Facing History, Uprooting Inequality:
# A Path to Housing Justice in California

PolicyLink

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**Cover, lower left:** In 1963, hundreds of NAACP-CORE members and supporters march in Torrance for fair housing. *(Courtesy of the Los Angeles Herald Examiner Photo Collection, Los Angeles Public Library)*
**Cover, upper left:** Moms 4 Housing member addresses supporters in December 2019, outside of the vacant house the group occupied for two months in West Oakland, owned by Wedgewood Properties, a real estate investment firm that specializes in flipping homes. *(Brooke Anderson)*
**Cover, lower right:** In 1959, after being evicted from their home which was then demolished by the City of Los Angeles, the Arechiga family encamps at its former site. Their family was among the over 1,000 mostly Mexican households displaced from Chavez Ravine, to make way for Dodger Stadium. *(Courtesy of Los Angeles Herald Examiner Photo Collection, Los Angeles Public Library)*
**Cover, upper right:** A home in Riverside, California, one of many that foreclosed in the 2008 housing crisis. *("Foreclosed home in Riverside for auction" by Kevglobal is licensed under CC BY-NC-SA 2.0)*

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# Contents

1.0

# Foreword: A Time of Grave Risk

We are completing this report in summer 2020, several months into the most devastating public health crisis of the last 100 years, and facing an immense economic and housing crisis for millions of workers and residents. The history and drivers of racial inequities in California's housing market are more relevant than ever; what we're seeing is not new. By illuminating our history, this report provides much-needed answers to the questions that have taken on new urgency: In this time of shelter-in-place, why do so many people, especially people of color, lack housing stability? How did we get here?

COVID-19 didn't create America's housing crisis. Market failures have been hurting low-income people and people of color for years. But the economic and health emergencies brought on by the current pandemic have changed the equation. Californians already struggling to make ends meet now face a nearly impossible decision: either pay their rent or buy the food and medicine needed to survive. Many refuse to accept these terms. And they are realizing that they are not alone. Californians are fed up with a system that perpetuates racism and injustice. They are enraged by the recent spate of killings of Black people, and they are marching in protest demanding a just and equitable future. If California is to deliver on this demand and emerge from the housing, COVID-19, and racial injustice crises stronger and more resilient, we need to create a different reality.

That starts with reimagining housing not as a commodity that enriches investors, but as an essential basic need.

Even before the pandemic, landlords were charging the majority of renters in California more than they could afford for housing and over 150,000 people experienced homelessness on any given night. Women of color suffer the highest eviction rates and housing-cost burden, and Black and Indigenous people experience the highest rates of homelessness.

Housing insecurity of this depth creates chronic health disparities, exacerbating hypertension, diabetes, and other medical conditions that contribute to the alarmingly high COVID-19 death rates in communities of color.

This housing crisis did not happen by accident. It is a direct consequence of our history—decisions made by governments and policymakers suppressed entire races of people by controlling where they lived, whether they could access financing, and the health of their neighborhoods.

To reimagine housing as a basic need, we cannot leave it to "market forces" to dictate where people can live, how much they'll pay, and if they can access opportunity. Instead, we must be willing to do the work to ensure safe, healthy, and affordable housing for everyone. This report provides a path forward to accomplish this.

Coming out of this crisis, we as a nation must lead with urgency and accountability that results in realizing the promise of equity—a just and fair society. By centering racial equity, we can serve the people most in need and accomplish this bold vision.

In solidarity,

**Susan Thomas**
President
Melville Charitable Trust

**Michael McAfee, EdD**
President and CEO
PolicyLink

## 2.0
# Executive Summary

**Below:** In November 2019, hundreds of Los Angeles residents protest against rising speculation and the commodification of housing. *(Alliance of Californians for Community Empowerment)*

California is in the midst of a growing housing emergency that touches every part of the state. From urban communities that have experienced decades of gentrification and displacement; to low-income suburbs of color that have been starved of quality schools, services, jobs, and infrastructure; to rural unincorporated communities excluded from basic sanitation and clean water, Californians suffer growing housing insecurity and unaffordable costs. The crisis cuts across race and class—but Black, Latinx, Indigenous, and low-income Asian and Pacific Islander people are disproportionately harmed.

Over the last two decades a growing proportion of Californians have become rent burdened. The strain of housing costs has not only worsened, but alarming racial disparities have widened. The majority of Californians are charged more than one-third of their income for rent, leaving little money for other needs. For people of color, and those with the lowest incomes, the situation is even more dire. Over 63 percent of Black renters are housing-cost burdened, and nearly four out of five extremely low-income households spend more than half of their income on rent.[1] On any given night, over 150,000 Californians experience homelessness.[2] The economic crisis brought on by the COVID-19 pandemic has exacerbated California's housing challenges. Research from the Terner Center for Housing Innovation at UC Berkeley estimates that 40 percent of all renter households have at least one worker who has been impacted by COVID-19 and that there are over 2.3 million vulnerable renter households.[3]

The scale of California's housing challenge is enormous and is drawing increasing attention from policymakers who are being called on to adopt real solutions. Unfortunately, the solutions they turn to often fail to adequately consider or address the deep racial and economic disparities that have been built into our state's housing system. For over 50 years, policies have emphasized promoting market-rate construction, but California's production overwhelmingly falls short in the creation of affordable, rather than market-rate housing. Redlining and housing discrimination outlawed over half a century ago baked racial disparities into our landscape, but today's housing policies do little to reverse them, and in many instances continue to reinforce deep patterns of racial segregation.

This report was undertaken to inform, refocus, and promote a state housing policy dialogue. It provides a historical overview of California's housing landscape and explores how colonization, early development, and post-war urbanization and suburban development intentionally and systematically laid the groundwork for deep racial disparities in housing access, quality, and cost. To better understand how these disparities have continued to persist for so long after many blatant forms of racism have been outlawed, this report examines the last 50 years in the state's housing sector. During this period, policymakers increased reliance on the private housing market, gutted California's capacity to maintain an affordable housing stock, and shifted public resources toward criminalizing communities of color, including the unhoused. The effect of these policy approaches has been to set the stage for today's housing emergency—and for the racially disparate shocks the COVID-19 pandemic is now delivering to the housing system.

This report identifies seven key trends since the 1970s—resulting from policymakers' decisions—that have driven California's racial inequalities in housing access:

1. **The speed and scale of housing speculation has increased.** Speculative finance and investor-driven entities seeking high profits increasingly dominate housing provision and allocation. Government policies have encouraged and incentivized real estate speculation, even as regulations limiting Wall Street and protecting housing stability were rolled back. Communities of color have been hurt disproportionately by predatory subprime lending, the ensuing foreclosure crisis, and widespread speculation in the rental market.

2. **Public spending on affordable housing has declined.** Federal, state, and local governments have dramatically cut spending on affordable housing, while encouraging increased reliance on the private sector for housing production. Federal funding for the operation and upkeep of California's public housing declined 37 percent since 2003, while Section 8, Community Block Grants, and other funding was also cut severely.[4] The support for affordable housing formerly provided through state-mandated set-asides of redevelopment funds also disappeared. Some localities have no resources to invest in affordable housing.

3. **Renters lack basic protections and have no entitlement to stable, affordable housing.** Following a surge of tenant activism in the 1970s, and from the 1980s through the 2000s, the real estate industry succeeded in limiting and eroding local rent control measures, as well as guards against displacement. Despite winning a statewide rent cap last year, renters continue to lack strong rent control protections or sufficient affordability, stability, and health safeguards. Many suburbs, rural areas, and even major cities lack local-level protections, even as the number of renter households has increased steadily, due in part to the foreclosure crisis of a decade ago. These gaps disproportionately hurt people of color, the majority of whom are renters.

4. **The criminalization of homelessness and communities of color has intensified.** The expansion of policing and deportation has reinforced racial disparities in housing access. Racist narratives based in the perception of criminal behavior have served as further justifications to avoid or disinvest from subsidized housing, including new developments and the use of vouchers in some suburban areas. Increased public resources have been diverted toward punitive and third-party policing of tenants, as well as criminalizing homeless people of color. Widespread "nuisance" ordinances have been used to evict and expel low-income tenants of color.

5. **Land use policies continue to perpetuate racial inequity.** Despite California's Rumford Fair Housing Act of 1963 and the federal Fair Housing Act of 1968, wealthier municipalities, primarily White, have limited the development of affordable and multifamily housing. Many of the state's well-resourced neighborhoods remain unaffordable to lower income households of color. Meanwhile, efforts to redevelop, densify, or "upzone" neighborhoods, including transit-oriented development, have focused on areas that are home to low-income communities of color, but they have rarely led to development that has improved residents' lives. Instead, development pressure has increased housing costs, instability, and gentrification, displacing people of color and low-income households, and undermining climate resilience goals. Environmentally hazardous industries continue to be concentrated in communities of color, and in unincorporated communities throughout the state many households lack even the most basic services like safe drinking water and wastewater treatment services.

6. **The real estate industry profits from discrimination.** From the subprime mortgage crisis that tore through communities of color, whether in California's coastal urban centers or its Central Valley low-income suburbs, to the disproportionate concentration of corporate landlords' properties in neighborhoods of color, the real estate industry has targeted predatory and discriminatory practices at people of color. These practices are driven not only by personal prejudices, but also by systemic industry-wide standards designed to extract maximum short-term profits. As a result of discriminatory profiteering, renters and homeowners of color still pay more than Whites, for less.

7. **Rising income inequality and declining wages are worsening housing costs.** Major economic shifts have resulted in growing income inequality alongside stagnating wages for most Californians. Real wages for people of color have declined. Gaping inequality is worsening housing affordability, while bottoming wages have exacerbated the housing-cost burdens and displacement pressures on low-income residents of color. Many have been forced to move farther away from their jobs and centers of employment to find a home they can afford, leading to higher transportation costs and increased greenhouse gas emissions, while tearing at social and community bonds.

While these drivers can feel intractable, a growing movement of community leaders, housing advocates, philanthropists, government, and private sector leaders are committing to take bold action to redress the causes of inequity, and lay the foundations of a more just and racially equitable housing system. To support this important work, this report presents 10 policy priorities that, if adopted, would improve housing outcomes for all Californians, and in particular would improve outcomes for the communities of color where housing policies have too often failed. These priorities are:

1. **Establish a right to housing:** Require government agencies to take steps to end homelessness and ensure all people have access to safe and adequate housing.

2. **Rein in speculation:** Protect housing from the financial sector, including by increasing regulatory oversight, restricting rental securitization, expanding public and cooperative banking, breaking up Wall Street landlords, and enacting anti-speculation taxes.

3. **Protect and increase the supply of permanently affordable housing:** Fully fund, create, and maintain public housing, subsidies, and community-controlled social housing such as community land trusts and cooperatives, for all who need it without discrimination; give tenants, nonprofits, and public entities first right of purchase.

4. **Expand renter protections and end punitive, discriminatory policies:** Protect renters from displacement by enacting universal rent control, strong eviction moratoriums, right to counsel, and more. End nuisance evictions and lift barriers on the formerly incarcerated, undocumented people, and Section 8 recipients. Ensure stability and affordability controls, including rent forgiveness, during disaster and recovery periods.

5. **Stop punishing poverty and homelessness:** End encampment sweeps, policies criminalizing homelessness, and harassment by Business Improvement District guards; instead, increase long-term housing and supportive services for people experiencing homelessness.

6. **Protect homeowners from predatory lending and wealth-stripping:** Expand protections and relief for indebted homeowners, enforce fair housing laws against lending discrimination, and increase access to good quality loans.

7. **Support development without displacement:** Establish by-right development of affordable housing in exclusionary communities, ensure green and fair housing for all, pair development with anti-displacement guarantees, end the Opportunity Zone tax break programs, and resource disadvantaged unincorporated communities.

8. **Enact progressive tax reforms:** Reduce the mortgage interest tax deduction, close loopholes in Proposition 13 that give tax breaks to corporations, and increase renter tax credits.

9. **Ensure low-income communities of color guide planning and decision-making:** Expand transparency, accountability, and meaningful community participation in decision-making through community planning processes, rent boards, participatory budgeting, and more.

10. **Repair past harm:** Every level of government should transfer compensation and resources to communities of color harmed by past racially biased policies.

As one of the world's wealthiest economies, California has the resources to provide stable, quality, affordable housing for all its residents—regardless of race, gender, or creed. The COVID-19 pandemic and its fallout, like other disasters before it, has laid bare the deep structural problems that have left millions of Californians precariously housed, and brings a new urgency to ensuring that every Californian has a safe and affordable place to call home. The choices that are made today will reverberate for generations. Policymakers have an opportunity to forge a new path—one that reckons with past harms, addresses racial inequality, and establishes institutions equipped to steward a different future. When California's leaders truly confront and uproot the deep institutionalized racial inequality that has shaped our housing landscape, we will lift up future generations and ensure that all people can thrive.

## 3.0
# Introduction

**Below:** Moms 4 Housing members greet supporters outside the vacant home in West Oakland they have been occupying which is owned by Wedgewood Properties, a real estate investment firm that specializes in flipping homes. *(Brooke Anderson)*

In the fall of 2019, homeless Black mothers and their children launched a civil disobedience campaign that reverberated across the nation. Forming a group called Moms 4 Housing, they occupied a vacant house in West Oakland. Their actions highlighted a contradiction that typifies cities throughout the state: the number of vacant properties often far exceeds the number of people experiencing homelessness. In Oakland, there are nearly four times the number of vacant properties as homeless people.[5]

The house in West Oakland sat empty for almost two years before the moms moved in with their kids.[6] The owner, Wedgewood Properties, is a multimillion-dollar real estate investment firm that specializes in flipping homes—which it calls the "backbone" of its business model.[7] Such corporate ownership reflects growing trends in real estate. In Oakland, mortgage lenders foreclosed on and repossessed 35,000 homes between 2007 and 2012.[8] Black and Brown neighborhoods like West Oakland suffered the brunt since lenders targeted predatory subprime loans to these communities of color.[9] Large corporate landlords like Wedgewood then scooped up foreclosed properties to resell for exorbitant returns, often keeping homes vacant in the meantime.[10] The moms have called Wedgewood a "displacement machine," decrying how such business operations continue to drive the Black community out of Oakland—and into homelessness—a decade after the foreclosure crisis.[11]

As the moms' predicament illustrates, California's housing crisis is not colorblind. Two centuries of racially biased federal, state, and local policies, often at the behest of wealthy elites and corporate profiteers, have created the gaping racial inequities in housing and homelessness that persist to this day. This report traces how past policy decisions have resulted in today's racial disparities: segregation, redlining, and urban renewal in the first half of the 20th century engraved inequality across California's landscape. Since the 1970s, deep structural changes to the US economy have fueled new drivers of housing inequality, leading to rising rates of real estate speculation and exacerbating racial divides. Both segregation and displacement—disinvestment and predatory investment—undergird today's lack of stable, affordable housing for communities of color. Policies governing land use, allocation of public resources, criminalization of "unwanted" communities, and real estate speculation all play a role.

Moms 4 Housing's campaign is a bold reminder that everyone deserves a home. It is essential to our health, well-being, and life outcomes, and a foundation for economic security. Ensuring that everyone has a home—regardless of race, economic circumstance, gender, immigration status, criminal history, or physical and mental ability—is critical to boosting public health, educational attainment, workforce development, and economic security.

California, the world's fifth largest economy and a global center for real estate investment, is increasingly unable to provide the most basic human need—safe, stable, affordable housing—to huge swaths of its population. Today, over three million renter households are being charged more than they can afford for rent and the state has the largest homeless population in the country.[12] While this problem affects all Californians, people of color are disproportionately homeless, housing insecure, and burdened by unaffordable rents.

Bold solutions are required and California has the capacity to address this crisis. California has repeatedly brought ambition and innovation to problem solving to creating a better future for its residents, often changing the national landscape in the process. In 1963, California led the country by passing the Rumford Fair Housing Act, catalyzing the federal action that followed. The state built a world-class education system and infrastructure that has propelled its economy to date. In 2006, California became the first state to commit to reducing greenhouse gas emissions to pre-1990 levels by 2020. Now, the state needs a new approach to tackling the housing crisis, one that puts equity in the center.

The scale of the challenge is enormous, but California has a robust movement of housing advocates who have committed themselves to delivering on the promise of homes for all residents. To ensure that this report centers the experiences of people of color who are hurt most by the housing crisis, we invited housing justice allies to serve on an advisory committee charged with shaping this research project. Their expertise, and the experiences of the many communities that their organizations serve, have informed this report and shaped its 10 policy recommendations. By collaborating to implement these recommendations, the residents of impacted communities, advocates, policymakers, and other housing stakeholders can create a different future.

Whether you are a policymaker, advocate, builder, service provider, or investor, we encourage you to explore this report and consider how you might contribute to ensuring that all Californians have access to safe, stable, affordable housing.

4.0
# California's Housing Crisis: Race and Place

**Below:** Persistently high housing costs in Los Angeles and across the state contribute to California having the largest number of people experiencing homelessness in the country. *("*Progress*" by* lavocado@sbcglobal.net *is licensed under* CC BY 2.0*)*

California's affordable housing crisis impacts the entire state. From urban cores that have experienced decades of gentrification and displacement; to low-income suburbs, now home predominantly to people of color, that have been starved of quality schools, services, jobs, and infrastructure; to rural unincorporated communities excluded from basic sanitation and clean water, Californians of color suffer growing housing insecurity. The crisis cuts across race and class—but Black, Latinx, Indigenous, and low-income Asian and Pacific Islander (API) people are disproportionately harmed.

## Homelessness

California has the largest number of people experiencing homelessness in the country: over 150,000, most of whom are unsheltered.[13] Skyrocketing rents, declining incomes, and public cuts have fueled the explosion in homelessness, particularly for Black and Indigenous people, who are disproportionately unhoused.[14]

- L.A. County's homeless population numbers nearly 59,000 and is 33 percent Black—even though Black people represent only 8 percent of the county's total population. Indigenous people make up 2 percent of the homeless, but 0.2 percent of the total population.[15]
- In the Bay Area, 28,200 people are homeless.[16] Black people account for 70 percent of Oakland's population that is living in the streets, and roughly half the unhoused say that rental assistance could have prevented their homelessness.[17]
- In inland California, homelessness is also surging. In Madera and Bakersfield, the numbers have almost doubled between 2018 and 2019. In San Bernardino County, where a quarter of the unhoused are Black and one-third are Latinx, homelessness among seniors rose 71 percent in 2019, largely due to the strain of rising rents on those with a fixed income.[18]

## California's unhoused population is disproportionately Black and Indigenous.


**Sources:** Los Angeles Homeless Services Authority, "Greater Los Angeles Homeless Count: 2019 Results," August 5, 2019; Bay Area Council Economic Institute, Bay Area Homelessness: A Regional View of a Regional Crisis (San Francisco: Bay Area Council Economic Institute, April 2019).
**Note:** Data on racial demographics of the unhoused population includes only 88 percent of all counted Bay Area homeless people, excluding Contra Costa, Marin, Napa, and San Mateo counties, where this data was not available.

## Unaffordable Rents

California has nearly two million rent-burdened* households of color and 1.6 million extremely low-income renter households, two-thirds of which are households of color.[19] Fifty-four percent of California's households of color are renters: 66 percent of Black, 58 percent of Latinx, 50 percent of Indigenous, and 42 percent of API households (but 60 percent of Pacific Islander households) are renters, compared to 37 percent of White households.[20] Low-cost housing is disappearing and renters are far more likely to be charged unaffordable rents today compared with 50 years ago. But while housing unaffordability has widened and deepened for all renters, tenants of color suffer the greatest strains due to market-reliant planning decisions.

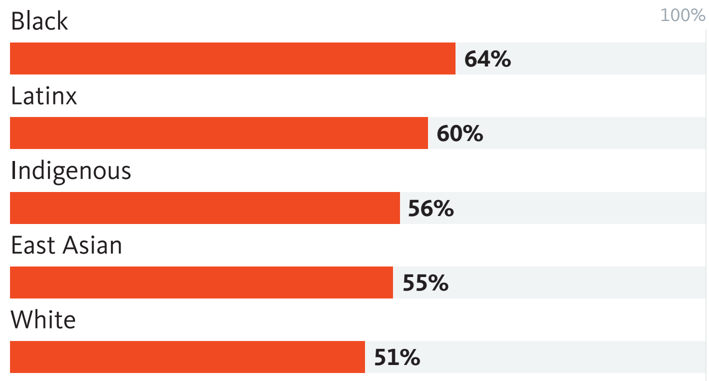
- Tenants of color are more likely than White tenants to be charged unaffordable rent. In California, 64 percent of Black, 60 percent of Latinx, 56 percent of Indigenous, and 55 percent of East Asian renters are charged unaffordable rents, compared to 51 percent of White renters.[21] The vast majority of extremely low-income renters in California, 76 percent, spend most of their incomes on housing.[22]

- Renters of color are suffering throughout the state. In Riverside, where large corporate landlords possess concentrated ownership of single-family home rentals, we saw the highest rate of rent-burdened renters in the state in 2017.[23] Lancaster, Merced, and Visalia had some of the fastest rising rents in 2018.[24]

* Households are considered "rent-burdened" if they spend more than 30 percent of household income on rent and utilities.

## Renters of color are more likely to be charged too much for rent.

**Percent of renters charged unaffordable rents:** California, 2017




**Source:** National Equity Atlas analysis of IPUMS data.

## Precarious Homeownership

Decades after unrestrained subprime lending preyed on Black and Latinx neighborhoods in the lead up to the 2008 foreclosure crisis, these communities continue to experience higher rates of foreclosure and negative home equity.[25] Homeownership not only remains out of reach for most households of color, but homeowners of color are also more likely to lose their homes.

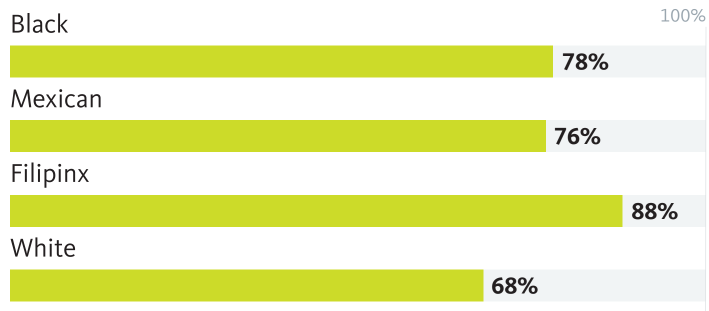
- Homeowners of color are more likely to have mortgage debt and high debt-to-equity ratios on their homes—a level of indebtedness that effectively renders them "bank tenants."[26] In Los Angeles, 78 percent of Blacks, 77 percent of Mexican, and 88 percent of Filipinx homeowners hold mortgage debt, compared to 68 percent of White homeowners.[27] They have far less home equity and liquid wealth than White homeowners.

- Homeowners of color are more likely to be cost-burdened,** and in many neighborhoods of color, most homeowners with a mortgage are cost-burdened. One analysis found that from 2012 to 2016, 56 percent of Black and 62 percent of Latinx homeowners with a mortgage were cost-burdened in Los Angeles's Crenshaw Corridor, compared to a minority of Whites.[28] Predatory loan products like reverse mortgages and probate court practices strip inter-generational wealth-building from homeowners of color.

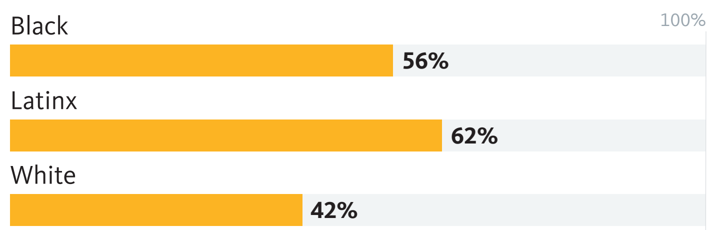
** Households are considered "cost-burdened" if they spend more than 30 percent of household income on housing.

## Homeowners of color are more likely to be debt-burdened.

**Percent of homeowners that hold mortgage debt:** Los Angeles, 2013–2015




**Percent of homeowners with a mortgage who are cost-burdened:** Crenshaw Corridor, Los Angeles, 2012–2016




**Sources:** Melany De La Cruz-Viesca et al., *The Color of Wealth in Los Angeles* (Federal Reserve Bank of San Francisco, 2016), 35; Amee Chew, "A Health Impact Assessment of the Crenshaw Mall Redevelopment Project" (Los Angeles, 2018, unpublished).

## Displacement

Since the 1970s, California's housing patterns have been characterized by the increasing out-migration of Black, Latinx, Filipinx, and other residents of color from the urban cores of the Bay Area and Los Angeles County, to the fringes of these metros and beyond. In the Bay Area, these destinations include Pittsburg, Antioch, Brentwood, Stockton, Manteca, and further. In the Los Angeles region, residents of color have been pushed to the edges of Los Angeles County, as well as to Riverside and San Bernardino counties.[29] The newer residents in turn displace local lower income residents of color. Meanwhile, cities throughout the San Joaquin Valley are redeveloping their downtowns, fueling eviction. Unlike the earlier wave of White suburbanization which was heavily subsidized by federal investments in highways, housing, and other infrastructure, people of color have moved or been displaced to lower income, segregated suburbs in an era of government disinvestment from infrastructure, leaving localities to fend for themselves to provide decent schools, jobs, transportation, and other services. They are further away from well-paying jobs, while holding worse debt.[30,31]

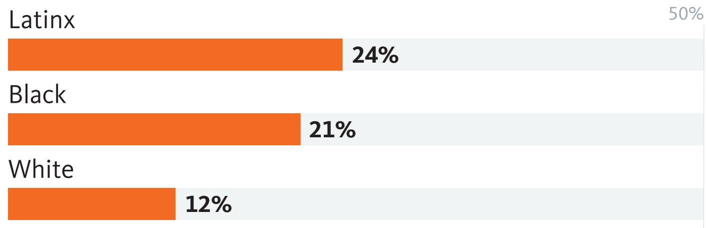
- Eviction targets households of color, who suffer greater housing instability. In San Francisco, a 2018 survey of 4,500 residents found 24 percent of Latinx, and 21 percent of Black respondents, were threatened with eviction in the previous five years, compared with 12 percent of Whites.[32] Thirty-six percent of Black, 34 percent of Latinx, and 19 percent of API residents suffered unstable housing conditions in the previous five years, including homelessness, compared to 15 percent of Whites. One-third of Latinx and Black residents reported they would have no other housing options if forced to leave their current living situation.[33]

- Households of color who are forced to move, whether by eviction, foreclosure, or rising costs, suffer negative long-term impacts on their health and financial stability.[34] In San Mateo County, a survey of displaced households found that one-third suffered homelessness or marginal housing as a result; most displaced children had to change schools, usually hurting their academic performance; and one-third of displaced workers who moved out of the county had their commutes increase an average of 47 minutes.[35] Lengthened commutes increase greenhouse emissions, and climate change disproportionately hurts low-income communities of color.[36]

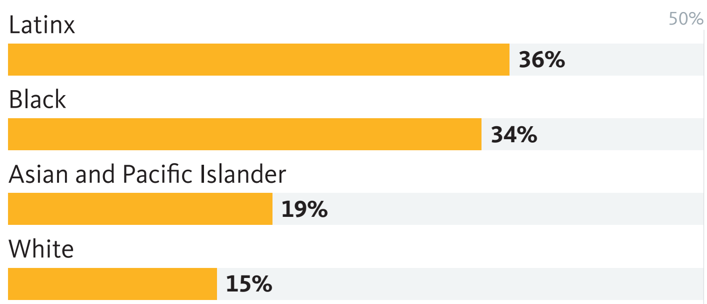
- In Fresno County, there were nearly 4,500 formal eviction filings in 2016, and these were disproportionately in neighborhoods of color.[37] San Joaquin County had over 3,500, Tulare County over 1,700, Kern County over 4,700, and San Bernardino over 13,000 eviction filings the same year.[38]

## People of color are more likely to suffer evictions and unstable housing conditions.

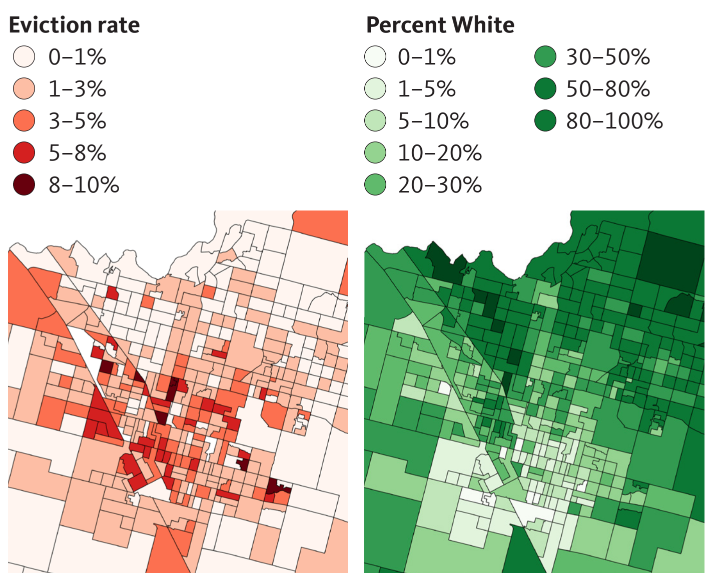
### **Percent of renters threatened with eviction in the last five years:** San Francisco, 2018




### **Percent of residents experiencing unstable housing conditions in the past five years, including homelessness:** San Francisco, 2018




### **Eviction rates and race:** Fresno, 2016




**Sources:** San Francisco Planning, *San Francisco Housing Needs and Trends Report* (San Francisco Planning, July 2018), 53–4; Janine Nkosi et al., *Evicted in Fresno: Facts for Housing Advocates* (Faith in the Valley, 2019), 16.
**Note:** Data is mapped by block group. Eviction rate does not include informal evictions.

## Unhealthy Housing

Households of color disproportionately suffer unhealthy housing conditions, because they are priced and locked out of safe housing—and because policies have neglected vital infrastructure in their neighborhoods.

- People of color are more likely to be exposed to lead, mold, pests, water contamination, lack of plumbing, heating, and cooling, and other unhealthy housing conditions, resulting in illness and death.[39] A 2016 study found that neighborhoods of color in Fresno, Oakland, Emeryville, and Los Angeles had lead poisoning rates in children exceeding those in Flint, Michigan.[40]

- Over 21 percent of Latinx, 8 percent of Asian, and 5 percent of Black households in California live in crowded housing conditions, compared to 2 percent of Whites.[41]

## Underresourced and Hazardous Neighborhoods

Across California, the legacy of government policies that have enforced and still maintain racial segregation is ongoing and apparent: people of color are much more likely to live in neighborhoods with high poverty, few job opportunities, underresourced schools, and environmental hazards. Statewide, Black and Latinx people are nearly four times as likely as Whites to live in high-poverty neighborhoods. [42]

- In the Bay Area's nine counties, 62 percent of Black, 53 percent of Latinx, 49 percent of Indigenous, and 25 percent of API people live in low-resource, or highly segregated, high-poverty neighborhoods, compared to just 19 percent of Whites; only 6 percent of Blacks live in the most well-resourced neighborhoods compared to 28 percent of Whites.[43] In the San Joaquin Valley, half of Black and Latinx people, and 34 percent of Asians, live in high or very high-poverty neighborhoods, compared to 22 percent of Whites.[44]

- In California, Latinx residents are 6.2 times as likely as Whites to live in the most environmentally hazardous zip codes; Blacks are 5.8 times as likely, while Indigenous and API people are almost twice as likely to face those hazards.[45] In rural unincorporated areas and reservations, low-income residents of color and undocumented people suffer a lack of basic infrastructure such as clean water, sewage systems, and drainage that is hazardous and severe. Many also have polluting industries sited in their proximity.[46]

## Paying More, For Less

People of color are charged more than Whites for comparable or inferior housing products. Such discrimination is due not only to personal biases, but private industry's systemic association of risk with race to increase profit.

- A 2018 UC Berkeley study of 30-year, fixed-interest-rate mortgages found major lenders, both in person and through online algorithms, charge Black and Latinx borrowers higher interest rates than Whites—garnering the lenders profits of up to 17 percent higher.[47]
- A 2012 HUD study found that in Los Angeles, prospective Black renters were quoted first-year net costs $406 higher on average, than Whites. In Riverside, Latinx renters were quoted first-year net costs $574 higher on average than Whites.[48]

**People of color are charged more than Whites for the same housing products.**

**Major lenders of 30-year, fixed-interest-rate mortgages regularly charge Black and Latinx borrowers higher interest rates than Whites. Nationally, between 2009 and 2015, these disparities cost Black and Latinx borrowers:**

**$250 to $500 million annually**

**As a result, on loans to Black and Latinx borrowers, lenders garnered profits of:**

**11 to 17 percent higher than average**

**In Los Angeles, first-year net costs quoted to Black renters were higher than those for comparable Whites by:**

**$406**

**In Riverside, first-year net costs quoted to Latinx renters were higher than those for Whites by:**

**$574**

**Sources:** Laura Counts, "Minority Homebuyers Face Widespread Statistical Lending Discrimination, Study Finds," Haas Newsroom, Berkeley Haas, November 13, 2018; Robert Bartlett et al., "Consumer-Lending Discrimination in the FinTech Era" (Berkeley, CA: UC Berkeley, November 2019) ; Margery Austin Turner et al., *Housing Discrimination Against Racial and Ethnic Minorities 2012* (Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, June 2013), 154, 160.

5.0

# Roots of Inequality: From Colonization through the 1960s

**Below:** The “Sunkist Garden” development in southeast Los Angeles in 1950, which the Veterans Administration subsidized for White veterans only. *(Courtesy of Charlotta Bass/California Eagle Photograph Collection, Southern California Library, Los Angeles, California)*

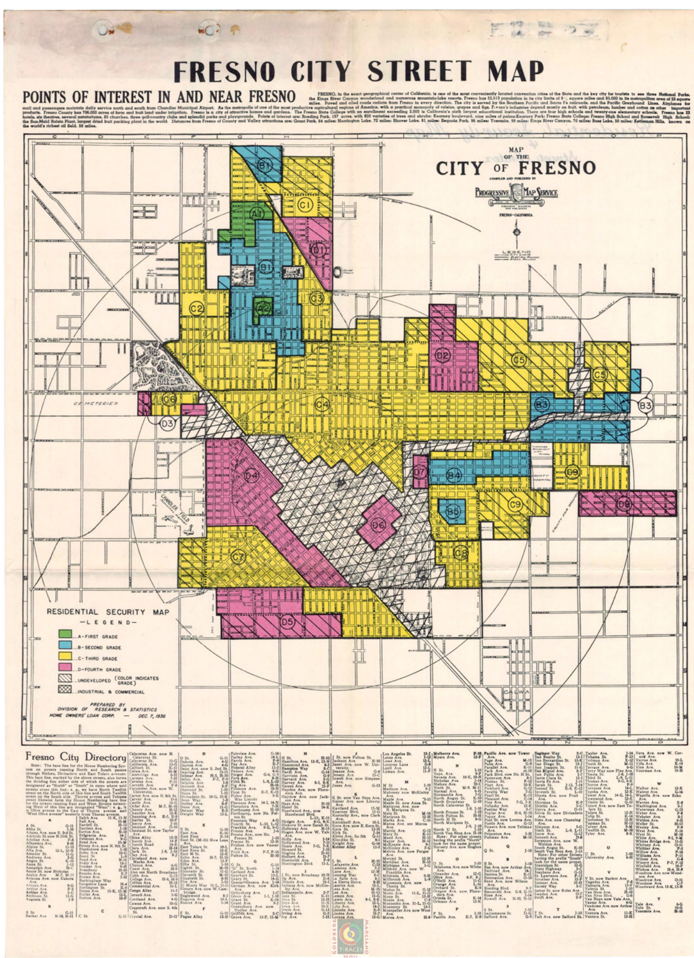
## 5.1
# Land Theft and Private Property

California's racial disparities in access to stable, affordable, and healthy housing were produced through a lengthy history of exclusion, displacement, and state-sponsored violence against communities of color. Since the colonization of the state begun by the Spanish and then accelerated by settlers in the early 1800s, real estate speculation, segregation, and the serial disposability of communities of color have defined California land use.

The roots of housing disparities in the United States were planted in the early practices of colonization, which devastated Indigenous communities and tied enfranchisement to property rights. The colonization of the Americas by European settlers was brought about through the genocide of Native peoples and theft of their land. In California, the Spanish mission system turned Native peoples into forced laborers, and concentrated landownership in the hands of friars, and later cattle ranchers.[49] US conquest accelerated the slaughter of Indigenous people. As a direct result of organized violence and ecological devastation by Anglo settlers, nearly 90 percent of the Native population of California was killed between 1800 and 1869; private militias of White settlers murdered over 100,000 people in just the first two years of the Gold Rush.[50] After the US acquired California in 1848 as a spoil of the Mexican-American War, extreme land monopoly persisted: the US government sold vast tracts to the Southern Pacific Railroad, as well as large-scale timber, ranching, and farming interests, while ignoring and overriding Mexican and Indigenous landholders' property rights.[51] Over 119 tribes were forced to surrender their lands through unequal treaties, and were pushed onto reservations.[52]

Land theft laid the basis for a settler society which imposed a vastly different concept of land as private property. Land which had formerly been stewarded, or collectively utilized, by Native peoples was instead carved into parcels and converted into real estate. Mortgages were used by Anglo settlers to entrap Native people in debt and seize their lands.[53] While this ownership system and its debt instruments may have seemed inevitable within a historical context, they were the deliberate creation of political actors.

**Below:** A 1936 redlining map of Fresno, produced by the Home Owners' Loan Corporation, and marking areas with Black, Asian, Latinx, and immigrant residents as ineligible for financing. *(Source: R. Marciano, D. Goldberg, and C. Hou, "T-RACES: a Testbed for the Redlining Archives of California's Exclusionary Spaces,"* *http://salt.umd.edu/T-RACES*)



## 5.2
# Enforcing Racial Exclusion and Segregation

As people of color continued to reside in and migrate to California, White settlers and property owners responded with outright violence, government policies, and private legal contracts that worked together to enforce segregation and racial apartheid.

## Continued Violence and Expulsion

In the late 1800s, lynching, arson, and mob violence in California against Asians, and increasingly Latinx and Black people, were widespread. Early Chinese migrants, who worked in mining, railway construction, and agriculture, began arriving in the late 1840s. Throughout the state, from Antioch and San Jose to Pasadena and Riverside, White settlers violently expelled Chinese residents to establish so-called "sundown towns," where people of color were excluded after dusk.[54] Federal exclusion laws throttled Chinese immigration, while California's alien land laws, geared against Japanese farmers, barred Asians from land-ownership until 1952.[55] During WWII, Japanese Americans were interned in concentration camps and forced to abandon their homes and businesses.

Following the legal end of slavery after the Civil War, the federal government colluded to deny freed slaves access to land and reparations, leading to their widespread debt-bondage as landless sharecroppers throughout the US South.[56] From the 1920s until the 1970s, a Great Migration of Blacks fleeing racial violence and poor conditions in the South relocated north and west, with hundreds of thousands moving to California, drawn in part by employment in war industries. White vigilantes enforced segregation by terrorizing new residents of color through deadly bombings, riots, and vandalism—often with police backing.[57] In Los Angeles, over 100 bombing and vandalism incidents targeting recent arrivals occurred between 1950 and 1965, but only one led to arrest and prosecution. The state attorney general took over that particular case from local police who were unwilling to charge the perpetrators.[58]

Migration from Mexico increased with the 1910 Mexican Revolution, while California agribusiness drew Latinx, Filipinx, and other migrants for work as seasonal farm laborers. Latinx residents were repeatedly subject to mass deportation when their labor was deemed unnecessary, undermining their access to land and housing. During the Great Depression, California deported approximately 400,000 people of Mexican descent, the majority likely US citizens.[59] Los Angeles filled trains with deportees, expelling one-third of its Latinx population.[60] In the 1950s, mass deportations targeted Mexican Americans through "Operation Wetback," which swept California from San Francisco to its southern border.[61]

Police aggressively furthered segregation. In the Bay Area, during the 1940s and beyond, they arrested Blacks who entered White neighborhoods on the charge of "suspicion," and threatened those congregating in public places with arrest for failure to disperse.[62] In Marin City, the only Bay Area site to have integrated public housing during WWII, the Marin Housing Authority hired the county's deputy sheriffs to harass Black residents.[63] In the 1950s, Berkeley's police chief instigated an FBI investigation into a Black homeowner who bought property in a White neighborhood.[64] As a result, it was found the White person who sold his house to a Black household did not break any laws. However, the FHA then blacklisted the White seller, sending him a letter he would never receive an FHA-backed mortgage again.

## Racial Zoning and Restrictive Covenants

In the late 19th century, California led the way in creating new policies to enforce segregation, by enacting the nation's first racial zoning laws. San Francisco's earliest zoning law, passed in 1870, implicitly targeted Chinese renters. It required boarding houses to provide a minimum amount of space per tenant, and was used to arrest Chinese immigrants, who had been restricted to living in more crowded conditions, en masse.[65] In 1890, San Francisco became the first city to explicitly segregate on the basis of race, passing the Bingham Ordinance which required Chinese residents to move out of certain areas of the city.[66] Although a federal court invalidated this law, over the next 30 years racial zoning spread throughout the country. While Asian and Latinx residents were initially the target of California's housing restrictions, Whites hardened lines of segregation as more Blacks moved into the state. Through the 1920s and beyond, racial zoning ordinances continued to forbid people of color from living in or buying homes in White neighborhoods, even though the US Supreme Court in *Buchanan v. Warley* outlawed such zoning in 1917.

California courts upheld the legality of racially restrictive covenants and deed restrictions. Drawn up by developers and private homeowner associations, these contracts prohibited the sale of homes in whole neighborhoods to people to color.[67] By 1940, roughly 80 percent of Los Angeles carried covenants that banned Black families—segregating and concentrating them in just a few neighborhoods.[68] Such covenants became widespread across the state.

Racial exclusion was not limited to California's large urban communities. Throughout the state's inland agricultural communities, restrictive covenants, exclusion, and racial violence pushed Blacks and low-income people of color to settle outside of towns. Migrant farmworkers of color, excluded from New Deal labor camps, lived in ethnic enclaves and makeshift settlements. In places throughout the San Joaquin Valley and on the fringes of cities such as Fresno, Bakersfield, Stockton, Tulare, and Modesto, such communities of color were left unincorporated—and without access to incorporated areas' tax revenues or infrastructure.

## Exclusionary and Industrial Zoning

Increasingly after WWI, to circumvent the US Supreme Court ban on outright racial zoning, local governments implemented other forms of exclusionary zoning that avoided direct mention of race, but kept low-income people of color out by marshalling land use regulations against them. Through residential zoning that mandates larger parcel sizes for single-family homes—typically unaffordable to people of color—wealthier households established and maintained mostly White neighborhoods throughout California. In the Bay Area, Atherton incorporated in 1923 and adopted a zoning ordinance imposing a one-acre minimum lot for housing.[69] More affluent municipalities have continued to keep out lower income people through zoning laws that create insurmountable barriers to the development of multifamily housing.

Land use and zoning policies also concentrated pollution and health hazards in communities of color, a pattern that persists to this day.[70] Zoning laws of the 1920s targeted neighborhoods of color for industrial zoning. Subsequently, these areas became even more predominantly of color, as over the decades Whites who could leave did so, but households of color were restricted to hazardous zones because they were barred from other neighborhoods. In Boyle Heights, Los Angeles, zoning did not mandate any buffers between multiunit residential and industrial zones.[71] In West Fresno, which is historically Asian, Black, and Latinx, the Darling International meat rendering plant opened in 1947 near Chinatown, releasing noxious odors for decades without proper permits.[72]

## Exclusionary Incorporation and Annexation

From Los Angeles to Fresno to the Bay Area, industrialists and real estate speculators promoted suburbanization exclusively for Whites, partly as a means of appeasing White workers and steering them from labor unions, whose activity concentrated around industry near downtown.[73] By the 1920s, Los Angeles County suburbs like Torrance, Huntington Park, and Bell offered housing affordable to Whites of varying economic classes, including industrial workers.[74]

Once Whites settled into racially exclusive suburbs, municipal incorporation allowed them to maintain their investment through political and fiscal autonomy. Statewide, upwardly mobile Whites sought to both keep out people of color, and keep their tax dollars to themselves through incorporation. California allows municipalities to tax and spend tax revenues exclusively on their own residents, and to control local land use and zoning. In Los Angeles County, 25 communities incorporated between 1955 and 1960, forming a total of over 76 incorporated cities; while in the Bay Area, a flurry of suburban incorporation in the 1950s created Newark, Union City, and Fremont.[75] Newly incorporated communities often exhibited overt racism and fought integration. In Milpitas, where Ford moved its Richmond auto plant after WWII, city leaders fought the development of an interracial subdivision by strengthening building regulations and hiking the project's sewer connection fees. After a lengthy struggle led by the United Autoworkers union, some Blacks were able to buy into a housing cooperative, but most were unable to move to Milpitas and had to endure extended commutes to keep their jobs.[76]

Throughout the state, but particularly concentrated in inland areas, cities have used their annexation power to reinforce patterns of racial exclusion and segregation. Since the 1960s, as cities expanded and selectively annexed land, they deliberately bypassed and grew around communities of color in unincorporated neighborhoods, the very places people of color were relegated to by restrictive covenants. This selective annexation process has left hundreds of disadvantaged unincorporated places, disproportionately of color, without the most basic elements of a healthy, safe community, such as utilities, sanitation, safe drinking water, and other critical community services.[77]

## 5.3
# Subsidizing White Suburbia

The New Deal programs that began in the 1930s excluded Blacks and other people of color from receiving benefits in ways that continued beyond the Depression and through the postwar era. The federal government subsidized White homeownership and wealth-building, and excluded people of color thereby fueling the racial wealth gap.[78]

## Redlining

The Home Owners' Loan Corporation (HOLC) created by Congress in 1933 implemented redlining, which is the practice used by financial institutions to delineate loan eligibility based on neighborhoods' racial composition. Property owners in Black, immigrant, and racially mixed communities were locked out of financing. HOLC drew redlining maps for cities from coastal to inland California.[79] Redlined areas continue to suffer decades of disinvestment and the loss of residential units due to owners' inability to finance repairs.

## FHA Mortgages for Whites

The federal government intensified the process of Whites relocating to exclusively White suburbs, away from people of color and new immigrants. The Federal Housing Administration (FHA), created in 1934, made low-interest, government-backed mortgages available to Whites—including those who were lower income—but refused to insure mortgages for people of color.[80] Using this lever, the FHA propelled the formation of all-White suburbs. From the Rollingwood and Westlake neighborhoods in the Bay Area to the cities of Lakewood and Westchester near Los Angeles, the FHA financed developers to build all-White subdivisions, while simultaneously refusing to extend financing to integrated developments, or those intended for Blacks.[81] By the late 1940s, the G.I. Bill favored White veterans with inexpensive mortgages, further accelerating White flight to newly developing White suburbs. Meanwhile, without FHA-backing, banks typically refused to finance housing developments for people or veterans of color.[82]

Exclusion from FHA-insured mortgages relegated people of color to predatory lending schemes and to paying higher prices for lower quality, unstable housing. Blacks and people of color were systematically barred from the opportunity to build wealth through home equity, and from receiving the largest government subsidies for housing, which from the New Deal era through today's tax credits, have been geared to homeowners.

## Blockbusting and the Race Tax

The real estate industry abetted White flight. After the US Supreme Court ruled against racially restrictive covenants in 1948 in *Shelley v. Kraemer*, real estate companies took advantage of racism to perpetuate "blockbusting." They purposefully sowed fears in White neighborhoods of Black in-movers to prompt White homeowners to sell their homes at a discount, and then resold the homes to Black buyers at inflated prices. In East Palo Alto, the California Real Estate Association's president led the blockbusting efforts. When a resident in a White neighborhood sold his house to a Black family in 1954, the president's real estate company profited doubly from White flight, and the inflated resale. In six years, the population of East Palo Alto was 82 percent Black.[83] Federal Housing Administration policy helped to obstruct integration, because it refused to insure mortgages for Whites in a neighborhood that had any Blacks. Meanwhile, even as neighborhoods of color suffered disinvestment, ghettoized Blacks regularly paid more for substandard housing, due to slumlords' profiteering from their more limited options. This burden was known as the "race tax."[84]

**Homeownership**

Today, homeownership is a deeply entrenched part of American national identity. In wake of the 1917 Russian Revolution, US government officials encouraged homeownership—for White Americans—as a strategy to defeat communism and counter labor unrest, the idea being that owning private property would increase White workers' investment in the capitalist system.[85] Campaigns even suggested renting was unpatriotic.[86] In the ensuing decades, the government, real estate industry, and media helped solidify the "American Dream" of homeownership as integral to national identity, building on settler lore of the pioneer homesteader. White homeowners gained an interest in maintaining high property values and low taxes, as a means of increasing wealth. Unfortunately, rather than promoting affordability for all, the policies to increase homeownership described above have widened wealth disparities, favoring White property owners with the largest benefits and subsidies while bypassing most Californians of color.

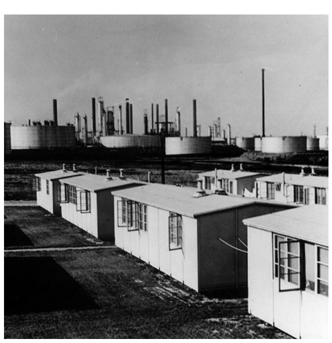
## 5.4
# Public Housing for Whom?

During WWI and WWII, the federal government built public housing as a temporary measure for war workers and their families, including in California where port cities became centers of war production. Over 30,000 public housing units were created near shipyards and military installations in the East Bay. Similarly, in Los Angeles, over 12,000 units of public housing were constructed by 1945.[87] But this publicly funded housing typically was segregated or excluded Blacks altogether. In Richmond, the housing authority set a quota of four White households for every one Black beneficiary household, despite disproportionate need among Black migrants whose other housing options were far more constrained.[88] In Los Angeles, the quota for Blacks was initially 7 percent.[89]

During WWII, Blacks and other people of color barred from many other neighborhoods moved into the enclaves from which interned Japanese Americans were removed. These neighborhoods, such as Bronzeville in the Little Tokyo community of Los Angeles, quickly became overcrowded. Civil rights groups pressed to have quotas on Blacks in public housing lifted and, in 1943, Los Angeles' quotas were minimally loosened to 15 percent.[90] Throughout California, Blacks in dire need were turned away from vacant public housing units held for Whites. In 1943, plans to build a project that would include Blacks in Willowbrook, an all-White neighborhood in south L.A., were resisted by White residents with threats to bring in the Ku Klux Klan.[91] In the Los Angeles neighborhood of Boyle Heights, the homes of deported Mexican Americans were bulldozed to build projects which largely housed White defense workers, veterans, and Dust Bowl migrants.[92] By the end of the war, public housing in the city was still 70 percent White.[93]

The FHA's policy of systematically imposing segregated projects increased segregation in San Francisco's Western Addition, and in the core cities of the East Bay.[94] In Richmond, public housing units for Blacks were poorly constructed, located by railroad tracks, and intended to be temporary. For Whites, units were further inland and often sturdier.[95] By 1952, San Francisco and Oakland continued to segregate their housing projects despite court rulings ordering the contrary. However, as White families moved out, facilitated by government-backed mortgages and better job opportunities, race-restricted units were made available to Blacks who became the majority of public housing tenants in Berkeley, Oakland, and Richmond. By 1946, most Blacks in the area lived in what had been constructed as temporary war housing.[96]

The real estate industry bitterly fought public housing and campaigned for its demolition after WWII. The National Association of Real Estate Boards targeted these efforts at California, which then had more federally owned public housing than any other state.[97] As a result of organized opposition, in Richmond, Oakland, and Los Angeles, city councils abandoned plans to build tens of thousands more public housing units. Richmond demolished projects primarily occupied by Blacks, displacing over 700 Black families from their homes in 1952 without replacement units, so that only 16 percent were able to find housing in the private market.[98] In 1950, a California ballot measure passed to amend the state Constitution so that a local voter referendum would be required before public housing could be built in any community. Article 34, which remains in effect, has served to discourage low-income housing construction for decades. In the 1960s, it prevented nearly half of all proposed low-income units statewide from being built.[99] California cities now have far fewer public housing projects than their East Coast counterparts. Los Angeles built only 21 projects, which today have dwindled to 14 consisting of roughly 6,500 units, whereas New York City has 23 times as many projects, despite only having double the population of Los Angeles.[100]



**Left:** Avalon Gardens housing project in Los Angeles, a public housing development of 164 low-rent homes constructed by the housing authority with funds from the 1937 Housing Act; in 1944, residents were 99 percent White and zero percent Black. **Right:** Western Terrace public housing project for war workers, also in Los Angeles, was 26 percent Black and 65 percent White in 1945. **Source:** Don Parson and Kevin Starr, *Making a Better World: Public Housing, the Red Scare, and the Direction of Modern Los Angeles*, University of Minnesota Press, 2005, 70-1. *(Louis C. Stoumen & Esther Mipaas, Housing Authority Photo Collection, Los Angeles Public Library)*

## 5.5
# Urban Renewal

From the 1950s through the 1980s, federal urban renewal projects uprooted communities of color in the name of removing blight, whether to make way for downtown redevelopment projects, highways, or private housing developments for mostly White and higher income renters and owners. Blight became a label applied to communities of color justifying their demolition to make way for the facilities that would presumably drive new commercial and residential investment and modernize or revive the central city economy and landscape. Local redevelopment agencies portrayed blighted areas, which included most cities' "skid rows," as well as neighborhoods of color, as a drain on municipal resources and cause of declining property values. Given the high level of displacement, urban renewal was soon dubbed "Negro removal" by civil rights advocates.

Through the 1950s, business interests, developers, and investors encouraged local redevelopment agencies to use eminent domain to seize and clear properties. Urban renewal projects delivered land to private developers at subsidized rates, through a series of federal acts that provided grants and loans for demolitions, as well as state law that encouraged local governments to court speculative investment. The Housing Act of 1949 wedded plans for slum clearance to provisions authorizing construction of segregated public housing. It represented a compromise between the real estate lobby and public housing advocates, who hoped "urban redevelopment" would lead to affordable housing construction. But the Housing Act of 1954 tipped further toward encouraging commercial uses for cleared land.[101] Meanwhile in 1952, California voters had approved Proposition 18 which enabled tax increment financing. Local redevelopment agencies could use the tax revenue from future increases in assessed property values to repay construction bonds, investors, and developers. Tax increment financing steered cities toward gentrifying development projects that would maximize tax returns—propelling demolitions even if investments often did not flow in earnest until the 1980s.[102] The Federal Highway Act of 1956, which provided unprecedented federal funds for highway construction, also became a handy justification for clearing out communities of color.

The combined impact of these policies transformed the urban landscape in communities across California. In Los Angeles, the middle-class Black neighborhood of West Adams was destroyed in the 1950s so that the construction of the 10 Freeway circumvented White areas.[103] In the late 1950s, Latinx residents of Chavez Ravine who were promised that public housing would replace their homes, were instead evicted enabling the mayor of L.A. to give the land, and millions of infrastructure dollars, to the developers of Dodger Stadium.[104] By the early 1960s, Bunker Hill, an important enclave for Native Americans, Latinx people, as well as low-income Whites, was demolished to make way for downtown redevelopment, even though residents demanded funds to improve their homes without displacement. Afterwards, most of the site lay barren through the 1970s.[105]

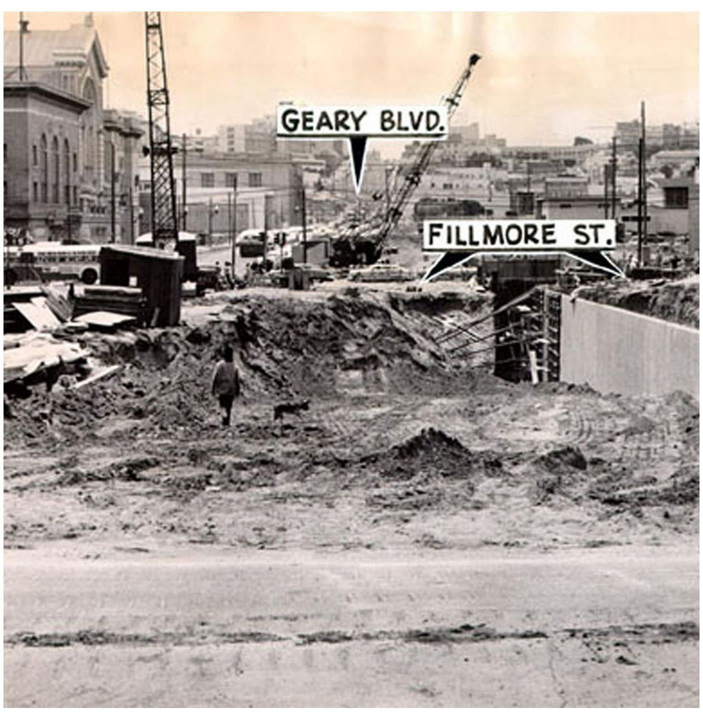
The Oakland Planning Commission declared all of West Oakland blighted and prepared to clear it for middle-income homes and industry.[106] Black residents, including homeowners, instead favored on-site housing rehabilitation without displacement, but the city opposed their demands.[107] To increase property values and attract investment downtown, Oakland constructed three major interstate highways and a BART rail line through the area, destroying Black commercial and residential strips. Between 1960 and 1966, up to 9,700 housing units were demolished and over 10,000 people displaced from West Oakland.[108]

In San Francisco, urban renewal targeted the Western Addition, the largest concentration of Blacks in the city at the time, including Japantown and the Fillmore, and later, Bayview-Hunter's Point.[109] By 1960, 8,000 mostly Black and Asian American people were displaced from the Western Addition for highway widening and redevelopment. While the city sought transnational corporate investment in a Japanese Cultural and Trade Center, the number of housing units built was only half those destroyed and most were deliberately reserved for higher income groups than those displaced.[110] In the late 1960s, further demolitions in the Western Addition displaced 13,500 people, including many who had already been displaced previously. Responding to community demands, the redevelopment agency solicited bids to create housing and a Black cultural center, but due to lack of capital much of the demolished area remained empty through the 1970s.[111]

Urban renewal was not constrained to coastal communities. It also made an imprint on inland California. During the 1950s, Fresno destroyed homes in the immigrant community of its west side to clear the way for Highway 99, and subsequently in 1961, Stockton built its Crosstown Freeway through Little Manila, one of the most historic Filipinx communities in the state.[112]

Freeway construction served as a pretext for clearing out people of color. From 1944 to the late 1950s, four freeways were built through working-class Boyle Heights, displacing thousands from previously multiracial, integrated neighborhoods.[113] Displacement further concentrated poverty in neighborhoods of color because Whites could relocate to more affluent White suburbs, but displaced people of color remained trapped in increasingly disinvested places.[114] The Highway Act of 1956 accelerated the displacement and destruction of communities of color. From Watts and Boyle Heights to West Oakland, freeway construction serviced the needs of White suburbs and large commercial and industrial interests, exacerbating residential segregation, moving jobs and commerce to the suburbs, isolating neighborhoods of color, and heightening wealth disparities. Freeway construction contributed to creating auto-dependent regions, including disinvestment from mass, public, and multimodal transit, such as the dismantling of the Los Angeles rail transit system.

**Below:** Urban renewal in San Francisco's Western Addition, June 1960. Buildings were destroyed without intent to rebuild for displaced residents. *(Courtesy of the San Francisco History Center, San Francisco Public Library)*




## 5.6
## Resistance and Backlash

By the late 1960s, as a result of the broad set of local and federal policies above and the processes they enabled, racial disparities in housing were firmly entrenched. The overall effect of government policies was to concentrate poverty, environmental hazards, and the absence of jobs in segregated neighborhoods of color; relegate most low-income people of color to highly unstable housing conditions as renters; exclude people of color from homeownership, especially the kind that would help build wealth; and disinvest from public housing as a strategy to promote widespread affordability.

Increasingly in the post-war era, communities of color and civil rights advocates organized to oppose segregation, discriminatory mortgage and lending policies, and urban renewal. They fought for access to public housing, rent control, and other renter protections. Rumblings of change culminated in California's Fair Housing Act of 1963, which outlawed housing discrimination. The following year, the California Real Estate Association proposed a successful ballot measure, Proposition 14, striking the Act down. The civil rights movement made housing a central issue and, as urban unrest grew, the watershed federal Fair Housing Act passed in 1968, prohibiting discrimination and redlining, and offering a path to integration. In 1977, the Community Reinvestment Act began to restrict mortgage discrimination and brought new opportunities for investment in communities previously unable to access capital. Strong community organizing led to rent strikes and tenant protests in the late 1970s, ushering in the passage of rent control in 78 coastal communities by 1988.[115]

Nevertheless, profound economic and political changes since the 1970s have stymied these gains. New drivers of housing inequality have emerged and risen in prominence, taking advantage of market-reliant reforms and circumventing race-blind legal frameworks to perpetuate racial inequality.[116]

## 6.0

# Drivers of Inequality from the 1970s to the Present

**Below:** Renters ask Oakland's City Council to support the Renter Protection Act, May 2016. *(Causa Justa :: Just Cause Archives)*

For the past 50 years, policymakers have embraced elevating the role of the private market in housing provision, gutted support for public and subsidized affordable housing, and funneled public budgets toward the police and military. These political priorities have created a mass homelessness crisis in California—and proven disastrous for racially equitable housing access.

Changes to housing policy cannot be separated from larger processes of economic restructuring and related political shifts. Since the 1970s, deindustrialization and globalization have fueled heightened economic inequality. Corporate leaders have seized the opportunity to erode the government's limited welfare role, replacing it with policies of privatization, deregulation, reduced public services, and increased investment in militarization.[117] These changes have contributed to the following seven interrelated drivers of the housing crisis today, with its gaping racial disparities. Recent decades have been marked by a shift from the explicit racial exclusion of people of color from housing markets, to new nominally race-blind means of exclusion and predatory forms of inclusion that nevertheless perpetuate racial inequality.

1. **The speed and scale of housing speculation has increased**
2. **Public spending on affordable housing has declined**
3. **Renters lack basic protections and have no entitlement to stable, affordable housing**
4. **The criminalization of homelessness and communities of color has intensified**
5. **Land use policies continue to perpetuate racial inequity**
6. **The real estate industry profits from discrimination**
7. **Rising income inequality and declining wages are worsening housing costs**

## 6.1

# The Speed and Scale of Housing Speculation Has Increased

**Key Takeaways:**

- Government policies enabled new forms of real estate speculation by creating and expanding financial markets for the trade of real estate assets.
- Low-income communities of color are harmed most by speculation: they have borne the brunt of waves of displacement due to rapidly rising rents, the subprime mortgage crisis, and predatory Wall Street landlords.
- As people of color moved from the Bay Area and Los Angeles, pushed by rising housing costs, they wound up in inland regions that became epicenters of the foreclosure crisis. In core cities, the same communities of color that were subject to redlining and urban renewal are now preyed upon by predatory real estate investments.

Housing speculation today is unprecedented. Over recent decades, the aligned actions of policymakers and corporate interests have positioned Wall Street to dominate the US economy and the financial services sector's share of corporate profits rose from under 10 percent in 1982 to 40 percent by 2003.[118] A large portion of this growth is from increased investment and trade in real estate—especially mortgage debt, which circulates in financial markets globally.[119] Real estate is now 60 percent of all of the world's assets.[120] Wealth inequality, which is at a historic high and continues rising, has caused a vast amount of capital to pour into investment in real property as an outlet for elites' accumulated fortunes, including to facilitate evasion of taxes.[121] Government reforms have also directly enabled new forms of real estate speculation by creating and expanding financial markets for the trade of real estate assets and their derivatives.

Speculation is the process of buying land or housing—and novel financial products derived from real estate assets—with the intention of treating these as an investment vehicle whose value will increase even without further productive effort. These investment strategies often operate on a global scale and work against local housing affordability and stability, and California is now a global center of real estate investment and speculation. By 2018, Los Angeles had risen to become the second city in the world, after New York, for corporate purchase of multifamily properties and real estate overall, with investments worth over $41 billion. San Francisco ranks third in the US for the same acquisitions.[122] Such investments have exacerbated and accelerated existing housing and economic inequities, with a regional ripple effect far beyond the coastal areas.[123]

Low-income people of color are affected the worst by increased speculation, and speculative investors have preyed on many of the same neighborhoods of color previously devastated by redlining, urban renewal, and displacement.[124] The financial industry has profited heavily by extracting wealth from communities of color, whether through predatory investment, subprime mortgage lending, or raising rent—and it is transforming housing markets across the state.

**Below:** Contra Costa residents protest outside Wells Fargo, August 2014. *(Alliance of Californians for Community Empowerment)*

**Indicators and Impacts of Speculation: Displacement and Wealth-Stripping**

- Wall Street trade in mortgage debt has skyrocketed: in 2001, $1.2 trillion of mortgage-backed securities were issued for trade on financial markets, nearly 2,700 times the amount issued in 1970.[125]

- Los Angeles and San Francisco are top global centers for corporate acquisitions of real estate. In San Francisco, since 2000, the number of units vacant due to seasonal, recreational, and occasional use has doubled, while the number rented or sold but not yet occupied has tripled—trends suggesting the increased use of real estate as an investment vehicle rather than as primary housing.[126]

- Through the 2000s, subprime lending targeted Black and Brown communities of color throughout California. Subprime loans have higher interest rates and unfavorable terms for their borrowers, who are deemed higher risk. Their predatory terms become self-fulfilling, setting borrowers up for foreclosure. The San Joaquin Valley had the highest subprime lending rate for Asians in the state, as well as extremely high subprime lending rates for Blacks and Latinx, and subsequently was among the areas of California hardest hit by foreclosures.[127]

- A national study found that zip codes with more speculation activity in the lead up to the foreclosure crisis—for example, with a higher rate of home purchases by those who were not owner-occupiers—suffered larger drops in payroll, employment, and income during the crisis.[128]

- Wall Street landlords have concentrated their holdings in communities of color and are known for evicting households at a higher rate.[129] Flipping has also intensified: in Richmond, the number of homes bought and quickly flipped accelerated after the foreclosure crisis, increasing by 12 times from 2007 to 2009, and has not recovered to pre-foreclosure levels. Most homes sold between 2009 and 2012 were purchased with cash, and the percentage of absentee owner purchases tripled over this period.[130]

## What's Wall Street Got to Do With It? Fusing Financial Markets to Real Estate

A series of government reforms since the 1970s is responsible for boosting speculation, by facilitating the trade of real estate assets in financial markets.[131] Whereas previous slow brokering processes and high transaction costs prevented real estate from changing hands quickly, these reforms made housing an increasingly liquid asset. Government reforms helped transform housing into financial instruments by fusing the two sectors. Financial markets have impacted real estate speculation through two key mechanisms: securitization and unprecedentedly investor-driven Wall Street landlords.

- **Securitization:** Starting in the late 1960s, the federal government helped turn mortgages into a new financial product, the mortgage-backed "security," and expand trading of these securities on Wall Street—laying the ground for the 2008 subprime mortgage crisis.[132] A security is the financial term for a tradable asset, often backed by debt or the promise of a future return. Congress created Fannie Mae and Freddie Mac, private but federally chartered corporations, to securitize mortgages (e.g., package them as securities) and the federal government guaranteed the early securities.[133] In the 1980s, Congress empowered a wider range of financial institutions to engage in the securities trade.[134] It allowed increasingly speculative securities to be constituted from pools of mortgages that had been chopped up and then re-bundled.[135] Other reforms allowed adjustable-rate mortgages, removed interest ceilings, and deregulated the banking industry.[136] Through the 1990s and 2000s, lenders scrambled to issue subprime mortgages and then dispose of their risk, by selling them off to other investors, often in sales arranged and mediated by the country's leading investment banks. The market for mortgage-backed securities, and "derivatives"—secondary financial products speculating on mortgage-backed securities—ballooned.[137] In 2004, HUD began to allow Fannie and Freddie to count their securitization of subprime mortgages as fulfilling their public mandate to foster homeownership among low-income people.[138] Securitization helped pour money into speculative and predatory mortgage-lending, fueling the housing bubble in suburbs and inner cities that led to the 2008 foreclosure crisis. When the bubble popped, securitization meant the whole banking and financial system was undermined by foreclosures, with devastating consequences. These consequences of foreclosure and economic recession hurt communities of color most.[139]

- **Wall Street Landlords:** Since the foreclosure crisis, the finance sector has expanded its influence over the rental market. Congressional reforms created new Wall Street landlords in the form of Real Estate Investment Trusts (REITs), such as Blackstone and Invitation Homes, which directly manage property but are beholden to providing investors exorbitant rates of profit.[140] Between 1972 and 2003, the number of REITs increased by more than four times, while from 1990 to 2003, the value of their shares increased over 16 times—indicating both their high growth and increasing mergers.[141] By 2013, Wall Street landlords invented financial products that securitize rent, allowing not just mortgages but also projected rental revenues to be traded on financial markets. Invitation Homes, a major REIT which owns single-family home rental properties in California and beyond, began selling bonds backed by the future rent payments of its tenants.[142] The trade in such rent-backed securities incentivizes rent gouging and evictions, to maintain high bond ratings and returns to investors.[143] Investors in private equity rental companies have profited primarily from squeezing tenants rather than from contributing to the production of more housing.[144]

## From Redlining to Predatory Lending: The Late 1960s and Early 1970s

In the late 1960s, the Federal Housing Administration (FHA) ended its policy of redlining urban neighborhoods, but then rolled out policies which had the effect of directing predatory investment into redlined areas.[145] In 1968, the federal Housing and Urban Development Act created a homeownership program based on extending FHA-insured mortgage credit and interest subsidies to low-income households of color. It placed private homeownership rather than public housing at the center of low-income housing policy. Real estate brokers and mortgage banks took advantage of the FHA's guarantees to sell substandard housing stock in segregated urban areas to low-income Black households desperate for housing options. Defaults and foreclosures rose as people fled dangerous housing conditions, while predatory lenders sought to foreclose quickly and resell.[146] The newly privatized Fannie Mae securitized these mortgages and sold them to long-term investors, pouring investment funding into predatory mortgage sales.[147] Meanwhile, the program reinforced segregation, as brokers steered its White beneficiaries to White suburbs, but offered Black purchasers homes in urban core neighborhoods, from which real estate speculators also encouraged White flight.[148]

## Gentrification in Urban Cores: The 1980s and 1990s

Through the 1980s, Black, Latinx, and Filipinx families were already being priced out of San Francisco and parts of the East Bay and Los Angeles County due to deindustrialization, which lowered their incomes, and gentrifying investment, which raised rents. With the rise of the financial sector, by the 1990s investment had begun pouring into these cities, targeting neighborhoods of color where housing prices were relatively cheap after decades of disinvestment.[149] Cities courted development projects and sought to encourage higher income residents to move in, competing to promote gentrification.[150] Investment flows resulted in rising rents and increased evictions of low-income people of color.[151] In San Francisco, evictions reached a historic peak of nearly 3,000 reported in 1998. The historically Black Fillmore redevelopment was a major cause of Black outmigration through the 2000s.[152] In Oakland, rents doubled and no-fault evictions tripled between 1998 and 2002 and most evictees were Black and Latinx.[153] In Los Angeles, the revitalization of Hollywood led to the mass displacement of low-income Latinx residents, while in Koreatown, from 1997 to 2000, rents increased by 60 to 120 percent.[154] The passage of Proposition 13 in 1978, which gutted property tax revenues, accelerated this trend by encouraging the fiscalization of land use and a narrowly constrained range of local revenue sources. Cities avoided building or encouraging the construction of housing, especially affordable housing, because it would generate less tax revenue. They sought to make up funding shortfalls by courting gentrifying commercial development or expensive small apartments and condominiums that would presumably have few or no school-age children, low-income elderly, or others requiring significant local public spending.[155] Compounding a Black exodus since the 1970s of residents fleeing urban renewal and deindustrialization, those with means moved to suburbs, by choice as well as in pursuit of cheaper housing, in a displacement pattern that continues today.[156]

## The Subprime Mortgage Crisis

The subprime mortgage boom preceding the 2008 foreclosure crisis was not merely the result of an excess of available credit; it was also caused by predatory creditors in a housing market where most homes were otherwise unaffordable to lower income people of color, and where Wall Street incentivized banks to engage in predatory lending. Throughout the 1990s, predatory lending targeted Black and Latinx neighborhoods, even as banks steered quality mortgages away from these communities.[157] For instance, in Los Angeles, from 1993 to 1998, subprime lending nearly tripled, concentrating in Central and South L.A. By the late 1990s, subprime loans were one-third of all refinances in L.A.'s mostly Black neighborhoods, compared with just 9 percent in mostly White areas,[158] and one-third of all evictions in South L.A. were due to repossession by banks and credit agencies.[159] Banks and other subprime lenders sought out lists of indebted borrowers in neighborhoods of color.[160] They entrapped borrowers of color by mailing out live draft checks that became loans with exorbitant interest rates once they were cashed, then targeted the check cashers for home equity refinance loans.[161] During the 2000s, the housing bubble and displacement only pushed more homebuyers toward risky loans. In Sacramento, as investors and new residents fleeing higher housing costs in the Bay Area drove up housing prices, FHA loan limits failed to keep pace and subprime financing, concentrated in formerly redlined areas, became the only option for homebuyers of color.[162]

**Rising Property Values Did Not Create Wealth for Black Homeowners**

The subprime mortgage boom caused Black debt to increase in the 1990s, even before the 2008 recession. Rising property values did not translate to wealth gains for people of color. Although the average value of Black and Latinx households' assets rose from 1989 to 1998, the average housing equity of Black households dropped from $33,700 to $27,700.[163] Median household debt for Black families increased more than fourfold from 1989 to 2001, due both to falling real incomes and discriminatory lending.[164] In the housing boom of the early 2000s, homeownership rates for the poorest households decreased.[165]

The foreclosure crisis further cut Black wealth in half.[166] Millions of homeowners were turned into renters,[167] and California was at the epicenter of this change. Stockton, which not long before had become majority of color, had the highest foreclosure rate in the nation in 2007, followed closely by Riverside, San Bernardino, Sacramento, Bakersfield, and Oakland.[168] Throughout the state, foreclosures devastated Black and Latinx neighborhoods. In Oakland, 35,000 homes were foreclosed from 2007 to 2012, paving the way for new waves of gentrification.[169] In Los Angeles, Black families were pushed into homelessness en masse and former neighbors and co-workers from Pacoima encamped together under the Ronald Reagan Freeway.[170] The foreclosure crisis and recession also hurt local jurisdictions' tax revenues, resulting in greater austerity and cuts to services in communities of color. In the San Joaquin Valley, Stockton declared bankruptcy in 2012, and Merced lost $5.29 million from its general fund from 2005 to 2011.[171] Many of these communities still have not recovered.

Low-income subprime borrowers are often portrayed as borrowing too extravagantly and blamed for the foreclosure crisis, and the resulting economic destabilization. In reality, middle-income borrowers and rich speculators had the largest volume of defaults, the fastest rising default rates, and high default rates on luxury properties.[172] But though the borrowing and defaults of the rich had the largest impact on financial markets, foreclosure resulted in the worst financial consequences for low-income people of color saddled with subprime loans.

The federal government's response did not prioritize assistance to low-income residents harmed by predatory lending; instead it focused on bailing out the largest banks. Moreover, the Federal Housing Administration preferentially sold off 98 percent of foreclosed stock to the largest private equity firms—at exorbitant discounts of 25 to 50 percent—instead of transferring these to nonprofit developers or residents.[173] This move boosted Wall Street landlords' growing grip over a new rental market. Institutional investors now own 25 percent of single-family home rentals nationally, up from 17 percent in 2001.[174]

## Rising Speculation in the Rental Market: The Late 2000s to the Present

Homes are changing hands rapidly even as homeownership is at a 50-year low. By 2016, a record 37 percent of home sales nationally were to absentee investors.[175] Since 2001, corporate landlords have rapidly increased their holdings over properties of every size, and institutional investors own 62 percent of 5- to 24-unit multifamily rentals (up from 35 percent in 2001), and a slight majority of all rental units.[176]

Wall Street landlords have targeted and sought to saturate the market in Black and Brown communities, with dire consequences. In California, a 2016 study found that the largest corporate landlords are more likely to concentrate their holdings in Black and Brown communities. In neighborhoods where the largest corporations own over 30 percent of homes, 17 percent of residents are Black and 43 percent Latinx, compared to just 5 and 34 percent respectively in neighborhoods where corporations owned no homes.[177] To secure high bond agency ratings and guarantee their investors exorbitant rates of profit, Wall Street landlords have engaged in rent gouging and evicting tenants at a high rate.[178] In Northern California, Colony Starwood homes (a REIT) increased rents by 9 to 13 percent in 2017, imposing among the highest rental renewal increases in the nation, far higher than increases in the general market even in areas with the highest demand—and thus contributing to rapidly rising rents in Oakland and Sacramento.[179] Colony Starwood moved to evict one-third of its tenants in 2015, even as it reported a 90 percent increase in revenues from 2015 to 2016. In Los Angeles, a 2017 survey of Invitation Homes and Colony Starwood tenants found that most suffered rent increases of $171 on average per month.[180] Meanwhile, Wedgewood Properties, responsible for thousands of property transactions in California in the past five years, is an integrated network of companies that lends people money to buy homes, then buys distressed debt and forecloses on the property, displaces the resident, and buys the foreclosed home at a reduced price in order to flip it.[181]

In the Bay Area, eviction remains closely tied to speculation. The Anti-Eviction Mapping Project found that between 2011 and 2013, 80 percent of Ellis Act evictions were enacted within the first five years of property ownership.[182] The Ellis Act allows for no-fault evictions of tenants in rent-stabilized properties if the units will be converted to condos or commercial uses. New owners, rather than long-time landlords, sought to evict tenants from properties they had recently bought, in pursuit of higher returns. Statewide, AirBnB and other short-term rental companies are linked to Ellis Act evictions, as well as to decreasing the supply of long-term housing and causing housing prices and rents to rise rapidly.[183] According to Ashley Werner, a housing expert and senior attorney at Leadership Counsel for Justice and Accountability, corporate investors are targeting underperforming properties in the San Joaquin Valley for purchase, to evict tenants, and raise rents.[184]

**Below:** A giant monopoly board draws attention to Ellis Act evictions in San Francisco, April 2014. *(Causa Justa :: Just Cause Archives)*

**Stockton: A Look at Speculation's Regional Reach**

Stockton, a city in the San Joaquin Valley, entered the late 20th century with segregated neighborhoods of color already strained by decades of redlining, urban renewal, and deindustrialization. Stockton has also suffered a higher poverty rate than coastal areas, connected to the low wages of agricultural workers. In the 1990s, as rising housing costs priced people out of the Bay Area, an inland housing boom resulted in San Joaquin County's economy shifting toward construction and real estate development, even as agricultural employment stagnated.[185] Between 1990 and 2010, Stockton's demographics changed from majority White to mostly people of color, as Black, Latinx, and Southeast Asian households moved in from the Bay Area.[186] Many of these new residents were long-distance commuters with working-class and lower income jobs. Stockton played the role of suburb to the Bay Area, housing workers whose jobs were located elsewhere.[187] While households of color were often driven to Stockton by displacement, many sought the opportunity to become homeowners at more affordable prices. These would-be homeowners of color were aggressively targeted by subprime lenders.[188]

In 2007, Stockton became the foreclosure capital of the US, leading the nation in foreclosures per capita. Because of the central role of real estate development in Stockton's economy, the housing crash also crippled city finances.[189] In 2012, the city declared bankruptcy, slashing services. Meanwhile, nearby Ripon and Lodi, which are majority White and higher income due to exclusionary zoning policies, had among the lowest foreclosure rates in the county.[190] Since this collapse, housing prices in Stockton rose rapidly as households priced out of Bay Area communities sought more affordable housing. From 2012 to 2017, Stockton experienced the greatest increase in home prices of all California cities.[191] Today, gentrification, poverty, and blight are squeezing renters of color and fueling homelessness.[192] To redress its deep-seated inequalities, Stockton's mayor recently sought to convert a publicly owned golf course into affordable housing, and has piloted the first universal basic income trial in the country.[193]

**Responding to Speculation**

Voters, tenants, and homeless people are joining together to address the problem of speculation. In response to growing public concern, since 2014 San Francisco has tightened restrictions on AirBnB, limiting short-term rentals by absentee tenants, while in 2018, Los Angeles barred residents from renting out a home that is not their primary residence.[194] In 2018, Oakland voters passed a vacancy tax on empty parcels that will raise funds to pay for a homeless commission and services. Most of Oakland's vacant parcels are owned by people who are not its residents.[195] San Francisco is also considering a vacancy tax.

In a growing number of jurisdictions, tenants and people experiencing homelessness are pushing for Tenant Opportunity to Purchase Acts (TOPAs), which help keep tenants housed by giving them the first right to purchase a property before the owner can sell, discontinue renting, or demolish it. Through TOPA, ownership may also be transferred to a community land trust, for permanent affordability. In 2019, Richmond's City Council considered drafting a TOPA.[196] This year, Oakland's City Council is considering, and Berkeley's mayor has proposed, enacting TOPAs.[197]

## 6.2

# Public Spending on Affordable Housing Has Declined

**Key Takeaways:**

- Public housing is critical for low-income people of color, because the profit-driven private market is geared to producing housing that is unaffordable for significant groups of the population.
- Government policies have slashed public and subsidized housing, while increasing privatization and the role of the private sector in housing development. This has worsened the lack of affordable housing and homelessness.

Despite their early history of racial exclusion, public and subsidized housing are especially critical for people of color who have been systematically locked out of housing they can afford in the private market. Public and subsidized housing provide an important safety net in the housing market that benefits renters and low-income residents more broadly. A study in San Francisco found that constructing subsidized, rather than market-rate housing, is far more effective at reducing displacement pressures.[198]

Since the 1970s, federal and state governments have drastically slashed spending on affordable housing, fueling rising rents, increased homelessness, and hardship for Californians of color.[199] Many cities and counties lack local sources of funding for affordable housing. This is particularly true in California's inland regions, like the San Joaquin Valley, where high poverty rates and political indifference or resistance have resulted in significant barriers to securing needed public investments in affordable housing. California now faces a shortage of nearly 1.5 million homes that are affordable and available to very low-income renter households,[200] and the private sector will not fill this gap. California's new construction is increasingly skewed toward luxury housing, where the private market can recoup production costs and maximize profits.[201] For nonprofit developers seeking to build new housing that is affordable to California's low-income residents, lack of public funding and significant development barriers hamper their progress. The resulting shortfall in newly produced deed-restricted housing that is affordable to low-income households is especially dire.[202] This affordability crisis, which is worse for the neediest households, is deeply rooted in how homes are produced. Policymakers' withdrawal from funding public and subsidized housing, paired with their increasing reliance on the private market to step in, has neglected and worsened the unmet housing needs of lower income households.

**Worsening Failure to Meet Housing Needs of Low-Income People of Color**

- Only one in five renters in need of federal assistance receives it, down from one in four in 2005.[203] Even when they receive a voucher, many residents find the only affordable units available are in high-poverty suburban and inland areas.
- In Los Angeles, by 2017 the waitlist for Section 8 vouchers was 40,000 people long, had an 11-year wait, and had been closed to new names for 13 years. When it opened in 2004, 300,000 households applied.[204]
- In San Francisco, more than 10,000 homeless families signed up for a chance to obtain fewer than 200 public housing units when the waitlist for public housing was opened up in 2015, the first time in six years.[205]

## Gutting Affordable Housing

The year of 1976 was the high-water mark for federal housing assistance.[206] Ever since, public funding for affordable housing has drastically declined, and policymakers have failed to restore its previous levels. President Reagan kick-started severe funding cuts. By the end of his terms in 1989, his administration had slashed the budget for public housing and Section 8 from $26 to $8 billion, and cut federal assistance to local governments by 60 percent, devastating city services.[207] As a result, homelessness became a permanent fixture of California's cities.[208] Yet subsequent administrations simply followed in Reagan's footsteps, cutting funding for low-income housing further.[209] HUD funding for new public housing, excluding mixed-income redevelopment programs such as HOPE VI, has been zero since 1996, while the federal Faircloth Amendment caps the number of public housing units at 1999 levels.

California's Proposition 13 (Prop 13), passed in 1978, gutted local government revenues by severely limiting property tax increases, including for large corporations, and raising procedural barriers against passing future tax increases.[210] Corporations have benefited most from Prop 13's tax breaks, resulting in billions of dollars of lost revenue annually.[211] For most of the next 15 years, California's state and local revenues remained below the national average, even as federal funds dried up.[212] The funding shortfalls heightened by Prop 13 further encouraged local governments to treat affordable housing development, and the demand such housing would create for public services, as a drain on their budgets.[213] Prop 13 incentivized retail and gentrifying development projects, while heightening geographical and racial disparities in social services and infrastructure.[214]

In 2012, California dissolved its local redevelopment agencies (RDAs), eliminating an important source of financing for affordable housing.[215] Historically, RDAs perpetuated displacement through their urban renewal programs, and RDAs have continually misspent funds in ways that have produced few affordable units.[216] However, a 1976 reform required RDAs to allocate at least 20 percent of their annual revenues to creating or preserving affordable housing for low- to moderate-income households.[217] In the 2000s, RDAs were the single largest funding source of affordable housing for many local governments.[218] When RDAs dissolved, up to $2.2 billion of accumulated housing funds was reallocated to other purposes, and California lost over $1 billion annually in production and preservation funds.[219]

California now has fewer than 30,000 units of public housing in approximately 219 projects.[220] Since 2003, funding for their operations and upkeep has declined 37 percent.[221] Section 8 vouchers, federal funding which covers vouchers for approximately 300,000 low-income California households across the state, lost $140 million of funding between 2010 and 2015.[222] Another 100,000 households live in project-based Section 8 developments, nearly 20,000 of which will have their affordability restrictions expire in the next five years.[223] From 2003 to 2015, federal funding for affordable housing development and rehabilitation through the Community Development Block Grant (CDBG) and Home Investment Partnerships (HOME) programs, targeted at low- to moderate-income families, declined by 51 percent and 66 percent respectively in California.[224]

## Relying on the Private Market

Policymakers not only slashed funding, encouraging a government retreat from low-income housing provision, they also adopted policies to increase reliance on the private market. After ceasing to build public housing, the government shifted toward cash assistance, subsidizing private development, and demolishing public housing in favor of mixed-income developments. It privatized or sold off public assets to for-profit developers and enabled the for-profit market to take over functions that were previously public, including through public-private partnerships.

From its inception, the federal public housing program was structurally flawed. The program depended on rents to cover the cost of upkeep. But the money these payments generate has fallen short of the need, and other sources of maintenance funding have been insufficient. The lack of funding for repairs worsened as FHA assistance enabled working-class Whites to leave, concentrating poverty in public housing. In 1950, the median household in public housing earned 57 percent of the national median income, but this fell to 29 percent by 1970, and 17 percent in the 1990s.[225] Officials then used decrepit conditions and repair backlogs to justify its privatization and destruction, scapegoating residents of color in the process.[226]

In 1974, the federal government created the Section 8 project-based rental assistance program, and then in 1983, the Section 8 voucher program, replacing investment in public housing with units no longer owned or managed by the government.[227] The use of vouchers, which subsidize housing in the private market, further diminished public coordination of affordable housing production. Section 8 provides vital affordable units for extremely low-income households. Yet vouchers can reinforce market-rate rents and essentially transfer renter subsidies to for-profit landlords.

Section 8 voucher-holders face prohibitive discrimination, and often cannot find a private landlord willing to rent to them, a problem the government has largely absolved itself of. In 2016, 76 percent of Los Angeles landlords refused to rent to voucher-holders, and in higher income neighborhoods the percentage was even higher.[228] Nearly half of Los Angeles voucher-holders have their vouchers expire before they can use them, because they cannot find a willing landlord, an increase of 20 percent since 2014.[229] In Oakland and Berkeley (before passing an ordinance against source-of-income discrimination), fewer than one in five voucher-holders were able to find landlords they could rent from in their home city.[230] Since the vast majority of voucher-holders are people of color, such refusal serves as de facto racial discrimination, perpetuating displacement and segregation.[231] A statewide law against source-of-income discrimination went into effect in 2020. Studies show anti-discrimination protections can increase voucher utilization by 4 to 11 percent.[232] Nevertheless, greater government leadership to provide affordable housing, especially in neighborhoods of opportunity with access to jobs and quality infrastructure, is still needed to fully meet renters' needs. While created in the name of increasing low-income tenants' mobility, vouchers have too often left low-income tenants stranded without affordable housing. California lost nearly 30,000 Section 8 units between 1996 and 2006 because owners decided not to renew HUD rental assistance contracts.[233]

The 1986 Low-Income Housing Tax Credit Program (LIHTC) has become the government's primary vehicle for producing low-income rental housing, with 290,000 produced units in California.[234] LIHTC incentivizes affordable housing construction by offering developers a 10-year tax credit. In 1987, California created its own tax credit program that provides additional credits for four years. In California, affordability requirements through these programs typically expire after 30 or 55 years and are less stringent than those for public housing or Section 8. Owners converted 25 percent of California's tax credit units financed in the late 1980s into market-rate housing by 2017, because most of those had shorter 15-year affordability requirements.[235] A study by the California Housing Partnership found that nearly 32,000 tax credit units, owned by for-profit developers, are at risk of being converted to market rate in the next 10 years. Units with deed restrictions ending in the near future tend to be concentrated in gentrifying neighborhoods.[236] While most units created through the program are for low-income households, the neediest households are often ill-served.[237] National data suggests that less than half of LIHTC households are extremely low-income, and those who are, typically only afford their rents by layering on additional federal rental assistance such as Section 8.[238] Although it is the main tool available to nonprofit developers, studies show LIHTC is not an economically efficient method of producing affordable rental housing.[239]

Similarly, the federal Community Development Block Grant program, created in 1974 to replace public housing construction with development by nonprofit community development corporations, is also less likely to be targeted to the lowest-income families. In contrast, the vast majority of California's public housing residents and Section 8 beneficiaries are extremely low-income, most with household incomes of under $15,000 per year.[240] Among California's LIHTC beneficiaries only 13 percent are Black and 45 percent Latinx, whereas 29 percent of public housing beneficiaries are Black and 51 percent Latinx, while only 11 percent of LIHTC, but 26 percent of project-based Section 8, beneficiaries are API. [241]

In 1992, HUD launched the HOPE VI program, which demolished public housing in favor of building mixed-income developments. The legacy of HOPE VI is mixed, depending on the particular development, and locally funded variants such as HOPE SF in San Francisco have sought to prioritize retaining original residents and limiting loss of public housing, partly as a response to residents' organizing. Throughout California, however, far more units were destroyed than created. For example, in Boyle Heights, Los Angeles, over 500 units of public housing in Pico Gardens and Aliso Apartments were destroyed and replaced with under 156 units.[242] Those built tended to be unaffordable to the displaced. Short of demolition, the Rental Assistance Demonstration (RAD) program, created in 2012, is converting public housing to privately owned properties. San Francisco is adopting RAD for its entire public housing stock.

The government's overall retreat from the production of public and affordable housing has meant that the number of available units is extremely inadequate in relation to the scale of need. Proponents have touted marketization as a means of reversing the concentration of poverty in public housing. Instead, policy-makers' decisions to privatize housing provision have largely abandoned, priced out, and displaced the poorest households of color. Because people of color are disproportionately rent-burdened and more likely to suffer eviction in the private market, they are also the first to be pushed into homelessness and unsafe housing conditions, when public supports for affordable housing decrease.

## Market Failure and Worsening Unmet Need

Publicly funded affordable housing is necessary because the private market alone will not create the affordable housing low-income households need. From 2000 to 2018, the share of newly built rental housing units in California renting for under $650 monthly decreased by half,[243] while new construction was overwhelmingly and increasingly geared to the high end of the market. During the same period, the share of newly built rental units at the luxury end quadrupled.[244] While some have posited market-rate housing can trickle down and gradually become affordable to moderate and low-income households, this process takes decades to occur, if ever.[245] In the short-term, new luxury developments built in low-income neighborhoods often cause surrounding rents to rise.[246]

California's Regional Housing Needs Assessment (RHNA) provides guidelines for new construction based on anticipated population growth. But, counties statewide have prematurely met or exceeded their housing construction targets for high-income households, while falling far short of those for low-income families. Overall, California is on track to meet statewide production goals for upper-income households.[247] Many jurisdictions, including those in places with high land values such as San Francisco, San Jose, and Los Angeles, are far exceeding the rate of production needed to meet these targets.[248] However, statewide, only 10 percent of low-income and 7 percent of very low-income production targets have been permitted.[249] Over half of the jurisdictions reporting RHNA progress have permitted zero units for very low-income households.[250] Out of 539 jurisdictions in 2019, only 35 were relatively close to meeting construction targets for very low-income households.[251]

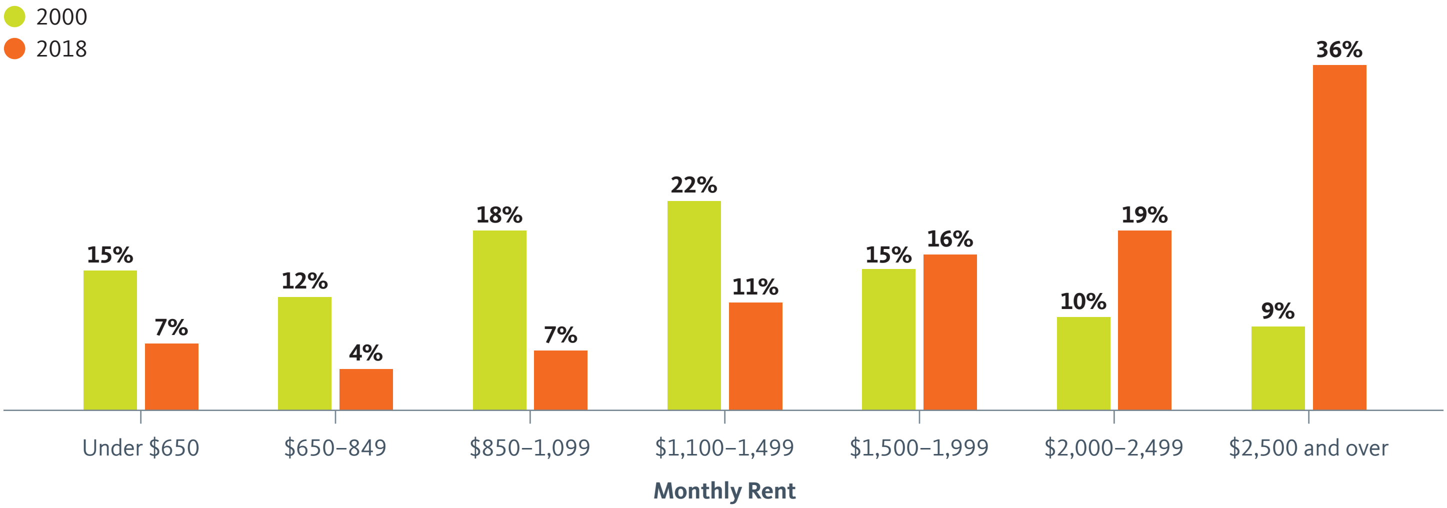
According to the RHNA process, California must create at least 80,000 deed-restricted units per year, simply to keep up with estimated population growth. This does not consider factors such as the worsening failure of wages to meet rising housing costs.[252] Yet only 7,000 deed-restricted units are created each year through LIHTC.[253] While policies have favored market-rate construction, California's production shortfalls reflect a severe shortage in the creation of affordable, and not market-rate housing.[254] Due to a lack of adequate funding, affordable housing developers struggle to cobble together fragmented funding sources at added time and expense. Current public financing through tax credits and state housing funds generally requires significant local contributions which many municipalities are unable to make. Without access to affordable public land and subsidies, affordable housing developers struggle with rising land values and high construction costs.[255] A statewide shortage of construction workers has compounded this problem. Only a massive influx of increased, stable public funding and resources will alleviate these challenges and California's production imbalance.

Concurrently, each year affordable rentals are permanently lost due to demolition, physical deterioration, conversion to other uses, or rent increases. In this way, approximately 60 percent of the nation's rental units that were low cost in 1985 were no longer low cost by 2013.[256] Between 2008 and 2018, California suffered a net loss of nearly 300,000 units renting for under $800 a month, even as it gained over 1.3 million units renting for over $1,400 a month.[257]


**Right:** Los Angeles residents call for affordable housing, December 2017. *(Koreatown Immigrant Workers Alliance)*

## Additions to the rental stock are increasingly higher end.

Share of Recently Built, Occupied Rental Units in California




**Source:** IPUMS.
**Note:** All dollar amounts are adjusted to 2018 dollars. Rental units exclude vacant units and units where no cash rent is paid.

### Housing Subsidies Favor Higher Income Households

Even as funding for low-income renters of color has shrunk, in contrast, state and federal policies continue to heavily subsidize upper-income homeowners, through mortgage interest tax deductions. These priorities disproportionately benefit more affluent White households at the expense of low-income people of color. The federal government spent four times the amount of subsidies on homeowners than on renters, as much as $600 billion annually, compared to $46 billion on affordable housing, from 2014 to 2015.[258] California's own mortgage interest deduction, mostly benefiting the richest 20 percent, cost $4.8 billion in 2015 to 2016, up from $4.4 billion in 2012 to 2013.[259] Including LIHTC, California's tax credits cost $929 per homeowner household compared to just $71 per renter household annually.[260]

**Below:** One Rincon Hill in San Fransicso, where in 2019 a two-bedroom rental cost $6,000. According to the Association of Bay Area Governments, by 2017 San Francisco had issued building permits for over 80 percent of the above-moderate housing units the city will need by 2023, but only 20 percent of the necessary units affordable to low-income households.

## 6.3

## Renters Lack Basic Protections and Have No Entitlement to Stable, Affordable Housing

**Key Takeaways:**

- Renters lack political power and are not prioritized by the housing system.
- Tenant activism made hard-won local gains in the 1970s, but real estate interests subsequently rolled back renter protections through state-level preemption and court rulings.
- Renters need protections more than ever in the face of escalating speculation and public cuts.
- Measures such as universal rent control, right to counsel, and tenant opportunity to purchase not only create greater stability and affordability, but would help equalize the imbalance of power between tenants and corporate landlords, while boosting renters' political voice.

Most Californians of color are renters, and the proportion of renters continues to rise. Yet California has never adequately ensured affordable housing for renters and the tenant movement gains of the 1970s were rolled back in subsequent decades. In September 2019, California passed a landmark statewide rent cap and just cause eviction law, extending protections to include eight million renters. Even so, the majority of the state's 17 million renters still lack protection against unaffordable rent increases, and millions can be evicted for no cause.[261] The new rent cap prohibits the most egregious rent gouging but permits increases that are still unaffordable to most low-income renters and renters of color. While government policies have historically provided White homeowners stability, stronger protections to ensure stability for renters of color are still needed and would have far-reaching societal benefits.[262]

Rent stabilization has been critical for people of color. Immediately after Los Angeles adopted rent control, the share of renters who moved in the past year decreased by 37 percent, with the rates dropping most for Black and Latinx renters.[263] In this period, Black renters received the greatest savings for one-bedroom units, compared to White renters.[264]

**Weak Tenant Protections Drive Evictions and Loss of Affordable Units**

- Over 166,000 households faced court eviction in California annually in 2014, 2015, and 2016, excluding those who were evicted informally. Approximately 1.5 million Californians thus faced court evictions in this three-year period.[265] Eviction is largely due to failure to pay rent—and disproportionately impacts low-income women of color.[266]
- In the Bay Area, 74 percent of rental units are not rent stabilized.[267]
- In Los Angeles, the median rent for tenants in stabilized units is $3,240 less rent per year than that for those without protection.[268] However, 44 percent of tenants were not covered by the city's rent-stabilization ordinance in 2016.[269] Roughly 143,000 apartments that were affordable to families earning less than $44,000 per year became unaffordable between 2000 and 2014, in large part due to rising rents and loopholes in the rent-stabilization ordinance.[270]

**Key Terms**

**Rent control:** Rent regulations that limit rent increases in private rental housing, usually by creating a predictable schedule for the maximum percentage of rent increase allowed each year. Rent control may pin allowable increases to the rate of inflation. Compared to a rent cap, it typically mandates lower increase rates (e.g., between 0 to 3 percent), while still ensuring landlords receive a fair return on their investment. In California, rent stabilization is a term sometimes used to refer to rent control regulations that limit rent increases within, but not between, tenancies.

**Rent cap:** A rent regulation that establishes a maximum ceiling on the percentage of rent increase allowed each year. Rent caps are typically less restrictive than rent control. While they prevent the most egregious rent gouging, they are less effective in stabilizing rents and preserving affordability.

**Vacancy decontrol:** A policy that allows landlords of rent-regulated housing to raise rents without limit, between tenancies. Vacancy control limits increases between tenancies.

**Just cause eviction laws:** Tenant protection to prevent arbitrary, retaliatory, or discriminatory evictions by establishing that landlords can only evict renters for just cause such as nonpayment of rent, breach of lease, illegal activity, nuisance, plans for immediate owner-occupancy, and demolition.

## Rolling Back Rent Control

In the 1970s, tenant organizing succeeded in passing rent control and just cause eviction protections in local jurisdictions, primarily in coastal California.[271] In Berkeley, Santa Monica, and West Hollywood, rent control was particularly strong, at times freezing rents, and in the 1980s ordinances set allowable rent increases at just one-third to one-half of the Consumer Price Index.[272] Based on studies which found that up to half of landlords' expenses were not actually affected by inflation, these cities sought to more accurately align tenants' rent increases to actual increases in landlord costs.[273] Meanwhile, inland jurisdictions with high-poverty communities of color did not establish similar rent control or just cause protections during this period, leaving entire regions of California with no substantive protections for renters.

Since the 1980s, the real estate industry succeeded in rolling back affordability gains and eviction protections, while limiting the possibility of new policies to protect renters:

- In 1985, California passed the Ellis Act, which allows landlords to evict tenants from rent-stabilized units to convert rentals into condos or businesses, facilitating gentrification and the destruction of rent-stabilized housing. Los Angeles has lost over 26,560 rent-controlled units to Ellis Act evictions since 2001, particularly since 2014.[274]

- By 1990, a series of California Supreme Court rulings loosened rent control in cities where it was most effective, outlawing rent formulas based on landlord expenses rather than inflation and raising the level of allowed increases.[275]

- In 1995, the Costa-Hawkins Rental Housing Act was passed, prohibiting localities from establishing strong rent control or extending rent stabilization to single-family homes and homes constructed since its passage.[276] The Act also imposes statewide vacancy decontrol, which allows landlords to raise rents without limit between tenancies. Vacancy decontrol incentivizes landlords to evict tenants in rent-stabilized units, in order to raise rents. In Santa Monica and Berkeley, which previously restricted increases including when tenants moved out, the affordability of rent-stabilized units declined rapidly upon vacancy decontrol.[277] Vacancy decontrol has drastically weakened rent stabilization's benefits.[278]

## Eviction by Rent Increase and Harassment

The largest number of evictions are for unpaid rent, and thus cannot be prevented by just cause protections. For instance, in Oakland, over 76 percent of eviction notices filed from 2008 to 2016 were due to inability to pay rent on time.[279] Eviction rates surged with the subprime mortgage crisis and have not abated. In Fresno County, a study found that 83 percent of eviction filings were due to unaffordable rent, but the average rent for tenants undergoing court eviction was under $750 per month.[280]

Renters lost protections just as increased speculation drove exorbitant rent increases and waves of eviction. Black renters especially were displaced and priced out by vacancy decontrol.[281] After the foreclosure crisis, many institutional investors bought foreclosed homes and now operate them as rental units.[282] This has increased rentals of single-family homes that are exempt from rent regulations. Due to the Costa Hawkins Act's statewide exemptions of newer construction and single-family homes, most of the rental housing in many inland cities that have experienced significant growth in recent decades, such as Antioch, Brentwood, Lancaster, and Manteca, would be exempt from rent control, even if cities passed it.[283]

Landlords, incentivized by the prospect of rapidly increasing rents, have intensified harassment of tenants, including through faulty and illegal eviction cases, neglect of maintenance and repairs, and even unpermitted construction.[284] In San Francisco, an NBC investigation found that nearly one in four evictions purportedly due to owner move-in were in fact fraudulent. Rather than the landlord or a family member living in these units, often new tenants were renting them for significantly higher rent than the evicted tenants.[285] Meanwhile, the widespread lack of landlord registries allows owners to hide behind anonymous Limited Liability corporations and evade accountability.

The unavailability of guaranteed legal counsel for tenants exacerbates the power imbalance between them and their landlords. In housing courts, the vast majority of tenants lack legal representation, while most landlords have attorneys. For instance, in Fresno County, only 1 percent of tenants had legal representation compared to 73 percent of landlords.[286] As a result, corporate landlords regularly push out tenants by filing baseless, harassing eviction cases.[287] Statewide, eviction cases are decided quickly, typically within one month. In Fresno, Madera, Merced, and Stanislaus counties, roughly two-thirds of eviction cases in 2016 resulted in a default judgement that evicted the tenants, because they failed to respond within five calendar days or fill out forms correctly.[288] Many tenants are unable to receive services from overwhelmed legal aid organizations in time to secure representation.[289] Tenants who go through eviction court are forced to pay fees and penalties. In Fresno County, where evictions are concentrated in neighborhoods of color, tenants' charges average four times what they originally owed in rent.[290] Legal aid organizations that receive federal funding are prohibited from representing undocumented residents, leaving them particularly vulnerable when faced with eviction.

**The Struggle for Rent Control Continues**

In 2015, a growing tide of tenant organizing introduced and successfully passed new rent control and just cause eviction protections in Richmond and Mountain View, putting the first new rent control laws on the books in California in 30 years. In 2018, unincorporated Los Angeles County and Glendale followed suit by passing rent freezes, while in 2019 Inglewood enacted rent stabilization and just cause protections and Sacramento enacted a rent cap. Over one dozen local campaigns are underway in cities, suburbs, and mobile home communities throughout the state.

Building on this momentum, and the growing public attention to the soaring cost of housing, tenant organizers and housing justice advocates came together to push for statewide reform. This work was successful and led to the passage of the Tenant Protection Act of 2019. The new law establishes a statewide rent cap that limits rent increases to 5 percent plus inflation, exempting single-family homes and buildings built in the past 15 years unless they are owned by large investors. It also establishes just cause protections for renters throughout the state. Housing justice groups continue to press for its enforcement and strengthened rent control.

**Left:** Huan Bao Yu, Oakland senior and member of the Asian Pacific Environmental Network, speaks out against displacement, and in support of using public land at East 12th Street for 100 percent affordable housing, May 2015. *(Brooke Anderson)*

## 6.4

# The Criminalization of Homelessness and Communities of Color Has Intensified

**Key Takeaways:**

- Government policies, from the War on Drugs to deportation, have funneled increased resources into criminalizing poverty and communities of color—harming their housing stability and punishing the homeless.

- People of color are harmed by racially biased nuisance evictions, crime-free ordinances, and harassing inspections geared at rescinding Section 8 vouchers. This policing and third-party policing unfairly targets residents of color for eviction.

Since the 1970s, increasing state resources have poured into punitive laws that police, incarcerate, and deport low-income tenants of color, thereby worsening their housing instability and increasing the challenges and number of homeless people.[291] The so-called War on Drugs led to draconian eviction policies in public housing projects and beyond, purportedly in the name of fighting crime.[292] Nuisance ordinances and the targeting of Section 8 voucher-holders with harassing inspections have become widespread, disproportionately evicting tenants of color for minor infractions.[293] Households are threatened with nuisance evictions for minor infractions like noise complaints, maintenance problems, and even calling 911 due to domestic violence. Police citations and arrests of unhoused people have also increased.[294] Policies of criminalization, including deportation, reinforce racial disparities in housing access.

## "War on Drugs"

From Nixon's War on Drugs starting in 1971 through the present, policymakers have invested tax dollars to dramatically increase the size and power of policing agencies and their presence in low-income communities of color.[295] As California policymakers and voters enacted harsher sentencing laws, racial disparities in criminal justice outcomes widened. People of color were disproportionately caught in the dragnet of increased arrests, incarceration, and criminal legal proceedings.

The "War on Drugs" influenced housing policies, expanding public housing authorities' (PHAs) eviction powers.[296] In 1988, the federal Anti-Drug Abuse Act imposed one-strike rules, allowing the eviction of public housing residents if anyone associated with a household engages in criminal activity on premises, or drug-related behavior anywhere.[297] In 2002, the US Supreme Court upheld evictions by the Oakland Housing Authority of grandmothers whose relatives, and a disabled elder whose caretaker, had been caught with drugs. It ruled tenants can be evicted even if they are unaware of the drug activity.[298] That year, HUD reported almost 47,000 people were denied public housing under the federal one-strike policy, which is likely an underestimation.[299] The National Affordable Housing Act of 1990 implemented a mandatory three-year period before evicted tenants are allowed to return. In 1996, the Housing Opportunity Extension Act enabled police departments to give criminal records to PHAs, facilitating evictions. The Quality Housing and Work Act of 1998 allowed PHAs to deny admission to applicants deemed risky due to their criminal history.[300]

## Nuisance Evictions

The criminalization of communities of color has not only taken the form of harsher criminal penalties. Crime control has increasingly involved punitive civil ordinances, including those affecting housing access, as well as third-party policing, where landlords, housing authorities, and even vigilante local residents are incentivized to take on policing functions—often in direct collaboration with police departments—using eviction as punishment.[301]

Through the 1990s, municipalities increasingly passed crime-free housing ordinances that applied the one-strike policies in public housing to the private rental market.[302] These ordinances mandated that leases must contain clauses allowing residents to be evicted for any reports of criminal or drug-related behavior on or near the premises. Furthermore, localities often enacted these with nuisance ordinances, for both subsidized and private housing, which permit evictions even without a criminal conviction. Arrests, neighbors' phone calls to police about noise, or even accusations of illicit activity can trigger eviction for nuisance.[303] Typically, nuisance ordinances penalize landlords who do not evict tenants—with fines, and even criminal charges.

In San Francisco and Fresno, landlords evicted tenants for nuisance and low-fault breaches such as hanging laundry out of windows, leaving a stroller in the hall, marijuana use, having pets or roommates, as well as domestic violence.[304] In San Francisco, nuisance evictions have risen since 1998, accounting for 20 percent of eviction notices filed with the rent board in 2018.[305] While California recently enacted legislation to preempt local ordinances that penalize residents for calling the police, evictions of domestic abuse survivors remain widespread.[306]

Nuisance ordinances have worked with gang injunctions to evict whole households peripherally associated with those placed on injunction lists. Gang injunctions were pioneered by Los Angeles in the 1980s to impose criminal penalties restricting interactions between people on the list. In 2017, Los Angeles filed a nuisance abatement lawsuit against Chesapeake Apartments in Baldwin Village, threatening the entire complex of 1,000 units, which housed mostly low-income Black and Latinx tenants, with eviction on the basis of the property's alleged significance to gangs.[307] In 2018, a federal judge banned the enforcement of gang injunctions for violating due process, as they were used to criminalize broad swaths of low-income communities of color.

Citations for more minor nuisance violations, like poor maintenance or excessive noise, have also targeted residents of color for eviction and hefty fees. In Oakland, nuisance notices issued to landlords for minor infractions—not actually under the city's Nuisance Eviction Ordinance—resulted in landlords then evicting tenants. In fact, between 2008 and 2016, the city's nuisance evictions for minor infractions outnumbered those for criminal acts like drug-related activity, sex work, violent crime, and other offenses, with nuisance evictions concentrated in East Oakland.[308] In the Riverside County communities of Indio and Coachella, homeowners of color faced criminal charges, fines, and even heftier prosecution fees for minor nuisance infractions, after a private law firm, Silver & Wright, was hired by these cities to expansively rewrite their nuisance codes and carry out increased criminal prosecutions.[309]

Section 8 voucher-holders have also suffered harassment, as historically White neighborhoods have sought to exclude low-income people of color. Municipalities have launched campaigns of aggressive police inspection against people of color assumed to be Section 8 recipients.[310] In Antioch, SWAT teams and police with guns drawn regularly raided Black homes, including on the basis of neighbors' noise complaints about young children, leading to a 2008 class-action lawsuit against the city by Black residents.[311] In 2015, Lancaster, Palmdale, and the L.A. County Sheriff's Department were forced to settle similar lawsuits alleging discriminatory campaigns against voucher-holders of color.[312]

**Nuisance Ordinances and White Vigilantism in the Antelope Valley**

In the late 2000s, as Black and Latinx Section 8 voucher-holders moved into Lancaster and Palmdale, often because they had been displaced from Los Angeles, these historically White cities launched concerted campaigns to keep them out. Lancaster's mayor declared war on Section 8 residents.[313] The city funded a collaboration between L.A. County housing officials and sheriff's deputies to subject Black voucher-holders to excessive and harassing surprise police inspections, seeking pretexts for eviction.[314] Even the wrong clothing in one's closet, or letting a nonhousehold member share one's mailing address, could result in losing voucher status for misreporting household size. Between 2006 and 2010, 58 percent of L.A. County's recommended Section 8 terminations came from the Antelope Valley—though Palmdale and Lancaster only accounted for 17 percent of Section 8 households.[315]

In 2011, Section 8 residents filed a federal lawsuit charging the above practices amounted to racial discrimination. The Justice Department investigated and the lawsuit was settled in 2015.[316] However, by 2009, Lancaster had also strengthened its nuisance ordinance, amending its municipal code so that once a rental unit has been subject to five nuisance complaints in a year, the landlord must evict the tenants or face penalties—even if the complaints were for noncriminal activity. The city created and publicized a guide on how to make nuisance complaints. Although in Lancaster, the federal lawsuit ended inter-agency coordination enabling police participation in housing inspections, White neighbors continue to target low-income families of color using complaints.[317] Neighbors' complaints about yard maintenance, noise, and vehicle parking could result in fines, criminal investigation, loss of Section 8 status, and penalties on landlords for renting to voucher-holders.[318] White vigilantism appears to perpetrate discrimination in lieu of police, shielding the city from responsibility for racial inequality.[319]

## Business Improvement Districts

In the late 1980s, business interests and developers began to create privately owned but publicly sanctioned Business Improvement Districts (BIDs) in California cities, with funding from local community redevelopment authorities.[320] BIDs collect mandatory dues from local businesses, as well as public and private property owners, mobilizing these funds to hire private security patrols and lobby for laws that criminalize the poor and remove homeless people.[321] Working closely with police, armed BID guards have operated with an added layer of impunity and lack of accountability. In 1999, homeless people in Los Angeles filed a class-action lawsuit against BID private security teams for harassment, beatings, illegal searches, and false imprisonment. Two BIDs settled out of court, agreeing not to photograph, interrogate, search, or order homeless residents to move.[322] Another lawsuit forced Los Angeles BID guards to stop carrying guns.[323] However, BID harassment in close collaboration with police continues. A survey of people experiencing homelessness in Chico, Sacramento, and San Francisco found one-third reported being asked to leave areas and a quarter being hassled by BID guards.[324]

## Criminalizing Homelessness

From the 1970s to the present, with rising street homelessness, California's municipalities have helped lead the country in passing ordinances against panhandling, obstructing sidewalks, camping, and storing belongings in public areas.[325] Local jurisdictions have funneled resources toward responding to homelessness with heightened policing and criminalization. In 2006, LAPD Chief Bill Bratton instituted the Safer Cities Initiative, which ticketed and arrested thousands of homeless people in Skid Row, who are mostly Black, for minor infractions like littering or jaywalking—in the name of quality-of-life policing.[326] Within two years, the LAPD made over 19,000 arrests and issued 24,000 citations in Skid Row, which has a population numbering 12,000 to 15,000. The city deployed the largest concentration of standing police officers in the US to do so.[327] Today, 87 percent of the $100 million that Los Angeles earmarks for homeless services goes into the coffers of the LAPD.[328]

Municipalities are enforcing increasingly aggressive ordinances against the unhoused. Since 2009, vagrancy arrests throughout the state have doubled.[329] By the late 2000s, San Francisco issued 10,000 citations per year for quality-of-life crimes like blocking sidewalks, camping, and drinking in public, while Berkeley criminalized lying on sidewalks and disruptive behavior like shouting in public.[330] After San Francisco voters outlawed lying or sitting on sidewalks in 2010, citations jumped 400 percent between 2011 and 2015.[331] Policies to clear encampments have escalated.[332] In Los Angeles, even as overall arrests across the city declined, arrests of homeless people increased by 31 to 37 percent from 2011 to 2016, largely for minor infractions, and most of those arrested are Black and Latinx.[333] In Bakersfield, where homelessness has recently doubled, officials are considering removing the unhoused by jailing them for misdemeanors and trespassing.[334] Despite a 2018 US Court of Appeals ruling that cities cannot criminalize sleeping on public land when shelters are at capacity, Caltrans now spends $12 million annually statewide to clear homeless encampments from public land, often destroying the property of the unhoused, who are pushed to encamp elsewhere.[335]

## Criminal Records, Deportation, and Displacement

Today, one in five Californians has a criminal conviction, but people with records are often barred from accessing housing.[336] San Diego's public housing authority bars anyone arrested within the past five years from eligibility and, throughout the state, PHAs deny applicants on the basis of arrest, conviction, and incarceration histories.[337] LIHTC has no rules against tenant screening, so that tax credit landlords can apply harsh criteria that disproportionately exclude people of color. Fair chance ordinances, that prohibit affordable housing providers from considering certain convictions or criminal system involvement, are important for helping expand housing access to people with criminal convictions. Few jurisdictions in California have adopted such protections to date.

A survey of 712 formerly incarcerated people in 14 states found nearly one in five of their families were unable to afford housing due to the loss of income from their loved one's incarceration.[338] Meanwhile, secure housing is critical to attaining stability after incarceration, and preventing re-incarceration. Yet the formerly incarcerated, who are disproportionately Black and Latinx, face heightened barriers to securing housing—barriers that are even worse for people of color with records than their White counterparts. A 2017 survey of 2,000 Californians found that people of color with a felony conviction were 61 percent more likely to report difficulty finding housing, than Whites with a felony conviction, leading to a high incidence of homelessness.[339]

California is home to an estimated 2.5 million undocumented immigrants, most of whom are renters. Twelve percent of California's population lives with an undocumented family member.[340] These families and individuals experience a unique set of barriers and vulnerabilities to securing housing. Undocumented immigrants suffer discriminatory coercion, retaliation, unsafe and overcrowded living conditions, as well as illegal evictions and rent increases imposed by landlords who use the threat of deportation as leverage against them.[341] Throughout California, housing attorneys report that such tenant harassment and intimidation has heightened since President Trump took office.[342] In California, recent changes to the law provide new protections to undocumented renters and make it illegal for landlords to ask about immigration status. However, such anti-discrimination protections are difficult to enforce and do not prevent intimidation. Since the Trump administration's rules to penalize immigrants who use government assistance, immigrant families worry that applying for housing assistance might make them vulnerable to deportation or denial of permanent status. Mixed-status families receive decreased assistance due to the different and insecure immigrant statuses of household members.[343]

**Fighting for Fair Chance Ordinances**

Advocates and impacted community members have been working together to expand housing opportunity for individuals with criminal records. Their work is paying off as cities and counties adopt new measures to promote fair chance housing policies. In 2020, Oakland's City Council approved an ordinance prohibiting landlords from asking about potential tenants' criminal history, or rejecting them for having a record, that applies to both public and private housing excluding Section 8 landlords.[344] Berkeley passed an ordinance applying to all rentals except owner-occupied homes and HUD-assisted housing. Emeryville, and Alameda County are planning similar measures. In 2017, Richmond passed a fair chance ordinance applying to subsidized and public housing, excluding inquiries about convictions more than two years old. In 2014, San Francisco excluded convictions over seven years old, and arrests not resulting in conviction, from consideration.[345]

## 6.5
## Land Use Policies Continue to Perpetuate Racial Inequity

**Key Takeaways:**

- Affluent areas have sought to protect their property values through land use policies that bar housing affordable to lower income people of color, perpetuating segregation and a lack of affordable housing.
- Profit-driven land use policies continue to concentrate polluting industries in disenfranchised communities of color, and fuel displacement.

The passage of the Fair Housing Act in 1968 has not meant that the federal government consistently or effectively enforced it. Even in places where overt discrimination on the basis of race or other categories has become less visible than in the 1960s, localities have enacted land use policies which continue to perpetuate segregation, displacement, toxic exposure, and heightened geographical disparities along racial lines, even without explicit mention of race.

### Exclusionary Land Use Policies and Practices

Many of today's neighborhoods of color with concentrated poverty are the same neighborhoods that were historically segregated through restrictive covenants, redlining, White flight, urban renewal, and exclusionary incorporation. With displacement flows from the urban core, new patterns of regional segregation have developed in and among suburbs. People of color increasingly live in suburbs that lack resources while amenity-rich suburbs have remained more affluent and White.[346] Throughout California, most subsidized housing units remain located in communities with poor services and limited access to quality schools and jobs, largely as a result of discrimination and opposition of exclusive neighborhoods to affordable housing development. In the San Joaquin Valley, only 9 percent of subsidized units are in areas with lower poverty rates, higher performing schools, and employment opportunities.[347]

Since the Fair Housing Act outlawed exclusion on an explicitly racial basis, wealthier and more White municipalities throughout California have passed exclusionary land use and zoning regulations such as large-lot zoning, prohibitions on multifamily housing, parking requirements, and more, to limit the development of affordable housing—and exclude low-income people of color. A 2017 study found that the Bay Area planning agency responsible for implementing California's Regional Housing Needs Allocation (RHNA) process, which sets goals for housing production, was not allocating a fair share of moderate- and low-income housing to cities with a larger proportion of Whites.[348] Most jurisdictions reporting their RHNA progress have constructed no units for very low-income households.[349] Exclusionary zoning and community opposition in neighborhoods with higher quality schools, well-funded public amenities, and more affluent residents, are onerous barriers to affordable housing development.[350] Government failure to use available public lands for affordable housing development, and the lack of land banking policies dedicated for this purpose, means that nonprofit developers are also hampered by high land prices.

Across California, land use planning has facilitated the development of new, segregated communities. Inland California's luxury developments of entire exclusive communities are cropping up in areas like Tesoro Viejo in Madera County, which offers thousands of single-family homes. In Coachella Valley, the Thermal Beach Club, an artificial surf park with vacation units, is planned in the middle of the desert next to a helipad-accessible private racetrack with multimillion-dollar villas.[351] Such development exacerbates sprawl, with its negative environmental and fiscal consequences, as well as inequitable resource distribution, since it concentrates private wealth and public resources for the benefit of the few rather than investing in meeting the basic needs of all residents. Adjacent to the racetrack villas, residents of the low-income unincorporated community of Thermal live in mobile homes and lack proper sewage and water systems. They are exposed to fecal contamination and other water pollutants. In one mobile home park with nearly 2,000 people, the well water has been poisoned by arsenic at 10 times the allowable limit.[352]

Growth policies have had other negative impacts on low-income communities and communities of color. County and municipal governments have consistently failed to provide low-income unincorporated communities with basic sanitation, clean water, sewers, drainage, sidewalks, streetlights, fire protection, and other services. Land annexation has bypassed low-income communities with significant infrastructure needs, in favor of expanding city boundaries to incorporate land for more profitable industrial, commercial, and greenfield housing development. In the urban fringes of Bakersfield, Stockton, and Modesto, low-income communities of color were excluded from annexation for decades, leaving them without the most basic components of a healthy, safe community.[353] For years Latinx residents at the edge of Modesto observed that city growth policy consistently annexed and incorporated more affluent White neighborhoods while leaving lower income neighborhoods of color on county land. They were sometimes completely surrounded by the city but unable to benefit from the water, wastewater, and sidewalk and streetlight infrastructure the city provides, that in some cases was literally running underneath their neighborhoods. In 2004, they won a lawsuit challenging city annexation policy and the resulting lack of municipal services their neighborhoods received. The case established that these unincorporated neighborhoods should benefit from city and county tax revenue. To comply with fair housing law, Stanislaus County agreed to prioritize areas most in need for infrastructure projects.[354] However, unincorporated communities continue to face significant barriers to securing basic infrastructure as cities use growth policy and infrastructure provision to attract profitable development, while neglecting unincorporated residents' needs.

## Concentrating Toxic Exposure in Communities of Color

Policymakers continue to concentrate polluting industries in communities of color, prioritizing anticipated revenues and jobs from such development over the well-being and public health concerns of these communities.[355] In the greater Los Angeles area, low- and moderate-income neighborhoods of color contain the vast majority of warehouses and distribution centers, which pollute heavily due to associated trucking.[356] Fresno created an industrial zone to promote the development of e-commerce distribution hubs like Amazon's, that includes both incorporated and unincorporated communities of color. Construction sapped the water from local residents' wells, while trucking pollution has caused high cancer and asthma rates.[357] The zoning permits industrial development right up to residents' doorsteps, offering no protection from hazards and depressing property values but making it hard for residents to sell their homes.

West Fresno, which has the most pollution-burdened census tract in California, has a life expectancy over 20 years lower than Fresno's unpolluted east side neighborhoods.[358] Officials have claimed that attracting hazardous industries can bring resources to unincorporated and other economically depressed communities. But too often the jobs created boost real estate values in other more desirable neighborhoods and further entrench disparities and economic strains on lower income residents of color.[359] While California's fair housing laws prohibit discriminatory land uses, court rulings have adopted narrow interpretations that do not hold government decision makers or law enforcers accountable.[360]


**Left:** Ktown Farms project bringing people and neighborhoods together around food justice. *(Koreatown Immigrant Workers Alliance)*

**Transformative Climate Communities**

Since the 1960s, the City of Tulare has annexed land on three sides of the historically Black and Latinx disadvantaged unincorporated community Matheny Tract, while adopting stringent codes for annexation that Matheny cannot meet.[361] Matheny Tract was originally settled by Black farmworkers.[362] In 2009, Tulare proposed an industrial park beside it.[363] Community members fought back and in 2015, a lawsuit and legislation, Senate Bill 88 (Committee on Budget and Fiscal Review, 2015), forced Tulare to finally extend drinking water to residents in Matheny Tract. In 2018, Senate Bill 1215 (Hertzberg, 2018) required a sewer. To help communities like Matheny Tract that have suffered the burden of environmental pollution, California environmental justice groups launched an advocacy campaign that resulted in the creation of the Transformative Climate Communities (TCC) program. This new state program funds communities to create investment plans to support climate adaptation and reduced emissions. In 2019, Tulare County received a TCC grant for Matheny Tract, and other TCC awards have gone to groups in Ontario, Fresno, Sacramento, Watts, and the San Fernando Valley. Advocates continue to press for additional funding to implement TCC plans.[364]

**Below:** Residents of Matheny Tract, a disadvantaged unincorporated community in Tulare County, situated in the San Joaquin Valley, participate in a workshop on infrastructure plans. *(Ashley Werner)*


## Upzoning and its Role in Displacement

Throughout the state, after suffering generations of disinvestment, communities of color are at high risk of displacement as public and private investments bring new amenities and services into their neighborhoods. Since the 1980s, government policies have channeled new investments into urban cores. This shift has been accelerated by a renewed interest in city centers. Deindustrialization followed by the financialization of the US economy increased the economic importance of cities as centers of the financial services and tourism industries, fueling redevelopment and gentrification amidst growing inequality. Since the 1990s a growing number of young adults have favored living in central urban communities, a preference that has persisted even as they age.[365] Corporations and large developers see new opportunities to profit in neighborhoods they had previously neglected. Policymakers, advocates, and the public, with growing environmental consciousness, have supported policy proposals to reduce vehicle emissions through increased density and transit-oriented, climate friendly development. The efforts to generate more pedestrian and transit friendly multiuse neighborhoods have had a significant impact on low-income communities and communities of color. Studies show that rents rise quickly around transit stations and even near planned stations—resulting in the displacement of low-income residents most likely to use mass transit, and a decrease in ridership.[366] To truly realize the environmental and equity benefits of transit-oriented development, anti-displacement measures are necessary.

Upzoning has been viewed by developers and city planners as a valuable tool to support growth in the urban core. Upzoning permits developers to build at higher densities on a piece of land than previously allowed for, and it multiplies potential profit by increasing the number of units for sale or rent on a parcel of land. In low-density, exclusionary communities that have been inaccessible to low-income people and people of color, higher density housing has been an important strategy to facilitate the construction of deed-restricted affordable housing. However, upzoning in low-income communities in the urban core, without adequate regulations and funding, has created new opportunities for developers to build market rate and luxury housing that is unaffordable for low-income residents, and creates new displacement pressures. When developer incentives like upzoning and density bonuses were concentrated in low-income rather than wealthier communities, gentrification has led to rising rents and displacement for low-income residents of color.[367] Although upzoning to increase density around transit stations has been posited as a means of achieving reductions in greenhouse gases and increasing the supply of housing, the displacement of low-income residents threatens to undermine these goals. The inclusion of substantial proportions of truly affordable units in the new developments is a necessary, but insufficient, step in limiting the displacement impacts.

In California, inclusionary zoning has served as a tool to require that market-rate development contributes toward state and local affordable housing production goals, by mandating a certain percentage of a project's units be affordable. While over 100 California jurisdictions now have inclusionary policies, their requirements are vastly varied. Furthermore, from 2009 to 2018, California jurisdictions that practiced inclusionary zoning stopped applying it to market-rate rental developments due to Court of Appeals rulings that severely limited it.[368]

**Capturing Community Benefits from New Development**

Over the past several years a series of legislative proposals have sought to address California's housing challenges by overriding local government controls that limit density below specified levels. While many equity advocates support the concept of facilitating denser housing development, they raise concerns that these kinds of policies confer windfall profits to property owners and developers, while providing little to no value to the low-income people and people of color most impacted by our housing crisis. Community leaders and advocates statewide have unified to demand that programs designed to incentivize private development, with these kinds of regulatory concessions, provide substantive benefit to surrounding communities and low-income households. They have called for mandated affordability benchmarks, targeted hiring commitments, and protections for sensitive communities and households at risk of displacement.

In Los Angeles, housing rights groups and labor unions formed a coalition to successfully push for inclusionary zoning and job opportunities. In 2016, voters approved Measure JJJ mandating that developments requiring zone changes or General Plan amendments must include up to 25 percent of affordable housing, including for extremely low-income households—or face paying a fee to the city's affordable housing trust fund. The measure also requires that 30 percent of workers on such projects must be permanent city residents, including 10 percent from groups experiencing barriers to employment such as people with criminal records, homeless people, veterans, single parents, and former foster youth.[369]


**Right:** Inglewood residents call for affordable housing, rather than the development of an arena for the LA Clippers, in their neighborhood, November 2019. *(Uplift Inglewood)*

## 6.6
# The Real Estate Industry Profits from Discrimination

**Key Takeaway:**

- Powerful real estate and corporate interests profit from racial inequality by helping drive discrimination.

Racial discrimination remains widespread for both homeowners and renters. This is primarily because the real estate industry continues to profit from inequality by marginalizing customers of color and steering extractive housing products toward them, and perpetuating segregation in the housing market along racial lines.

## Wealth Extraction from Homeowners of Color

The real estate industry has profited from maintaining high land values in White neighborhoods through racial exclusion, and from restricting the housing options for communities of color by steering predatory lending and overpriced housing to them.[370] As a result, people of color continue to be charged more for substandard housing and mortgage products. The road to homeownership remains especially onerous and precarious for people of color, and most homeowners of color remain highly indebted bank tenants.[371]

People of color remain more likely to be denied conventional mortgages.[372] In 2016, Black applicants in the Vallejo-Fairfield metro area were 2.6 times as likely to be denied a conventional home mortgage as White applicants. Latinx applicants in Chico and Salinas were 2.5 and 1.7 times as likely to be denied as Whites, respectively.[373] The 1977 Community Reinvestment Act (CRA), which sought to counter this kind of racially discriminatory lending, has not curbed discriminatory credit scoring. Credit-scoring algorithms have a large bias against people of color, because they penalize borrowers for their lending environment and lack of access to mainstream banking. Half of Black and Latinx people in the San Francisco area are unbanked.[374] Meanwhile, because bank compliance with the CRA is based on geography, rather than the borrowers' race or income, banks have met CRA requirements by granting mortgages to White borrowers who move into low-income neighborhoods of color, fueling gentrification.[375] The lack of access to conventional mortgages has steered people of color to subprime mortgages with usurious interest rates, while those few people of color who are able to attain conventional mortgages are also charged higher interest rates compared to White borrowers.

## Discrimination and Property Values

Homes in majority-Black neighborhoods do not appreciate in value as much as those in White neighborhoods, even when controlling for housing characteristics.[376] This gap begins when a neighborhood is more than 10 percent Black and increases as the percentage of Black homeowners grows.[377] In part, Whites disproportionately control wealth and political power to set the standards for neighborhoods' relative desirability in the housing market. But the real estate industry also targets predatory lending practices and policymakers steer undesirable land uses toward communities of color. As a result, living in communities with other Black people hurts Black homeowners' ability to build equity. Even so, homes owned by Blacks and people of color are routinely over-appraised for higher property taxes.[378] In states like California, with laws like Prop 13 that have depressed property taxes, White homeowners benefit most and the racial gap in property taxes is even greater.[379] Low-income homeowners of color are squeezed harder, even when their property values rise.

US housing policy has revolved around encouraging wealth-building through private homeownership. But this disadvantages people of color who are locked out of the benefits of this system, due to their relative economic precarity as well as the real estate and banking industries' investment in racial disparity. Individual real estate agents' or brokers' outright racial prejudice is often involved, but the problem is also more complex: the real estate industry systemically targets predatory practices at people of color, whom it deems high risk, to maximize profits at the expense of those with less choice and political power. As a result of relying on for-profit real estate, banking, and finance, home equity has failed as a reliable wealth-building tool for Black and often Latinx households.

## Discrimination in the Rental Market

Racial discrimination in the rental market also remains rampant. A 2012 HUD and Urban Institute study, based on pair-testing, found rental agents quoted higher rents to Black and Latinx renters than to Whites in comparable situations.[380] Housing providers showed 10 to 13 percent fewer available units to Black, Latinx, and Asian renters, than to equally qualified Whites.[381] Discrimination on the basis of family size, disability, source of income, criminal legal involvement, and legal status also disproportionately affects people of color and remains widespread.[382]

## 6.7

## Rising Income Inequality and Declining Wages Are Worsening Housing Costs

**Key Takeaways:**

- Median wages have fallen for people of color, exacerbating the strain of rising housing costs.
- Increasing income inequality is associated with worsened rental affordability for low-income tenants.

While this report has focused on the housing policy landscape, it is critical to acknowledge that our affordability crisis has unfolded alongside declining economic security for low-income people and people of color. Since the 1970s, during the decades when housing prices began to soar, median wages fell for Californians of color, despite rising for Whites.[383] For the bottom half of California's full-time workers, incomes have declined.[384] Falling wages and lack of economic opportunity in low-income communities of color have exacerbated the strain of rising housing costs and displacement pressures for these households. Moreover, studies find a strong association between increasing income inequality and worsening housing affordability, including evidence that the former has caused worsened rental affordability for low-income tenants.[385]

When the US economy went into recession in the mid-1970s, corporate leaders seized the opportunity to roll back the gains of unions, by shutting down and relocating factories. Deindustrialization hit Black, Latinx, and low-income people of color the hardest. In Los Angeles County, the percentage of Black workers employed in manufacturing fell from 19 to just 5 percent, from 1980 to 2014.[386] California's Black and Indigenous unemployment, at 11 and 12 percent respectively, is worse today than in 1990.[387] Since the late 1960s, Black unemployment has consistently been almost double the rate of White unemployment.[388] Meanwhile, with bottoming wages and the increase in low-wage, precarious service sector jobs, Latinx people disproportionately suffer severe working poverty—they are 33 percent of working adults in California, but 55 percent of the working poor.[389] Disparities between Latinx and White poverty are especially high in the San Joaquin Valley.[390]

Farmworkers, who are almost exclusively people of color, face abysmal housing conditions and extremely low wages, and they shoulder high rent burdens in inland agricultural regions considered more affordable. The average farmworker in California earns just $12.60 per hour.[391] In California's inland regions where agriculture dominates, housing prices are among the lowest in the state but, as a result of low wages, its renters and homeowners experience high rates of housing-cost burden.[392] In the Salinas Valley, which is experiencing rapidly rising rents as higher income people move in from Silicon Valley, 10 to 20 people from farmworker households often share one house or apartment.[393]

**The Wage-Rent Mismatch**

- Today, a full-time worker in California must earn at least $35 per hour, in order to afford a two-bedroom apartment at fair market rent. This housing wage is $61 per hour in San Francisco, $55 in San Jose, $40 in San Diego, $34 in Los Angeles, $24 in San Bernardino, $20 in Madera, and $18 in Fresno.[394] Yet median hourly wages are just $17 per hour for California's Latinx residents, $23 per hour for Blacks, $21 for Indigenous people, and $20 per hour for Pacific Islanders.[395] Even in places that have enacted minimum-wage increases, rents have far outpaced wage growth.
- The spatial mismatch between widespread low wages and high housing costs is drastic. In Los Angeles County, 26 percent of jobs are low wage, but only 13 percent of rental units are affordable to households with two low-wage income earners. In Orange County, nearly a quarter of jobs are low wage, but only 6 percent of rentals are affordable to households with two low-wage earners.[396] In Fresno, median rents increased by 21 percent between 2000 and 2012, as gentrifying in-movers bid up prices, even while median income declined by 13 percent.[397]

## 7.0

# Policy Recommendations

**Below:** Tenants lobby for a statewide rent cap and just cause eviction protections, which California subsequently passed, September 2019. *(Alliance of Californians for Community Empowerment)*

California's deep racial disparities in housing are holding communities back. For generations, low-income people and people of color have suffered the devastating impacts of segregation and displacement, as well as disinvestment and predatory investment.

But California has the capacity to meet this challenge. Increasingly, California has prided itself as a leader in inclusion. From becoming the first state to embrace same-sex marriage to adopting sanctuary protections for undocumented people, California aspires to provide all of its residents with opportunity.

The state has always dreamt big and its people, government, and businesses have repeatedly demonstrated that California is not afraid to innovate and tackle previously unimaginable challenges. As policymakers chart a course for California's future, it is time to apply this creativity and commitment to addressing the deep and persistent racial and economic inequities in access to housing.

Policymakers must adopt a multipronged strategy that impacts all aspects of housing, and ensures that the low-income communities and communities of color most impacted by today's housing crisis are empowered to shape planning and decision-making. In this section we offer 10 bold policy priorities to actualize just and effective solutions, and ensure that every Californian has a safe affordable place to call home. These priority policies are repeated in the Appendix with more specific policy actions for added emphasis and as a possible handout if needed.

## Establish a Right to Housing

Housing is a basic human need and should be recognized as such. A right to housing would require that government agencies ensure that all people have access to safe housing that they can afford. Whether enacted locally or in California's Constitution, such a right would be a useful legal tool to match the urgency of the crisis. A legally enforceable right to shelter in New York City has helped lessen street homelessness, and led to plans to create permanent housing for the homeless.[398] A right to housing could include providing public assistance to those on the brink of homelessness, such as help with rent and eviction defense; increased resources to ensure housing is safe, habitable, and accessible; and expanded access to emergency and permanent affordable housing.

## Rein in Speculation

Speculation is driving up housing costs and fueling displacement statewide, but it can be curbed. Policymakers must protect housing from the financial marketplace and from Wall Street investors, by increasing regulatory oversight, while encouraging nonprofit financing and ownership mechanisms. Rental securitization should be restricted. To decrease reliance on Wall Street and other for-profit housing investors, all levels of government must expand public and cooperative banking to provide mortgage lending and financing tools for affordable housing development. Mortgage lenders should be prohibited from lending practices that finance displacement or erode tenant protections and affordability. The state and its municipalities should also adopt changes to their tax systems to discourage speculation, and measures to break up and limit new acquisitions by Wall Street landlords.[399]

## Protect and Increase the Supply of Permanently Affordable Housing

The private market alone does not meet the housing needs of low-income people. Today, California has over 1.7 million renter households, including 1.1 million extremely low-income households that are charged more than half of their income for rent.[400] To ensure that all Californians have safe, stable housing that they can afford, policymakers must focus on preserving existing housing that is affordable to low-income households and creating permanently affordable housing in all communities. This includes building social housing: public, nonprofit, and community-controlled housing that is protected from the private market and permanently affordable. Policymakers should adopt policies and provide funding to expand community land trusts, cooperative housing, and other models of community-controlled social housing. This includes giving first right of purchase to public entities, nonprofits, and tenants to facilitate its creation. Vacant public land, suitable for housing, should be used for permanently affordable housing, through long-term renewal ground leases. Finally, policymakers must protect and expand existing public housing and public housing voucher programs. To reach those most in need, it is critical that these policies focus on making affordable housing fully accessible to very low- and extremely low-income people, formerly incarcerated people, noncitizens, undocumented people, people with disabilities, survivors of domestic violence, people with low or no credit, and other marginalized groups.

## Expand Renter Protections and End Punitive, Discriminatory Policies

Renter protections are critical for slowing displacement, preserving affordability, and ensuring renters have a voice against unsafe living conditions. Despite California's new statewide rent cap and just cause eviction protections, most renters still lack protections sufficient for stabilizing rents, providing affordability, and ensuring housing is habitable. As part of expanding renter protections, discriminatory policies that erode housing access, particularly for renters of color, must be ended. Many of these punitive measures arose in conjunction with the increased criminalization of communities of color, with broad and far-reaching effects, and continue to perpetuate harmful criminalization today. To ensure that renters benefit from safe, stable housing that they can afford, policymakers should expand rent control, increase eviction protections, enforce and expand anti-discrimination protections, protect tenant organizing, and develop state and local rental registries. Complaint-oriented policing of Section 8 tenants should be curtailed, and termination of Section 8 status should be a last resort. California must lift barriers to housing faced by people with criminal records, by enacting fair chance ordinances and expanding housing services available to undocumented Californians. In response to disasters like the COVID-19 pandemic, anti-displacement protections, affordability controls, and rent relief programs must be instituted.

## Stop Punishing Poverty and Homelessness

A host of policies that criminalize homelessness have caused significant economic and social harm to individuals and families already struggling to get by. Policymakers must end punitive policies and focus on real solutions that help people secure safe, stable, affordable housing. California spends millions annually on sweeps to clear encampments of people experiencing homelessness. Policymakers should end these sweeps, stop the routine removal and destruction of property belonging to people who are homeless, and remove ordinances criminalizing homelessness and activities engaged in as part of living outside. Private security guards hired by Business Improvement Districts also harass and violate the rights of homeless people with little public accountability. The authority of BIDs to spend property assessment revenues on security should be repealed, and BIDs that violate homeless people's rights should be penalized. Instead, California policymakers must increase long-term affordable housing and supportive services for people experiencing homelessness and adopt Housing First policies.

## Protect Homeowners from Predatory Lending and Wealth-Stripping

Homeowners of color are disproportionately saddled with heavy mortgage debt and minimal equity. In addition to expanding more stable forms of housing tenure, such as through limited equity community land trusts and cooperatives, policies must curb predatory lending and counter barriers to obtaining favorable loans. California and the federal government should provide support to victims of the foreclosure crisis, and homeowners impacted by the COVID-19 pandemic, in the form of mortgage debt relief, down-payment assistance, as well as rental assistance for those who have already lost their homes. All levels of government must enforce fair housing laws, stop mortgage discrimination, and increase access to quality loans. Finally, policymakers should expand programs and supports that prevent low-income senior homeowners from losing their homes, and support intergenerational transfer of housing.

## Support Development Without Displacement

California's low-income communities and communities of color have been harmed by land use policies that create and perpetuate segregation and isolation, concentrate toxic industries and land uses in their neighborhoods, and cut entire neighborhoods off from the infrastructure and services necessary for meeting the most basic human needs, like safe drinking water, wastewater treatment, emergency services, and transportation. Policy-makers must undo the legacy of exclusionary land use policies and neglect that their institutions created, by promoting equitable land use and community-controlled development that improves conditions and life outcomes for residents of our most underresourced places. Policymakers should support by-right development of affordable housing in exclusionary communities; and increase funding to rehabilitate, retrofit, and weatherize low-income residents' homes in order to improve health, reduce greenhouse gas emissions, and build climate resiliency. They must provide funding to address long-standing infrastructure and public service deficits in disinvested communities and adopt anti-displacement measures to protect those communities most at risk of displacement when new investments are made.

## Enact Progressive Tax Reforms

Progressive tax reform would create opportunities for financing affordable housing and other necessary housing programs. Alleviating wealth inequality is also key to preventing real estate speculation and rising housing costs. In the face of growing wealth inequality, all levels of government must enact tax reforms to generate new revenue for housing, and eliminate tax incentives that drive speculation. Federal and state governments must remove tax breaks on vacation homes and speculative real estate transactions, reduce the mortgage interest tax deduction, and increase renter tax credits. California should close the loopholes in Proposition 13 that give tax breaks to commercial property owners. Achieving this would generate an estimated $12 billion annually to support schools, housing, supportive services, and other critical community needs.[401]

## Ensure Low-Income Communities of Color Guide Planning and Decision-Making

Policies aimed at redressing deep social problems are most effective when those who have been most harmed have a seat at the table. Policies that uplift the most marginalized can have far-reaching impacts and improve conditions for others throughout society. Across the board low-income people of color are underrepresented in decision-making.[402] Policymakers have ignored—or treated as an afterthought—how communities of color will be impacted by proposed housing policies. Instead, decision makers should draw on the deep expertise and experience of low-income communities and communities of color to ensure that their needs, experiences, and ideas, inform and shape policies. To ensure true collaboration, policymakers should expand representation and inclusion of low-income people and people of color in decision-making processes at every level of government. From community level planning to regional and state administrative and legislative processes, our systems must create space for community leaders and residents to meaningfully shape decisions that affect their lives. This requires that policymakers adopt engagement strategies that are linguistically and culturally relevant to diverse communities, provide communities with authority to impact outcomes, and adopt democratic structures and processes for accountability like rent boards and participatory budgeting. Policymakers should also work to lessen the influence of corporations on housing policy by limiting corporate political spending.

## Repair Past Harm

Since the colonial era, government policies, guided by powerful corporate interests and racist public sentiment, have marginalized and harmed communities of color. Today, this legacy of exclusion is deeply imbedded in the housing system and the physical landscape of our communities. While the policies recommended here will make important advances to redress the harms of the past and support a different future, true transformation requires reparations for centuries of racist housing and land use policies that purposefully transferred land and wealth to Whites, at the expense of communities of color. State, federal, and local governments, and private corporations, should provide public apologies and compensation for centuries of racist policies including Indigenous genocide and removal, slavery, redlining, exclusionary federal mortgage practices, urban renewal, and the subprime mortgage crisis. Local governments can create task forces to support community healing, calculate the losses resulting from past policies, and design programs for reparations with input by harmed communities. In addition to compensation to individuals, it may also be delivered in the form of community land trusts and social housing targeted to affected communities of color, and through targeted taxation schemes.

These recommendations chart a path forward by shifting from for-profit finance, construction, ownership, and maintenance of housing, toward policies that treat housing as a public good. Shifting these mechanisms at every stage of our housing pipeline is critical to promoting racial equity. As noted, incomes have been declining for Californians of color and alleviating wealth inequality by increasing wages, promoting unionization, and eliminating working poverty is also an important component of tackling rising housing costs.

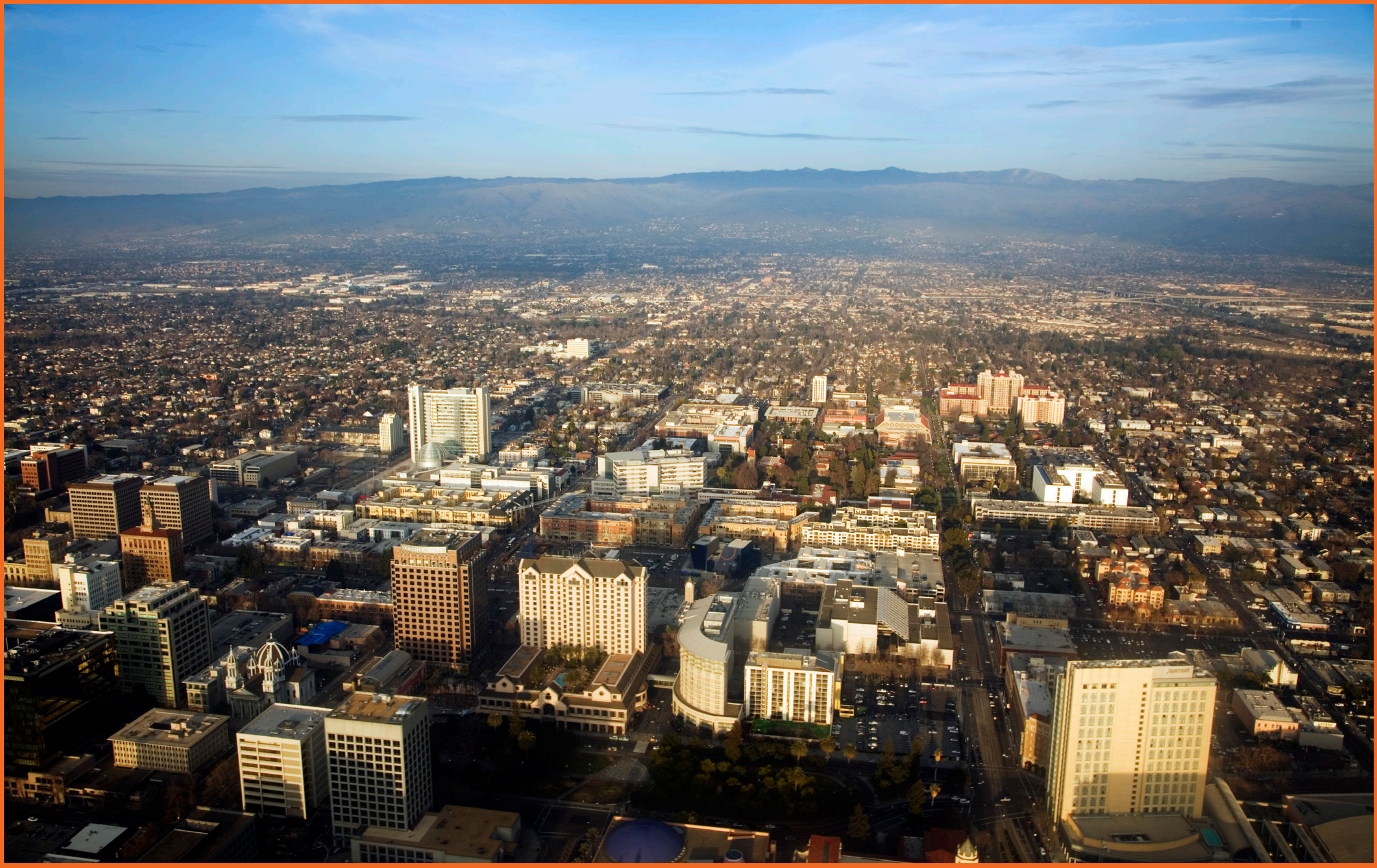
As one of the wealthiest economies in the world, California is capable of financing the reforms outlined above. In doing so, we can alter the basis of housing finance, from its current overall reliance on profit-driven mechanisms such as private banking, speculators, and for-profit investors in financial markets, to a more robust, sustainable, and equitable system with an enhanced role for public banking and progressive taxation.

**Below:** Assemblywoman Shirley Weber, D-San Diego, calls on lawmakers to create a task force to study and develop reparation proposals for African Americans, during the Assembly session in Sacramento, California, on June 11, 2020. *(Associated Press, Photographer: Rich Pedroncelli)*

## 8.0

# Conclusion

**Below:** Generations of housing inequity in San Jose have left people of color struggling to secure one of the most basic human needs, safe housing. Indicative of a growing movement, community leaders, housing advocates, philanthropists, government, and private sector leaders are committing to take bold action to redress the causes of inequity, and create a California in which all people can thrive.



Throughout California, communities of color, housing justice organizers, and unhoused people are calling for just and racially equitable solutions to our housing crisis. The COVID-19 pandemic has laid bare the deep structural problems that left millions of Californians precariously housed and brings a new urgency to ensuring that every Californian has a safe and affordable place to call home. Indeed, our collective future depends on building a more equitable housing system. This historical review underscores the fact that restoring the status quo will not achieve a permanent end to the current housing crisis.

For generations, public policies have locked people of color out of entire communities. They have helped drive speculation at the expense of housing access and affordability for those who need it most and perpetuated the displacement of low-income people. Policy decisions have concentrated pollution and other harmful land uses in communities of color and allowed, and often codified, widespread discrimination in the housing market. Public spending on housing has overwhelmingly subsidized wealthy homeowners and corporations through the mortgage interest tax deduction, bank bailouts, and a host of other tax laws that benefit wealthy and corporate property owners. In contrast, policymakers have slashed funding for affordable housing options for low-income renters and repeatedly failed to provide the most basic infrastructure to neighborhoods where low-income people and people of color reside.

Policymakers have an opportunity to forge a new path—one that reckons with past harms, addresses racial inequality, and puts institutions in place to steward a different future. We must dramatically increase permanently affordable housing, protect renters and homeowners alike from displacement, and provide resources to low-income communities of color while ending exclusionary and racist land use policies. Sweeping and universal protections like rent control, and targeted measures designed to undo the legacy of racism and disinvestment like strengthening fair housing, are needed. Expanding social housing, a public option for housing that is permanently affordable and protected from the private market, can help communities of color to reclaim our homes from corporate control. Increased public investment in affordable housing would benefit all Californians, but it would provide particular benefits to the low-income people and people-of-color households that our housing system has failed. The work to be done is significant but so is the opportunity. When California's leaders truly confront and uproot the deep institutionalized racial inequality that has shaped our housing landscape, together we will lift up generations to come and create a California in which all people can thrive.

9.0

# Appendix: Policy Actions to Advance Racial Justice in Housing

California's deep racial disparities in housing are holding our communities back. For generations, low-income people and people of color have suffered the devastating impacts of segregation, displacement, disinvestment, and predatory investment. As policymakers chart a course for California's future, addressing racial and economic inequities in access to housing is essential.

A multipronged strategy is needed, touching on all aspects of housing. Nevertheless, two basic principles run through these diverse action areas. First, expanding nonmarket solutions is essential to ensuring racial disparities are alleviated. Second, listening to the voices of low-income communities of color who are directly affected, and ensuring that they help guide planning and decision-making, is key to actualizing just and effective solutions.

## Establish a Right to Housing

Housing is a basic human need and should be recognized as such. A right to housing would make it mandatory for government agencies to take steps to ensure that all people have access to safe and adequate housing. Whether enacted locally or in California's Constitution, such a right would be a useful legal tool matching the urgency of the housing emergency and assisting with recovery from the COVID-19 pandemic. A similar legally enforceable right to shelter in New York City has helped to lessen street homelessness, and led to plans that create permanent housing for the homeless.[403] A right to housing could entail providing public assistance to those on the brink of homelessness, such as help with rent and eviction defense; increased resources to ensure housing is safe, habitable, and accessible; and expanded access to emergency and permanent affordable housing.

## Rein in Speculation

Speculation is driving up housing costs and fueling displacement across the state, but it can be curbed. Restrictions to the harmful influence that financial markets and Wall Street landlords exert on real estate must be enacted.

- **Protect Housing from the Financial Marketplace:** Speculation on real estate assets via global financial markets must be limited. Unrestricted trade in securitized mortgage debt enabled the foreclosure crisis, while trade in rental securities, or projected rental revenues, is now fueling investor-oriented rent hikes.[404] Federal and state regulators should limit and discourage rental securitization, including barring the participation of public and cooperative banks in securitizing real estate assets or selling them to be securitized. Regulators should reverse the high bond ratings that are granted to rental securities. Strong divides between investment and commercial banking must be restored.[405] Regulatory oversight over all lenders and commercial mortgage-backed securities, including for rental housing, must be strengthened. Mortgage lenders should be discouraged from financing displacement, and required to consider potential corporate borrowers' compliance with tenant protections and preserving affordability.

- **Expand Public and Cooperative Banking:** Private investment banks and mortgage lenders convert real estate assets into speculative financial products, which incentivizes rent gouging, instability, and the production of primarily market-rate housing. Instead, all levels of government should weaken the link between mortgage lending and speculation on Wall Street. They should create and strengthen public and cooperative banks that prioritize savings, payments, and loan functions for local communities. Public banks would allow the financing of housing, from construction to home loans, to rely less on Wall Street and mortgage securitization. In Germany, where local public banks are responsible for providing most low-interest residential mortgage loans, these banks and homeowners were insulated from the global impacts of the foreclosure crisis, even as private investment banks went bankrupt.[406] Under the new Public Banking Act (AB 857), California should establish public banks that prioritize financing nonprofit and affordable housing, cooperative housing, and community land trusts. Municipalities and public employee pension funds should remove their holdings from Wall Street banks and deposit them in public banks instead.

- **Break Up Wall Street Landlords and Require Transparency:** Investor-driven Wall Street landlords, unparalleled in size, have concentrated holdings in communities of color where they flip properties or evict tenants at a higher rate to please their investors and maintain high bond ratings. Policymakers should leverage the power of eminent domain to reclaim vacant, corporate-owned properties and convert them into permanent affordable housing. Municipalities should enact caps on the number of units one landlord can own and require that the true owners of LLCs are disclosed in rental registries. Government prosecutors should penalize Wall Street landlords who have perpetuated harmful, racially disparate impacts, for violating the federal Fair Housing Act and California's Fair Employment and Housing Act. All levels of government can enact legislation to disallow the transfer of distressed and public assets to large corporate landlords, particularly in wake of the economic strains due to COVID-19.

- **Enact Anti-Speculation Taxes:** California and its municipalities must implement taxes to remove incentives for real estate speculation, including land value uplift taxes at point-of-sale, property flipping taxes, out-of-state investor and transaction taxes, and vacancy taxes (including blight taxes on investor-owners).[407]

## Protect and Increase the Supply of Permanently Affordable Housing

The private market alone does not meet the housing needs of low-income people. Today, California has over 1.7 million renter households, including 1.1 million extremely low-income households who are charged more than half of their income for rent.[408] To ensure that all Californians have safe, stable, affordable housing, policymakers must preserve existing housing that is affordable to low-income households and create permanently affordable housing in all communities. This includes building social housing, which is a public housing option that remains permanently off the private market with protected affordability. It can be owned by government or nonprofit housing providers, including cooperatives and community land trusts. Throughout Europe and worldwide, social housing has successfully provided quality, affordable housing for large swaths of residents. Where it comprises a significant percentage of the housing stock, it has dampened speculation and rising housing prices.[409] To reach those most in need, housing must be affordable and accessible to very low- and extremely low-income people, formerly incarcerated people, undocumented people, people with disabilities, survivors of domestic violence, people with low or no credit, and other marginalized groups.

- **Expand Community Land Trusts and Cooperative Housing:** For generations, corporate interests and government policy have locked low-income households and households of color out of homeownership. Prioritizing sustainable homeownership and affordable rental housing through community land trusts and cooperatives would benefit all Californians, and particularly help households of color that have faced the greatest barriers to housing. Community land trusts remove land from the private market and place it under community control, while cooperatives hold housing under a shared ownership model. Both preserve long-term affordability. For homeowners, these offer an alternative to profit-driven mortgage lending which has resulted in wealth-stripping. Community land trusts and cooperatives successfully operate in communities statewide and decision makers at all levels of government should work to support the expansion of these models. To accomplish this, policymakers should dedicate funding to the formation of new land trusts and cooperatives, create financing channels using public and cooperative banks, adopt policies that give land trusts priority rights to acquire property, and leverage eminent domain to transfer corporate-owned vacant properties to community land trusts.

- **Enact Tenant, Community, and Public Opportunity to Purchase Acts:** California should require owners of rental properties and manufactured home parks to give tenants the opportunity to purchase a property before the owner can sell, discontinue renting, or demolish it. Tenants and manufactured home park residents should have the option of assigning their rights to a third-party organization committed to permanent affordability. Where enacted, such as in Washington, DC, the Tenant Opportunity to Purchase Act successfully preserves affordable housing. All levels of government should enact laws to give public entities, nonprofits, and tenants the first right of purchase covering all sales of property and delinquent mortgage debt during the COVID-19 emergency and recovery period, to facilitate the creation of social housing and prevent speculation.

- **Aggressively Fund Public and Nonprofit Affordable Housing and Section 8:** All levels of government must end the privatization of public housing and, instead, should aggressively fund its construction, preservation, and maintenance. Policymakers should expand funding for nonprofit housing development, particularly for housing that is affordable to extremely low-income households that are not well served by existing programs. They should also fully fund Section 8 subsidies for all qualifying low-income households and increase funds for Rural Development housing. California should strive to make up shortfalls in federal funding and housing subsidies should be made available, regardless of citizenship or legal status. Article 34, which allows communities to bar public housing, should be repealed.

- **Improve the Affordability of Low-Income Housing Tax Credit (LIHTC) Housing:** The LIHTC is the largest funding source for affordable housing development in California. LIHTC units are restricted to households with incomes up to 80 percent of area median income, and are thereby poorly targeted to extremely low-income households. For most low-income Californians, the cost of such units is still unaffordable. There is no California county where a full-time worker at minimum wage can afford a unit at this price, and in many counties even two minimum-wage earners would not earn enough.[410] Policymakers should instead focus LIHTC resources on making units affordable to the poorest households, and dedicate funds toward preserving and deepening the affordability of LIHTC units with expiring covenants.

- **Use Public Land for Affordable Housing:** California has thousands of parcels of vacant public land, suitable for housing, and many are already near public transit. Municipalities should use public land for affordable housing or transfer it at low or no cost to community land trusts. Rather than selling public land to developers, municipalities should utilize long-term, renewable ground leases that ensure sustained affordability.

## Expand Renter Protections and End Punitive, Discriminatory Policies

Renter protections are critical for slowing displacement, preserving affordability, and ensuring renters have a voice against unsafe living conditions. Despite California's new statewide rent cap and just cause eviction protections, most renters still lack protections sufficient for stabilizing rents, providing affordability, and ensuring housing is habitable. In conjunction with expanding renter protections, discriminatory policies that erode housing access, particularly for renters of color, must be ended. Many of these punitive measures arose in conjunction with the increased criminalization of communities of color, with broad and far-reaching effects, and today, continue to perpetuate harmful criminalization.

- **Enact Universal Rent Control:** California and its municipalities should enact universal rent control, with vacancy control, applicable to all rentals including single-family homes, manufactured homes, and newer buildings on a rolling basis. Universal rent control would benefit all Californians and would particularly help low-income renters, renters of color, seniors, and other people who are vulnerable to rent gouging and unfair rent increases. Universal rent control would quickly improve housing stability and affordability, even while it acts as an effective complement to longer term efforts to expand the affordable housing stock. To be most effective, rent control must include vacancy control, which limits rent increases in-between tenancies. Studies show that vacancy control is crucial for helping homes stay affordable to Black and Latinx renters.[411] New York's newly strengthened rent control law, which eliminated vacancy bonuses or exemptions, provides a good model. Rent control should include just cause eviction protections and code enforcement with anti-displacement safeguards. Rent review boards, which provide a process for addressing tenants' grievances while protecting them from retaliation and eviction, are also critical. Short of statewide action, municipalities can play a vital role. If all Bay Area cities enacted rent control, 55 percent of rental housing stock in the nine-county region could be covered, even with the Costa-Hawkins restrictions.[412]

- **Repeal the Costa-Hawkins and Ellis Acts:** The Costa-Hawkins Act preempts the strengthening of rent control statewide. It forbids localities from passing vacancy control or covering single-family homes, which means the places that have experienced the most new construction in the last 30 years—and that oftentimes have the fastest growing populations of color and high rates of corporate landlords—cannot protect renters. The Ellis Act enables the destruction of rent-controlled homes to convert them to condos and other uses, eroding rent-controlled housing stock and facilitating gentrification. Both should be repealed.

- **Strengthen Protections in the Wake of Disasters:** In response to disasters like the COVID-19 pandemic, heightened anti-displacement protections and affordability controls must be instituted. This includes enacting broad eviction moratoriums, rent freezes, and a right-to-lease renewal through the recovery period; a ban on utility shutoffs; the waiver of all penalties, interest, and late fees due to unpaid rent; credit score forgiveness; mortgage forbearance to prevent evictions due to foreclosures; and forgiveness of unpaid rents alongside relief for impacted needy and nonprofit landlords.

- **Enact Right to Counsel:** Most tenants in housing court cannot access legal representation, resulting in preventable evictions, onerous fines, and lack of redress for dangerous housing conditions. California should ensure that all low-income households have free, full-scope legal representation in housing court, by funding legal aid programs and neighborhood access to justice clinics. Right to counsel prevents illegal displacement and homelessness, thus saving public funds and securing tenants' access to quality, affordable housing free from discrimination or harassment. This is particularly important in rural and smaller cities where there is less per capita funding for legal and other services for low-income residents.

- **Require Rental Registries:** Statewide rental registries should be created to improve the regulation of landlords and rental properties. Registries should track rent increases, rent control status, evictions and move-outs, vacancies, habitability, and ownership, including requiring LLCs to disclose ownership—in order to monitor displacement, rents, and compliance with tenant protections.

- **End Nuisance Eviction:** Nuisance evictions serve as the grounds for pushing out low-income tenants of color on remediable and discriminatory pretexts, including complaints from their more affluent neighbors. All levels of government must eliminate nuisance ordinances applying to private housing that incentivize landlords to evict, crime-free ordinances which enable nuisance eviction, and one-strike policies in public housing. Nuisance complaints must be excluded as grounds for eviction whether in private, public, or subsidized housing.

- **Reform Enforcement of Section 8 Tenants' Compliance:** More affluent communities have weaponized Section 8 inspections against tenants of color to drive them out of their subsidized housing. Federal and state governments must reform the enforcement of Section 8 compliance to respect tenants' entitlement to stable housing without harassment. Frequent and surprise house inspections must end, as well as partnerships involving local law enforcement. Complaint-oriented policing of Section 8 tenants should also be curtailed. Terminating Section 8 status should only be a last resort, and not imposed for remediable compliance issues. Federal and state governments should align their marijuana policies so that public housing and Section 8 tenants in California are not criminalized due to federal policy.

- **Remove Barriers to Housing for People with Criminal Records:** Over the last several years California has made important strides in reforming our criminal justice system. This has resulted in a significant number of people being released from jails and prisons statewide. As people transition back into a community, finding stable housing is critical to their successful reentry. Policymakers must facilitate successful reentry by removing barriers that prevent individuals with criminal records from securing housing. California should enact fair chance ordinances statewide to limit landlords' consideration of criminal records in both public and private housing. Policymakers should fund expanded housing and transition services for the reentry population and should extend California's Clean Slate law to apply retroactively.

- **Enforce and Expand Anti-Discrimination Protections:** California must strengthen mechanisms to enforce its new prohibition on source-of-income discrimination by expanding protections to include barring rental discrimination on the basis of credit score, eviction history, immigration status, and conviction and arrest history.

- **Strengthen Sanctuary State Practices:** The criminalization of undocumented people harms the housing conditions of immigrant communities. All levels of government should work to end punitive immigration policies. California must expand housing services available regardless of immigration status and adopt stronger measures to carry out its sanctuary state law.

- **Recognize the Right to Organize:** Tenants should have legally guaranteed rights to affordable housing, healthy housing without displacement, and to organize and engage in collective bargaining.

## Stop Punishing Poverty and Homelessness

A host of policies that criminalize homelessness have caused significant economic and social harm to individuals and families already struggling to get by. It is time for policymakers to end punitive policies and focus on real solutions that help people secure safe, stable, affordable housing.

- **End Sweeps:** California spends millions of dollars annually on sweeps to clear the encampments of people experiencing homelessness. These actions do not decrease homelessness, but they do uproot people and destroy their possessions. Policymakers should end sweeps of homeless encampments on public land, and stop routinely removing or destroying the property of people who are homeless.

- **Stop Criminalizing Homelessness:** All levels of government should work to remove ordinances that criminalize homelessness. This includes ending policies that criminalize homeless people when they sit, sleep, or camp in public places, and that criminalize people for panhandling. Localities must comply with the Ninth Circuit Court of Appeals decision in *Martin v. Boise* that states homeless persons cannot be punished for sleeping on public property in the absence of adequate alternatives such as available shelters.

- **Stop Business Improvement Districts' Harassment:** Private security patrols hired by Business Improvement Districts harass and violate the rights of homeless people with little public accountability. California should repeal the authority of BIDs to spend property assessment revenues on security, and municipalities should reject BIDs that engage in policing practices and penalize those that violate the rights of people experiencing homelessness.[413]

- **Increase Resources for Housing and Services:** Instead, California policymakers should redirect public resources toward preventing homelessness by ensuring housing affordability, and funding supportive services, mental health care, and long-term housing for individuals experiencing homelessness.

## Protect Homeowners from Predatory Lending and Wealth-Stripping

Homeowners of color are disproportionately saddled with heavy mortgage debt and minimal equity. In addition to expanding more stable forms of housing tenure, such as through limited equity community land trusts and cooperatives, policies must curb predatory lending and counter barriers to obtaining favorable loans.

- **Expand Protections and Provide Relief Against Predatory Lending:** Prospective homeowners must have the right to counsel and to contest any decision or action of mortgage-holders in court. California and the federal government should provide relief to victims of the foreclosure crisis, and homeowners impacted by the COVID-19 pandemic, in the form of mortgage debt cancellation, down-payment assistance, and rental assistance.

- **Stop Mortgage Discrimination:** All levels of government must enforce fair housing laws and enact laws to prevent income, source of income, credit score, and bankruptcy history from being utilized to deny mortgages and housing access.

- **Increase Access to Quality Loans:** Policies should increase access for low-income homeowners of color to quality, low-interest loans, including by expanding public and cooperative banking to finance such loans, and increasing funding for FHA loans with reduced premiums. The federal Community Reinvestment Act should be strengthened, and fair housing laws enforced to require all banks to provide quality loans to needy households of color. Loan level price adjustments, which disproportionately place the burden of lending risks on lower income families, should be eliminated.

## Support Development Without Displacement

Across California low-income communities and communities of color have been harmed by land use policies that create and perpetuate segregation and isolation, concentrate toxic industries and land uses in their neighborhoods, and cut entire neighborhoods off from the infrastructure and services necessary for meeting the most basic human needs, like safe drinking water, wastewater treatment, emergency services, and transportation. It is time for policymakers to undo the legacy of exclusionary land use policies and neglect by promoting equitable land use, and community-controlled development that improves conditions and life outcomes for residents of our most underresourced places.

- **Support By-Right Development of Affordable Housing in Exclusionary Communities:** For too long, local governments, steered by real estate interests and racist public sentiments, have used their zoning authority to limit development of housing accessible to low-income households. Where communities have failed to provide adequate housing for low-income residents and residents of color, state policymakers should override local control to facilitate the development of housing that is permanently affordable to low-income families. This could also include imposing penalties and withholding block grant funding to incentivize development of affordable housing in exclusionary communities.

- **Protect Communities Most Sensitive to Displacement:** Policymakers have encouraged reinvestment and greater density in urban cores to meet the important goals of addressing climate change and maintaining thriving cities. However, new investments can have dramatic impacts on property values and can ultimately serve as drivers for the displacement of low-income communities and communities of color. Policymakers must address this problem to ensure housing stability and promote shared prosperity. Anti-displacement guarantees must be paired with development and upzoning strategies. These include one to one replacement of affordable units and right to return, substantial budgetary support for housing solutions that take units off the private market, strong rent control and tenant protections, small business supports, and the inclusion of existing low-income residents especially in decision-making.

- **End Opportunity Zones:** The Opportunity Zones' capital gains tax deferral program is a conduit for speculative investment that drives displacement in low-income communities, and provides a tax shelter for the rich.[414] The federal Opportunity Zones law should also be repealed. California and its municipalities should pass land use regulations and overlay zones for areas targeted by the program, that instead require affordable housing, anti-displacement protections, community land trusts and cooperatives, local hiring, and environmental remediation.

- **Ensure Green Housing for All:** California should increase funding to rehabilitate, retrofit, and weatherize low-income residents' homes to reduce greenhouse gas emissions and build climate resiliency. Policymakers should also identify and remedy practices which result in hazardous land uses being disproportionately located in low-income communities of color (e.g., by amending environmental justice planning requirements in Government Code Section 65302(h)). They should support policies that clean up legacy contamination and prohibit the release of new toxins in the affected communities. This includes addressing historic and ongoing industrial and agricultural pollution, remediating household pollution including lead, asbestos, and other contaminants, and adopting buffer zones and other protective policies that ensure vulnerable communities are protected from harmful contaminants. California should reign in exclusive and environmentally damaging upscale sprawl and new luxury community development. Finally, the state should adopt a first right of return policy regarding climate disasters to counter displacement caused by post-disaster redevelopment.

- **Enforce Fair Housing Laws:** California must strengthen enforcement of the federal Fair Housing Act and state fair housing laws which require affirmatively preventing discrimination, segregation, and discriminatory land uses. Policymakers should increase funding to fully support the Department of Fair Employment and Housing's staffing, oversight, evaluation mechanisms, public education activities, and community ties. The Community Reinvestment Act should be amended to include provisions that discourage lending that drives gentrification.

- **Resource Disadvantaged Unincorporated Communities:** California's disadvantaged unincorporated communities are disproportionately of color, and still lack basic water, sanitation, fire, and other infrastructure. Senate Bill 244 (Wolk, 2011) requires cities and counties to identify these communities' infrastructure and service needs, as well as financing options to address them. California should determine the resources necessary to address the infrastructure deficits identified in local SB 244 analyses, create adequate funding mechanisms to offset local funding shortfalls, and require local governments to resolve the identified needs.

## Enact Progressive Tax Reform

Progressive tax reform would create opportunities for financing affordable housing and other necessary housing programs. Alleviating wealth inequality is also a key component of dampening real estate speculation and rising housing costs. In the face of growing wealth inequality, all levels of government must enact tax reform to generate new revenue for housing and eliminate tax incentives that drive speculation.

- **Reform the Mortgage Interest Tax Deduction:** Federal and state governments should reduce the mortgage interest tax deduction, which disproportionately favors wealthier households, and use the funds this generates to create affordable housing for low-income households. At the state level, California's tax exemptions granted to second homes, house boats, and other luxury properties should be abolished. Corporate landlords should be exempt from any tax breaks designed to help individual homeowners.

- **Close Loopholes in Proposition 13:** Loopholes in Prop 13 allow a small number of very wealthy corporations to avoid paying their fair share of property taxes, leaving local governments unable to meet the needs of their residents. California must end this 50-year-old giveaway and close the corporate loophole in Prop 13. This would generate an estimated $12 billion annually to support schools, housing, supportive services, and other critical community needs.[415]

- **Increase Renter Tax Credits:** Federal and state governments should adopt substantial refundable tax credits for renters. The subsidies granted to homeowners through the mortgage interest tax deduction have dwarfed tax support for renters. Policymakers should strive for parity in this area.

- **Eliminate Like-Kind Exchange:** Like-kind exchange is a federal tax loophole, mimicked in California tax policy, that allows no taxes to be paid on the profits—capital gains—acquired from the sale of a property or other assets, if the profits are reinvested in another like, or similar, property or asset. California should eliminate this tax loophole.

## Ensure Low-Income Communities of Color Guide Planning and Decision-Making

Policies aimed at redressing deep social problems are most effective when those who have been the most harmed have a seat at the table. And, policies that uplift the most marginalized can have far-reaching impact, including improving conditions for others throughout society. Too often, policymakers have ignored, or treated as an afterthought, how communities of color will be impacted by proposed housing policies. Only one member of the California legislature is a renter, and in the public sector low-income people of color are underrepresented in decision-making.[416] Policymakers should draw on the deep expertise and experience of low-income communities and communities of color by ensuring that they have meaningful voice and authority in decision-making processes.

- **Expand Representation and Community Planning Processes:** All levels of government should create stronger systems of representative government, and community control and decision-making by marginalized and low-income people of color over land use, development, and affordable housing. Counties must end the disenfranchisement of disadvantaged unincorporated communities. Access to planning and decision-making processes, including California Environmental Quality Act comment periods and scoping meetings and General Plan and Housing Element creation processes, must be linguistically and culturally accessible.

- **Create Rent Boards:** Rent boards help oversee, monitor, and implement rent stabilization policy, while also conducting hearings and mediations of tenant and landlord disputes. Elected rent boards are a mechanism for providing renters meaningful political representation, including seats on the board. Municipalities should create elected rent boards, in conjunction with rent stabilization policies, to give low-income renters more influence over policies impacting rent levels.

- **Implement Participatory Budgeting:** Participatory budgeting is a democratic process through which community members decide how to spend part of a public budget. It can include resident participation in visioning priorities, developing and voting on proposals, and creating implementation plans. Local governments should implement participatory budgeting to give disadvantaged communities of color greater say over budget priorities.

- **Limit the Influence of Corporate Interests:** The real estate industry, represented by organizations like the California Association of Realtors and the California Apartment Association, currently exerts an inordinate influence over the government through its lobbying and political donations.[417] It has used this influence to push through policies harmful to renters and communities of color. Policymakers should adopt practices and policies that disrupt this corporate influence. Campaign finance should also be reformed to lessen the influence of corporate elites and ensure more accountable and transparent democratic participation.

## Repair Past Harm

Since colonial times, government policies, guided by powerful corporate interests and racist public sentiment, have marginalized and harmed communities of color. Today, this legacy of exclusion is deeply embedded in our housing system and in the physical landscape of our communities. While the policies recommended here will make important advances to redress the harms of the past and support a different future, true transformation requires reparations for centuries of racist housing and land use policies that intentionally transferred land and wealth to Whites, at the expense of communities of color. State, federal, and local governments, and private corporations, should provide a public apology and compensation for centuries of racist policies including Indigenous genocide and removal, slavery, redlining, exclusionary federal mortgage practices, urban renewal, and the subprime mortgage crisis. Local governments can create task forces to calculate the losses resulting from past policies, design programs for reparations with input by harmed communities, and support community healing. Individual and other types of compensation may be delivered in the form of community land trusts and social housing targeted to affected communities of color, as well as through targeted taxation schemes.

The above recommendations chart a path forward, by transitioning from for-profit finance, construction, ownership, and maintenance of housing, toward policies that treat housing as a public good. Shifting these mechanisms at every stage of our housing pipeline is critical to promoting racial equity. Because incomes have been declining for Californians of color, alleviating wealth inequality by increasing wages, promoting unionization, and eliminating working poverty is also an important part of the work to reverse rising housing costs.

As one of the wealthiest economies in the world, California is capable of financing these reforms. In doing so, we can alter the foundation of housing finance, from its current overall reliance on profit-driven mechanisms such as private banking, speculators, and for-profit investors in financial markets, to a more robust, sustainable, and equitable system with an enhanced role for public banking and progressive taxation.

# 10.0 Notes

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## 11.0
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