

IMPROVING HOUSING AFFORDABILITY IN CALIFORNIA:
A CRITERIA-ALTERNATIVES MATRIX ANALYSIS

A Thesis

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MASTER OF PUBLIC POLICY AND ADMINISTRATION

by

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Abstract
of
IMPROVING HOUSING AFFORDABILITY IN CALIFORNIA:
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Housing affordability is one of the top issues the state is currently trying to address because there are too many very low and low-income households who spend more than half of their income on housing costs. One-third of California's residents spend more than 50 percent of their income on housing costs (Governor's Budget Summary, 2018). Having a home is a significant part of our daily lives because it is a place where people unwind, raise families, celebrate special moments, heal, and foster a sense of belonging and security, which is critical for family and community development (Giesecking, Mangold, Katz, & Saegert, 2014).

The purpose of this thesis is to inform the lawmakers, government officials working in the housing development and community-planning fields, the state legislature, and local governments about plausible public policy alternatives to mitigate the ongoing housing shortage in California. I specifically focus on proposing alternatives that will aim to lower rents for very low and low-income households who spend more than 50 percent of their income on housing. The central theme of this thesis emphasizes the notion that housing affordability is a significant public policy problem because as the housing costs rise, people experience higher levels of the financial burdens that result in long-term economic instabilities and socially inequitable outcomes.

To perform the analysis of the public policy alternatives, I used Bardach's (2012) Eight-Step Path of Policy Analysis and Munger's Criteria Alternatives Matrix (CAM) analysis. The CAM analysis is a way of producing a quantifiable and comparative analysis of the presented

public policy alternatives by using set criteria. As Munger (2000) suggests, it is a useful tool that categorizes different alternatives based on their relative importance to address the problem and presents trade-offs between the alternatives. While the CAM analysis does not always yield the best solution, it does provide a consistent measure of alternatives based on the defined criteria and its importance.

Every fiscal year, the state legislators try to address the exacerbated housing costs, but somehow always fall short of providing the necessary government intervention to improve the current housing market. Based on the CAM analysis results, I conclude that creating a Community Development Block Grant (CDBG) program can be an adequate start for beginning to address the long-term problem of Not-In-My-Back-Yard opposition. However, as I previously mentioned, there is no one-size-fits-all solution, which is why my final recommendation consists of implementing a combination of alternatives 2, expanding California's current density program from 35 percent to 50 percent, and alternative 3, creating a CDBG program to encourage communities to accept more affordable housing projects in exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

_____, Committee Chair
Robert Wassmer, Ph.D.

Date

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CHAPTER 1

INTRODUCTION

Housing affordability is one of the major issues the state is currently trying to contain because there are too many very low and low-income households who spend more than half of their income on housing costs. One-third of California's residents spend more than 50 percent of their income on housing costs (Governor's Budget Summary, 2018). It is not a surprise that having a home is a significant component in our lives because a home is a place where people unwind, raise families, celebrate special moments, heal, and foster a sense of belonging and security, which is critical for family and community development (Giesecking, Mangold, Katz, & Saegert, 2014). The U.S. Department of Housing and Urban Development (HUD) defines housing affordability as the percentage of income spent on housing costs and uses 30 percent threshold to indicate housing affordability in the United States. In general, states consider families who spend more than 30 percent of their income on housing costs as "cost-burdened" because of the challenges in accessing food, clothing, medical care, and transportation (HUD, n.d). However, there are a few issues with HUD's definition of housing affordability and cost-burdened families.

When examining HUD's definition of housing affordability, it is necessary to distinguish individual factors that influence peoples' choices regarding the types of neighborhoods they chose to live in, and the amount of disposable income spent on housing costs. For example, middle-class families have more choice and freedom when trying to purchase or rent a house because they have the financial resources to choose a house located in the preferred area. Therefore, when examining HUD's definition of cost-burdened families from an economic perspective, it may be appropriate to consider those who choose to spend a greater portion of their income on housing costs to satisfy individual preferences as not cost-burdened families that

warrant a policy intervention. Perhaps, a better definition of cost-burdened families would prioritize very low and low-income families who spend more than 50 percent of their income on housing costs. These are the families who face structural constraints and challenges when trying to meet housing needs (Ydstie, 2018). It is for these reasons I wrote my thesis problem in its very specific way to emphasize and encompass the housing needs of very low and low-income families.

The purpose of this thesis is to inform the lawmakers, government officials working in the housing development and community-planning fields, the state legislature, and local governments about plausible public policy alternatives to mitigate the ongoing housing shortage in California. I specifically focus on proposing alternatives that will aim to lower rents for very low and low-income households who spend more than 50 percent of their income on housing. The central theme of this thesis emphasizes the notion that housing affordability is a significant public policy problem because as the housing costs rise, people experience higher levels of the financial burdens that result in long-term economic instabilities and socially inequitable outcomes.

To perform the analysis of the public policy alternatives, I use Bardach's (2012) *Eight-Step Path of Policy Analysis* and Munger's Criteria Alternatives Matrix (CAM) analysis. The CAM analysis is a way of producing a quantifiable and comparative analysis of the presented public policy alternatives by using set criteria. As Munger (2000) suggests, CAM is a useful tool that categorizes different alternatives and their relative importance to address the problem and presents trade-offs between the alternatives. While CAM does not always yield the best solution, it does provide a consistent measure of the alternatives based on the defined criteria and can be useful for decision makers. In the remainder of chapter one, I describe the economic and social impacts of housing affordability and discuss the political and economic factors that have

contributed to the housing shortage in California. I conclude this chapter by presenting the remaining outline for this thesis.

Housing Affordability Shortage: Economic and Social Impacts

Given the significance housing has in our lives, throughout the decades, California has neglected to build enough houses and apartment units to match the rising demand. Collectively in 2017, there were 1.7 million very low and low-income households in California who spend more than half of their income on housing (Walters, 2017). As of 2015, eight out of ten low-income households in the 200th percentile of the federal poverty line experienced high housing costs. Half of those households spend more than 50 percent of their income on housing in California (California's Housing Future: Challenges and Opportunities, 2017). Similarly, high, and rising housing costs disproportionately affect marginalized groups across all income levels in California. These statistics illustrate the broad scope and large magnitude of the housing affordability shortage in all regions across the state.

Currently, the state is experiencing a deficit of four million homes, and that number keeps rising annually by 100,000 units (Gutierrez, 2018). As of 2015, the estimates show that the state is building approximately 100,000 to 140,000 units per year (Mac, 2015). The LAO (2017) suggests that the state needs to construct additional 100,000 units per year to mitigate the ongoing housing shortage and California's growing population; especially in the state's coastal communities because of the growing economy and easy access to jobs as illustrated in figure 1.1 (Mac, 2017). As California's population continues to grow, the state needs to construct an additional 1.8 million housing units to accommodate the projected population increase over the next decade. The majority of these housing projects need to occur the high-cost urban and coastal communities because of the economic growth (California's Housing Future: Challenges and Opportunities, 2017). The housing shortage disproportionately affects the state's coastal regions

and creates numerous economic and social implications such as congestion, homelessness, gentrification, increasing GHG (greenhouse gas) emissions, and urban sprawl.

Figure 1.1. Construction During the National Housing Boom

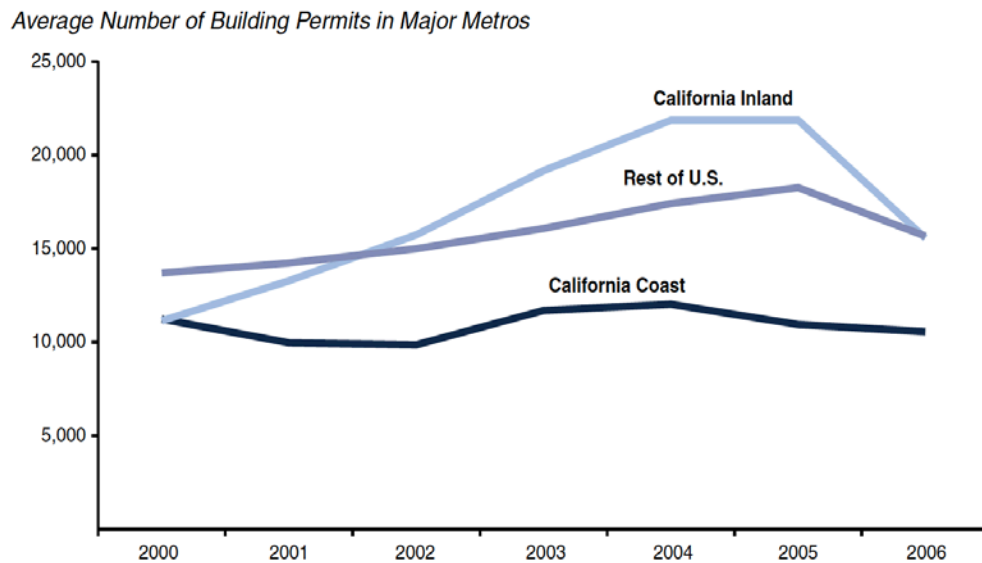


Figure 1.1. This figure compares California’s inland and coastal number of building permits in major Metro areas with the rest of the U.S. Adapted from “California’s High Housing Costs: Causes and Consequences” by T. Mac, 2015, Legislative Analyst’s Office, p.11.

Coastal vs. Inland Housing Affordability

California’s coast is a highly desirable place for homeowners and renters, but the housing and rental markets do not meet the supply for very high demand. When analyzing California housing shortage, it is important to notice that California’s population nearly doubled over the last three decades, and the state’s ability to develop affordable public housing has not grown nearly as fast (Governor’s Budget Summary 17-18, 2017). Between the 1980s and 2012, the number of housing units in California’s coastal metros increased by 32 percent, ranking below the national average of 54 percent. Similarly, in the areas of Los Angeles and San Francisco, construction of homes grew only by 20 percent, which led to a low supply of housing and increased the property values in those areas (Mac, 2015). Likewise, land prices on California’s

coast are much higher than in the inland regions, which explains why the majority of the housing growth occurred in inland areas between the 1980s and 2010 (Mac, 2016). Since California's coastal regions make up a sizable portion of the state's economy with good-paying jobs, the housing shortage disproportionately affects very low and low-income families because high housing costs force them to move inland.

When examining California's economy, coastal urban regions are the primary drivers of economic growth. For example, the state's coastal areas accounted for 75 percent of job growth between 1994 and 2005 (The California Budget Project, 2007). As of 2012, California's coastal regions account for 61 percent of gross domestic product (GDP) in the state (Eastern Research Group, INC., 2015). The unemployment rate in San Francisco is 2.8 percent, 5.1 percent in Los Angeles, and 3.4 percent in San Diego (U.S. Bureau of Labor Statistics, 2018). Therefore, easy access to jobs and employment opportunities are the driving factors that entice families and individuals to migrate closer to coastal regions, prompting an increase in the demand for housing (Mac, 2017). However, the inability to find affordable rents displaces people further out inland, which results in the creation of urban sprawl (Dillon, 2017). As a ripple effect, the housing shortage in the coastal regions raises the costs of housing in the inland areas of the state.

Analyzing California's housing market, the issue of housing affordability affects all counties with coastal areas experiencing the worst shortages. On average, the home prices are 2.5 times higher than the median national home prices, as illustrated in figure 1.2 (Mac, 2015). Likewise, the average rent price in California is approximately \$1,750 for a 1-bedroom and \$2,110 for a 2-bedroom apartment (Woo, 2016). In San Francisco, the average cost for a 1-bedroom apartment is \$3,261 and \$1,798 in San Diego (RentCafe, 2018). As of 2018, the median single-family home price in California is 538,640, which means a family must earn an annual income of \$111,500 and make a monthly mortgage payment of \$2,790 per month (Sweeney,

2018). According to the U.S Census Bureau (2017), the median household income in California is \$63,783, which means that the current housing market outprices the majority of the state's population. These statistics illustrate California's urgent housing affordability shortage.

Figure 1.2. California's Home Prices vs. National Average

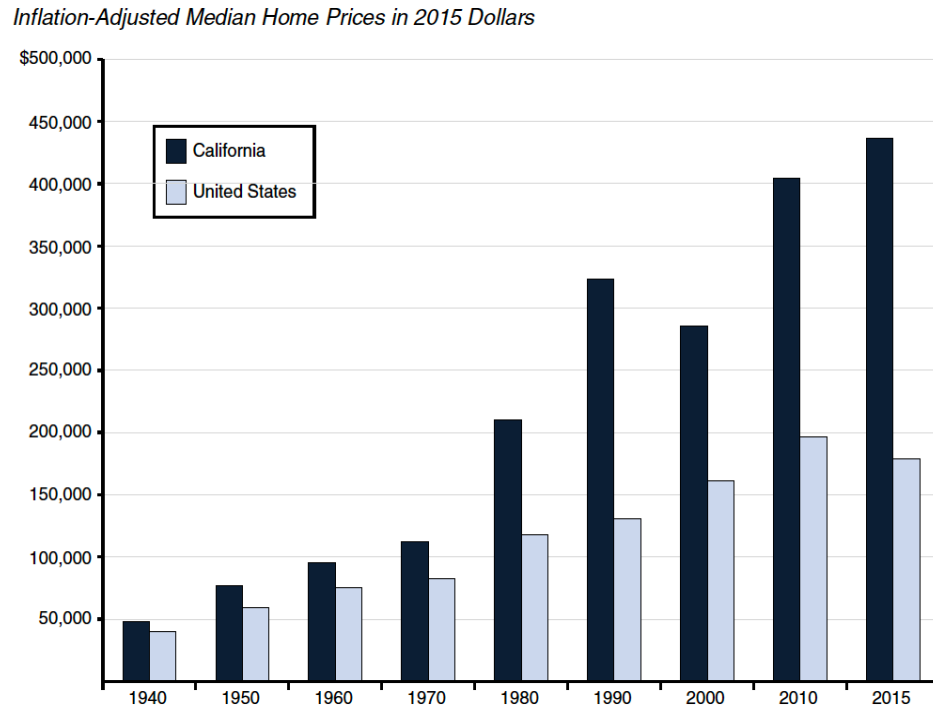


Figure 1.2. This figure illustrates how home price in California have grown faster when compared to the rest of the U.S. Adapted from “California’s High Housing Costs: Causes and Consequences” by T. Mac, 2015, Legislative Analyst’s Office, p.9.

Economic Impact of Housing Shortage in California

When millennials, college graduates, and middle-class families struggle to afford housing costs, many are choosing to move out of the state to different states like Texas, Arizona, and Nevada (Uhler and Garosi, 2018). According to the American Community Survey (2017), 6 million people have left California from 2007 to 2016, and about five million people have migrated to California, resulting in a 2.5 percent decrease in the total population as illustrated in figure 1.3. When examining the demographic trend of people moving to California, these

individuals tend to have higher levels of education such as graduate-level degrees, they tend to be older, and on average make more than \$110,000 per year (Uhler & Garosi, 2018). This migration trend creates a disparity between the state’s general population because as very low and low-income earners continue to suffer the worst of the housing shortage, they move further inland even though there is a shortage of low-skilled laborers in coastal regions (Sisson, 2018). For example, the growing economic productivity in the Bay Area leads to higher home prices and creates a shortage of homes and workers (Glaeser & Gyourko, 2018). For those choosing to stay, the perspective of economic mobility and purchasing power significantly declines with rising costs of housing. **Figure 1.3. California’s In and Out Migration Trends**

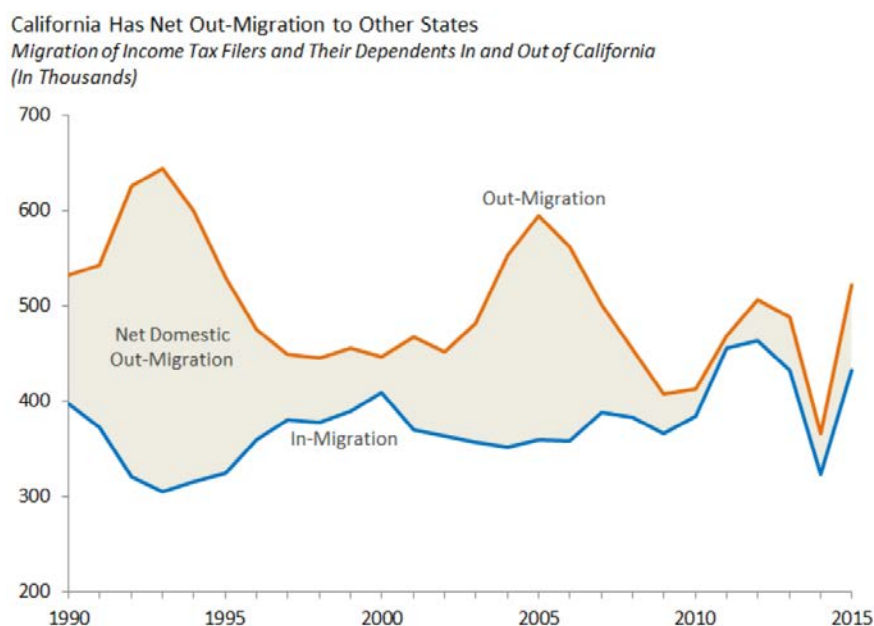


Figure 1.3. This figure illustrates the state’s net domestic out-migration patterns between 1990 and 2015. Adopted from “California Losing Residents Via Domestic Migration” by Uhler, B., and Garosi, J., 2015, Legislative Analyst’s Office.

For people choosing to stay in California, there are many economic and financial repercussions families experience as a result. For example, when families spend more than two-thirds of their income on housing costs, they experience hardships affording children's' education,

planning long-term emergency expenses, and must continue to work into their early 70s (Littman & Kirk, 2017). Some families choose to move inland but continue to work in urban centers and commute to work. For example, approximately 170,000 people commute to the Bay Area, which leads to higher congestion and air pollution. The average commute time for Californians is 28.9 minutes, with some commuting over 90 minutes in Los-Angeles, Anaheim, and Stockton areas (Littman & Kirk, 2017). However, despite people's efforts to achieve economic mobility in California, figure 1.4 illustrates the disparity between rents and income from 2000 to 2014. As California continues to struggle with the housing shortage, there are social implications that the state has to address, such as gentrification, homelessness, GHG emissions, and urban sprawl.

Figure 1.4. Rent Prices vs. Income

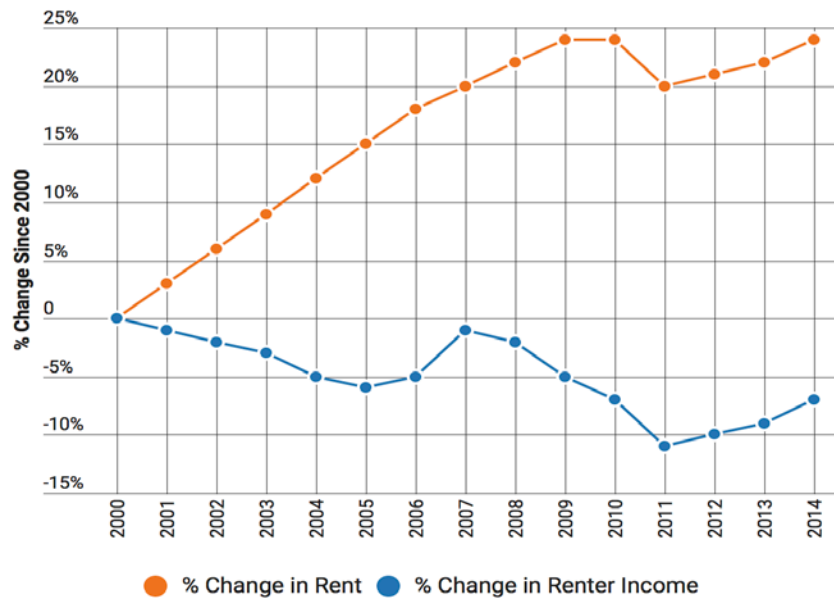


Figure 1.4. This figure illustrates the percentage change in disparity between the rising housing costs and decline in income. Adopted from “Californians: Here’s Why Your Housing Costs are so High” by Levin, M., and Christopher, B., 2017, CALmatters.

Social Implications of Housing Shortage

As housing costs continue to rise, the housing prices continue to push very low and low-income families out of their neighborhoods resulting in gentrification. As a result, gentrification

contributes to the ongoing homelessness problem in California (Wilson, 2018). As of 2018, California has approximately 25 percent of the entire nation's homeless population. HUD estimates that there are about 134,000 homeless people on any given night. Likewise, there are not enough emergency shelters or transitional housing available. Approximately 70 percent of the homeless population remain unsheltered because there are not enough spaces to accommodate everyone (Cabales, 2018). HUD estimates that homelessness has increased by 16 percent since 2016 and continues to rise as the housing market continues to deteriorate (Nichols, 2018). The primary driver of the homeless crisis in California is the prohibitive cost of housing (Yu, 2018). Another significant factor to consider is that HUD's projections of the homeless population are conservative and do not count people who sleep and live in their cars (Wiltz, 2018). Similarly, gentrification and homelessness also contribute to the creation of urban sprawls.

When very low, low-income families and individuals are unable to find affordable rent, the structural constraints of the housing shortage force them to move inland, resulting in the expansions and creation of urban sprawls. Urban sprawls are low-density residential and commercial developments that are located further away from urban centers (Conserve Energy Future, n.d). Such uncontrolled expansions lead to severe environmental issues, such as air pollution, increased congestion, water contamination, water depletion, loss of agricultural land, car dependency, and an increase in public expenditures for infrastructure repairs (Everything Connects, 2013). In the United States, urban sprawl is responsible for 50 percent of all households' GHG emissions. Likewise, suburban areas account for less than 50 percent of the U.S population but produce more than 50 percent of all household GHG (Sanders, 2014). In California, motor vehicles generate 41 percent of households' GHG, and 23 percent of households' GHG emissions come from the industrial sector (California Air Resources Board, 2018). Therefore, not only California's housing shortage creates numerous challenges for

Californians struggling to afford housing costs, but it also creates environmental implications for the state to address such as climate change and challenges in meeting standards to reduce GHG.

Thesis Organization

This master's thesis consists of six chapters. The first chapter focused on defining the problem statement of housing affordability and briefly explained political and economic factors that have contributed to the low market supply of housing. Relying on academic research, chapter two focuses on describing the supply and demand economics of the housing shortage in California based on the prohibitive costs of building and NIMBY's efforts to curtail new housing developments. I conclude the literature review section by briefly analyzing the efforts made by other states to overcome and improve housing affordability in their communities. In the third chapter, I will construct three alternatives that will aim to improve housing affordability for very low and low-income families in California based on the literature review findings. Likewise, I discuss the CAM analysis, the selected criteria, and attributed weights of each criterion based on their relative importance when it comes to the implementation. In chapter four, I will analyze the proposed alternatives based on the cost, equity, and economic sustainability criteria. Lastly, I present my public policy recommendation based on the CAM analysis and discuss the results of the interviews I conducted with the stakeholders regarding the desirability and political feasibility of the presented public policy alternatives.

CHAPTER 2

LITERATURE REVIEW

In this chapter, I discuss the factors that created California's housing shortage and explore different housing policies implemented in other countries based on available academic research. This literature review will serve as a framework for proposing policy alternatives to solving California's housing crisis in chapter three. This literature review consists of three sections. First, I begin by discussing the factors that influence demand and supply of the housing market in California, such as California Environmental Quality Act (CEQA) protections, zoning regulations, land-use policies, Not-In-My-Back-Yard (NIMBY) opposition, and the prohibitive costs of building. Likewise, I discuss academic research findings on the effect these factors have on housing supply and how they affect housing and rent prices. Next, I explore different housing policies from small countries that can serve as conceptual models for improving California's housing situation. I will examine the criteria considered in policy implementations and long-term planning strategies for increasing supply of housing. Lastly, I discuss learned lessons and takeaways to address the problem statement of this thesis that there are too many very low and low-income households who spend more than half of their income on housing costs in California.

Contributing Factors to Housing Shortage in California

Contextualizing California's housing shortage within the political, economic, and social lens, it is necessary to examine the primary causes that influence the demand and supply of housing in California. Compared to other states, California has the most land-use regulations governing residential construction and land use (Quigley & Raphael, 2005). As a result, CEQA protections, strict-city planning, zoning regulations, and land-use policies deter the construction and development of residential housing, which results in the prohibitive cost of building that contributes to the rapid increase of home prices across the state while restricting the supply.

The Housing Element Law and CEQA

When it comes to land-use regulations, the State of California delegates this authority to local governments with the idea that they best understand their communities' social dynamics and characteristics. In 1967, the state passed the Housing Element Law that obligates local governments and municipalities to have its fair share of income-restricted housing units designated for the very-low and low-income families as a part of their general plan. A general plan serves as a blueprint for land-use, conservation, transportation, safety, and housing developments (Ramsey-Musolf, 2017). Within the general plan, the Housing Element Law obligates all localities to have land zoned to accept their fair share of affordable housing, but that does not mean that those projects will get built. Likewise, the law requires all cities and municipalities to update and estimate their regional housing needs every five or eight years depending on jurisdiction. The primary purpose of the Housing Element law is to promote and create more affordable housing units for very low and low-income families California (California Department of Housing and Community Development, n.d). However, one of the primary issues with the Housing Element law is the non-compliance of some local authorities. For example, as of 2019, 7 percent of California's cities are out of compliance with the Housing Element Law, (California Department of Housing and Community Development, 2019). Local governments often make the case that there is not enough vacant land for large housing developments or that housing projects do not reflect the community and regional needs (Lewis, 2003).

When discussing California's housing policy, there are numerous laws and regulations that complicate the current system and make it difficult to understand. While the Housing Element law requires cities and municipalities to allocate land for affordable housing projects, the inclusionary zoning law requires all new residential developments to designate a certain percentage of units as income-restricted or below market-rate for very-low and low-income

families (Center for Housing Policy, 2008). For example, only about 25 percent of the state's localities have inclusionary housing policies that meet their fair share of affordable housing needs (Wiener & Barton, 2012). Ramsey-Musolf (2017) found a 2.3 percent increase in the low-income housing production in municipalities and cities that complied with the Housing Element Law between 1990 to 2007. However, the same study reported a 0.22 percent decrease in the overall housing production for compliant municipalities relative to noncompliant municipalities due to community opposition to the projects. This study illustrates that inclusionary zoning policies have mixed affect on affordable housing and that other factors have a greater influence on the supply of such units. For example, the anti-development sentiments arise from the community opposition to the low-income housing projects because of the potentially harmful economic and environmental impacts on the community (Pratt & Allen, 2004). Perrin (1977) suggests that single-family homeowners tend to associate density with property values and crime. As a result, community opposition groups shout Not-In-My-Backyard and often invoke the California CEQA protections to prevent and stall affordable housing projects.

After its implementation, some believe that CEQA became one of the major roadblocks to high-density developments in California. CEQA is the environmental protection and land-use law that requires development projects to undergo environmental impact review (Medicherla, 2018). Local government and opposition groups to the development of affordable housing often invoke CEQA protections to delay or prevent affordable housing developments (Somogyi, 2018). When there is substantial evidence that a project may have adverse effects on the environment, CEQA requires those projects to obtain Environmental Impact Report, which provides the decision-makers and the public with detailed information about the project's possible environmental impacts, methods to reduce possible environmental effects, and alternatives to the project (California Department of Transpiration, 2019). However, EIRs often stall the projects by

prolonging the environmental review processes which results in the increasing costs of construction and deters developers from pursuing affordable housing developments in certain communities (Turner, 2018). For example, 24 percent of all the CEQA lawsuits come from community opposition groups against affordable housing projects across the state (Hernandez & DeHerrera, 2015). The overall impact of CEQA has benefited NIMBYs because it allows wealthier neighborhoods to preserve their homogeneous communities and pushes out very low and low-income families in economically disadvantaged areas (Pratt & Allen, 2004). However, in addition to CEQA protections, community opposition groups also coordinate closely with local governments to establish more restrictive land-use ordinances that prevent affordable housing developments for very-low and low-income families in their neighborhoods.

Strict-City Planning, Zoning Regulations, and NIMBYs

Zoning laws and strict-city planning ordinances are the methods that local governments use to examine and review development projects and whether those projects will benefit the community. Since the 1980s, local governments and municipalities have been passing laws in California that aimed to reduce the flow of very-low and low-income families by regulating housing developments to preserve the homogeneity of their communities and neighborhoods, which lead to “exclusionary zoning” (Weil and Ross, 1979). Cities began to impose regulations that would require developers to meet specific building codes, impose residential density requirements, and place limits on cities' economic growth, which are restrictive measures to deter developers from building projects neighborhoods and communities (Whittemore, 2014). For example, Quigley & Raphael (2005) found that each additional regulatory measure increased housing prices by 4.5 percent in the 2000s and that the housing prices grew faster in California cities with a higher number of regulations. In addition, rent prices tend to be higher in more regulated cities, and responsiveness of supply elasticity tend to be weaker in more regulated

California cities by 7 percent (Quigley & Raphael, 2005). Community groups have significant impacts on the local land-use regulations and the types of developments that get build in their areas. These NIMBYs coordinate and pressure local authorities and municipalities to deter and stall affordable housing developments in their neighborhoods.

NIMBYs oppose affordable housing land development projects in their neighborhoods due to concerns of decreasing property values, increasing crime, changing neighborhood dynamics, poorly designed complexes, and the burden on the public-school systems (Hankinson, 2018). Even if you are in favor of more affordable housing in all of California, the self-interest of preserving their own home values drive NIMBYs to only support such developments outside of their communities and neighborhoods. Such risk-averse behavior creates numerous policy implications for local authorities to meet its fair share of housing needs. As Fischel (2001) explained, zoning regulations serve as a type of indirect, secondary insurance for homeowners against the devaluation of their biggest asset. However, some research shows that affordable housing and dense housing developments have no effect on neighborhood property values and illustrates no increase in levels of crime (Marle & Nall, 2017). Many studies also demonstrate that safety and crime concerns may be more based in prejudice and fear of diversifying homogeneous communities (Marle & Nall, 2017). As a result, some consider NIMBY concerns as mostly unsubstantiated and stemming from anxiety.

NIMBYs can coordinate with local officials to slow down the required CEQA review processes for affordable housing developments, which often results in the denial of permits and contracts and shifts affordable housing to high-poverty areas (Marle & Nall, 2017). These coordinated efforts to preserve community homogeneity contribute to the low supply of housing and increase housing prices for everyone in California due to the high demand for affordable housing. However, Doberstein, Hickey, and Li (2016) research shows that people are more

willing to accept higher density projects in their communities when the project is framed as providing public benefits to the residents such as reducing traffic and lowering GHGs through compact city growth. However, the results are not uniform across all NIMBYs groups.

The High-Cost of Building in California

Besides examining zoning laws, strict-city planning ordinances, CEQA, and NIMBY's role in preventing affordable housing developments, another significant factor that constricts the supply of housing in California are the prohibitive costs of construction. For example, factors such as the prohibitive cost of land, the lengthy approval and permitting processes, and local fees contribute to the low supply of housing (Baldassari, 2018). Between 2006 and 2016, the cost of land increased by 76 percent in the United States and doubled in the Coastal regions of California metro areas like San Francisco and Los Angeles (Turner, 2018). The excessive cost of land in California is due to the state's desirability and geographical location (high demand) facing a restricted supply due to the factors previously mentioned. For example, the homeownership rate in California is 54.4 percent compared to 61.7 percent in Texas and 64.1 percent in Florida, which leaves millions of Californians aspiring to own a home at some point in their lives (Federal Bank Reserve, 2018). The fact that California's land in its metropolitan area is constrained and regulated more than in most other states, raises its price, and makes it more difficult for very low and low-income families and individuals to own a home.

The high-cost of land in California is in part caused by the additional zoning regulations, strict-city planning, development fees, permitting timelines, and regulatory building requirements that all structurally constrict the supply of the state's affordable housing. For example, development fees for new housing construction can range from \$19,558 for a multi-family unit to \$23,455 for a single-family home, which is three times the national average (Turner, 2018). As a result, the permitting costs can add 13 percent to the cost of construction, which developers pass

on to the consumers (Pisano, 2015). However, another major problem that increases the costs of housing projects is the lengthy processing and approval timelines. According to Urban Land Institute (2014), unspecified and unpredictable time frames with permitting, zoning, and entitlement processes substantially increase housing project costs. Developers abhor uncertainty and when faced with it demand a higher profit in compensation. Consequently, this raises the price of homes.

Besides the prohibitive cost of land and regulatory barriers that slow down the supply of housing in California, a shortage of construction labor and the cost of labor continues to worsen housing affordability. For example, when examining the construction industry, there is a severe shortage of skilled labor such as carpenters, concrete workers, roofers, and drywall installers due to the 2007 housing mortgage bubble. Before the 2008 economic downturn, another source of construction labor came from undocumented immigrants, but during the economic recession, that source of labor vanished (Bizjak, Lillis, & Finch, 2018). In coastal regions of the state, unionization of employees further leads to a prohibitive cost of construction labor due to union-based construction workers earning higher wages and benefits. As a result, developers must sell homes at a higher price to mitigate the costs (Li, 2018). Therefore, the higher cost of construction labor further contributes to California's housing shortage.

Solving Housing Affordability: Long-Term Models

Reflecting on the factors that contribute to California's housing shortage, there is a clear need for government intervention to address the growing crisis. However, before jumping to proposing solutions and alternatives to increase the supply of housing, it is worth noting that public-private partnerships offer a valuable opportunity by which to increase the amount of housing built in a year and thus make all of California's housing more affordable housing. By differentiating between the state, county, and local level, it is evident that communities play an

integral role in deciding what projects get approved. To further explain how these public-private partnerships work, I will discuss San Diego's density bonus incentives, England's land-use system and housing policies, and Canada's National Housing Strategy as examples to improve housing affordability and create more affordable housing units in California. In addition, I will examine the criteria considered in policy implementations and long-term planning strategies for increasing housing production.

San Diego, California

In California, San Diego is a highly desirable place to live because of the pristine coastal location and the city's proximity to the ocean. However, being a highly desirable place to live, San Diego was not immune to the state's current housing shortage and problems. Over the past decade, the development of new housing in San Diego has not kept with the population growth and growing job market, which resulted in difficulties for very low and low-income families to find an affordable place to live (Mac, 2015). The low supply of housing led to rapid increases in housing costs and rent prices. For example, the county median home price exceeds \$500,000, and the current average rent price is around \$1,800 (San Diego Housing Commission, n.d). Understating the challenges, the city of San Diego was facing, the mayor, Kevin L. Faulconer, proposed a series of initiatives to improve housing affordability and create more affordable housing. The primary criterion for the policy changes focuses on cost because under the proposed changes developers would get subsidies from the City of San Diego that offsets the cost of construction at considerable level. The Housing-SD Plan aimed to increase production of housing by making changes to the Density Bonus program, expediting the review processes, and allocating more funding for affordable housing. The City of San Diego currently has Housing Successor Fund & NOFA and Transit Development Oriented Funds to provide developers with

subsidies for the density bonus program (San Diego Housing Commission, n.d). On March 6, 2018, the San Diego City Council approved changes to the Density Bonus program.

The changes made to the Density Bonus program allow developers who are building more than five dwelling units in the City of San Diego to apply for an increase in the unit density, which will allow developers to build more units in a project, in exchange for designating a certain number of units for very-low and low-income families with income restrictions (San Diego Housing Commission, n.d). The city officials are utilizing such an approach to incentivize private developers to build more units for middle-class families and increase the production of affordable housing. Currently, the program offers 10 percent density bonus for housing projects that do not exceed the maximum permitted building footprint, meaning that if a developer stays within the city's allowed building footprint, the city will grant the developer a 10 percent increase in the number of original units to build up. Likewise, the program allows 100 percent density bonus for production of micro-units, which are essentially small apartments averaging 600 square feet per unit meaning that the city will allow developers to double the number of micro-units by building up within the allowed building footprint (Garrick, 2018). The program automatically makes all developers eligible for an incentive or a waiver even if the developers did not request a density bonus. These minor changes on the city level attempt to boost the creation of affordable housing by proving incentives to private developers and strive to make affordable housing projects more appealing to other middle-class communities. However, Ryan and Enderle's (2012) research shows that while the density bonus program increased the number of affordable housing units in the City of San Diego, developers build those projects in poor neighborhoods, which does not lead to socioeconomic integration, since it is easier to go into lower land value markets due to community opposition such as NIMBYs (Ryan and Enderle, 2012). Therefore, while the density bonus program in the City of San Diego increased the supply of housing, the state can address

NIMBY's ability to restrict and oppose density bonus programs in their neighborhoods through public policy to achieve equitable outcomes for very low and low-income families.

England: A Case Study

After World-War II, land-use policies in England focused on increasing efficiency of land use, emphasize equity of land usage and development, and aimed at improving public good and achieving social goals through equitable allocation of land. In 1947, the Town and County Planning Act nationalized development rights and placed a requirement for private developers to obtain permissions from local authorities (Whitehead, 2006). The law shifted the power to local authorities to assess proposed projects and reject if the developments were inconsistent with social objectives, regional needs, and neighborhood characteristics. Consequently, the local planning authority became a substitute for the housing market that focused on increasing social welfare through equitable access to land (Hilber & Schoni, 2016). Local authorities were responsible for ensuring that there was an adequate supply of land for all types of developments. For low-income families who could not afford to pay the market price for housing, local authorities subsidized their housing needs and provided rent subsidies for low-income families.

In the 1980s, there were looming concerns that local authorities were constraining land supply and did not recognize the full range of market demands (Whitehead, 2006). Likewise, with a rise of conservative policies in the parliament, there was a push for land privatization, and local authorities began to sell public land to housing associations at the below market rates (Hilber & Schoni, 2016). Consequently, developers were able to increase the value of their developments in the open market and make massive profits. As a result, the parliament passed the Town and County Planning Act of 1990 and the 1991 Planning and Compensation Act, which restructured land-use policies in England with a greater emphasis on affordable housing production (Whitehead, 2006). For example, all participating agencies would now specify and

outline basic strategies for local developments with a focus on affordable housing production. Likewise, the section 106 of The Town and County Planning Act of 1990 established an affordable housing requirement for granting residential building permits, meaning that local planning authorities could require developments to set aside a certain proportion of units below the market rate for low-income families and individuals (Whitehead, 2006). Therefore, Parliament considers affordable housing in England as social housing and local housing associations oversee managing the properties and maintain the waitlist. Since the 1990s, Parliament also passed policies on increasing residential density requirements and mixed community developments.

As good as England's land use policies may seem, there are severe practical and fiscal problems with the current system that is responsible for England's current affordability shortage. Such rigid development control land-use system requires a high degree of fiscal centralization from the parliament. In England, central government finances local expenditures through block grants, which parliament estimates based on local needs to create an equalization financing system (Hilber & Schoni, 2016). However, local authorities do not generate enough tax revenue from planning gain to create needed infrastructure, which cities need to permit more housing developments. Since local authorities do not have a formal taxation mechanism to increase the production of affordable housing, they negotiate with developers about incurring costs and whose is responsible for the price of post-contractual opportunism (Crook & Whitehead, 2000).

Hilbert and Vermeulen (2016) concluded that such a restrictive regulatory approach to housing market affects house prices. In addition to price inelasticity, there are is a scarcity of developable land in urban parts of England such as London, Manchester, and West Midland due to higher demand for housing (Whitehead, 2006). To further negate the lack of financial incentives for local authorities to approve more affordable housing projects, local authorities

grant NIMBYS a robust political representation when it comes to approving housing projects, which further promotes the price inelasticity in the existing market and effectively reduces the supply of affordable housing.

Canada's National Housing Strategy

When I began researching Canada's housing policies, one aspect of the federal policies became clear: housing is a human right. In 2018, the Canadian government released a National Housing Strategy Plan, which outlines Canada's framing of housing affordability shortage, lists incentives to boost home production and allocation of government subsidies to create more affordable housing, and a 10-year housing targets with a price tag of \$40 billion to accommodate the housing needs of about 1.7 million people (National Housing Strategy, 2018). Such ambitious targets and commitments encompass the role of private-public partnerships between the federal government, provinces, local municipalities, and the private sector. In addition, the plan outlines and provides clear objectives in achieving the established targets and goals. However, besides the newly released National Housing Strategy, Canadian housing policy encompasses three fundamental principles: private markets, government subsidies for low-income housing, and confronting NIMBYs opposition.

In the post-war era, the Canadian federal government began to provide instruments to boost Canada's homeownership rate such as mortgage lending regulations, incentives, and insurance institutions. Similarly, municipal governments provided land for developers and established zoning regulations that helped to increase the supply of cheap housing in the outskirts of the cities (Hulchanski, 2007). In 1963, the federal government started to directly subsidize housing for low-income families through public housing programs, which established their housing corporations that had contractual agreements with the federal government to oversee and manage those properties. However, by the 1970s, such central approach to housing became

fiscally unsustainable, and the federal government adopted more of a community-based non-profit program approach, which decentralized the government's role in providing and creating affordable housing (Hulchanski, 2007).

Over the last decade, Canada has seen the growing real estate market due to economic growth in the cities, which led to the influx of more people and placed a strain on the housing market. As more people need affordable housing, NIMBY organizations play a significant role in limiting the affordable housing developments by placing pressure on municipal authorities (Hulchanski, 2007).

Considering Canada's historical context of housing policy, there is an indicative sign of a market-oriented approach to increasing the supply of housing. Over the last two decades, much of Canada's housing policies focused on housing supply through incentivization of the private market and private developers (Wexler, 1996). However, due to the growing inequality between the rich and the poor, many urban areas in Canada are facing a severe housing shortage problem and rising homelessness because the demand for housing outpaces the supply (Hulchanski, 2007). Thus, with the new national housing strategy plan, Canada's approach to housing is shifting towards creating more social housing projects and safety net programs for the very-low and low-income families as in the 1960s to improve socio-economic outcomes, ensure equitable outcomes for all citizens, promote economic growth, and reduce environmental degradation.

Conclusion: Lessons Learned

Considering the factors that contribute to California's housing shortage such as CEQA protections, zoning regulations, land-use policies, NIMBYs, and the prohibitive costs of building, there is a need for government intervention in the housing market to maximize the social welfare of very-low and low-income families and individuals. In this literature review, the presented case studies outline the benefits and problems with different housing policies because no system is

perfect and can accommodate the needs of everyone. However, California's legislators and policymakers can implement some aspects of the presented models to improve the current housing situation in the state, thereby increasing the supply of housing.

Analyzing efforts made in San Diego City to increase density in residential developments, England's centralized government approach to affordable housing, and Canada's mixed system of public and private markets, I will present and propose innovative policy alternatives that can help to increase housing supply in chapter three. Despite different housing policies and legislative approaches to housing, the common theme through this literature review emphasized the role of NIMBYs in preventing the construction of affordable housing and their power. In all the discussed case studies, NIMBYs play a significant role in pressuring local authorities to reject affordable housing developments for very low and low-income families who spend more than half of their income on housing costs due to potential financial risks on their properties (Fischel, 2001). Therefore, when conceptualizing politically feasible solutions to California's housing problem, addressing NIMBYism is the most significant hurdle to overcome.

CHAPTER 3

METHODOLOGY

As discussed in chapter one, government agencies measure housing affordability by establishing a ratio of an annual household's housing cost to its annual household income. HUD considers 30 and 50 percent as the two income thresholds where affordability concerns arise regarding a household's expenditure on housing. The primary focus of this thesis is on the very low and low-income households who spend more than 50 percent of their annual income on annual housing costs (either rental payments or mortgage payments, plus taxes and utilities). It is easy to understand why HUD considers low-income families that spend more than half of their income on housing costs as "cost-burdened" because of the severe challenges this imposes in accessing food, clothing, medical care, and transportation. Thus, the intent of proposed policy alternatives is to increase the affordability of housing for this group specifically.

In this chapter, I first summarize recent California legislative efforts to improve housing affordability in California because this policy issue is high on Governor Newsom's political agenda. Next, I present three public policy alternatives to improve housing outcomes for very low and low-income families. I conclude by describing qualitative and quantitative CAM analysis that I will use in chapter four to perform these analyses and offer insight on the desirability and tradeoffs of choosing one policy alternative over another.

Current Legislative Efforts to Improve Housing Affordability in California

Given the context of California's housing shortage over the past three decades, California's State Legislature has made minor changes to the current zoning laws and regulations. In 2017, former Governor Jerry Brown signed a series of 15 bills that aimed to make it easier for developers to build, expanded incentives for developers to create more low-income housing units, and pushed cities to plan for more affordable housing (Walters, 2017). One of those 15 bills

included an Assembly Bill 1505, which restored the power of the cities and municipalities to impose inclusionary zoning law on residential rental developments to set aside certain number units for affordable housing (Meyers Nave, 2017). AB 1505 reverses 2009 appellate court decision *Palmer/Sixth Street Properties L.P vs. Los Angeles*, which prohibited local governments from applying inclusionary zoning law to rental properties (Western Center on Law Property, n.d). However, given the large scope and the magnitude of the housing needs in California, the outcomes of the passed legislation remain unknown and most likely will have little to no effect on housing production (Hart, 2017).

In 2018, Senator Scott Wiener introduced a Senate Transit Zoning Bill (SB 827) that received national media coverage and gained traction with young Californians across the state. SB 827 aimed to override local zoning regulations and grant the state authority to provide permits to developers to build condominiums and apartment complex near transit areas if the projects are within half-mile of a train or subway station (Chandler, Tinoco, & Chiland, 2018). However, the bill did not advance from the Senate Transportation and Housing Committee on April 2018 with seven votes against and four votes in favor (Schneider, 2018). Senator Wiener is planning to reintroduce the updated version of the bill in the 2019 legislative session with the following changes. For example, the updated version of SB 827 would require denser developments in job-rich areas due to criticisms received in the original bill about sparing wealthier communities from receiving its fair share of very-low and low-income families (Brekke, 2018). Likewise, the updated bill allows cities with more sensitive populations more time to plan for more affordable housing developments and multifamily housing. In addition to the current efforts, in 2018, California elected Gavin Newsome as the Governor, and he presented some solutions to improve housing affordability for very low and low-income families.

During the gubernatorial campaign, Newsome made ambitious campaign promises to improve California's housing shortage and build approximately 3.5 million housing units over the next seven years, provide more subsidies to developers for building housing for lower-income Californians, and slash state regulations to allow construction of new housing (Levin, 2019). In Governor's Newsome first budget proposal, there is a great emphasis on creating more low-income housing referred to as "Marshall Plan" for affordable housing and allocating more resources to such projects. Newsome made it clear that the housing crisis is one of the top priorities on the legislative agenda list and under his budget there would be more than 1.7 billion in one-time cash infusion for creating more affordable housing and addressing homelessness. Likewise, to incentivize cities to build more affordable housing, Newsome proposed \$500 million in awards to cities and municipalities that will meet its fair share of low-income housing needs (Levin, 2019). In addition to Newsome's budgetary proposals, he is calling on Silicon Valley corporations to help build new homes and provide low-interest loans to developers to create more housing for nurses, teachers, and middle-class Californians (Dillon, 2019). However, there are concerns from watchdogs and independent groups about such approach and reliance on corporations to provide money and possible conflict of interest.

Governor's Newsome approach to creating more housing for Californians seems to resonate with Canada's National Housing Strategy, which is a positive shift from former Governor Jerry Brown views on housing. For example, Newsome wants the Department of Housing and Community Development to create statewide targets for production of housing, as well as, assess regional needs for housing, which would provide and create an accountability measure for the state officials to utilize and enforce current housing laws. Likewise, Newsome wants state officials to designate areas with urgent housing needs for more low-income housing (Ashmun, 2019). However, while the current proposals strive to create more affordable housing,

there should be a stronger emphasis on meeting the needs of 1.7 million of very low and low-income families, who spend more than half of their income on housing costs.

Three Alternatives to the Problem of Too Little Housing

Contextualizing current legislative efforts to create more affordable housing in California, the current proposals do not go far enough to alleviate the current housing shortage of 4 million. Reflecting on the conducted literature review and discussed case studies, I constructed three public policy alternatives, summarized in table #1, that I believe will help boost housing production for very low and low-income families and create more affordable housing. These alternatives may seem unconventional to some experts and decision-makers, but since the magnitude of California's housing problem is large, the solutions aiming to address the issue must be more comprehensive and rigorous because current legislative efforts are modest and conservative. The three alternatives I analyze are passing statewide inclusionary housing law, expanding California's Current Density Program, and creating a Community Block Grant Program.

Table 1: Description of Public Policy Alternatives

	Alternative	Description
I	Passing Statewide Inclusionary Housing Law	This alternative establishes statewide inclusionary housing law that would require developers to set aside 20 percent of the total number of units in the project for very low and low-income households.
II	Expand California's Current Density Program	This alternative aims to increase and expand California's current Density Bonus Law program from 35 percent to 50 percent.
III	Creating a Community Block Grant Program	This alternative aims to encourage communities to accept more affordable housing projects is an exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

Alternative 1: Passing Statewide Inclusionary Housing Law

Examining California's current housing policies, there are many obligations and powers that the state delegates to the counties and local municipalities because they understand the dynamics and characteristics of communities, they are responsible for governing. Reflecting on England's housing policies, there are numerous issues that local provinces face under the centralized parliamentary systems due to lack of consistent available funding and resources for affordable housing. However, England's affordable housing requirement obligates private developers to designate a certain proportion of units in a project below the market rate for low-income families and individuals (Whitehead, 2006). On the contrary, California does not have statewide inclusionary housing law, but some municipalities and cities have local inclusionary housing ordinances. The difference is that California local municipalities and counties can create and impose inclusionary housing ordinances, meaning there are no state laws that require developers to designate a certain percentage of units for low-income families unless the project is in the jurisdiction with inclusionary housing policies.

Reflecting on California's current housing shortage, the legislature can pass an inclusionary zoning law on the state level, which would set a standard for counties and local governments to adhere to with a minimum requirement of 20 percent. For example, currently, more than 170 communities have adopted inclusionary housing ordinances (Kimura, 2016). However, most of the counties and municipalities require less than 15 percent of units to be designated for inclusionary housing. For example, the AB 1505 reinstated inclusionary housing law on residential rental properties, but it did not set a percentage limit for housing developments to set aside for very low and low-income households. Furthermore, the bill prompts a review by HCD if a jurisdiction requires more than 15 percent of the total number of units in the project for low-income households (Mayers Nave, n.d). Therefore, given the shortcoming of the AB1505

and the current housing crisis in California, the state can consider passing a statewide inclusionary housing law that would require developers to set aside 20 percent of the total number of units with the developments for very low and low-income households.

Alternative 2: Expand California's Current Density Program

Currently, California has a Density Bonus Law program that allows developers to receive up to 35 percent increase in project density in exchange for creating more affordable housing units under the California Government Code Section 65915-65918. The density bonus percentage depends on the number of affordable housing units, meaning the more affordable housing units the project will create, the higher the project density bonus percentage will be (California Legislative Information, n.d). Likewise, the law currently provides many other economic incentives to project developers such as reduced parking requirements, expedited review processes, and reduced minimum square footage requirements (Goetz & Sakai, 2017). As previously discussed in the literature review, some cities, such as San Diego, choose to provide additional density bonus increases for the projects within their jurisdictions that research proves to be effective at creating more affordable housing units. However, not all local governments and municipalities offer or can offer those increased incentives to the project developers. Therefore, there is an opportunity for state legislators to expand California's current Density Bonus Law program from 35 percent to 50 percent.

Since California is in a massive housing shortage of 4 million homes, the state could expand and increase the Density Bonus Law program to provide developers with incentives to build more affordable housing. Likewise, given Governor's Newsome approach and commitment to creating more affordable housing for very-low and low-income families, the state will invest over 1.7 billion in various housing projects and provide more incentives for developers to build more affordable housing for low-income families and homeless (Levin and Cano, 2019).

Therefore, in addition to former Governor's Brown signed legislation to ease and expedite review processes for housing projects, reduce the costs of building, and push cities to plan for more affordable housing, expanding state's current Density Bonus Law program will provide more resources and financial incentives to invest in affordable housing projects. As a result, since the state will spend a considerable amount of money into creating more housing, this proposed alternative can be one of the ways to achieve that goal.

Alternative 3: Creating a Community Block Grant Program

Considering the factors that suppress California's supply of housing, NIMBYism is at the center of the housing affordability problem and has been for years. Community opposition groups have valid reasons to block affordable housing projects and developments because of the potential adverse effect on their property values. Therefore, when considering public policy alternatives to combat NIMBYism, it is necessary to understand and resonate with NIMBYs concerns and perspectives. In general, NIMBYs don't want very low and low-income families to come to their communities because of the potential aesthetic changes in the neighborhoods (Boyarski, 2019). Therefore, a reasonable solution to encourage communities to accept more affordable housing projects is an exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

By creating a community block grant program within the California Department of Housing and Community Development, the state will encourage more cities, communities, and neighborhoods to accept for very low and low-income families. This state program would provide grants to communities through local governments. I base the reasoning for this public policy alternative on the principles of behavioral economics of incentives. Behavioral economics is a field of economic study that focuses on psychology and economics and strives to explain

individual behavior and why people make certain decisions. Within behavioral economics, there is a concept of incentives which is a way to motivate individuals to engage or perform a particular action in exchange for monetary value (Heshmat, 2017). Therefore, going back to the literature review, it is possible to frame the issue of affordable housing as increasing the public good by providing communities financial incentives to enhance their communities and possibly increase the values of their properties.

This alternative is like Governor's Newsome proposal to allocate 500 million in awards to cities that meet its fair share of housing meaning there is a possible designated source of established funding for such grants (Bollag and Koseff, 2019). However, the difference is that by providing grants or awards to communities as opposed to cities, communities will not be able to push out affordable housing projects to poverty concentrated areas, impoverished parts of the city, and disadvantaged neighborhoods. Thereby, promoting socioeconomic and racial integration within communities and neighborhoods. Of course, it is challenging to persuade upper-class neighborhoods and communities with such arguments, but this alternative will provide resources to enhance and improve middle-class and working-class communities. This alternative does come off as paternalistic, but nudging people towards accepting more very low and low-income families into their communities can slowly lead to a social change of perception and increasing housing production.

Methodology

This thesis uses Bardach's (2012) Eight-Step Path of Policy Analysis and Munger's CAM analysis to produce a quantifiable and comparative analysis of the presented alternatives (Barchach, 2016 & Munger, 2000). In the Bardach method, the first step is to define the problem statement and explain the purpose of the analysis. For example, within this thesis, the problem statement is there are too many very low and low-income households who spend more than half

of their income on housing costs. Consequently, Bardach suggests collecting evidence and conducting a brief literature review about the problem, explaining the scope and the magnitude, and researching what has been done to alleviate the problem. Step three requires constructing alternatives or “policy options” to mitigate the defined problem (Bardach, 2016, p.16). In step four, Bardach suggests establishing appropriate evaluating criteria for the proposed alternatives. For example, when presenting alternatives cost, efficiency, and fairness are essential considerations for the decision-makers. Step five projects the quantitative outcomes for the proposed alternatives based on the quantified criteria, for which I used Munger's CAM analysis. When projecting the CAM outcomes, it is crucial to acknowledge opportunity costs and confront possible trade-offs of each alternative to solidify the results and inform policymakers about potential conflicts in the analysis. In step seven, Bardach suggests deciding and yielding the most appropriate alternative to solve the problem. Lastly, Bardach suggests telling the story of the problem statement in the eightfold path method. However, I attempted to tell the story throughout the thesis and not as the last step in the recommendation section because it is necessary to convey the importance of the problem statement and keep the reader engaged throughout the report. Based on Bardach’s (2012) Eight-Step Path of Policy Analysis, I will be using cost, equity, and economic sustainability as the primary criteria in the analysis.

Cost

For the cost criterion, instead of examining direct costs associated with each alternative, I analyzed the cost criterion from the "bang for the buck" perspective, meaning which alternative would achieve the most for the money spent to improve housing affordability and boost housing for low-income families. The goal of the cost criterion is to analyze the efficiency and social welfare produced. Since the government uses taxpayer’s money to provide affordable housing, it is essential to consider the cost as the primary criterion with the highest assigned value.

Taxpayers want accountability for every dollar spent (Bardach, 2012). The economic concept “bang for your buck” is a good example that illustrates the most efficient use of taxpayer’s money. The “Bang for your buck” explains how profits or benefits should maximize one’s amount of input, meaning for every taxpayer’s dollar spend, there should maximum return value (Hill and Myatt, 2010). However, when analyzing affordable housing developments, the subsidized cost per unit is very high, and trying to accommodate 1.7 million of very low and low-income households would be an expensive solution.

Equity

Out of the three criteria, equity is the second relatively important criterion because it is not essential to improving housing shortage in California, but necessary for very low and low-income families to share the benefits and equitable outcomes of the proposed alternatives. The equity criterion focuses on advancing public and social good in the context of fairness and equal opportunity. When it comes to affordable housing developments, the majority of households are very low and low-income families, who rely on government assistance to subsidize housing costs (Mac, 2015). Moreover, low-income families need government assistance, either long-term or short-term, to achieve economic and financial independence to transition to diverse types of housing options (California Housing Partnership Corporation, 2014). However, the concept of fairness should also apply to taxpayers in the context of government accountability and transparency for the dollars spent.

Economic Sustainability

The economic sustainability criterion examines long-term financial feasibility of the proposed public policy alternatives. While sustainability is an essential factor to consider in affordable housing programs, the majority of the funding comes from already existing government programs (Bardach, 2012). As a result, the programs will get the appropriated funds

as long as the federal and state governments renew the funding for those programs in the annual operations budget. As Walters (2017) argues, in the long-term, affordable housing developments are self-sustaining because they only require a subsidy for the initial building and development phases. After the completion, the developers tend to cover the necessary costs for needed maintenance and operational support by setting appropriate rent rates.

Criteria Alternative Matrix and Weights

Munger's CAM analysis is a tool that allows to evaluate different alternatives based on specified and weighted criteria to generate a comparative quantitative analysis (Munger, 2000). It is useful for public policy analysts because it provides straightforward comparisons of public policy alternatives and detailed analysis for policymakers explaining trade-offs and limitations (Bardach, 2012). When evaluating different criteria to assess the feasibility of the policy alternatives, it is essential to prioritize alternatives based on cost, equity, and economic sustainability. Moreover, applying different weights to each criterion is necessary to understand the institutional impact on proposed policy solutions as presented in table #2, and its relative importance in the current political climate. I will measure the relative importance of the criteria using the Likert Scale rating from 1 to 5 as illustrated in table #3 with the following meanings:

- Rating of 1 indicates that the policy alternative will do nothing to create more housing for very low and low-income families and does not satisfy the criteria.
- Rating of 2 indicates that the policy alternative will most likely not create more housing for very low and low-income families and mostly does not satisfy the criteria.
- Rating of 3 indicates that the policy alternative will somewhat create more housing for very low and low-income families and moderately satisfies the criteria.
- Rating of 4 indicates that the policy alternative will create more housing for very low and low-income families and mostly satisfies the criteria.
- Rating of 5 indicates that the policy alternative will definitely create more housing for very low and low-income families and completely satisfies the criteria.

The weight value applied to each criterion is:

- Cost has a weight value of 0.45.
- Economic sustainability has a value of 0.30.
- Equity has a weight value of 0.25.

Table 2: Evaluating Alternatives Based on Weights Applied to Each Criterion

Criteria	Weight
Cost	0.45
Equity	0.30
Sustainability	0.25
Total	1.00

Table 3: Likert Scale (1-5) Rating Description of Alternatives

Criteria	Description of Rating	
	“5” – Very Strong	“1” – Very Weak
Cost	Achieves full policy objective to provide approximately 1.7 million of very low and low-income households with housing.	Not likely to improve the ongoing housing shortage problem for very low and low-income families.
Equity	The policy will positively affect all demographics equally and achieve socially desirable equitable outcomes	The policy will not have any effect on improving social outcomes among very low and low-income households and will have no adverse impact on taxpayers.
Economic Sustainability	After the policy will achieve maximum social welfare with governmental resources, it will be able sustain without government intervention, and the government will redirect resources to other services.	The policy is unsustainable in the long term because it requires indefinite government intervention and support.

Conclusion

Considering the complexity of California’s housing shortage, I have proposed possible public policy alternatives to mitigate the problem and boost the production of housing for very low and low-income families. Similarly, this chapter outlined and summarized the methodology

of this thesis and presented different evaluating criteria for each alternative using Bardach's (2012) Eight-Step Path of Policy Analysis and Munger's application of quantitative CAM analysis. In the next chapter, I will examine, evaluate, and score each alternative based on the selected criteria using quantitative CAM analysis, which will yield the most appropriate alternative based on the highest score to create more housing for very low and low-income families.

CHAPTER 4

THE CAM ANALYSIS OUTCOMES

As outlined in the previous chapter, I use Bardach's (2012) Eight-Step Path of Policy Analysis and Munger's CAM analysis to produce a quantifiable and comparative analysis of the presented alternatives for this thesis (Bardach, 2012 & Munger, 2000). This CAM analysis creates and provides valuable information for the experts working in the public housing area, policymakers, and the non-profit sector aiming to alleviate the current housing hardships for very low and low-income households. The focus of this thesis is on the very low and low-income families who spend more than 50 percent of their income on housing costs. Therefore, I designed the presented public policy alternatives to target and benefit specifically those groups. I begin this chapter by summarizing three public policy alternatives used in this thesis. Next, I will analyze and score each alternative based on cost, equity, and economic sustainability criteria and explain the trade-offs associated with each alternative. In the next chapter, I will discuss political feasibility based on the interviews conducted with experts working in the housing sector.

Alternative 1: Passing Statewide Inclusionary Housing Law

The passing of the statewide inclusionary housing law alternative proposes to establish a statewide inclusionary housing law that would require developers to set aside 20 percent of the total number of units for very low and low-income families in every multi-unit housing project. The primary goal of this alternative is to create a requirement for developers to set aside 20 percent of the project's units below the market-rate, making it easier for very-low and low-income households to obtain housing needs. As of now, more than 170 communities have adopted inclusionary housing ordinances on the county and municipal levels (Kimura, 2016). However, most of these cities and communities set a requirement of 15 percent, which is insubstantial to alleviate California's current housing needs and a shortage of 4 million homes.

Alternative 2: Expand California's Current Density Program

The expanding California's current density program alternative suggests that the state legislators can consider expanding California's current density bonus law from 35 percent to 50 percent. The primary goal of this alternative is to create more mixed-income housing developments that would create more affordable housing for very-low and low-income families as well as middle-class households. As of now, the state has a deficit of 4 million homes, meaning very low and low-income families who spend 50 percent on housing costs have challenges accessing food, medicine, and other basic needs (Gutierrez, 2018; HUD, n.d). Given that the state can provide additional financial incentives and possible tax exemptions for private developers, this alternative has the potential to alleviate the current housing shortage in California. For example, Governor Newsome has pledged to invest over \$1.7 billion for various housing projects and provide more incentives for developers to build more affordable housing for low-income families and homeless (Levin and Cano, 2019). Therefore, there is a possible source of state funding to sustain the density bonus increase from 35 percent to 50 percent.

Alternative 3: Creating a Community Block Grant Program

The creation of a CDBG program alternative has a potential to encourage communities and neighborhoods to accept more affordable housing projects in exchange for CDBG that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion. This alternative aims to get at the heart of the affordable housing problem, which are NIMBYS and community opposition groups to affordable housing developments in middle-class neighborhoods and communities. The theory of behavioral economics suggests that financial incentives can motivate individuals to engage or perform a particular action in exchange for monetary value (Heshmat, 2017). Similarly, CDBG programs help to revitalize urban areas and communities and focus on creating more economic

opportunities within those areas (Boyarski, 2019). In 2018, Governor's Newsome proposed to allocate \$500 million in awards to cities that would meet its fair share of housing, creating a stable source of funding for these types of grants making it a highly lucrative consideration for counties and municipalities seeking to improve their neighborhoods through various public infrastructure projects (Bollag and Koseff, 2019).

The CAM Analysis for the Cost Criterion

For the cost criterion, instead of examining the costs of each alternative, I focused on examining and analyzing the cost criterion from the "bang for the buck" perspective, meaning which alternative would achieve the most for the money spent to improve housing affordability for very-low and low-income households. In this analysis, the cost criterion is the most important factor to consider when evaluating the presented alternatives because government resources are scarce, and taxpayers want accountability for the tax dollars spent. For this reason, I gave the cost criterion a weight of 0.45. Table 4 offers the qualitative CAM for the cost criterion of the three presented public policy alternatives, and table 5 then takes these qualitative findings and quantifies them.

Table 4: Cost Criterion Qualitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Law	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Cost Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.

Table 5: Cost Criterion Quantitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws and Regulations Law	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Cost Criterion	Rating: 2 Weight: 0.45 Total: 0.90	Rating: 3 Weight: 0.45 Total: 1.35	Rating: 3 Weight: 0.45 Total: 1.35

I gave the passing of the statewide inclusionary housing law alternative a qualitative rating of 2 because this policy alternative will most likely not create more housing for very low and low-income families and mostly does not satisfy the criterion resulting in an overall total score of 0.90. Based on the discussed research, I believe that if legislators were to pass inclusionary zoning law, much of the associated costs would get transferred onto the private developers, making them responsible for additional construction costs (Whittemore, 2014). Since 20 percent of the units in a development would be rented out below the market rate, this would generate fewer profits to offset the construction costs. This potentially suggests that the developers would transfer the cost difference on to the standard market-rate units, resulting in higher prices for the middle-class families. Likewise, a potential trade-off is whether the government would have to offset the higher construction costs due to prohibitive costs of building to incentivize private developers to keep building more housing. Therefore, it is possible that the state would be responsible for offsetting certain construction costs, placing an additional strain on government resources and expenditures.

I gave expanding California's current density program alternative a qualitative rating of 3 because this policy alternative will somewhat create more housing for very low and low-income families and moderately satisfies the criterion resulting in an overall total score of 1.35. The state would subsidize much of the costs associated with this alternative, reducing the financial

pressures of the higher costs for the private developers by providing additional incentives to build. For example, current density bonus programs offer incentives such as certain tax exemptions, reduced parking requirements, expedited review processes, and reduced minimum square footage requirements (Goetz & Sakai, 2017). Since the state is already planning to invest \$1.7 billion in creating more affordable housing and addressing homelessness, expanding the density bonus program is one of the ways the state can boost the production of housing. However, since this alternative would create additional tax exemptions for private developers, this can create a revenue problem for the cities and place additional strains on cities' resources and revenues. As a result, since cities will generate less property tax revenue, there are some concerns about the reduction of public infrastructure projects and public services.

I gave creating a CDBG alternative a qualitative rating of 3 because this policy alternative will somewhat create more housing for very low and low-income families and moderately satisfies the criterion resulting in an overall total score of 1.35. When considering the costs of CDBG programs, these costs tend to achieve the highest bang for the buck because people get to see their neighborhood and communities improve through various public projects. As I explained, NIMBYism is at the heart of the affordable housing shortage in California. Therefore, providing financial incentives to community residents in exchange for creating affordable housing units does provide maximum utility to both sides. CDBG provides cities with small grants that would help to build parks, repair public infrastructure, and combat congestion. For example, the two previous alternatives aimed at providing resources to private developers, but this alternative aims to elevate the public good for Californians. Likewise, Governor Newsome has proposed to allocate \$500 million in funding for CDBG; thereby, creating a steady source of funding for the next few years. However, to make this program effective, there must be specific requirements attached to the grants, ensuring that cities comply with creating more

affordable units for very low and low-income families. This approach is the most cost-effective out of all presented alternatives and has the potential to create some affordable housing in the state for very low and low-income families.

Out of the three presented public policy alternatives, expanding California’s current density program and creating CDBG program alternatives both received qualitative ratings of 3, which resulted in a quantitative score of 1.35 for both alternatives. The passing of the statewide inclusionary housing laws and regulations alternative received a qualitative score of 2, resulting in the quantitative rating of 0.90, which makes it the least desirable solution to pursue.

The CAM Analysis for the Equity Criterion

For the equity criterion, it focuses on advancing and maximizing the public and social good in the context of fairness, equal opportunity, and equal access. The equity is the second relatively important criterion because it is not essential to improving housing shortage in California, but necessary for very low and low-income families to share the benefits and equitable outcomes of the proposed alternatives. For this reason, I gave the equity criterion a weight of 0.30. Table 5 offers the qualitative CAM for the equity criterion of the three presented public policy alternatives, and table 6 then takes these qualitative findings and quantifies them.

Table 6: Equity Criterion Qualitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws	Alternative 2: Expand California’s Current Density Program	Alternative 3: Creating a Community Block Grant Program
Equity Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.	This policy alternative will create more housing for very-low and low-income families and mostly satisfies the criteria.

Table 7: Equity Criterion Quantitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Equity Criterion	Rating: 2 Weight: 0.30 Total: 0.60	Rating: 3 Weight: 0.30 Total: 0.90	Rating: 4 Weight: 0.30 Total: 1.20

I gave the passing of the statewide inclusionary housing law alternative a qualitative rating of 2 because this policy alternative will most likely not create more housing for very low and low-income families and mostly does not satisfy the criterion resulting in an overall total score of 0.60. This alternative can create and provide additional affordable housing for very low and low-income families. However, since the private developers would have to bear the extra costs, this alternative will further decrease the supply of housing, making it inequitable for most very-low, low-income, and middle-class families. As I previously explained, this public policy alternative will make it more expensive for developers to build new projects since 20 percent of the total number of units have to be set aside for affordable housing. Given that private developers would be at an economic loss due to a lack of incentives, this alternative will further decrease the supply of housing, making the current housing problem worse in the long-term. In addition, this alternative would add to the existing structural barriers of strict-city planning ordinances, numerous zoning regulations, and land-use policies which further prompt inequitable outcomes not just for the very-low and low-income households but middle-class families as well.

I gave expanding California's current density program alternative a qualitative rating of 3 because this policy alternative will somewhat create more housing for very low and low-income families and moderately satisfies the criterion resulting in an overall total score of 0.90. When considering density bonus programs, these types of developments create mixed-income units for

very-low, low-income, and middle-class families. However, such high-density developments can create problems for public schools, generate more traffic, and require more public services. Therefore, homeowners can experience short-term adverse effects on their property values due to more people moving into their neighborhoods. Another concern about mixed-income housing projects is who will bear the long-term maintenance and repair costs since one of the requirements for density bonus programs can stipulate that some rental units must remain affordable for up to 55 years, possibly shifting costs onto middle-class families (Hutchins and Tiedemann, 2016). Since the program requirements can designate and require a certain number of units as affordable housing for very low and low-income families in a project, private developers can transfer the costs onto middle-class households.

I gave creating a CDBG program alternative a qualitative rating of 4 because this policy alternative will create more housing for very low and low-income families and mostly satisfies the criterion resulting in an overall total score of 1.20. As previously discussed, NIMBYism is the primary cause of the housing shortage in California. Therefore, when proposing any public policy alternatives to mitigate the ongoing problem, it is essential to acknowledge the needs and concerns of homeowners. This policy aims to fall in the middle and provide benefits not only for very low and low-income families but also for middle-class families and their neighborhoods by allocating resources for neighborhood investment projects and improvements. It is fair to assume that this policy does fall short of the necessary government intervention to increase the supply of housing on the market because of its limited scope and an assumption that NIMBY residents will change their long-standing attitudes about very low and low-income families. However, it is the start of a larger conversation that can lead to potential changes in the way communities integrate low-income residents. The potential trade-offs of this policy questions the efficacy of the money spent and if the government can invest this money in different affordable housing projects that

will create more housing in the short-term meeting the demand for low-income and very low-income households. However, given the length of the housing shortage in California and the magnitude and the scope of the issue, it is a better solution as opposed to doing nothing and letting house shortage further deteriorate.

Out of the three presented alternatives, the creating CDBG program alternative received the highest score of 1.20, making it the most desirable public policy solution to pursue in the context of equitable outcomes. Expanding California's current density program alternative received a total score of 0.90, making the alternative the second-best option to consider for improving housing affordability for the very low and low-income families. The passing statewide inclusionary housing laws and regulations alternative received a score of 0.60, which was the least desirable solution out of the presented options.

The CAM Analysis for the Economic Sustainability Criterion

For the economic sustainability criterion, it focuses on examining the long-term financial feasibility of the proposed public policy alternatives. The economic sustainability is the least important criterion in this CAM analysis because the state legislature and the Governor have both agreed to allocate money to fund programs that would improve housing affordability for the very low and low-income families housing (Levin, 2019). Likewise, there are long-term federal programs that provide funding to cities and urban areas for neighborhood revitalization and community improvement projects. For this reason, I gave the economic sustainability criterion a weight of 0.25. Table 8 offers the qualitative CAM for the economic sustainability criterion of the three presented public policy alternatives, and table 9 then takes these qualitative findings and quantifies them.

Table 8: Economic Sustainability Criterion Qualitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Economic Sustainability Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.

Table 9: Economic Sustainability Criterion Quantitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Economic Sustainability Criterion	Rating: 2 Weight: 0.25 Total: 0.50	Rating: 2 Weight: 0.25 Total: 0.50	Rating: 3 Weight: 0.25 Total: 0.75

I gave the passing of the statewide inclusionary housing law alternative a qualitative rating of 2 because this policy alternative will most likely not create more housing for very low and low-income families and mostly does not satisfy the criterion resulting in an overall total score of 0.50. This policy fails to sustain in the long-term because the private developers will shift the costs onto the consumers making housing more expensive for very-low, low-income, and middle-class families. With the rising cost of living, this policy is unsustainable because it will further decrease the supply of housing, making it more expensive. Also, if the cities will provide subsidies to offset the costs of construction to developers, this places an additional level of strain

on government resources and public expenditures. Therefore, the long-term tradeoff would have to address and establish a permanent source of funding, which can create numerous economic and political implications for state legislators and decision-makers.

I gave expanding California's current density program alternative a qualitative rating of 2 because this policy alternative will most likely not create more housing for very low and low-income families and mostly does not satisfy the criteria resulting in an overall total score of 0.50. Since the state government would be responsible for providing incentives and financial subsidies to private developers, the program would require annual appropriations to continue creating more housing. As I previously mentioned, Governor Newsome has pledged to invest over \$1.7 billion into homelessness and affordable housing projects. However, since this is a one-time cash infusion to boost production and supply of housing, state legislators and decision-makers would have to create a permanent source of funding to maintain the density program at a 50 percent level. Thus, a possible trade-off can create numerous implications for public expenditures and pose questions about whether the public should be subsidizing profits for private developers.

I gave creating a CDBG program alternative a qualitative rating of 3 because this policy alternative will somewhat create more housing for very low and low-income families and moderately satisfies the criterion resulting in an overall total score of 0.75. When planning for long-term housing solutions, it is necessary to understand that our state's economy goes through phases of economic growth and economic downturns, which often negatively impacts government revenues and operating budgets. Therefore, when considering investing \$500 million to create a CDBG, it is necessary to understand that the HCD will use up these resources in a few years' time lengths. Therefore, short-term economic sustainability does suffice the needs to start building more affordable housing in more communities in exchange for neighborhood improvement projects. However, long-term this solution fails to address the ongoing market

supply problem with available housing for very low and low-income households. Therefore, the potential trade-off would have to deal with understanding the efficacy of the CDBG program. Likewise, HCD would need additional resources from the state legislature to generate a report on the creation of the CDBG program and its efficiency, effectiveness, and cost-efficiency in California because our state is highly diverse, expensive to live in, and very large as compared to other states with smaller CDBG programs.

Out of the three presented alternatives, the expanding California's current density program and the passing of statewide inclusionary housing laws and regulation alternatives both received qualitative ratings of 2, which resulted in the quantitative scores of 0.5. Creating a CDBG program alternative received a qualitative score of 3, resulting in the quantitative score of 0.75, which makes it the most desirable solution out of the presented policy options.

Conclusion

Based on the presented CAM analysis, in addition to Bardach's (2012) Eight-Step Path of Policy, this thesis yields that creating a CDBG program will help to alleviate California's housing shortage for very-low and low-income families. This alternative received a total overall score of 3.30, making it the best option to pursue out of all the presented public policy alternatives. The expanding California's current density program alternative received a total score of 2.75, making it the second-best public policy option to consider. Lastly, the passing statewide inclusionary housing laws and regulations alternative received an overall score of 2.00, making this alternative the least desirable option to pursue to improve housing affordability for very low and low-income families in California. Table 10 provides a summary of the qualitative CAM results for the cost, equity, economic sustainability criteria of the three presented public policy alternatives, and table 11 provides an overview of the quantified findings.

Table 10: Summary of Qualitative CAM Results

	Alternative 1: Passing Statewide Inclusionary Housing Laws	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Cost Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.
Equity Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.	This policy alternative will create more housing for very-low and low-income families and mostly satisfies the criteria.
Economic Sustainability Criterion	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will most likely not create more housing for very-low and low-income families and mostly does not satisfy the criteria.	This policy alternative will somewhat create more housing for very-low and low-income families and moderately satisfies the criteria.

Table 11: Summary of Quantified CAM Findings

	Alternative 1: Passing Statewide Inclusionary Housing Law	Alternative 2: Expand California's Current Density Program	Alternative 3: Creating a Community Block Grant Program
Cost Criterion	Rating: 2 Weight: 0.45 Total: 0.90	Rating: 3 Weight: 0.45 Total: 1.35	Rating: 3 Weight: 0.45 Total: 1.35
Equity Criterion	Rating: 2 Weight: 0.30 Total: 0.60	Rating: 3 Weight: 0.30 Total: 0.90	Rating: 4 Weight: 0.30 Total: 1.20
Economic Sustainability Criterion	Rating: 2 Weight: 0.25 Total: 0.50	Rating: 2 Weight: 0.25 Total: 0.50	Rating: 3 Weight: 0.25 Total: 0.75
Total Score	2.00	2.75	3.30

However, there is no one-size fits all solution to any public policy problem. Therefore, to effectively create more affordable housing in our state, the state legislature, policymakers, and decision-makers should employ other methods to increase the supply of housing in addition to creating a CDBG program. The purpose of this thesis is to illustrate that creating a CDBG program can be one of the methods for the state to use to start a practical conversation about housing needs and NIMBYism, which is often the primary cause of inaction for building more rental properties in California. In the next chapter, I present a final recommendation for this thesis and discuss the political feasibility of the offered alternatives. Likewise, to inform this thesis, I interviewed four individuals working in the housing sector about the practicality and the viability of the discussed public policy alternatives.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSION

This thesis presents public policy alternatives that would create more affordable housing for very low and low-income households. According to the Public Policy Institute of California (PPIC) poll of state residents, 47 percent of Californians indicated that housing costs are high and a financial strain on families (Johnson and Mejia, 2019). According to the 2018 Governor's Budget Summary, one-third of California's residents spend more than 50 percent of their income on housing costs, which creates numerous financial burdens for very low and low-income families. For years, California has been struggling with housing affordability due to a high demand relative to low market supply. The result being too many very low and low-income households who spend more than half of their income on housing costs. In this thesis, I explained the primary causes that led to the housing shortage and outlined some of the methods other countries used to address their housing needs. I used a Criteria Alternatives Matrix (CAM) to produce a quantifiable and comparative analysis of the presented alternatives to understand how solutions differ based on the criteria of cost, equity, and economic sustainability. Based on the CAM analysis results, creating a Community Development Block Grant (CDBG) Program would create somewhat more affordable housing for the very low and low-income families and would get the "most bang for the buck".

Since I structured the CAM analysis to focus on cost, equity, and economic sustainability of each alternative, I neglected to discuss the political feasibility of the presented public policy solutions. In a policy-making process, there are actors, events, and bureaucratic challenges that help to shape the current political environment, which directly influences political feasibility and the desirability of presented solutions (Bardach, 2012). Within the political arena, there are certain times when a policy window opens and allows for some policies to become enacted

through the legislative process. However, the problem with policy windows or such opportunities is that they do not occur as often as needed to solve public policy problems effectively and efficiently (Kingdon, 2014). For this reason, it is challenging to discuss the political feasibility of California's housing affordability. While the California State Legislature and the Governor are in consensus that housing is one of the top issues facing our state (if not the top), the decision-makers fail to propose drastic legislative changes needed to alleviate the current housing shortage of four million.

For years, many of California's residents have been struggling with high housing costs. Every fiscal year, the state's legislators try to address these exacerbated housing costs, but somehow always fall short of providing the necessary government intervention to improve the current housing market. Based on the CAM analysis results, I conclude that creating a CDBG program can be an adequate start to begin addressing the long-term problem of Not in My Back Yard (NIMBY) opposition. However, as I previously mentioned, there is no one-size-fits-all solution, which is why my final recommendation consists of implementing a combination of Alternative 2, expanding California's current density bonus program from 35 percent to 50 percent, and Alternative 3, creating a CDBG program to encourage communities to accept more affordable housing projects in an exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

A single solution or proposal cannot adequately address the scope and the magnitude of the housing shortage and the rising cost of housing in California. As for alternative 1, passing statewide inclusionary housing law that would establish a statewide inclusionary ordinance requiring developers to set aside 20 percent of the total number of units in the project for very low and low-income households, I believe that the state should halt passing such inclusionary housing

law that would conflict with local zoning regulations and ordinances because of its adverse effect on the housing market and due to community opposition. These types of zoning policies further decrease the number of available housing due to the high administrative costs, which in return, raise the cost of living, making it even more challenging for the very low and low-income households to find affordable housing options. In the remainder of this chapter, I discuss the conducted interviews with experts working in the California housing sector about the political feasibility and the desirability of the presented alternatives.

Political Feasibility of the Presented Alternatives

As I previously explained, I decided to discuss political feasibility and the desirability of the presented public policy alternatives last due to the bureaucratic challenges that exist in our current political environment. To understand the viability of the given public policy alternatives in the current public policy context, I have interviewed experts working in the housing sector. I am using these interviews to inform my thesis about the political feasibility of the presented public policy solutions and interventions. The individuals I have interviewed have extensive knowledge and professional experience working in California's housing sector and understand the political dynamics that help to shape housing policies. I only conducted interviews with five individuals asking them to complete a seven-question housing affordability questionnaire located in Appendix B. These interviews provide opinion-based results, which I use to guide my final public policy recommendation. In addition, it is essential to acknowledge that the experts interviewed hold certain biases and preferences towards specific public policies that often align with their organizations' mission statement and political mandate. For example, I interviewed experts working in public housing, private housing, and non-profit housing sectors, which by default have a different understanding of the housing shortage and propose vastly different solutions to the ongoing housing problem in California.

Affordable Housing Problem in California

My first interview question focused on gaining a general understanding of the interviewees' views on housing affordability and affordable housing in California. Specifically, if they agree with the recent PPIC poll of state residents that there is a lack of affordable housing in California, as well as, the housing shortage being the most critical public policy problem the state is currently facing. There was a consensus among the interviewed experts that indeed, California is facing a severe housing shortage. However, there was a discrepancy in the terminology of "affordable housing" and what it means. For example, rephrasing the policy problem as a need for subsidized multi-family housing and middle-income housing shifts the focus from low-income families to middle-class families was a response I received from the private sector. Likewise, there was not much emphasis given to only very low and low-income families from the experts working in public housing and non-profit organization. The consensus was that housing is a problem for all Californians who struggle to afford rent due to low and stagnant wages. Therefore, any government intervention would require improving housing affordability that would target middle-class families in addition to very low and low-income residents to build a political majority and a strong coalition support to pass such legislation. Different organizations have different priorities, frameworks, and goals, meaning some might not agree that only low-income residents struggle with high housing costs and that the government should expand the definition of "affordable housing" to include different socioeconomic groups. In addition, some experts suggested that the housing shortage is a result of decades of under-construction, which I discussed in chapter two as being one of the contributing factors to the housing shortage in California.

Income Percentage Spent on Housing Costs

As I explained in chapter one, Department of Housing and Urban Development (HUD) defines housing affordability as the percentage of income spent on housing costs and uses a 30 percent threshold to indicate housing affordability in the United States. In general, states consider families who spend more than 30 percent of their income on housing costs as "cost-burdened" because of the challenges in accessing food, clothing, medical care, and transportation (HUD, n.d). However, given that HUD's definition of housing affordability has not changed since the 1980s, there are critiques for using the 30 percent threshold. For example, as time goes on land values increase resulting in higher costs for housing (Matthews, 2015). I asked the interviewees to explain if public policy interventions can effectively solve the housing problem if we maintain the goal that any household should only spend 30 percent of income on housing. The responses provided a mixed combination of answers; but, essentially concluded that 30 percent threshold is the target that the policymakers should aim for when evaluating the health of the housing market. Given the prohibitive costs of living, it may take decades to bring down housing costs for low-income residents struggling to pay rent because the other costs such as healthcare and childcare have exponentially increased over the past three decades. In addition, consumers' choices can significantly affect the consumers' net percentage of expenses spent on housing, such as job prospects, location, and economic trend.

Any public policy solution to the housing shortage will require the public and the private sector to cooperate and coordinate to create enough housing at the right price point. With that said, the experts did seem to emphasize building more affordable housing either through new construction or rehabilitation of existing homes and complex, and there was lack of concerns about environmental damages to public infrastructure or climate change. However, since my questionnaire focused on improving housing affordability, I did not ask questions related to

climate change or public infrastructure projects in connection to creating more housing and possible environmental externalities.

Given the HUD's definition of housing affordability and the factors that influence peoples' choices regarding the types of neighborhoods they chose to live in and the amount of disposable income they can spend on housing costs, I written my problem statement in its very specific way to emphasize the housing needs of very low and low-income families. A better definition of cost-burdened families would prioritize very low and low-income families who spend more than 50 percent of their income on housing costs. These are the families who face structural constraints and challenges when trying to meet housing needs due to the absence of choice. I asked the experts to consider whether such modification to HUD's definition would be appropriate when trying to address California's housing shortage. The responses concluded that due to the broad scope of the housing problem, the changes in the definition are irrelevant. Despite the definition, California's housing market must generate millions of houses and apartments to meet the demands of low-income and middle-class families. In addition, while some residents would benefit from the changes in the definition, in the long-term 50 percent threshold is a substantial portion of the households' budget considering the costs of living. What I found interesting about this consensus and the irrelevance of the definition is that I interviewed individuals working in different housing sectors. However, they all agreed that any solution would require addressing the housing needs not only of very low and low-income families but also middle-class, which is understandable given the current political climate.

Political Feasibility of the Presented Alternatives

As I explained, it is critical to consider the political feasibility of the presented public policy alternatives because that encompasses the reality of the current political climate, legislative agenda, and possibilities. I asked the experts to rank the alternatives in order of most to least

politically feasible in the fiscal year of 2019-2020. To my surprise, there was an agreement among all the interviewees with the ranking being density bonus, CDBG program, and inclusionary zoning law.

When considering the expansion of California's density bonus program, I did not expect this alternative to be the most politically feasible or that the density bonus is a current topic of discussion in the state legislature. For example, the density bonus program currently provides resources and financially incentivizes housing developers to create more units. By expanding the current density program, the state can legislatively allocate more funds for developers with little opposition from the public. As of now, AB 1763 proposes to increase the density bonus for 100 percent affordable projects to offset the construction costs when compared to market-rate developments. Another influential factor to consider within the density bonus program is that it produces mixed-income housing, which helps to avoid low-income housing concentration areas. In addition, one of the experts suggested that the revision of the density bonus law would require no money from the state, meaning it is very cost-effective. However, based on the previous research in chapter three and four, since the density bonus does offer tax exemptions, expansion of the current program can potentially reduce property taxes resulting in less revenue for the cities and local governments. Likewise, since there will be more people living in those developments, it is essential to consider congestion, potential effects on school districts, and environmental concerns, which NYMBYs use to object new housing developments.

Unlike the density bonus program, the CDBG program focuses on providing grants to communities and incentivizes neighborhoods to accept more low-income housing in exchange for community enhancement projects and rehabilitation developments. The experts agreed that this public policy intervention is the second-best option compared to expanding the density bonus program. For example, communities can use CDBG financial incentives to overcome cost

barriers and aid business investments. However, CDBG legislation would face every obstacle against funding for other programs such as transportation, school funding, and public infrastructure in the state legislature. Moreover, there was a former state redevelopment program, which provided housing funding for communities that cities and local municipalities abused since the allocated state revenue did not go towards building more housing. As one of the experts emphasized, to enforce a CDBG program, there would have to be very strict guardrails and established parameters to ensure proper implementation and that money spent are going towards housing-related projects. In the current year's budget, there is a similar program to CDBG that provides funding for rehabilitation of utility service improvements, transit shelters, park to facilitate higher-density affordable, and mixed-income housing on infill sites.

Unlike the two previous public policy solutions, the inclusionary zoning law would further decrease the supply of housing and contribute to higher housing costs. Experts unanimously agree that this is the least effective solution because it would stop many housing development projects and negatively impact the building industry. Likewise, one of the experts suggested that the statewide inclusionary requirement would be nearly difficult to set because different communities face unique challenges and opportunities that can affect appropriation percentages. Cities tend to determine the appropriation percentage by conducting a feasibility study for their jurisdiction. For example, while some cities can accommodate 20 percent, others would only be able to accommodate 10 percent. Therefore, the only conceivable way to institute a statewide inclusionary law would be to set a very-low minimum for cities, which would be ineffective.

Additional Housing Policy Interventions from Experts

Since the experts working in the housing field have a better understanding of current housing policies and pending legislation, I asked what other methods California can consider and

implement to solve the housing shortage. I received a mixed scope of answers that aligned with each interviewee's organizational affiliation. For example, one of the interviewees suggested that reducing California Environmental Quality Act barriers for affordable housing units and not collecting optional fees for parks and recreation areas would be a good start. In addition, state bonds and increasing cities' sales taxes can help to fund affordable housing projects. Local governments can use these funds to rehabilitate old apartment complexes that would serve low-income population instead of having low-income residents living in much costlier new housing construction. Another interviewee suggested that creating more programs and allocating resources to programs like Multi-Family Housing Program or investing in the Low-Income Housing Tax Credit Programs would provide financial subsidies to affordable housing developers, which would incentivize the construction of such units. For example, capital and operating subsidies enable developers to build more affordable units and convert existing homes for affordable housing.

Besides creating more affordable housing programs and allocating more funding for developers, one expert suggested focusing on tenants' rights, which is one of the issues the state legislature is considering this year. For example, providing tenant assistance resources to low-income residents can help to keep families in their homes, which is one way to prevent and reduce homelessness. Likewise, the creation of a statewide flexible housing subsidy fund can provide families with rental assistance for legal defense resources in cases of evictions, offering incentives for landlords to accept Section 8 and Housing Choice Vouchers. However, given the contentious debate between the landlords and the state imposing too many restrictions, it is unclear if tenant protection measures will pass through the state legislature and make it to the Governor's desk. Focusing on tenants' rights does not address the concerns of homeowners, and there is an argument to be made that such laws would discourage developers from building more

apartments. However, given that roughly 47 percent of California's residents are renters and that California's homeless population keeps rising, these laws are necessary to keep very low and low-income renters in their current homes (Wilson, 2018).

Feedback for Final Recommendation

I concluded my interviews by asking experts whether my final recommendation of implementing a combination of alternatives 2 and 3 would be an appropriate start to begin solving California's housing shortage. Among the interviewees, there was a consensus that while a combination of the alternatives 2 and 3 is a start, there is no one-size-fits-all or a "silver bullet" solution to the ongoing housing problem. As previously explained, the current housing shortage is a result of decades of inaction and ill-advised policies. Therefore, the intervention requires significant legislative efforts, community engagement, and California's resident to come together and start working together on solutions because communities have conflicting needs and require diverse set of solutions. For example, for some small communities who lack affordable housing or want additional funding for parks and public infrastructure, the CDBG program would work, but it would not work in other jurisdictions. For example, wealthy neighborhoods would not even compete for the CDBG because they want to preserve the homogeneity of their communities. Therefore, the state needs to engage with local governments and stakeholders by creating community-state partnerships that would address different communities' needs. Likewise, there needs to be a diverse set of state and local policies that would create an effective, affordable housing toolbox that communities can utilize to increase the supply of affordable housing and construction of new homes or conversion of existing homes. I stand by my final recommendation of implementing a combination of alternatives 2 and 3. With that said, I understand that there is a need for more drastic legislative efforts and that these proposed solutions alone are not the answer to the California housing shortage. The state can implement these alternatives among many other

statewide policies to begin improving the housing crisis in the state. In addition, there is a need for more research about effective housing policies, their implementation processes, and oversight procedures.

Conclusion

The purpose of this thesis serves to inform experts, public servants working in the California housing development and community-planning fields, California state legislature, and California local governments about plausible public policy alternatives to mitigate the ongoing housing shortage in California. I specifically focused on proposing alternatives that will aim to lower rents for very low and low-income households who spend more than 50 percent of their income on housing. The central theme of this thesis emphasized the notion that housing affordability is a significant public policy problem because as the housing costs rise, people experience higher levels of the financial burden that results in the long-term economic instability and socially inequitable outcomes. However, based on the conducted interviews, the sole focus only on very low and low-income households who spend more than 50 percent of their income on housing is irrelevant, and that any legislation making it to Governor's desk will include the housing needs of middle-class families. This by design expands the government intervention to include more Californian residents and represents the needs of a larger group of constituents and is arguably a political strategy for lawmakers to keep their jobs.

The central premise of this thesis revolved around the problem statement that there are too many very low and low-income households who spend more than half of their income on housing costs in California. As I explained, housing is a significant part of our daily lives because a home is a place where people unwind, raise families, and foster a sense of belonging and security, which is critical for family and community development (Giesecking, Mangold, Katz, & Saegert, 2014). In this thesis, I explained the economic and social implications of the housing

affordability shortage, as well as, discussed the factors that contributed to the current housing situation in our state. Based on the collected research, I presented and analyzed three public policy alternatives based on cost, equity, and economic sustainability using the Bardach's (2012) Eight-Step Path of Policy Analysis and Munger's CAM analysis to produce a quantifiable and comparative analysis of the presented alternatives (Bardach, 2016 & Munger, 2000). Lastly, I conducted five interviews with the experts working in the housing sector about the desirability and political feasibility of the presented public policy alternatives and provided my final public policy recommendation.

Appendix A: Housing Affordability Questionnaire

1. In a recent poll of state residents, PPIC identified lack of affordable housing in California as the most important policy problem the state currently faces. Do you agree?
2. The U.S. Department of Housing and Urban Development defines housing affordability as the percentage of income spent on housing costs and uses 30 percent threshold to indicate housing affordability in the United States. In general, states consider families who spend more than 30 percent of their income on housing costs as “cost-burdened” because of the challenges in accessing food, clothing, medical care, and transportation. Can we effectively solve the housing shortage problem if we maintain the goal that any household should only spend 30% of income on housing?
3. What is your reaction to my focus on defining the solvable problem as no very low and low-income household, should spend no more than 50% of income on housing based on slightly modifying HUD’s definition of housing affordability?
4. The table below provides a description of three possible alternatives designed to increase housing affordability for low socio-economic-status (SES) household in CA. After scanning these alternatives, consider the thought experiment of spending \$500 million on each of them in the most efficient manner possible. After doing this, and waiting two years for changes to take effect, please order them from high to low regarding which will do the most to alleviate the policy problem under consideration. After, please briefly explain your reasoning for this and why is number 1 the most effective and what causes number 3 to be least effective?

	Alternative	Description
I	Passing Statewide Inclusionary Housing Laws and Regulations	This alternative establishes statewide inclusionary housing laws that would require developers to set aside 20 percent of the total number of units in the project for very low and low-income households.
II	Expand California’s Current Density Program	This alternative aims to increase and expand California’s current Density Bonus Law program from 35 percent to 50 percent.
III	Creating a Community Block Grant Program	This alternative aims to encourage communities to accept more affordable housing projects in exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

5. Besides the presented alternatives, can you think of another policy intervention that would yield even more “bang for buck” (increasing affordability for very low and low-income families using the \$500m)?

6. Now consider my original three housing policy interventions (and yours if you suggested another one). Given your expertise and experience working in and around affordable housing policy in CA, again rank the alternatives but this times in order of most to least politically feasible in 2019/20. For each, please offer some potential political roadblocks/opposition? Are there ways that these can be overcome based on your experience?

7. Among the three alternatives I presented you, I currently believe that **Alternative 3: Creating a Community Block Grant Program** to be the best approach to improving housing affordability for very-low and low-income households based on the three criteria of cost, equity, and economic sustainability with cost being most important and economic sustainability being least. What is your reaction to this? Do you see any flaws in my reasoning?

Appendix B: Participation Recruitment Letter

Hello,

My name is Alina Petrichko. I am currently working on my thesis for MPPA at Sacramento State University with Rob Wassmer as primary advisor. My thesis focuses on housing affordability in California and that there are too many very low and low-income households who spend more than half of their income on housing costs in California. In my thesis, I am presenting three possible public policy alternatives to combat California's housing shortage as outlined below:

	Alternative	Description
I	Passing Statewide Inclusionary Housing Laws and Regulations	This alternative establishes statewide inclusionary housing laws that would require developers to set aside 20 percent of the total number of units in the project for very low and low-income households.
II	Expand California's Current Density Program	This alternative aims to increase and expand California's current Density Bonus Law program from 35 percent to 50 percent.
III	Creating a Community Block Grant Program	This alternative aims to encourage communities to accept more affordable housing projects is an exchange for community block development grants that would specifically address communities' needs such as building more parks, creating more sidewalks, or reducing traffic congestion.

To inform my thesis about the political feasibility and desirability of the presented public policy alternatives, **I am formally inviting you to participate in a seven-question interview via email.** These questions will revolve around housing affordability in California. Your expertise, knowledge, and work in the housing sector will provide valuable information for my thesis and will guide my final recommendations.

I understand, it is a busy time of year, but if you are interested or know someone else who may be that would be fantastic!

Thank you,
Alina Petrichko

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