ADDRESSING CALIFORNIA’S HOUSING CRISIS

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WHAT WILL CALIFORNIA LOOK LIKE IN THE NEXT 100 YEARS?

Together, we can co-create an innovative, sustainable, and equitable next century for all Californians. A California where transformative ideas move freely and people inspire each other to enact meaningful change in their own lives and in all of our communities.
Outline

- Overview of key housing market trends in California
- Consequences of housing affordability crisis
- Policy levers
- Questions
The affordability crisis has multiple causes, and has been decades in the making

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Causes</th>
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| Post WWII building boom | • Suburban growth at the expense of inner city investments  
                         • Urban renewal  
                         • Redlining, racial covenants, and other discriminatory real estate practices |
| 1970s – 1990s        | • Proposition 13 creates incentives for jurisdictions to prioritize commercial over housing development  
                         • Cities establish stricter controls on residential development, slowing down development process, increasing costs and limiting housing production  
                         • California Environmental Quality Act (CEQA) increasingly misused to halt development |
| 2000s - 2020         | • Dissolution of redevelopment agencies  
                         • Foreclosure crisis: financial impacts on households, consolidation of rental property owners (including single family), rise in rental demand  
                         • Rising income inequality, “hourglass” labor market |
Affordability crisis reflects a growing gap between incomes and the cost of housing.
In the last decade, the number of higher income households that rent has increased substantially.
Public funding for housing is skewed towards homeowners, leading to significant shortfalls in housing assistance.
Restrictive zoning laws and local resistance to new housing

Percent of Cities that Zoned for Apartment Buildings v. Single-Family Homes, 2017

- **Almost None**
- **Small Share**
- **Majority**
- **Almost All**

- **Apartment Buildings**
- **Single-Family Homes**
Rising construction costs influence house prices, and mean that public subsidies to build new affordable housing don’t go as far.
Cities have not built enough new homes to meet demand, and the stock that gets built is targeted to higher income households.
IMPLICATIONS
High costs are leading to unsustainable rental cost burdens, especially for lower-income households.
Homelessness in California has been increasing steadily.
California is experiencing an out-migration of low- and middle-income households.
Racial inequality in housing outcomes remains profound

- Only **36.2 percent of Black households** own their homes, compared to 63.1 percent of Non-Hispanic White households.

- **Eviction rates are approximately 2x as high for Black and Hispanic renters** as for Non-Hispanic White renters.

- Approximately **30 percent of individuals experiencing homelessness on a given night are Black**, although they only make up 6 percent of the state’s population.
Jobs-housing balance is critical to reducing GHG emissions

Figure 22. Total Vehicles Registered, Vehicle Miles Traveled and Greenhouse Gas Emissions
CALIFORNIA, 2000–2019

Percent work from home by income

Under $50,000 | $50,000–$100,000 | $100,000–$200,000 | Over $200,000

Percent Workers

0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80

Vehicles Miles Traveled in California (Billions)

Total Number of Vehicles Registered (Hundreds)

GHG Emissions (MMTCO$_2$) from Surface Transportation

Million MTCO$_2$ from Surface Transportation

0 | 25 | 50 | 75 | 100 | 125 | 150 | 175 | 200


NEXT 10 CALIFORNIA GREEN INNOVATION INDEX. Data Source: California Air Resources Board, California Greenhouse Gas Inventory – by Sector and Activity; Federal Highway Administration, U.S. Department of Transportation. NEXT 10 / SF, CA, USA.
Increasing risk and loss of homes, lives due to intensification of wildfires

Number of Structures Destroyed

- 1999 - 2005
- 2006 - 2010
- 2011 - 2015
- 2016 - 2020
There’s no silver bullet to ending the crisis

- Each of these dimensions matters (and there are probably others too)
- They are intertwined
- They raise difficult questions related to local versus state control
- There can be unintended consequences
- Policy implementation matters
Land use and planning

- Housing element and RHNA reforms
- ADU legislation
- SB 35: streamlines entitlements for affordable housing
- SB 9: allows for lot splits and denser development on parcels formerly classified as “single-family”
- AB 2011: enacts a streamlined approval for multi-family projects on commercially zoned land
Funding for affordable housing and homelessness

Growth in California State Funding Dedicated to Addressing Homelessness (in millions of dollars)

- 2018-2019
  - 2021-22

- 1,000  2,000  3,000  4,000  5,000  6,000  7,000  8,000
Headwinds

- Backlog of shovel ready projects waiting for funding
- Rising development costs
- Lack of operating funds for permanent supportive housing

Number of LIHTC Applications

<table>
<thead>
<tr>
<th>Year</th>
<th>Funded</th>
<th>Not Funded</th>
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<tbody>
<tr>
<td>2018</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>2019</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>2020</td>
<td>9%</td>
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</tr>
<tr>
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<td>9%</td>
<td>4%</td>
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SCENARIOS

- Will there be any controls or limitations on the profits that private actors gain from real estate investments?
- Will there be laws that shape where new housing is built?
- Will jurisdictions be held accountable to building housing to accommodate a broad range of households?
- Will we redress the harms of past discriminatory housing policies, for example, through reparations?
- Will we “subsidize” our way out of the affordability crisis?
Conclusion

California for All

The deepening housing crisis sparks a public and private social mobilization for housing, by drawing connections to the intersecting threats of climate change. Governments and markets are able to coordinate and create transformative investments in people and the built environment, wielding a variety of resources, incentives, and policies to spur housing production and support residents. These long term investments in housing, transportation, and jobs help the state build the resilience to weather future challenges and economic booms and busts.

Historical Precedents
- United States Housing Act, 1937
- Fair Housing Act, 1968
- Covid-19 Pandemic National Eviction Moratorium and Emergency Rental Assistance, 2020

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 account for past harms
- Wealth & Income Inequality: Tax-and-spend approach helps alleviate inequality
- Political Attitudes: The right to belong trumps the right to exclude
- Technology and Innovation: Modular and prefabricated housing reduce the cost of infill production

A comprehensive approach
- Recognizing there is no silver bullet to addressing the housing crisis, the state engages in a wide-ranging program of policies to boost the supply of market and especially below-market housing, strengthen tenant protections and equity in the housing market, and provide direct assistance to low-income households.

Market meets non-market
- Housing is housing, and all it takes to turn market units into non-market units is funding and public will. In addition to direct public funding of new construction, the government supports continuous acquisition of market-rate buildings to be used as social or low-income housing.

Homeowner backlash
- As the state takes a more interventionist role in housing policy, renters and housing affordability gain more priority in decision-making, leading some homeowners and wealthier residents rally to defend their privileged position in California society.