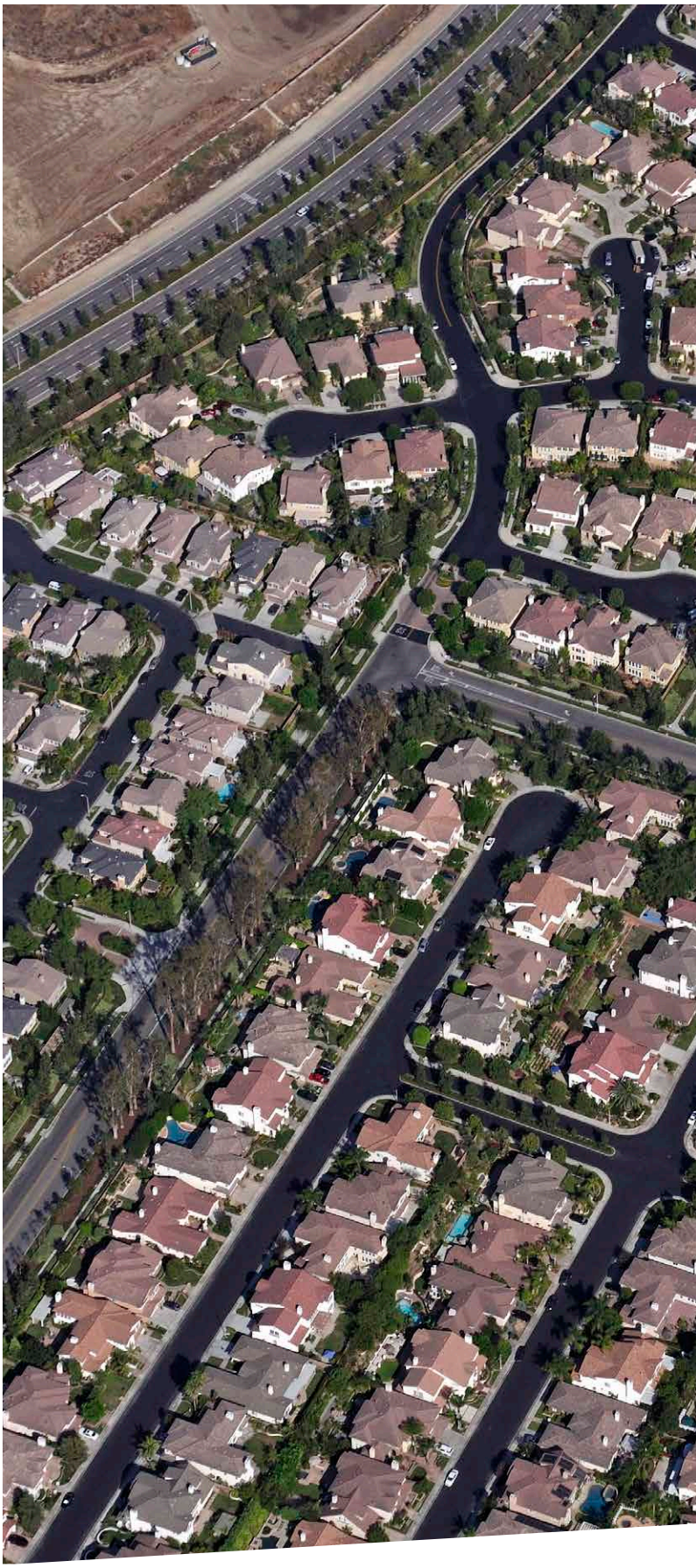
Of particular concern are the ways in which higher housing costs are leading to the displacement of lower-income households. Almost all of the net domestic out-migration has been of households earning less than $50,000 per year, with the majority comprising households earning less than $30,000 annually. In contrast, in-migrants tend to be higher-income and more educated.

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. 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.

RISING HOUSING PRICES AND COST BURDENS MAY UNDERMINE THE STATE'S LONG-TERM ECONOMIC VITALITY AND ITS EQUITY AND CLIMATE CHANGE GOALS

The affordability crisis has significant negative repercussions for the state's economy, equity, and the environment. 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. In addition, research increasingly shows that local growth controls and local discretion in the permitting process are significantly associated with rising residential segregation and inequality. 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.



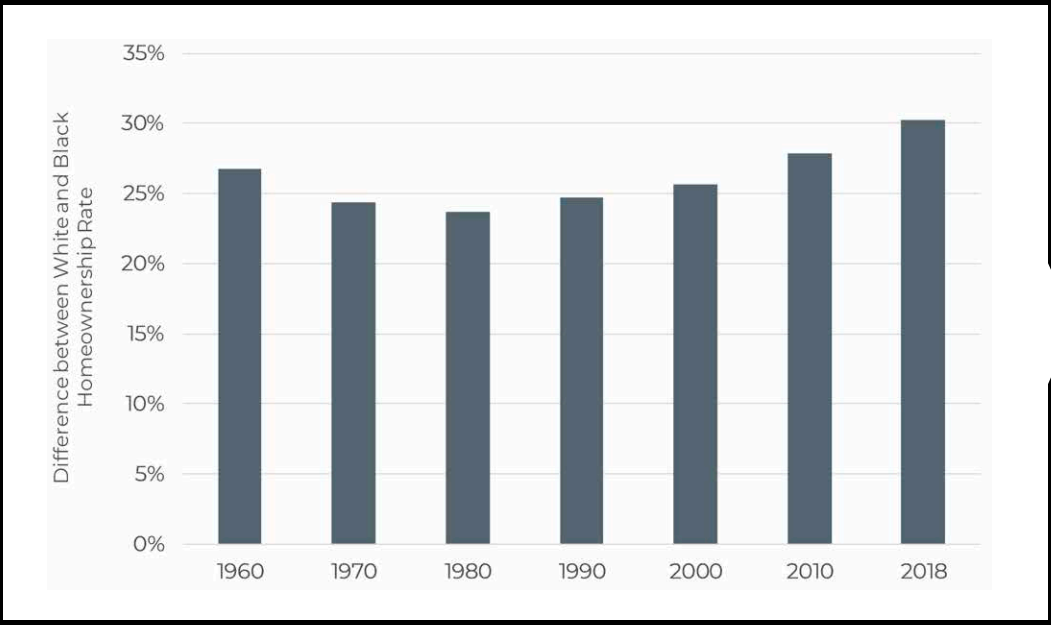
KEY EVENTS IN CALIFORNIA'S HOUSING AND COMMUNITY DEVELOPMENT HISTORY

California's housing history is marked by both expansion and exclusion: on the one hand, its strong economy, tremendous population growth, and boom in housing production after World War II; on the other hand, its history of legal and societal discriminatory practices that restrict access to housing and homeownership, its development of single-family-only zoning that limits housing production and multifamily options, and tax laws that favor homeowners over renters.

SYSTEMIC RACISM AND THE LEGACY OF RACIAL DISCRIMINATION

Despite the outlawing of racially restrictive housing covenants by the Supreme Court in 1948 and the passage Fair Housing Act in 1968 —which banned racial discrimination in the housing market—housing markets remain deeply stratified by race and ethnicity. Nationally, the Black/White homeownership gap is larger today than in 1968 (see Figure 7).

Figure 7 **The Black/White Homeownership Gap Has Increased, Despite Fair Housing Laws**



SOURCE: Laurie Goodman, Jun Zhu, and Rolf Pendall (2017). "Are Gains in Black Homeownership History?" The Urban Institute.

These unequal conditions are rooted in historical discrimination against people of color, sanctioned and advanced by governmental policies. For example, the Home Owners Loan Corporation (HOLC) and the Federal Housing Administration (FHA) both used race as a variable in appraising property values and determining who could get a mortgage in a practice that has come to be known as "redlining." The maps they created codified pervasive racism in the financial system and reinforced *de jure* discrimination in housing and mortgage markets. 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. The Housing Act of 1937 (creating Public Housing Authorities) and the Housing Act of 1949 (establishing urban renewal programs) further contributed to increased racial and economic segregation.

This history of housing policy in the U.S. continues to shape contemporary racial housing disparities in profound ways. 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. Research has consistently found evidence of racial discrimination in the rental market, with Black and Hispanic households shown fewer units than non-Hispanic white households. And despite efforts to end discrimination in mortgage lending, Black borrowers are still more likely to be denied a mortgage, pay higher interest rates for a loan, and have their house appraised for less than non-Hispanic whites.

THE ADOPTION AND SPREAD OF ZONING LAWS AND OTHER REGULATIONS THAT GOVERN LAND USE

American zoning policy has served as one of the most durable forms of legal exclusion and opportunity-hoarding in the housing sector.

The growing divergence in home prices between California and the rest of the nation can in part 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. California's municipal zoning codes 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, density limits, parking requirements and more. While some local jurisdictions have responded to the housing crisis by adopting ordinances that encourage housing production, many continue to resist new housing developments, especially apartments and affordable housing. In addition, the California Environmental Quality Act (CEQA) is widely regarded as the

strictest environmental zoning law in the United States, and has sometimes been used to stop or delay projects.

Restrictive zoning and land use regulations have contributed significantly to the state's ongoing housing crisis. Research has shown that places with stricter land use regulations lead to less housing, longer development timelines, a larger mismatch between housing and jobs, and greater racial inequality. They also directly contribute to California's high housing costs. A recent study found that this "zoning tax" is over $400,000 in the San Francisco metro, and between $150,000 and $200,000 in Los Angeles and San Jose. 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.

PUBLIC FUNDING AND TAX STRUCTURES FAVOR HOMEOWNERS OVER RENTERS

Much of the federal government's spending on housing comes through the tax code via tax deductions, and it is homeowners who overwhelmingly benefit from these tax expenditures. More than twice as much is spent on homeowners than on renters. For example, in 2020, the mortgage interest tax deduction cost the federal government an estimated $30.2 billion in foregone revenue, with 64 percent of the benefits going to homeowner households earning over $200,000.

In California, Proposition 13 (1978) sharply reduced state and local government revenues and limited the property tax liability of long-term property owners regardless of their income or wealth by taxing properties based on their assessed value at time of purchase rather than their current market value. Today, Proposition 13 influences housing in the state in three important ways. First, low tax rates for property owners encourages the underutilization and long-term speculation of land. Second, by reducing local property tax revenues, it has necessitated increasing government revenues from other sources, including development impact fees that make it more expensive to build housing. Third, 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.

FOUR BACKGROUND TRENDS AFFECTING CALIFORNIA HOUSING POLICY

In thinking about what background trends will affect the future of housing in California, we identified four that future reforms must be responsive 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 an essential part of tackling these broader challenges.

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. Conversely, decreasing residential energy use is critical in GHG mitigation efforts. Planning and design decisions about the housing stock—such as location, size, heating systems, and building materials—are crucial to avoid a "carbon lock-in" for these homes for decades to come. California is unlikely to achieve its climate goals if housing development continues to sprawl outwards.

In California, income inequality exceeds that of all but five states, with families in the top one-tenth by income having 12.3 times the income of families in the bottom tenth. **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, as 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.

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 covenants, as well ongoing systems and structures that perpetuate racial disadvantage, such as bias in home appraisals and higher mortgage denial rates, lead to persistent disparities along racial and ethnic dimensions. 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.

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. The Republican and Democratic parties have grown more ideologically homogeneous and partisan, and the share of Americans with mixed or moderate views has fallen substantially. 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, with important implications for future housing policy and funding.

Debates related to California State Senate Bill 50 (2020), which would have encouraged the development of denser housing along transit corridors, offer a case study in the complexity of state housing politics. 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. Tenant and community advocacy groups cited the potential for gentrification and displacement that might accompany new development in their neighborhoods. Suburban communities raised concerns over how densification might change neighborhood character, parking and traffic, as well as home values. These examples illustrate 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.

TRENDS UNDERLYING CALIFORNIA'S FUTURE HOUSING AND COMMUNITY DEVELOPMENT SCENARIOS

To develop our scenarios, we predicted that the future of housing in California will be defined by the responses to two questions: Will we build enough housing to meet the growing demand? And will we prioritize housing for private gain, or will we invest in housing in ways that promote social equity? Some of the recent trends likely to influence these outcomes are described here.

STATE ACTION ON HOUSING PRODUCTION POLICY

Recognizing the statewide interest in an adequate and affordable supply of homes, state legislators have taken an active role in recent years to pass legislation designed to increase housing production at the local level. One of the most consequential shifts is their effort to strengthen the Regional Housing Needs Assessment (RHNA) process, which sets housing production targets for local governments. After the passage of California Senate Bill 828 (2018)—which seeks to increase production of

housing at the local level through the RHNA process—production targets in Southern California were increased more than three-fold to 1.3 million units over eight years, and more than doubled to 440,000 in the Bay Area. Other bills have further strengthened accountability under RHNA, with the promise that more cities will make meaningful efforts to plan for new housing in their communities.

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. 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).

"Housing Element law has recently changed and provides more enforcement authority for California's Department of Housing and Community Development 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

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 develop-

ment on newly subdivided lots and 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. 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.

Local jurisdictions have also passed innovative policies that seek to boost the supply of housing by providing incentives for building affordable units as part of new buildings. In Los Angeles, the Transit Oriented Communities program has led to approval of over 25,000 homes—this includes nearly 6,000 income-restricted units, a large share for households earning 30 percent of area median income or less. San Diego has adopted local zoning reforms to remove obstacles for new development and increase the production of both market-rate and affordable housing. Demonstrating local governments' potential to serve as "laboratories of planning," San Diego's density bonus reforms were adopted into state law in 2020.

NEW FUNDING STREAMS DEDICATED TO INCREASE 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. 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. 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. Private companies have also contributed, with Google, Facebook, and Apple all making significant financial commitments to address the housing crisis.

The COVID-19 pandemic has added to the urgency of the housing crisis and led to unprecedented government actions, including eviction moratoria and considerable funding for renter and landlord relief. The state also significantly expanded its programs for people experiencing homelessness: Project Roomkey helped 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. As part of its Homekey initiative—which provides funding to convert hotels and motels into permanent supportive housing—California directed $750 million in federal COVID-Relief Funds, $50 million from the California General Fund, and $46 million in philanthropic dollars towards 94 acquisition projects, producing over 6,000 units of housing across the state.

EFFORTS TO LINK LAND USE AND TRANSPORTATION POLICIES TO SPUR INFILL DEVELOPMENT

There is growing awareness that building more homes is not just good for affordability and household stability, but also environmental sustainability if homes are built in the right ways and in appropriate locations. Research has shown that infill housing—housing built in urban areas, near transit, jobs and services—is the most effective greenhouse gas reduction strategy for coastal cities in the state. 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. 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.

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. Accessory dwelling unit reforms, proposals to allow taller and denser housing near transit, and the recent (though unsuccessful) proposal to eliminate parking requirements 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 these 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 wildland urban interface. 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. Development in high-risk areas coupled with the increasing number and severity of wildfires means greater fire-related property loss and displacement, along with greater costs associated with fire suppression, emergency response, insurance coverage, and rebuilding and recovery efforts.

TO REDUCE CONSTRUCTION COSTS, DEVELOPERS ARE USING MODULAR AND OTHER INNOVATIVE METHODS

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.

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.

AN EXPANSION OF TENANT PROTECTIONS

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 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 1995 Costa-Hawkins Rental Housing Act, 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.

AB 1482 reflects a position of compromise: it 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 percent 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.

Tenant protections have also been built into other pieces of legislation. For example, Senate Bill 330, approved in 2019, prohibits "downzonings" and other local ordinances that would serve to further restrict the development of new housing, but it also mandates that tenants displaced by development are 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.

A RISE IN COMMUNITY ORGANIZING AND ALTERNATIVE HOUSING MODELS

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.

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. 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.

DESPITE INCREASES IN STATE SUPPORT, RESOURCES REMAIN INSUFFICIENT TO MEET THE SCALE OF NEED

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. 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 homes. 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 financially sustainable over the long term. While the state has actively increased the pool of funding for capital financing through programs such as Homekey, the sources of funding available for operations and services have yet to expand to meet need.

OPPOSITION TO NEW HOUSING CONTINUES TO LIMIT SUPPLY

Policies related to increasing housing supply—including reducing regulatory barriers to new developments and streamlining the entitlement process—are leading to political realignments, with progressive and conservative groups sometimes coming together to fight these reforms, albeit sometimes for different reasons.

To some degree, the impediments to homebuilding in California stem from anti-housing (or perhaps 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, 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.

CONSIDERATIONS FOR THE FUTURE

Two *critical uncertainties* will shape the future of housing in California. One is whether ways can be found to increase the production of housing by changing zoning requirements, by relaxing the regulatory framework surrounding the construction of multi-family dwellings, by making breakthroughs in the costs of building housing, and by developing government programs to facilitate first-time homeownership. There are already many efforts in these directions and there seems to be a broad-based political coalition that supports them.

The second critical uncertainty is whether the state will prioritize expanding access to housing for all groups in more equitable ways to promote social and racial equity, or whether it will continue to emphasize the private returns to housing, such as through financial equity accumulating from rising home prices.

Part of the problem is deep seated ideological differences in how to think about housing—is it a private good best allocated through market mechanisms, or is it a public good that requires more government involvement? In the United States, the former has held sway, with the market, private property rights, and speculative investments in real estate eclipsing efforts to provide everyone with an affordable and safe place to live. In California, with the run-up of housing prices starting in the 1970s, the emphasis on the former has even more resonance because access to housing for some—largely non-Hispanic whites—has increased their wealth dramatically, while pricing others out of the market. The question facing the public and policy makers is whether it is time for Californians to emphasize the role that housing policy can play in promoting the public good—including reduced homelessness, shared wellbeing, greater affordability, racial equity, and environmental sustainability—over private gain.

THE FUTURE OF HOUSING AND COMMUNITY DEVELOPMENT IN CALIFORNIA

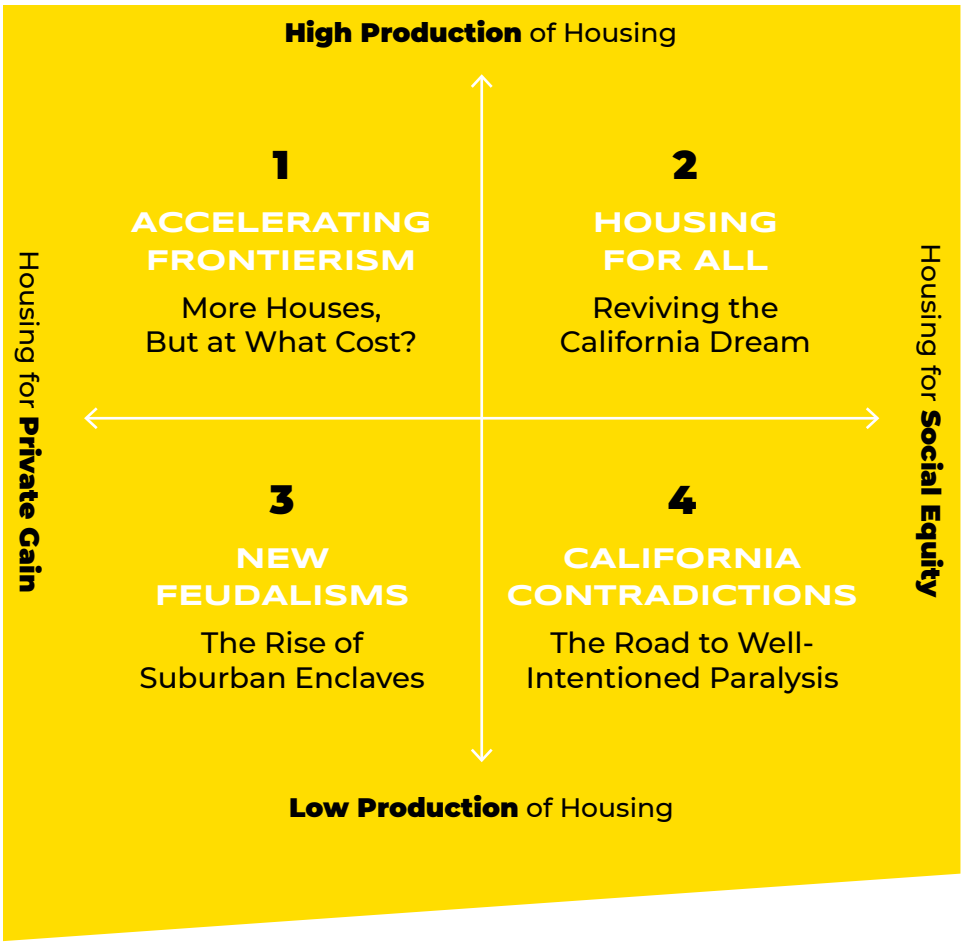
FOUR ALTERNATIVE SCENARIOS

SCENARIOS FROM THE FUTURE

HOUSING AND COMMUNITY DEVELOPMENT

Foresight practitioners use scenarios to help make future possibilities more vivid and tangible, immersing the reader in the particular details of a future world so that they can mentally situate themselves in what it would feel like to live there. Without scenarios, the signals, trends, and other research that underlie strategic foresight work can feel distant and abstract. Scenarios can be used to center a group conversation in a positive and concrete picture of a future state so that stakeholders can pursue a shared vision for how to respond to that possibility, or mobilize action to avoid an undesirable outcome.

To imagine future scenarios for housing in California, we have selected two critical uncertainties based on the origins and trends identified: the level of housing production and how much emphasis is placed on social equity. On one hand, there is uncertainty whether a high or low level of housing will be produced in the state. On the other hand, there is uncertainty about whether the primary conception of housing for Californians—and how we organize its delivery—is focused on maximizing private gain or realizing social equity.



ACCELERATING FRONTIERISM

More Houses, But at What Cost?

NIMBY opposition to new housing in urban areas resulted in increased production of cheaper houses on the urban fringe. Inexpensive greenfield lands drew developers outward from urban areas to build more tract housing. Homeowners in urban areas and inner-ring suburbs continue to enjoy rising home values, while middle-class households are able to purchase homes in sprawling subdivisions. Yet the expanding frontier of a building boom entrenched an unsustainable pathway forward, not just adding to the climate crisis but accelerating its arrival.

The steep environmental cost included the destruction of vast ecosystems, increased water consumption, demand for construction materials, greater carbon emissions from driving, and more deadly wildfires as more homes encroached further into the wildland-urban interface. The threat of displacement expands as communities of color and their central neighborhoods are targeted for redevelopment as valuable investment areas. Homelessness rises, and many cities resorted to criminalization to keep the unhoused away. Some homes sit vacant as the market for investment properties and vacation homes has grown. Lower-income workers and renters are pushed out of the state, and homeowners are empowered by their increasing wealth to shape policies to protect their financial gains and property rights.

HISTORICAL PRECEDENTS

1862: Homestead Act provided 160 acres to people who pledge to farm them.

1950s: Post-war suburburbanization resulted in extreme demographic changes.

FUTURE DRIVERS

Climate Change: Sustainability and adaptation take a backseat to greenfield housing.

Racial Equity: Displacement and redevelopment loom over low-income communities and communities of color.

Wealth & Income Inequality: Stratification increases, with divisions between longtime property owners, new home buyers, and renters.

Political Attitudes: Techno-utopianism overrules environmentalism while NIMBY attitudes persist.

Technology & Innovation: New technology aims to reduce construction costs and replace scarce labor, and mitigate greenhouse gas emissions.

SIGNALS

More houses mean more fires

WHAT: Building homes in the desert and wildland-urban interface has reduced the cost of new housing.

SO WHAT: Californians are paying on the other end as extreme heat and wildfires impose severe adaptation and recovery costs.

Source: marketwatch.com

3D printed communities

WHAT: Rancho Mirage, the first neighborhood of 3D-printed houses, will be constructed in the desert of the Coachella Valley.

SO WHAT: New construction technologies perpetuate suburban development patterns at lower cost and in greater volume.

Source: theguardian.com

Farms under threat

WHAT: Nearly 465,900 acres of farmland were converted to other uses in California from 2001 to 2016.

SO WHAT: Conversion of farmlands directly threatens California's needed resources to feed the state and country.

Source: farmlandinfo.org

HOUSING FOR ALL

Reviving the California Dream

The deepening housing crisis sparked a public and private social mobilization for housing, drawing connections to climate change, widening inequality, and racial disparities. Governments and markets wielded a variety of resources, incentives, and policies to spur housing production and support residents. These long-term investments in housing, transportation, and jobs have helped the state build resilience to weather future challenges.

Given the choice between protecting existing households and welcoming new ones, California opted for both—overcoming the strident and well-funded opposition of both landlords and NIMBY homeowners. Its strategy of production, preservation, and protections provided immediate, short-term stability as new construction addressed longer-term needs. Tenants enjoy strong protections against eviction and excessive rent hikes, creating greater housing security. The state invested heavily in assisting tenants with rent, supportive services, and building new low- and mixed-income housing, functionally ending homelessness. Regulatory reform and innovations in construction technology have allowed developers to build market-rate housing at lower price points for a diversity of households, helping to stabilize housing prices. The state's welcoming approach has allowed for increasing demographic and socioeconomic diversity, innovation, and job and economic growth.

HISTORICAL PRECEDENTS

1968: Housing and Urban Development Act provided for the construction of low-cost housing.

2020: Covid-19 Pandemic National Eviction Moratorium and Emergency Rental Assistance prevented evictions of people unable to pay rent during the Covid-19 pandemic.

FUTURE DRIVERS

Climate Change: California embraces the role of land use in greenhouse gas reduction.

Racial Equity: Protective and assistive policies benefit communities of color and redress past harms.

Wealth & Income Inequality: Tax-and-spend approach helps alleviate inequality.

Political Attitudes: The right to belong trumps the right to exclude.

Technology & Innovation: Modular and prefabricated housing reduce the cost of infill production.

SIGNALS

A national homes guarantee

WHAT: Demand for comprehensive housing reform is growing.

SO WHAT: The Homes Guarantee is one such initiative laying out a wide-ranging program of proposals that could provide a path forward.

Source: homesguarantee.com

The market meets non-market forces

WHAT: Dublin, CA apartment complex purchased and converted to low-income housing.

SO WHAT: All it takes to create affordable housing from existing supply is funding and public will.

Source: mercurynews.com

Homeowner backlash

WHAT: Homeowner initiatives begin to rise as renters and affordable units become more prioritized.

SO WHAT: Regulators will have to find ways to balance all stakeholder interests as new policies take hold.

Source: ourneighborhoodvoices.com

NEW FEUDALISMS

The Rise of Suburban Enclaves

In the battle between housing appreciation and housing affordability, property values won. Scarcity—not just of homes, but of government support, tenant protections, and public interest—has heightened tensions and driven a deeper wedge between the haves and have-nots. Renters, working-class families, and communities of color unable to afford accommodations migrate out of California at an increasing pace, and corporate landlords and investment firms are consolidating their ownership of the homes left behind.

Maintenance of the built environment has grown in importance, since not much of anything gets built between shortages of workers and onerous development regulations. In wealthier neighborhoods and cities, neighborhood character is preserved but lacks the spark of diverse urban life. Most areas face a slow decline that rehabilitations and renovations attempt to manage, but cannot stop. With so much wealth tied up in their homes, homeowners are vigilant against threats to their property values. This includes resistance to new housing in their neighborhoods, but especially unhoused residents and their encampments or vehicle dwellings, which are aggressively targeted for harassment and removal. Only the wealthy and high-income are able to comfortably afford to live in California, but as the human diversity and dynamism seep away it's unclear if the state will appeal to lower- and middle-income households in the not-too-distant future. The deepening housing crisis deters job growth and creates an economic decline as more businesses decide it is too expensive to keep a workforce in California.

HISTORICAL PRECEDENTS

1978: Proposition 13 severly restricted property tax increases.

1970s and 1980s: Municipal Downzonings prevented denser land-use for housing.

FUTURE DRIVERS

Climate Change: Homeowners possess wealth to shield themselves from the worst impacts of climate change.

Racial Equity: Present-day inequities are deepened and hardened.

Wealth & Income Inequality: A shrinking elite pulls away from everyone else.

Political Attitudes: Ownership is the path to security and shapes the policy landscape.

Technology & Innovation: Financial innovations target new ways to profit from existing housing stock.

SIGNALS

Exporting the housing crisis

WHAT: Many Californians are moving out of state to find more affordable housing.

SO WHAT: Wealthy homeowners and retirees bring million-dollar cash offers to once affordable areas.

Source: nytimes.com

Rising victimization of unhoused residents

WHAT: As homelessness increases, harassment of unhoused residents increases.

SO WHAT: Unaffordable housing creates negative cascade effects for residents.

Source: latimes.com

Reversing progress on reform

WHAT: SoCal politicians endorse campaign to overturn new state housing laws.

SO WHAT: Ballot initiative would invalidate laws that set fair housing goals and produce housing at all income levels.

Source: laist.com

CALIFORNIA CONTRADICTIONS

The Road to Well-Intentioned Paralysis

California commits to ensuring its existing residents are treated equitably in the housing market, but housing production continues to fall far short of need. Tenant and building protections stabilize neighborhoods, especially for renters and communities of color, and creative accommodations make room for unhoused neighbors as well. Yet limits on new construction maintain a bottleneck on economic growth, curtailing the economy and California's role as an immigrant gateway.

With limited new development, preserving the existing building stock for housing has become critical. Tenants enjoy similar housing security to homeowners, with limited rent increases. Fewer low-income households are forced to depart for other states, at least so long as they don't need to move to a bigger home, but there are few housing opportunities for new households and the cost of providing assistance continues to increase. Taxes have increased on high-income households to support more spending on affordable housing and rent assistance. Middle-class households have mostly been overlooked, ineligible for public support but unable to afford the high price of buying a home or renting on the private market, which continue to rise. This part of the population looks to other states for a higher quality of life, depleting California of an essential workforce and transforming its suburban fabric into mansions or multifamily dwellings.

HISTORICAL PRECEDENTS

1937: United States Housing Act improved living conditions for low-income residents.

1979: Los Angeles and San Francisco Rent Ordinances limited annual rent increases.

FUTURE DRIVERS

Climate Change: The current built environment carries its inertia forward while retrofits attempt to mitigate climate impacts.

Racial Equity: Existing renters are protected from displacement, although prior historical harms may never be adequately addressed and residential mobility and choice is limited.

Wealth & Income Inequality: Taxes reduce income inequality, but wealth inequality accelerates.

Political Attitudes: Social commitments to support housing face backlash from changes to the quality of life for homeowners and fiscal impacts.

Technology: Technologies are oriented toward retrofitting homes and buildings and innovations grow in service and care delivery.

SIGNALS

Waste not, want not

WHAT: Housing-insecure families occupy empty homes in the middle of the Covid-19 pandemic.

SO WHAT: Underutilized properties could offer low-cost housing if tenant and state power are put to work.

Source: lataco.com

Housing access also means waiting equally

WHAT: The housing queue in Stockholm breaks over a half million on its waitlist.

SO WHAT: With housing assistance, rents are affordable—just not available with two-decade waits.

Source: thelocal.se

Residents stay (and get stuck) in place

WHAT: Reports find residential mobility sharply curtailed in California.

SO WHAT: With a limited home supply, would-be homeowners compete in the rental market, making it impossible to move for many.

Source: ppic.org

HOUSING FOR PRIVATE GAIN

HIGH PRODUCTION

❷ **Cookie-Cutter Redevelopment**

Streamlining has simplified the development process, but too little oversight means design quality suffers and the boom creates jarring, out-of-context construction in neighborhoods that risk displacing residents.

❸ **Greater Traffic and Commutes**

Sprawling development and poorly managed growth requires greater personal car use, increasing greenhouse gas emissions and long, frustrating commutes.

❶ **Safe Deposit Box Skyline**

Market-driven construction offers more luxury and investment-oriented properties, instead of middle-income or affordable housing, and many buildings sit empty rather than offer a place to live.

❹ **Encroaching Growth**

Housing development continues to expand into greenfield areas, putting more homes at wildfire risk in the wildland urban interface and accelerating unsustainable land uses and conversions.

❹ **Precarious Homes**

Homeownership is the only way to find a sense of security but it's a fragile one with an increasing number of extreme weather events that create a greater risk of displacement when there are few other affordable options to move into.

❶ **Consolidated Ownership**

The high cost of housing and real estate tilt the playing field towards corporate and equity-fund ownership, and fewer households are able to afford to own their homes if they don't already.

❸ **Punishing the Unhoused**

Even as growing numbers cannot afford to find housing, unhoused residents and their encampments or vehicle dwellings are aggressively targeted for harassment and removal in the name of protecting private property and public safety.

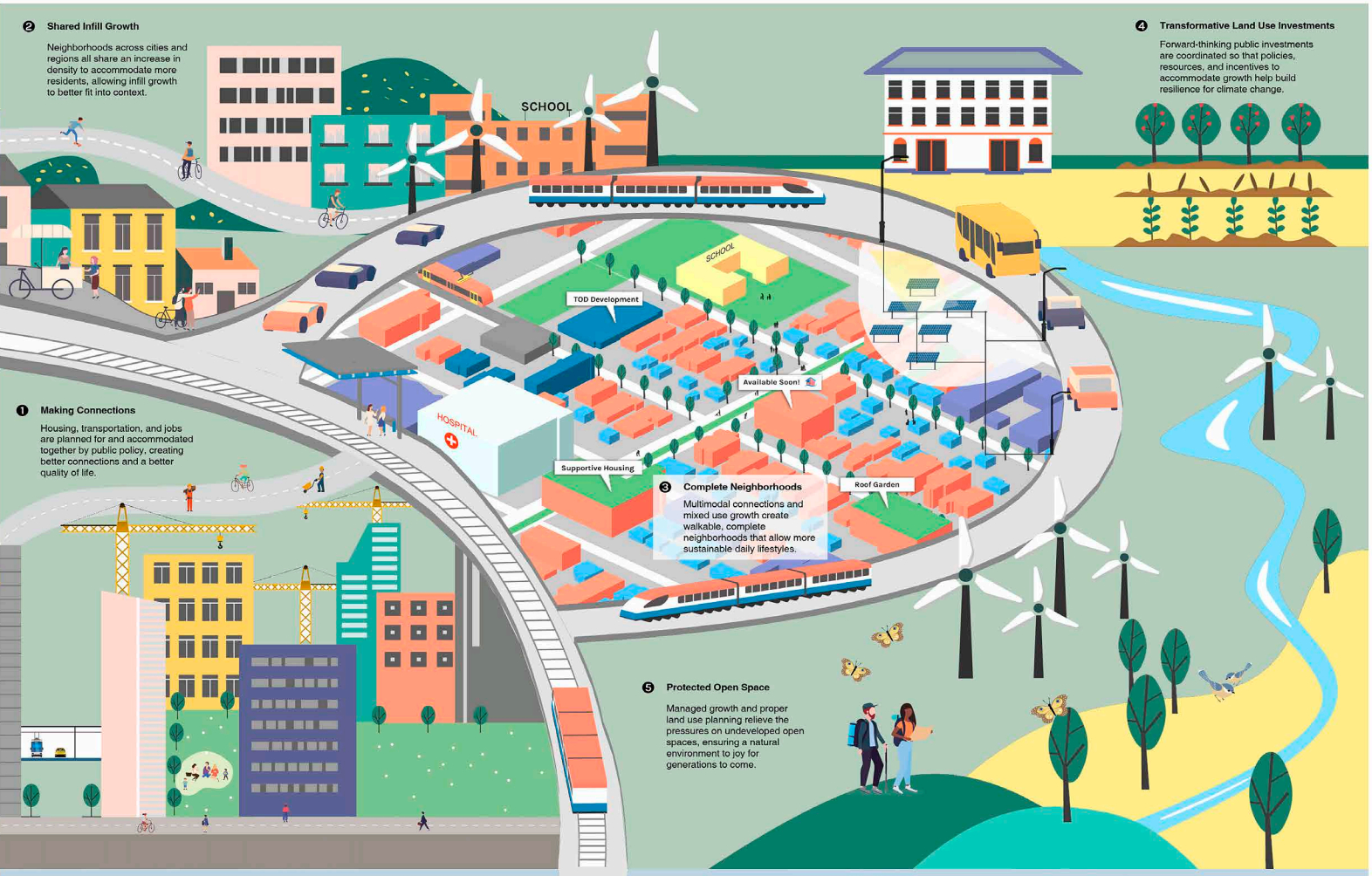
❷ **Property Politics**

Homeowners benefit from limited production and increasing prices, upgrading their homes and organizing against any threats to their property values.

LOW PRODUCTION

HOUSING FOR PRIVATE GAIN

HIGH PRODUCTION



2 Shared Infill Growth

Neighborhoods across cities and regions all share an increase in density to accommodate more residents, allowing infill growth to better fit into context.

4 Transformative Land Use Investments

Forward-thinking public investments are coordinated so that policies, resources, and incentives to accommodate growth help build resilience for climate change.

1 Making Connections

Housing, transportation, and jobs are planned for and accommodated together by public policy, creating better connections and a better quality of life.

3 Complete Neighborhoods

Multimodal connections and mixed use growth create walkable, complete neighborhoods that allow more sustainable daily lifestyles.

5 Protected Open Space

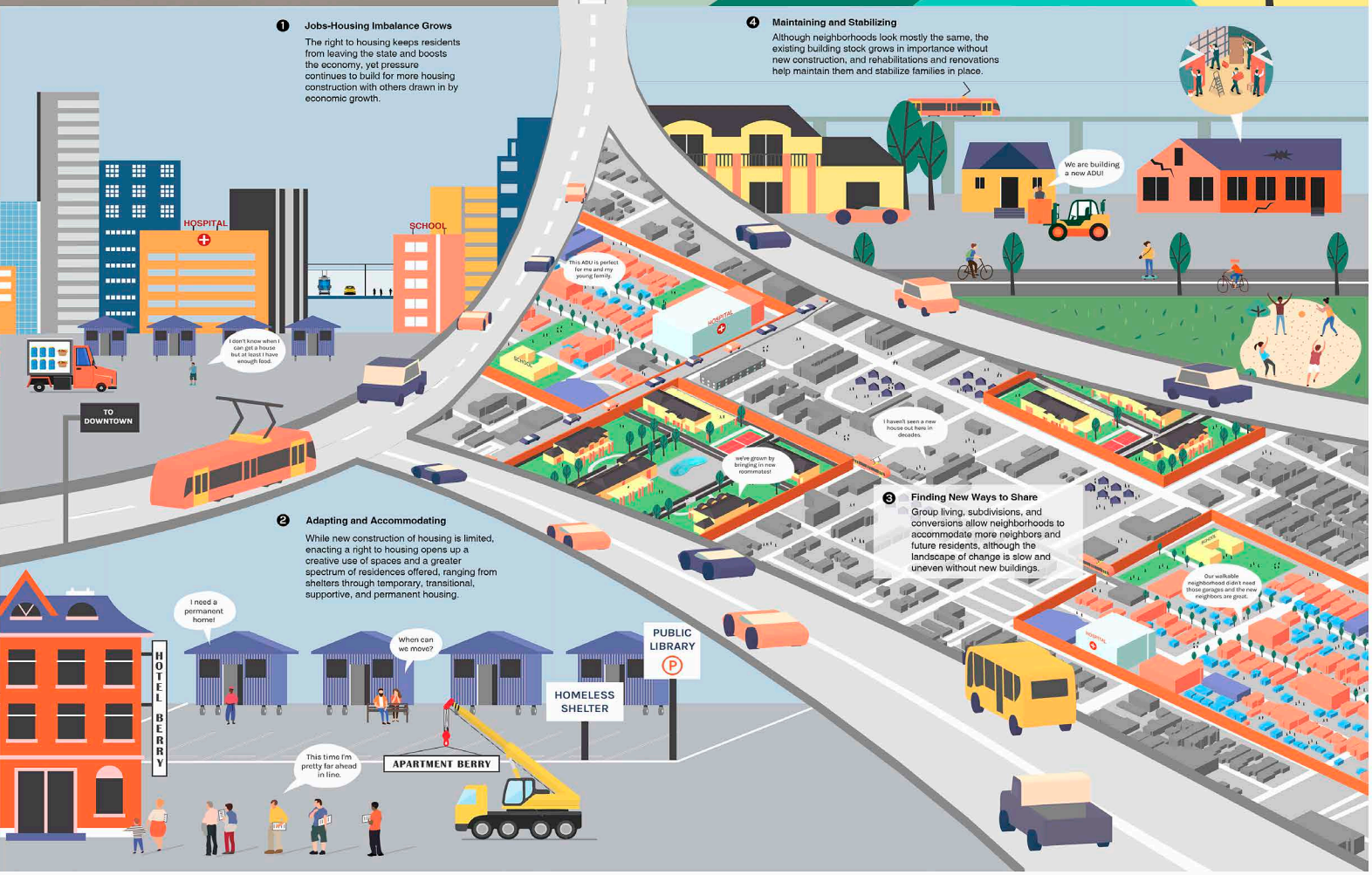
Managed growth and proper land use planning relieve the pressures on undeveloped open spaces, ensuring a natural environment to joy for generations to come.

1 Jobs-Housing Imbalance Grows

The right to housing keeps residents from leaving the state and boosts the economy, yet pressure continues to build for more housing construction with others drawn in by economic growth.

4 Maintaining and Stabilizing

Although neighborhoods look mostly the same, the existing building stock grows in importance without new construction, and rehabilitations and renovations help maintain them and stabilize families in place.



2 Adapting and Accommodating

While new construction of housing is limited, enacting a right to housing opens up a creative use of spaces and a greater spectrum of residences offered, ranging from shelters through temporary, transitional, supportive, and permanent housing.

3 Finding New Ways to Share

Group living, subdivisions, and conversions allow neighborhoods to accommodate more neighbors and future residents, although the landscape of change is slow and uneven without new buildings.

LOW PRODUCTION

FUTURE HOUSING POLICIES IN CALIFORNIA

Choices among governmental policies depend partly upon which future scenarios seem most attractive to us, but they also depend upon our perspectives on the proper role of government, on the resources available to government, and on the likelihood that government will succeed in its endeavors. Doing nothing is sometimes the best policy option, but doing nothing often uncritically accepts the current mix of policies and the future they entail without considering the alternatives. In the past seventy-five years in California, that might mean accepting discriminatory racial housing covenants, restrictive zoning laws, tough criminal sentencing, few restrictions on air or water pollution, "separate but equal" schooling, the dismantling of transit systems and the building of freeways, and many more things that are now thought to have been wrong or misguided.

Because we are thinking about the future and we do not want to be hemmed in by the status quo or a lack of imagination, we put forth an array of alternative policies, and we tie them to different scenarios. Readers can decide which they prefer, but, as a team and in interviews with stakeholders across the state, most prefer the Housing for All future. Many of our policy suggestions will favor this scenario, and look critically at approaches that don't include both production and social equity. Readers should consider which scenario best captures the California they want to live in, and evaluate which policy recommendations they believe will get us there.

In this section, we discuss the future policies that may bring about each of the four scenarios. Given the complexity of housing policy and its interconnectedness with transportation, economic, social, and environmental policies and programs, these policies are necessarily broad in scope. The details are what matter for any policy or set of policies; for example, depending on how they are designed, zoning reforms can prioritize housing opportunities in exclusionary communities, or they can reproduce the racially and spatially concentrated harms of urban renewal. And because the details are what matter, the details are what we tend to fight about. Our goal is to highlight the principal barriers to realizing each scenario, focusing on general policy areas we believe deserve attention, with the understanding that the details will — and must — be hashed out in the political arena.

SCENARIO

ACCELERATING FRONTIERISM

Housing For Private Gain and High Production of Housing

This scenario would achieve the goal of more housing, but it would do so by expanding housing deeper into suburban-fringe and rural areas with concomitant environmental impacts.

It would require vast public (and private) infrastructure investments to provide the water, road, sewer, and electricity infrastructure to sustain this housing; it would increase chances of wildfires decimating new developments; and it would increase inequality in access to housing. Arguably the benefits of high production would be outweighed by its costs.

INCREASED LOW-DENSITY HOUSING DEVELOPMENT IN SUBURBAN AND RURAL AREAS

To achieve high housing production rates in this scenario, the state must relax environmental protections and zoning restrictions on the development of undeveloped and agricultural lands; this would facilitate the production of mostly low-density, single-family detached housing, primarily by for-profit developers. Support for prefab-

ricated, modular, and other emerging construction technologies — including building code reforms, permit streamlining, or even government investment — would also reduce cost and increase production of housing. Preserving strict zoning regulations and other barriers to development in urban cores. would further increase demand for housing (and ultimately production) on the suburban and exurban fringe, while also raising property values for homeowners in cities, but making it very difficult for low-income people to live in those cities.

INCREASED PUBLIC SUPPORT FOR HOMEOWNING

Increasing public financial support for homeowners, for example through property tax subsidies (beyond those provided by Proposition 13) or down payment assistance, would further drive housing production, boost access to property ownership, and increase the appeal of homeownership relative to other investments. The preservation or expansion of federal programs including the mortgage interest tax deduction, capital gains exemption on home sales, and state and local tax deductions would further increase returns on housing investments. State and federal policies to enable and promote access to financial technologies (FinTech), such as those allowing the purchase of "shares" in a property, would also open up home investment opportunities — if not owner-occupancy — to more households.

VAST PUBLIC INFRASTRUCTURE WITH SEVERE ENVIRONMENTAL IMPACTS TO SUPPORT THESE HOUSING PATTERNS

This scenario would require vast public infrastructure investments to support sprawling development patterns, including water, road, sewer, and electricity infrastructure. To mitigate (but not eliminate) the environmental impacts of urban expansion and habitat loss, increased automobile reliance, and greater demand for water and air conditioning, a variety of strategies would need to be employed. These include a stronger push to adopt zero-emission vehicles, increased use of wood (rather than concrete or steel) as a building material, and promotion of remote work to limit commuting — all of which could be pursued through a combination of escalating mandates and direct financial incentives — and public investments in renewable energy generation and transmission and high-cost water desalination.

SCENARIO

HOUSING FOR ALL

Housing For Social Equity and High Production of Housing

This scenario would require the public's willingness to accept higher density in order to provide housing for all Californians by getting beyond NIMBY-ism. It would also require greater public subsidies—and higher taxes—to expand affordability for lower-income households, and to help redress racial inequalities in housing. In return, it would provide adequate and accessible housing for all. We see signs that California is beginning to move down this path with new approaches to zoning and permitting, as well as the state's commitment of the budget surplus to support affordable housing and initiatives to address homelessness. Among the four scenarios, this one seems most in accord with California's need for more housing and its commitments to equity.

ZONING, PERMITTING, AND BUILDING REFORMS

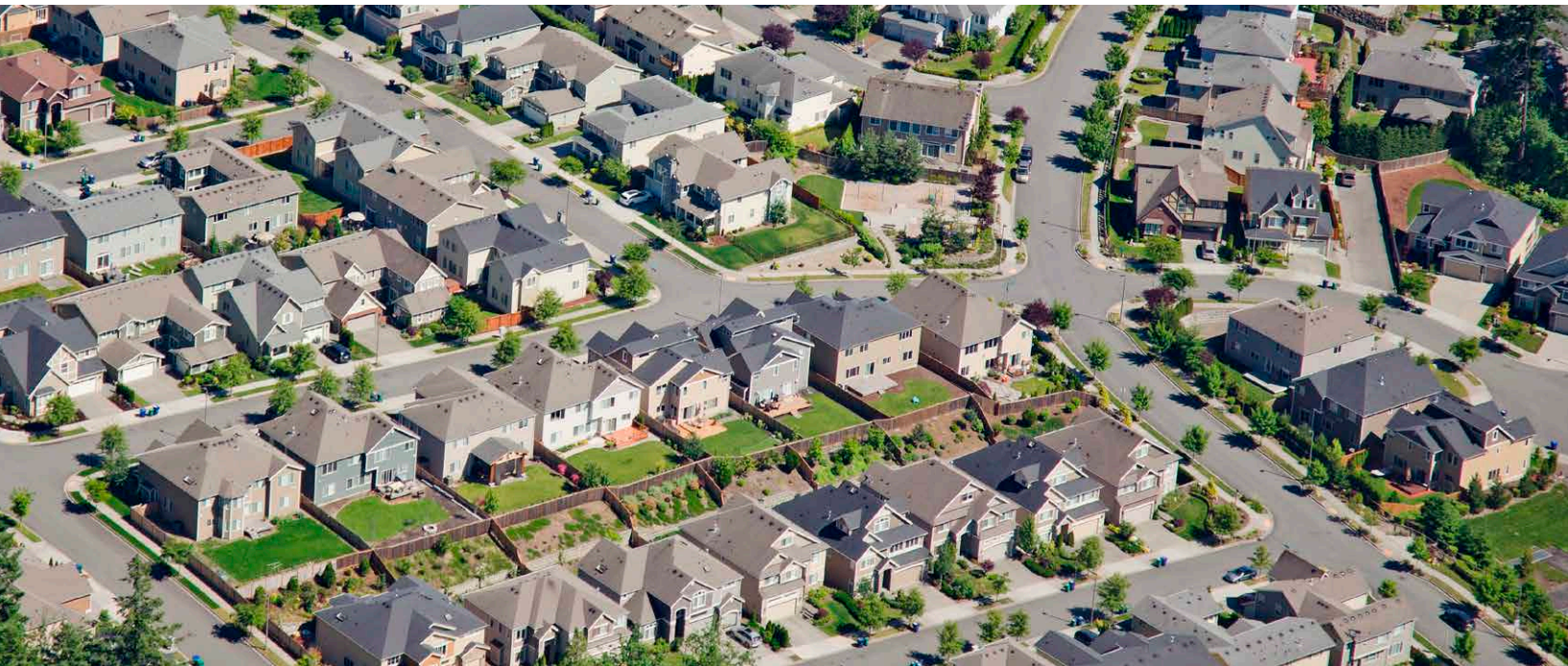
Unlike the previous scenario, achieving high production rates in this case requires zoning and permitting reforms that promote higher density housing in cities and inner-ring suburbs, with a particular focus on transit-accessible locations and high-resource neighborhoods. The goal of these reforms is to ensure that enough homes can be built to meet demand in communities across the state, and to limit the power of cities to exclude multifamily and affordable housing developments. Because of the fragmented nature of local control, strong regional governance paired with state mandates is essential. In addition to supporting the development of prefabricated and modular construction technologies, new materials such as mass timber are also encouraged as a sustainable and cost-competitive alternative to concrete and steel in taller buildings.

PUBLIC POLICY PLAYS A LARGER ROLE IN HOUSING MARKETS

The public sector would play a larger role in housing production, building (or paying contractors to build, or acquiring at completion) income-restricted rental housing, owner-occupied multifamily housing sold to homebuyers at cost, and mixed-income housing. This would also allow the public sector to engage in counter-cyclical development, smoothing out construction employment and housing production during economic downturns. Through federal support and public-private partnerships, additional housing could be acquired by state or local governments and their partners, allowing for the expansion of community land trusts or emerging models such as shared-equity rental housing cooperatives.

HOUSING STABILITY PROGRAMS AND TENANT PROTECTIONS

Renters in both private and public sector housing would enjoy strong tenant protections, with stable rent increases and protections against no-cause eviction. Right to return or similar displacement mitigations would be provided to those displaced as a result of higher-density development, and underdeveloped, public, and commercial land would be prioritized for new multifamily housing. A robust program of rental assistance, shelters and short-term transitional housing, and services for the unhoused are provided to maintain housing stability and minimize the number and duration of cases of homelessness.



SCENARIO

NEW FEUDALISMS

Housing For Private Gain and Low Production of Housing

This scenario is most similar to the status quo in California, and therefore entails the fewest policy changes. Housing production continues to be stifled by a combination of state and local barriers. Local control of land use is privileged over other goals, and most California cities make few changes. Some cities — primarily urban centers and sprawling towns on the urban fringe — enact local zoning and permitting reforms to spur additional housing development, but they cannot make up for inaction by the rest of the state. The status quo of underproduction relative to demand is maintained, ensuring continued wealth accumulation for the state's homeowners, but also cutting off many Californians from homeownership and perpetuating high housing cost burdens and rates of homelessness. This scenario seems unacceptable to most Californians, who believe that housing availability and homelessness are some of the state's most important challenges.

FEW TENANT PROTECTIONS

Tenant protections are also largely left to local decision-makers, resulting in an uneven patchwork of rent control and just cause eviction policies. Cities and suburbs dominated by homeowners tend to eschew such protections, viewing them as undermining the investment value of property ownership. With few housing choices and consistently rising prices, the number of unhoused residents grows and housed residents take an increasingly carceral approach to reducing visible homelessness, focusing on "sweeps" of encampments and police enforcement of prohibitions on the use of public space.

AFFLUENT CITIES BECOME "BURBCLAVES" EXCLUDING ALL BUT THE WEALTHY

The local control of land use also leads to even more divergence in municipal taxation. Cities seeking to promote low-income housing, offer rent assistance, and address the root causes of homelessness must increase taxes in order to do so; however, because they maintain a larger share of the state's low-income population, they have the least capacity for increased public spending. More affluent and exclusive cities are able to keep taxes low, limit social service spending, and exclude homeless and low-income residents through vagrancy laws, exclusionary zoning, and high-priced housing.

SCENARIO

CALIFORNIA CONTRADICTIONS

Housing For Social Equity and Low Production of Housing

This scenario relies primarily on restrictions on private actors in the housing market, expansion of the role of the public sector, and redistribution. Barriers to for-profit housing production are maintained or strengthened, while the share of income-restricted housing produced by or for the public sector rises. Low housing production makes it hard to provide social equity without increasing government spending and regulation, and increased public spending might be difficult if low housing production increases housing prices and stifles California's economy.

AFFORDABLE HOUSING OVERLAY ZONES, RESTRICTIONS ON FOR-PROFIT HOUSING, AND RENT CONTROL LAWS

Policies such as affordable housing overlay zones are adopted to reduce the cost of subsidized housing development and broaden its geographical scope; however,

dependence on subsidies limits the amount of housing that can be built. Because for-profit housing production is deemphasized, tenant protections such as rent control are strengthened to the greatest extent permissible by law, with little regard for their impacts on development feasibility. The state leads on these policies to ensure consistency across jurisdictions. The supply of existing housing is preserved for owner-occupiers, longtime residents, and smaller landlords through prohibitions or high taxes on corporate and foreign buyers, and incentives are offered for the conversion of commercial and industrial properties to residential use.

SPENDING FOR HOUSING SUBSIDIES GROWS AS HOUSING PRICES RISE

As with the high production–housing for social equity scenario (Housing for All), spending on subsidized development and housing acquisition, rent assistance, and homeless services is increased considerably, and through similar means. Because it is a heavily redistributionist approach, funding sources may exceed those of the Housing for All scenario, to include wealth taxes on property other than real estate, carbon taxes, and higher income taxes. And because limited housing production leads to continued rising prices, spending and taxes dedicated to these purposes must grow over time. To keep businesses from departing for other states where costs are lower, some cities seek to reduce business taxes and streamline permitting, inspections, and related activities.