



INLAND EMPIRE OUTLOOK

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IE COVID RECOVERY SPENDING

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We present in this issue of the Inland Empire Outlook two articles related to Covid-19 policies and two articles on housing topics. We begin with an examination of how cities in the Inland Empire are spending State and Local Fiscal Recovery Funds appropriated by Congress in the American Rescue Plan Act of 2021. The Act directed \$868 million to 52 cities in the Inland Empire. They are now in the process of allocating those funds.

Our second article looks at how the Covid-19 pandemic and response has affected the labor force participation of women and the potential impact of AB131 on women's employment in the Inland Empire. Closures of schools and childcare facilities left many working families in a bind and forced many women to leave the work force. The California Legislature passed AB131 in 2021 to provide subsidies and other assistance for childcare.

Our third article looks at the use of inclusionary housing ordinances (IHO) by cities in Los Angeles

County, Orange County, San Bernardino County, and Riverside County. An IHO is a city or county-wide requirement for a certain percentage of new housing developments to be made affordable. Do Inland Empire cities use IHOs on a similar scale as the coastal counties and are IHOs an effective tool to accomplish more affordable housing?

Our final article examines geographic variance in regulatory attitudes toward housing development. Laws that make residential construction more difficult have significant, observable effects on housing supply and prices. This article briefly surveys research on that topic and presents a finding that a higher proportion of white-collar workers in a city is associated with attitudes more favorable to regulation.

We hope you find this edition of *Inland Empire Outlook* a useful guide. Please visit our website, www.RoseInstitute.org, for information on other Rose Institute research.



COVID RECOVERY SPENDING

BY GEORGE ASHFORD '25

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The American Rescue Plan Act (ARPA) of 2021, a \$1.9 trillion fiscal stimulus and relief bill passed in March of 2021, poured out large amounts of federal money through a wide variety of programs, including direct payments to individuals, the expansion of the Child Tax Credit, loans for small businesses, and rental assistance, as shown in the Congressional Budget Office report and Treasury Department fact sheet for the bill. The Congressional Research Office report shows that ARPA's biggest investment -- by over \$100 billion -- was in the State and Local Fiscal Recovery Fund (SLFRF). The SLFRF provides \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties. That \$130 billion in grants for local governments gives the SLFRF the potential to make a significant impact on cities' and counties' ability to invest in everything from water infrastructure to policing and public safety. This article will analyze how cities in the Inland Empire are using State and Local Fiscal Recovery Funds (SLFRFs).

SLFRFs provide a unique window into the priorities of local government leaders due to the grants' size and wide range of allowable uses. Local governments in California are limited in their ability to raise revenue for discretionary spending, and 64% of municipal revenue is restricted to a specific use, according to an analysis by the Institute for Local Government. The analysis found most state and federal grants, for instance, can only be spent on specified programs. Much of unrestricted local revenue comes from property taxes, which require two-thirds voter approval in California. The Institute for Local Government points out that local government charges for fees are also limited to the cost of providing the service for which the fee is levied. In this environment, SLFRFs can be seen as a massive windfall. Not only can they be used for a relatively wide variety of programs, they constitute an average of 38% of Inland Empire local governments' pre-pandemic revenue. The degree of fiscal license that the grants' size and unrestricted nature gives to local governments means that their spending may reflect the priorities of local

government leaders better than heavily general revenue spending.

According to the Treasury Department, SLFRFs are intended to support state and local COVID-19 responses, replace lost state and local revenue to prevent layoffs, and enable state and local governments to financially stabilize families and businesses and address causes of the unequal impact of the pandemic. The White House has not made the funds a major part of its messaging in support of ARPA. In his official remarks the day after signing the act, President Joe Biden did not mention the SLFRF at all. Republicans, however, have focused much of their criticism of ARPA on the SLFRF. One Fox Business article quoted Republican members of Congress claiming that the program is fiscally irresponsible, dubbing it the “blue state bailout.” Nevertheless, progressive polling organization Data for Progress found that 76% of Americans supported the program in a survey just before the bill passed.

Cities will receive SLFRF funds in 2021 and 2022. They have until December 31, 2024 to allocate their SLFRF funds and until December 31, 2026 to disburse those funds.

Before ARPA, local governments were preparing for significant declines in revenue due to the COVID-19 recession. A survey of North Carolina municipalities published in the *State and Local Government Review* found that “92 percent of jurisdictions reported anticipating a general-fund shortfall for FY 2021, and over 20 percent expected shortfalls exceeding 10 percent of their general funds.” A Brookings analysis found that falling revenues during the 2008 recession forced state and local governments to raise taxes, cut spending, or both, creating a drag on the already struggling economy. A key goal of SLFRF in replacing state and local revenue was to avoid a similar dynamic in 2021. But far from being limited

to revenue replacement, SLFRFs have a remarkably wide variety of allowable uses. According to a National League of Cities analysis of the Treasury Department’s regulations, local governments can spend SLFRF on anything from broadband infrastructure to cutting taxes. This flexibility, combined with its sheer size, had led observers such as the Government Finance Officers Association to conclude that the SLFRF “could be transformational for state and local governments.”

Research on municipal SLFRF spending is limited, since the funds were appropriated just a year ago and, as the National League of Cities’ SLFRF information page points out, the Treasury Department only released compliance and reporting guidance in June of 2021. What research there is focuses on major cities around the country. Alan Berube and Eli Byerly-Duke of the Brookings Institution analyzed 20 major cities’ first quarterly SLFRF spending reports, finding that they have collectively spent 18.1% of their funds, with 38.5% committed to revenue replacement and 20.7% committed to helping communities disproportionately affected by the pandemic. Marc Joffe of the Reason Foundation analyzed reports from 142 states, large cities and counties, and found that they had spent only 2.9% of their funds. Bruggerman et. al., writing for the Nowak Metro Finance Lab at Drexel University, presented Detroit, Baltimore, Macon, GA and Milwaukee as models of four different approaches that cities have used to allocate SLFRFs. They find that Detroit used a top-down, mayor-led process, Baltimore opened up their funds to proposals from city agencies and community organizations, Macon is focusing on collaboration with local philanthropy to leverage additional capital, and Milwaukee is undergoing a stakeholder and community engagement process that will culminate in a plan from the mayor. These studies provide national context for SLFRF spending and establish frameworks for this analysis.

The extensive literature on the Community Development Block Grants (CDBG) can offer clues about how local governments spend federal funds when given a high degree of flexibility. There are notable parallels

RIVERSIDE COUNTY

City	SLFRF Grant	FY 2018-19 Revenues	SLFRF as a % of FY2018-19 Revenue	SLFRF Funds Allocated as of March 2022	% SLFRF Funds Allocated as of March 2022
Banning	\$7,468,727	\$18,167,303	41%	\$1,663,811	22%
Beaumont	\$7,306,318	\$29,289,424	25%	\$2,493,203	34%
Blythe	\$4,708,353	\$9,254,990	51%	*	
Calimesa	\$2,191,267	\$5,841,542	38%	*	
Canyon Lake	\$2,698,416	\$5,005,880	54%	**	
Cathedral City	\$15,572,693	\$43,439,866	36%	\$9,453,230	61%
Coachella	\$10,942,698	\$24,488,836	45%	\$31,000	0%
Corona	\$29,158,725	\$136,104,393	21%	\$29,138,725	100%
Desert Hot Springs	\$6,908,231	\$20,142,977	34%	\$1,923,794	28%
Eastvale	\$7,360,219	\$27,324,417	27%	\$4,013,420	55%
Hemet	\$21,674,344	\$51,648,537	42%	**	
Indian Wells	\$1,308,540	\$18,544,003	7%	*	
Indio	\$20,425,061	\$77,379,639	26%	\$20,425,061	100%
Jurupa Valley	\$28,077,013	\$36,170,467	78%	**	
Lake Elsinore	\$14,967,198	\$43,532,726	34%	\$14,967,198	100%
La Quinta	\$9,987,009	\$52,297,400	19%	**	
Menifee	\$13,213,674	\$53,083,407	25%	**	
Moreno Valley	\$48,481,233	\$104,816,445	46%	**	
Murrieta	\$16,463,101	\$45,555,562	36%	*	
Norco	\$6,364,242	\$19,480,548	33%	\$3,162,193	50%
Palm Desert	\$9,983,052	\$58,012,396	17%	**	
Palm Springs	\$10,820,822	\$127,195,360	9%	\$5,410,411	50%
Perris	\$22,171,505			\$19,975,064	
Rancho Mirage	\$4,432,291	\$31,281,978	14%	*	
Riverside	\$73,535,189	\$270,070,217	27%	\$36,767,594	50%
San Jacinto	\$11,773,274	\$17,266,841	68%	\$340,005	3%
Temecula	\$14,079,507	\$78,359,478	18%	\$7,039,754	50%
Wildomar City	\$8,905,968	\$11,301,700	79%	\$315,000	4%

Data Sources

SLFRF Funds: National League of Cities, Local Allocations in the American Rescue Plan, <https://www.nlc.org/resource/local-allocations-in-the-american-rescue-plan/>.

FY 2018-19 Revenue: Budget documents from city websites.

SLFRF Allocations: Public records requests to each city.

* No SLFRF allocation as of March 2022.

** No information on SLFRF allocation as of March 2022.

SAN BERNARDINO COUNTY

City	SLFRF Grant	FY 2018-19 Revenues	SLFRF as a % of FY2018-19 Revenue	SLFRF Funds Allocated as of March 2022	% SLFRF Funds Allocated as of March 2022
Adelanto	\$8,145,245	\$20,604,579	40%	**	
Apple Valley	\$14,883,978	\$31,562,891	47%	\$10,034,000	67%
Barstow	\$5,720,976	\$20,061,710	29%	\$845,322	15%
Big Bear Lake	\$1,262,849			\$370,318	29%
Chino	\$14,978,541	\$71,173,730	21%	\$14,978,541	100%
Chino Hills	\$9,956,344	\$45,283,133	22%	*	
Colton	\$14,881,400	\$39,782,821	37%	\$1,327,579	9%
Fontana	\$50,257,113	\$111,309,220	45%	\$50,257,203	100%
Grand Terrace	\$3,010,360	\$5,530,850	54%	*	
Hesperia	\$23,403,687	\$29,502,013	79%	*	
Highland	\$14,895,107	\$16,237,395	92%	**	
Loma Linda	\$5,856,615	\$20,833,200	28%	**	
Montclair	\$9,588,706	\$29,804,329	32%	\$2,386,263	25%
Needles	\$1,190,365			**	
Ontario	\$45,609,291	\$252,174,548	18%	\$11,627,724	25%
Rancho Cucamonga	\$26,835,530	\$83,919,400	32%	*	
Redlands	\$11,508,106	\$68,483,422	17%	**	
Rialto	\$29,373,105	\$85,750,995	34%	\$16,373,105	56%
San Bernardino	\$77,656,407	\$126,990,500	61%	\$27,210,000	35%
Twentynine Palms	\$6,237,216	\$12,999,187	48%	**	
Upland	\$15,213,716	\$41,180,920	37%	**	
Victorville	\$33,500,666	\$72,289,599	46%	\$33,500,665	100%
Yucaipa	\$8,017,860			*	
Yucca Valley	\$5,209,521	\$13,062,146	40%	**	

Data Sources:

SLFRF Funds: National League of Cities, Local Allocations in the American Rescue Plan, <https://www.nlc.org/resource/local-allocations-in-the-american-rescue-plan/>.

FY 2018-19 Revenue: Budget documents from city websites.

SLFRF Allocations: Public records requests to each city.

* No SLFRF allocation as of March 2022.

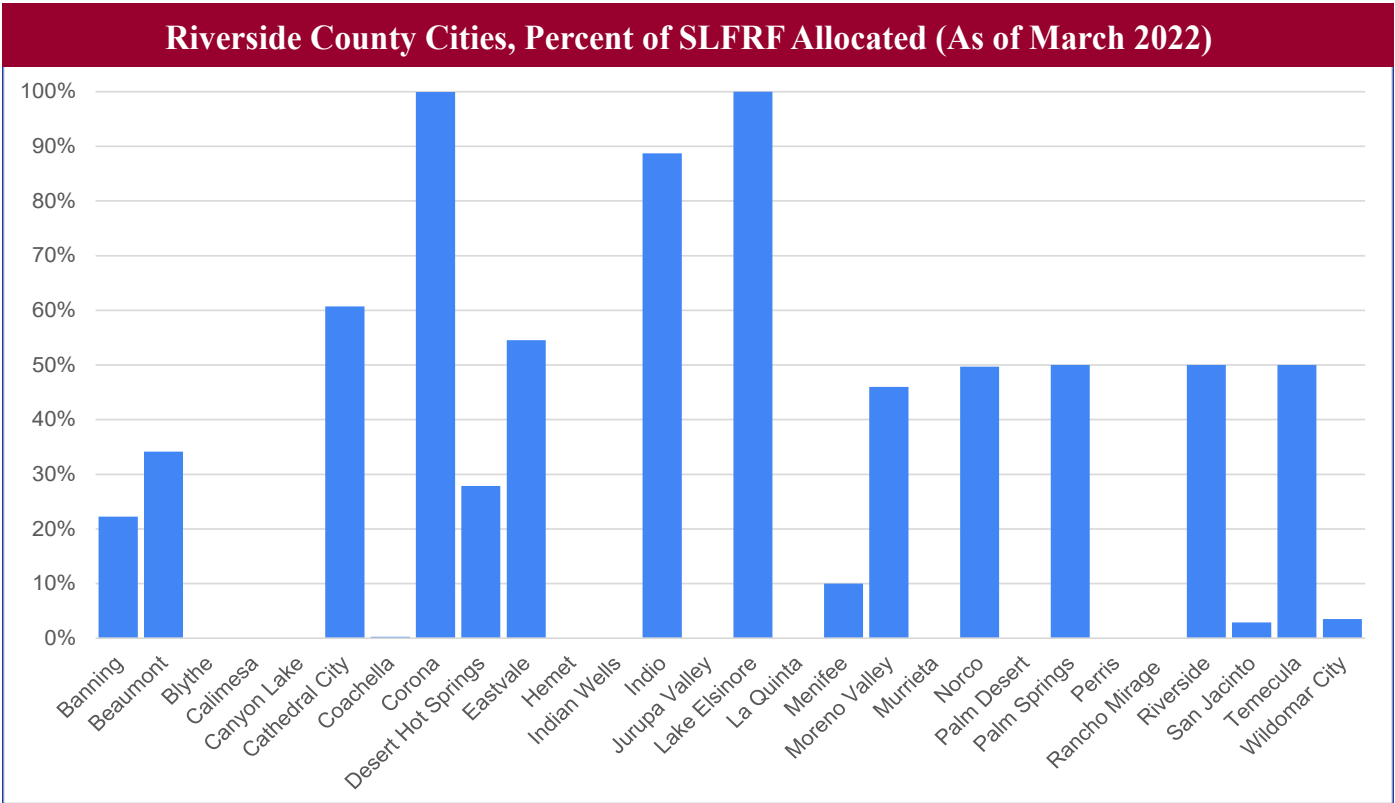
** No information on SLFRF allocation as of March 2022.

between the two programs. Like SLFRF, the CDBG significantly increased the control that state and local governments have over federal money. It combined several grants for specific items into a single block grant, giving local officials what political scientist Raymond Rosenfeld described as “considerable programmatic discretion within the national policy parameters.” Political scientist Richard Nathan finds that increases in federal grants to local governments during the period of the CDBG’s introduction affected the structure of local governments. The influx of money prompted cities to create departments of community development and social services and begin engaging in ‘grantsmanship,’ a new specialization dedicated to applying for and complying with grants. These same local government structures will play a central role in local spending of SLFRFs. SLFRFs were also distributed using the CDBG formula, according to information on the Treasury Department’s Website. The Housing and Urban Development Department details the CDBG formula as allocating money to cities based on either (1) population, poverty and overcrowding or (2) growth lag, poverty, and pre-1940 housing, whichever combination of

factors yields the city more funding. The use of the same formula provides further basis for comparison between the two programs.

A comprehensive, nationwide analysis from the Urban Institute indicates several patterns in local governments’ use of the CDBG in the 1990s. Spending on housing and public facilities programs was negatively correlated, evidence that cities made tradeoffs between these priorities. Urban municipalities spent more on housing, suburbs spent more on public facilities. The Institute attributes variations in allocation to local political leaders’ understanding of development needs. Funds were spent using a variety of strategies (redevelopment, conservation, growth etc.) with either a neighborhood-specific or citywide scope. Neighborhood-specific strategies took up 54 percent of total funds among the cities studied, and cities that were more urban, distressed, or that had spatially concentrated poverty, were more likely to use them.

The literature on which income groups benefit from the CDBG is mixed. In case studies of Milwaukee



Data Source: Public records request to each city.

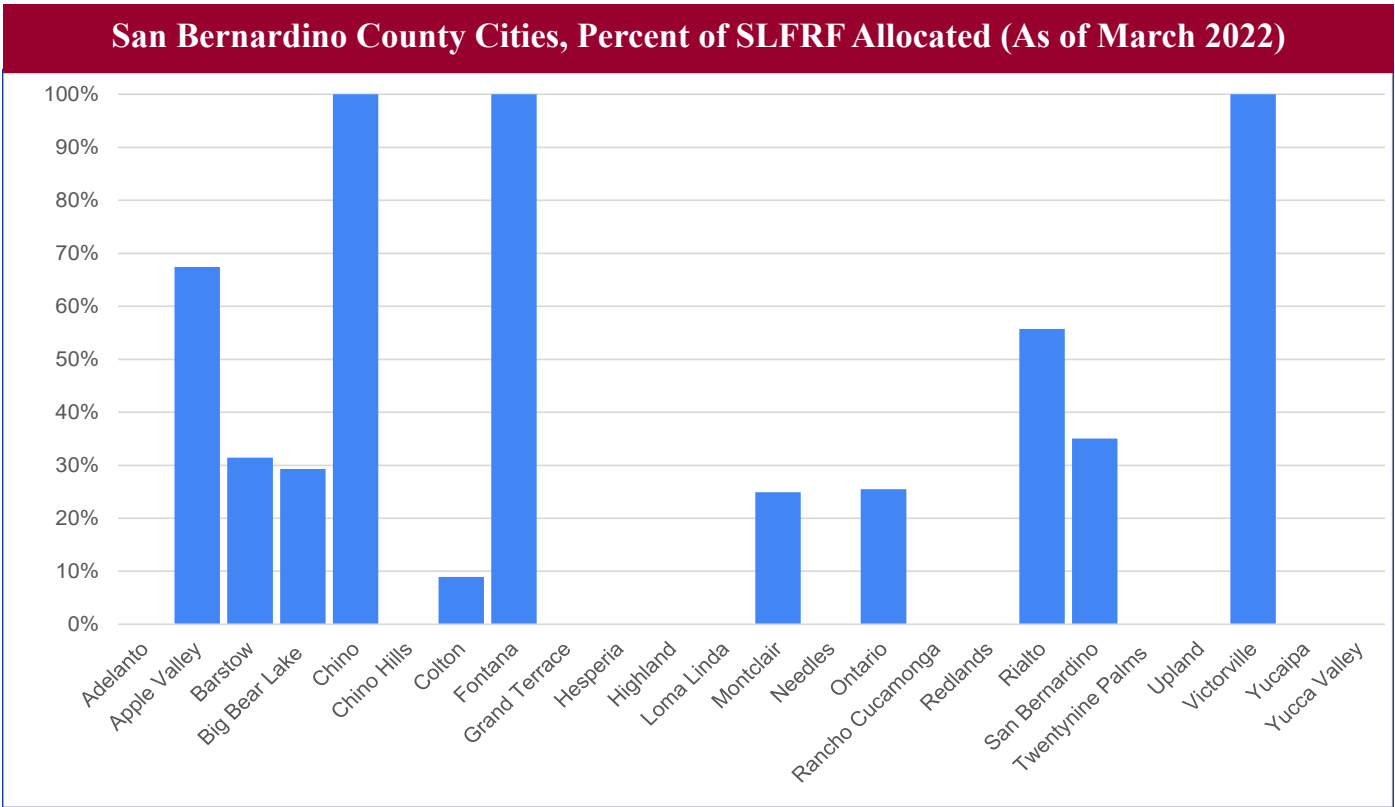
and Baltimore, Kenneth Wong and Paul Peterson find that local governments tend to spend CDBG funds on economic development rather than redistributive programs such as low-income housing improvements, reflecting “political elites’ electoral concerns.” Raymond Rosenfeld et.al. find the opposite -- in several Michigan cities, 75-91% of CDBG funds went to programs focusing on low and moderate-income residents.

Finally, the literature indicates that not every dollar in the CDBG materializes in new spending on CDBG eligible programs. Leah Brooks and Justin Phillips find that local governments sometimes treat CDBG funds as part of their total revenues, decreasing their own expenditure in CDBG program areas and then spending the extra money on pre-existing priorities. However, local governments do not do this perfectly. For every dollar of CDBG that an average city receives, it increases spending in CDBG program areas by around 50 cents. This is a result of ‘the flypaper effect,’ (explained by James Hines and Richard Thaler as federal money ‘sticking where it hits’), caused by governments treating new sources of funding as at

least partially outside of the cost-benefit calculations they make when spending their own revenue.

This analysis of Inland Empire SLFRF spending relies on data from a variety of sources. The National League of Cities (NLC) has a database that shows SLFRF grants to 52 cities in San Bernardino County and Riverside County. Individual SLFRF allocation data for municipalities come from two rounds of public records requests sent to the 52 cities, yielding 36 responses. Several cities have published long-term plans that outline broad categories for their ARPA spending, but they are not included in this analysis as they do not identify the specific programs where SLFRF would be spent. Only actual expenditures or formal budget obligations to specific programs are considered as ‘allocations’ in this analysis.

As of March 2022, 26 cities responded to our records requests with data on how they are allocating SLFRF grants. This represents \$328 million in spending; it is 38% of the total grant to Inland Empire cities. This article breaks down these SLFRF allocations into 12 categories: employee compensation, facilities and ba-



Data Source: Public records request to each city.

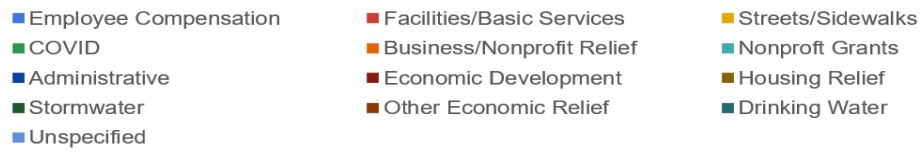
sic services, streets and sidewalks, COVID-19, business and nonprofit relief, nonprofit project grants, administrative, economic development, housing relief, stormwater, drinking water, and other economic relief. Facilities and basic services includes projects such as remodels and upgrades to community centers and fire stations, new equipment for police and public works departments, or social services. Streets and sidewalks includes programs to repair or enhance streets, sidewalks, and related infrastructure such as streetlights. COVID-19 includes vaccination or other pandemic mitigation programs. Business and nonprofit relief includes rent relief for or direct payments to businesses and nonprofits. Administrative includes any programs intended to enhance the internal efficiency and capability of government, such as broadcast system upgrades. Economic development includes programs, such as workforce training, intended to increase economic activity in the long-term. Housing relief includes programs to house the homeless or prevent eviction. Stormwater and drinking water include infrastructure projects dealing with those issues. Other economic relief includes programs such as utility assistance payments. Allocations in the ‘unspecified’ category were not indicated for any particular use in the documentation that the jurisdiction provided.

The US Treasury Department’s SLFRF Compliance and Reporting Guide outlines its own categories for allowable use of the funds: public health, negative economic impacts, services to disproportionately impacted communities, premium pay for frontline workers, water, sewer, or broadband infrastructure, revenue replacement, and administrative, identifying several sub-categories within each. Some of these categories, however, particularly revenue replacement, which includes only one sub-category titled “government services,” are so broad as to be uninformative of the nature of the programs within them. For instance, “government services” encapsulates almost 90% of the City of Corona’s SLFRF spending, despite some key differences between programs in that 90%. The former set of categories, which convey more precisely how SLFRFs are being used, is the basis of this analysis.

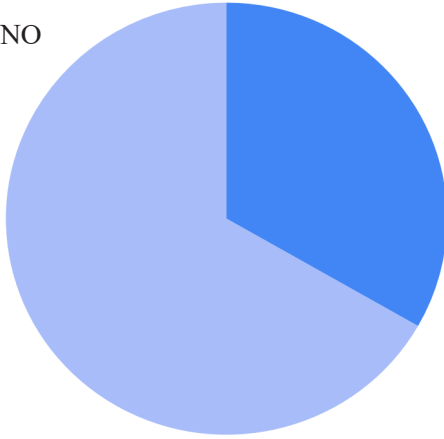
To understand the significance of the SLFRF to local government finances, this article also compares pre-pandemic general fund revenue from Fiscal Year 2018-2019, as reported in local governments’ FY 18-19 budgets, to the amount of the SLFRFs grant. Pre-pandemic revenue is a better baseline for understanding SLFRFs’ significance than revenue in more recent years, because federal lawmakers created the program in part to make up for pandemic-induced revenue shortages. Comparing SLFRFs with more recent revenue might therefore overstate its significance; the fund could be a high percentage of total revenue largely because the city’s revenues shrank during the pandemic, and the fund is filling in the gaps. Given the unique fiscal situation created by COVID-19, “Is this a lot of money for you?” is a different question than “Is this a lot of money for you *this year*?” and the former better assesses the potential for SLFRFs to live up to the Government Finance Officers Association’s description as “transformational.” General fund revenue is a better metric than total revenue because other local government funds are often restricted to specific purposes, whereas local government leaders tend to have more control over general fund spending. Of the 52 Inland Empire cities in the NLC SLFRF database, all but Perris, Big Bear Lake, and Yucaipa had FY 2018-2019 budget information available on their websites.

The Treasury Department has allocated approximately \$868 million in SLFRFs to 52 cities in the Inland Empire; in aggregate, equal to one-third of the general fund revenues for those cities. San Bernardino (\$77m), Riverside (\$73m), Fontana (\$50m), Moreno Valley (\$48m), and Ontario (\$45m) got the largest grants. For this group of cities the SLFRF grant were equivalent to between 18% (Ontario) to 60% (San Bernardino) of their FY2018-19 general fund revenue. Nine cities got grants that were more than 50% of their FY2018-19 general fund revenues. They are Blythe, Canyon Lake, Jurupa Valley, San Jacinto, Wildomar City, Grand Terrace, Hesperia, Highland, and San Bernardino.

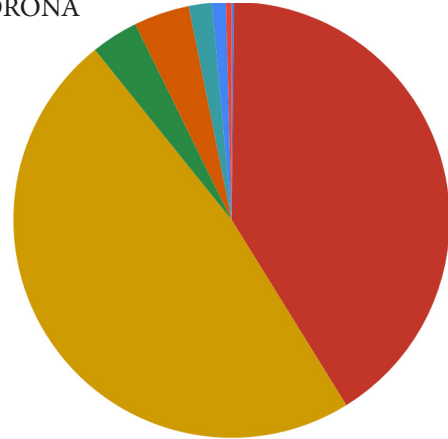
Six cities -- Chino, Corona, Lake Elsinore, Fontana, Indio, and Victorville -- have allocated all of their funds. All but Chino spread their funds across a wide variety of program areas. Chino has allocated 33%



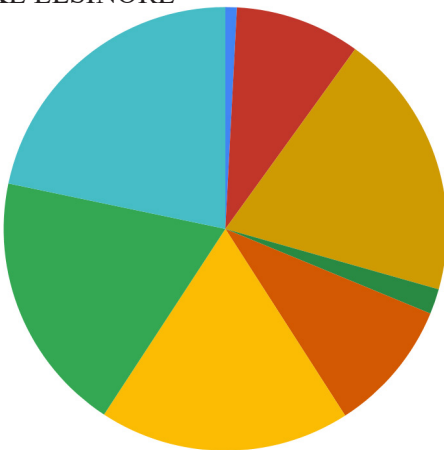
CHINO



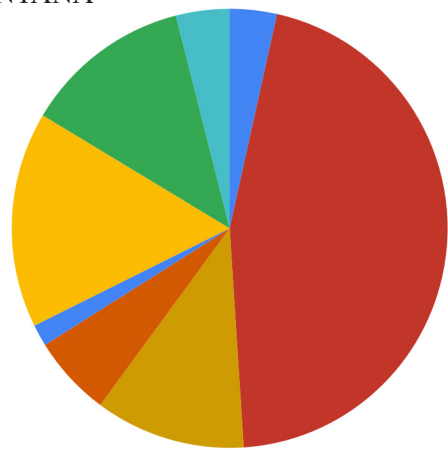
CORONA



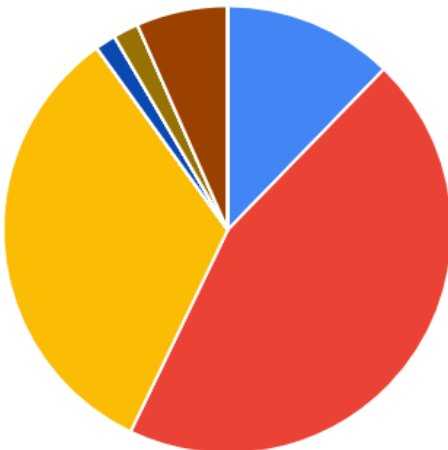
LAKE ELSINORE



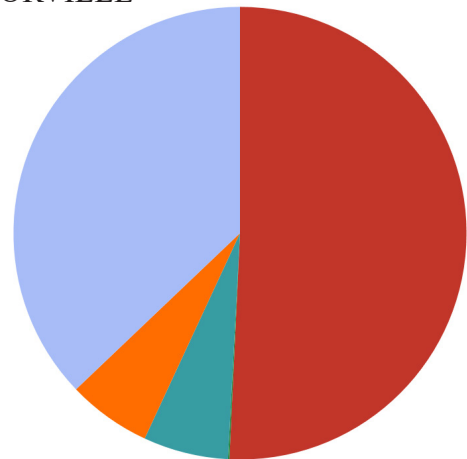
FONTANA



INDIO



VICTORVILLE



Data Source: Public records requests to each city.

towards employee compensation, and did not specify program areas for the rest. Corona's two largest categories are streets and sidewalks at 48%, and basic facilities and services at 41%. Lake Elsinore's are streets and sidewalks, housing relief, stormwater, and drinking water at approximately 20% each. Fontana has allocated 46% to basic services, 16% to housing, 12% to stormwater, and 11% to streets and sidewalks. Victorville has allocated 51% towards facilities and basic services and 6% towards administrative costs, with 37% unspecified. Like Corona, the bulk of Indio's funds are allocated in facilities and basic services and streets and sidewalks, with 45% and 33% of its funds allocated to those categories respectively. It also allocated 12% towards employee compensation, and less than 10% each towards a few other categories.

Another nine of the municipalities with available data allocated at least 60% of their funds. Cathedral City allocated 61%, with all of the funds going towards employee compensation. Apple Valley allocated 67%, almost all towards employee compensation but with 0.3% towards COVID. Indio has allocated 89%, 77% towards facilities and basic services, 13% towards employee compensation, 7% towards business and nonprofit relief, and less than 2% towards administrative and nonprofit grant programs. Perris has allocated 91%, 46% toward COVID, 20% unspecified, 16% towards other economic development, 6% towards housing and business and nonprofit relief, and 5% towards drinking water.

The largest aggregate allocation category for jurisdictions with available data was facilities and basic services, at 39%. Desert Hot Springs, Indio, Norco, Temecula, Apple Valley, Victorville, and San Bernardino all directed a majority of their funds allocated to date to this category, and several other jurisdictions allocated substantial portions as well. The next

largest allocation categories were drinking water at 12%, unspecified at 12%, streets at 9% employee compensation at 8%, and housing relief at 6%. The rest were all below 5%. Some common facilities and basic services projects were upgrades to parks or city halls, new vehicles for public works departments, and new vehicles and equipment for police and fire departments. Only Riverside has invested significantly in social services. Riverside allocated \$450,000 for a mental health resource hub, \$240,000 for wellness classes for vulnerable teens, and \$1 million for teen criminal offender reintegration programs, out of the \$36 million allocated to date.

The high proportion of funds going towards facilities and basic services implies that Inland Empire local leaders are primarily concerned with maintaining and strengthening the traditional functions of local government. This may reflect the fact that SLFRFs are one-time grants, encouraging a focus on capital projects. That these capital projects were concentrated in existing areas of local government service rather than in stormwater, COVID, or the other program areas that the Treasury Department emphasized shows that Inland Empire local leaders are focused on the basic traditional programs: parks and other public facilities, police, and fire.

Inland Empire local governments have also been slow to spend their SLFRF, although it should be noted that they have until December 31, 2024 to make those allocations. The low allocation rate matches the findings of previous analyses from the Brookings Institution and the Reason Foundation, which revealed similarly slow SLFRF spending in jurisdictions across the country. Reason took the slow roll-out of the funds, combined with higher than expected local revenues in 2020, as an indication that these funds were not urgently needed. ♦

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COVID, MATERNAL EMPLOYMENT, AND AB131

BY NIKHIL AGARWAL '24

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The effect of public subsidy payments on labor force participation rates has been debated extensively. California's passage of AB131—a budget trailer bill which seeks to reduce child care costs—is just one of many bills and programs over the years that have attempted to ease the burden on families and boost employment rates. This article will look at how the COVID-19 pandemic has affected the labor force participation of women and the potential effects of AB131 in the Inland Empire.

Two years into the COVID-19 pandemic, studies have found that the pandemic's effect on the labor force participation rates of women has been particularly devastating, with much of this drop attributable to the damage the pandemic has done to child care facilities and providers. A study from the Bipartisan Policy Center found that over 70% of parents reported that their children's care facilities were either fully closed, or operating at reduced capacity in 2020. The Chamber of Commerce Foundation found that 75% of

parents had a parent or guardian staying home with a child, either working remotely or not working, while a further 28% were relying on family and friends in 2020. Studies have also shown that in response to this phenomenon, women are more likely to leave the work force to attend to child care than men. Data from the Census Bureau between April and August of 2020 found that 10% of working women on average were choosing not to work because their child care provider was closed. A study from the University of Southern California found that among families in which the parents live together and have school-aged children, women carry the burden of providing child care, with 44% of women reporting that they are the only one in the house providing care, compared to just 14% of men. In response to school and child care closures caused by COVID-19, mothers have had to make cuts to their working hours that are four to five times greater than reductions made by fathers. This has led to a doubling of the gap in hours worked by men and women. It is no surprise, therefore, that be-

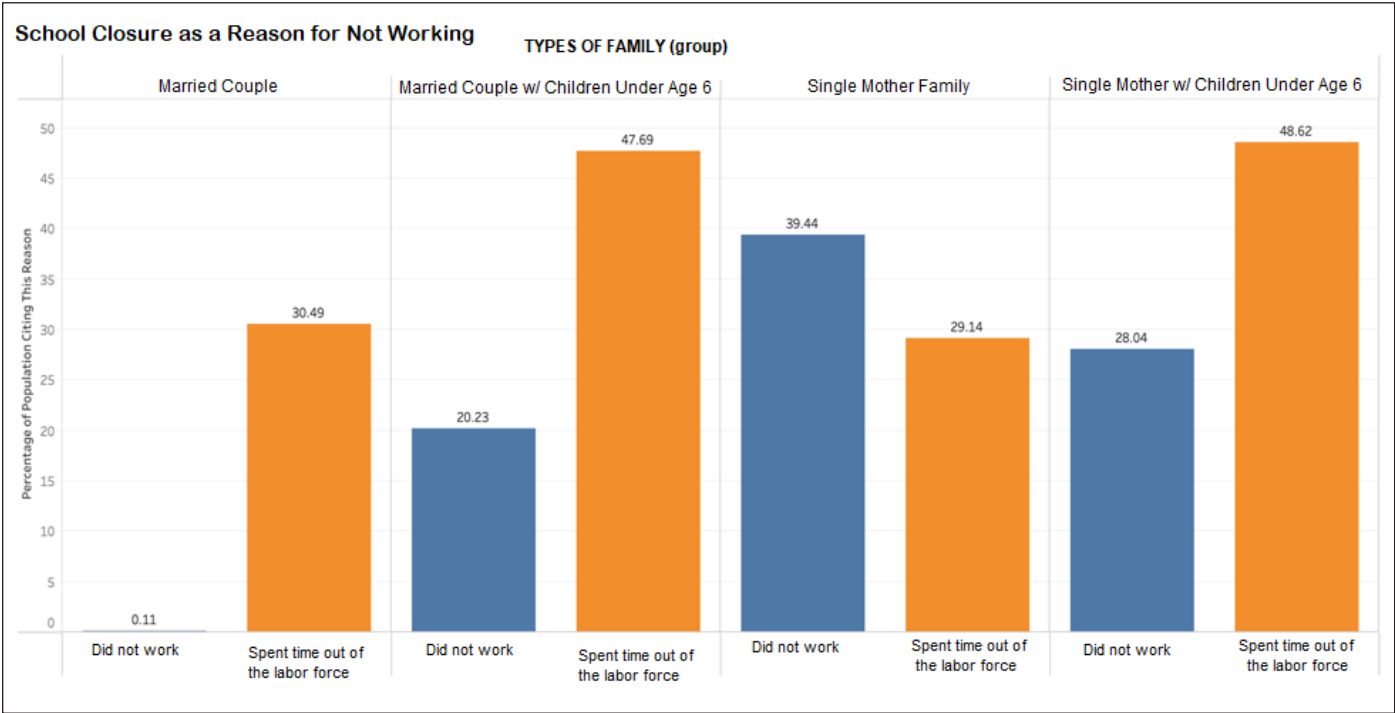
tween March and April 2020, female employment had dropped by 13%, compared to just 10% for men. A study by the Center for American Progress found that by September 2020, approximately 865,000 women had dropped out of the labor force compared to just 216,000 men.

In response, the California legislature passed AB131, a budget trailer bill included in the 2021-22 Fiscal Year Budget, that would subsidize child care providers with a one-time stipend, provide families with child care subsidies, waive family fees for subsidy-funded child care, and provide funding for the creation of over 120,000 new child care spaces. The bill would revise the standard reimbursement rates in effect as of July 1, 2021, to reflect cost-of-living adjustments, a response to the economic effects of the pandemic, and also require federal funds allocated to local child care resource and referral agencies to support their continued participation in COVID-19 relief and recovery to be used to strengthen their role in serving as intermediaries to develop new, and support existing, child care facilities.

When looking back at programs similar to those

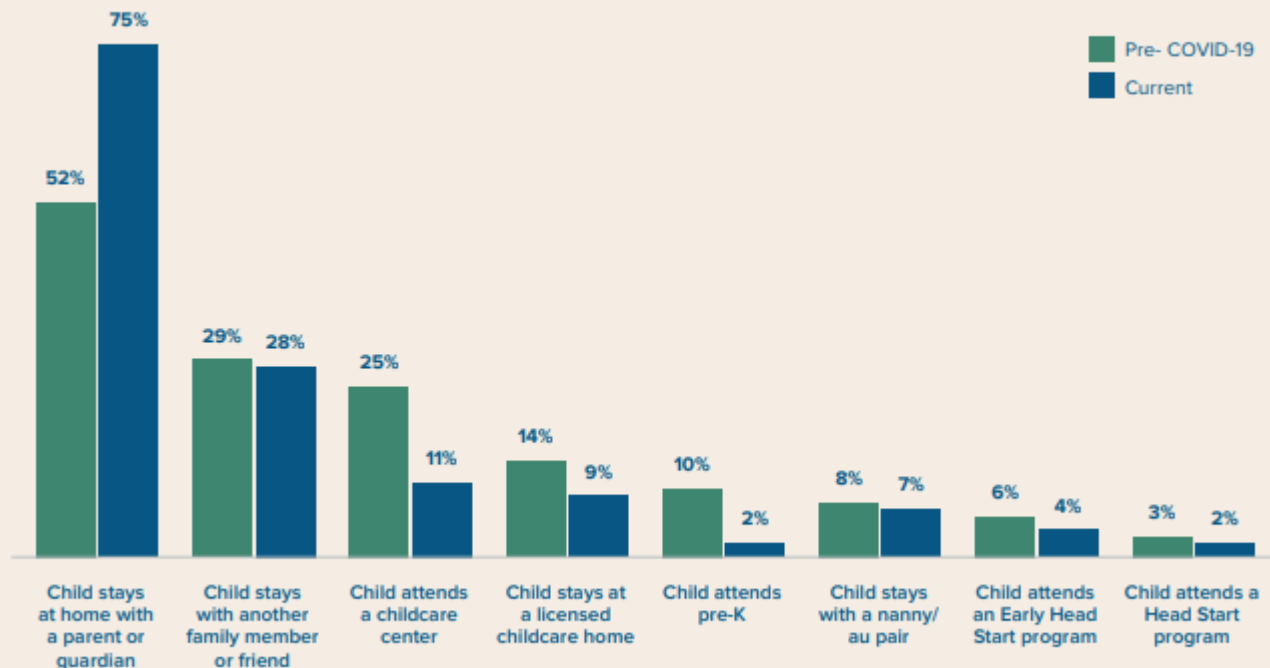
funded by AB131, the Aid to Families with Dependent Children (AFDC) program is one that has been studied extensively, and its effect on maternal employment can give us insight into the potential effects of AB131. Established by the Social Security Act of 1935, AFDC was a means-tested welfare program which provided monthly payments to households in which the father was absent. Its aim was to ensure that mothers were able to spend more time at home taking care of their children, rather than trying to juggle work and motherhood. It was later broadened to encompass families in which the father was present but unable to work. However, a study from Irwin Garfinkel and Larry Orr for the *National Tax Journal* found that regardless of how the various parameters of AFDC were altered—whether that be a decrease in guarantees for families with no income, or a decrease in tax rates for families with low incomes—there would be a very small change in the total number of mothers employed. They argued that the elasticity of employment for AFDC mothers was sensitive to their ability to afford not to work, and suggested that the implementation of a work-for-welfare scheme might induce AFDC mothers to work.

The passage of the Family Support Act in 1988



Source: U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement (CPS ASEC).

Percent of Parents Using Each Type of Childcare Arrangement



Source: Working Parents, Childcare, and COVID-19. US Chamber of Commerce Foundation. Center for Education and Workforce, July 1, 2020.

provided that work test, as it stipulated that single parents on welfare whose children are at least four years old had to find regular work, and if they could not, they were obliged to enroll in educational or job training programs, and eventually in a state-organized employment program. In return, they would be guaranteed subsidized child care services. However, in a study conducted for the *Brookings Review* in 1992, author Gary Burtless analysed various initiatives conducted by the Manpower Demonstration Research Corporation to provide job training and work experience opportunities for AFDC mothers, and concluded that the gains for AFDC likely would not be enough to entice these mothers to work. Burtless found that while the gap between the average income of poor female-headed families was \$5,900 below the poverty line, the largest annual earnings gain from any initiative was only \$1,800. Furthermore, Burtless pointed out that the gains of these initiatives are often passed along to taxpayers. He argued that along with the reductions in welfare from the AFDC

that accompanies income from work, the monetary incentive of working may not be enough to convince AFDC mothers to get off the welfare roll and onto the payroll.

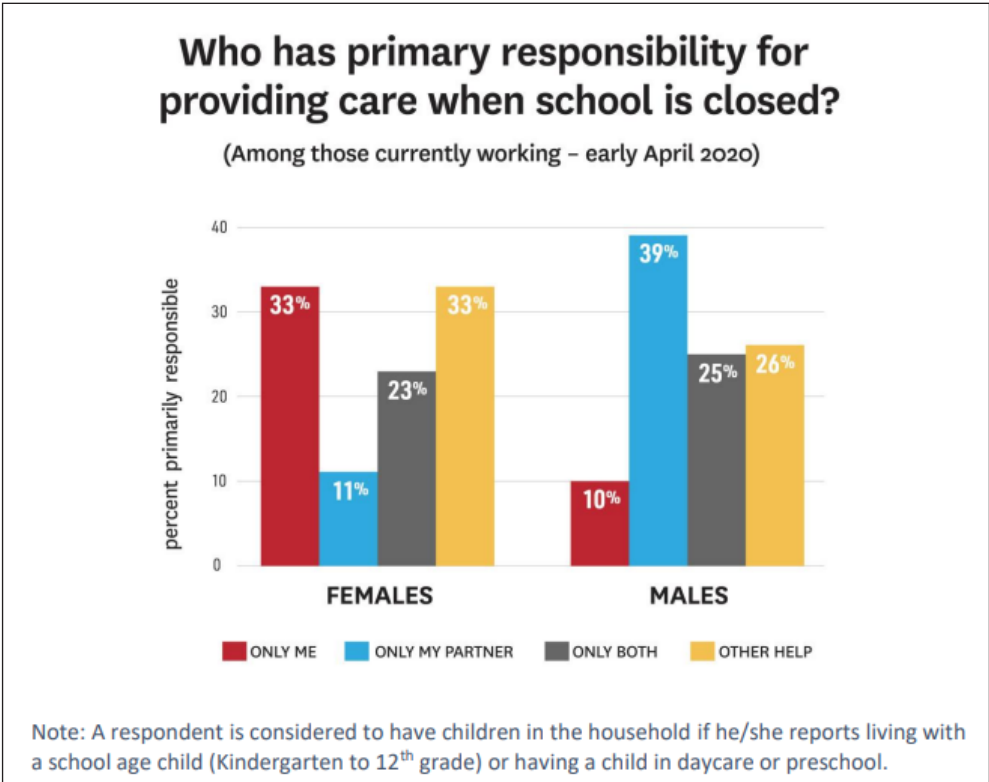
In 1996, however, the AFDC was replaced by the Temporary Assistance to Needy Families (TANF) program. This initiative upheld the same work-for-welfare policy of AFDC, but saw markedly different results. Burtless, writing for the *Brookings Review* in 2004, noted an over 10% increase in the labor force participation rate for mothers who were divorced, separated, and never married in the six years since the passage of TANF, and an over 10% increase in employment/population ratio for the same group. Interestingly, Burtless attributes this partly to the introduction of the Earned Income Tax Credit (EITC), which reduced the amount owed in taxes for working women on welfare, a direct contradiction to Garfinkel and Orre's claim that lowering tax rates would not lead to a major increase in maternal employment.

Several other studies have focused on the more general relationship between child care costs and maternal employment, using data from the Survey of Income and Program Participation (SIPP), which tracks the relationship between welfare usage, income, and employment. While most of these studies agree that a reduction in child care costs does lead to an increase in maternal employment for those mothers on welfare, they disagree on the extent to which it does so, and the groups of women who are most affected by a reduction in child care costs.

One of the first studies on this topic by Rachel Connelly in 1992 for *The Review of Economic and Statistics* focused on married women, and found that especially among women with children of preschool age, low rates of labor force participation were tied almost entirely to high child care costs. In 1995, writing for the same publication, Jean Kimmel compared the levels of responsiveness in the labor market to higher child care costs for both married women and single mothers, and found that married women’s labor force participation was more affected.

However, these results contradict the findings of Wenjui Han and Jane Waldfogel, writing for *Social Science Quarterly* in 2001, found that the effects of higher child care costs affected the labor force participation of single mothers more than for married women. Specifically, they found that policies that reduced the cost of child care could in turn increase the employment rate of single mothers anywhere from 5% to 21%, compared to only 3%-14% for married women. Crucially, Han and Waldfogel note that the difference between their study and Kimmel’s 1995 study is that the Kimmel included children of all ages, whereas they exclusively focus on mothers of pre-school children.

A study by Patricia Anderson and Phillip Levine for the *National Bureau of Economic Research* in 2000 concurred with Han and Waldfogel’s thesis, finding that unmarried women across all education levels with children under the age of six were more responsive to an increase in child care costs than married women. That study also uncovered the relationship between child care costs and the skill level of the worker. They found that labor force participation in-



Source: Gender Differences in the Impact of COVID-19. University of Southern California, June 18, 2020.

creased among low-skilled workers the most. They connected this to a larger wage elasticity for low-skilled workers, noting that wages among low-skill workers increased more with lower child care costs. For low-skilled workers who are paid less, a dollar is more valuable, and thus an increase in child care costs by a dollar will lead them to take their children out of day care and look after them themselves.

These studies show that making employment a prerequisite for welfare is not enough to boost maternal employment, and that there are other factors that influence levels of maternal employment. Given that, it is crucial to look in closer detail at AB131 to determine just how much its provisions will influence maternal employment in California.

Data on single mothers from the Current Population Survey shows that only 53.3% of mothers worked full-time in 2020, with this number dropping below 50% when looking at single mothers with children under the age of six. This is in contrast to families in which both the mother and father are present, in which over 70% have both partners working. Across all categories of work -- full time, part time, and not working at all -- the percentage of those living below the poverty line is greater among single mothers than among married couples. The same relationship holds true if one were to increase the threshold to those living at or below double the poverty line.

Among those who choose not to work during 2020 or spent a certain amount of time out of the labor force, a greater percentage of women cited home or family reasons as their reason for not working than did men—around 20% compared to just 4.5% for men. When looking at the percentage of married couples who chose not to work for home or family reasons, the percentage for both the wage-earner and the spouse hovers around 50%. However, for households headed by a single mother, the mother cited home or family reasons for not working only 19.5% of the time. When the age of the child is taken into account, the percentage of married couples and single mothers who cite home or family reasons for leaving the labor force or not working increases. Among married

couples in particular, having a child under the age of six heavily influences the mother's decision not to join the labor force, whereas this relationship is not as strong among single mothers.

When looking at the effect of school closures on the decision to leave or forego joining the labor force, the data is less straightforward. Among married couples, school closures tend not to influence the decision to leave the labor force, however, it is a factor when looking at married couples with children under the age of six. Conversely, the opposite holds true for single mothers, who cite school closures as a reason for forgoing the labor force less when the age of the child is factored in.

At face value, this data both supports and contradicts previous findings. The data which shows that home/family reasons is cited more often by both married couples and single mothers as the age of the child decreases supports the findings of both the Anderson and Levine study, and the Hans and Waldfogel study, both of whom claimed that mothers with preschool aged children were more responsive to increasing costs of child care, or closures of child care centers. However, the data also appears to side with Kimmel's assertion that married women's labor force participation rates are generally more affected by higher child care costs than single mothers.

Combining these findings with our knowledge of San Bernardino County and Riverside County, we can hypothesize how AB-131 might affect maternal unemployment rates. First, Kidsdata.org reports the average annual price for an infant child care in both San Bernardino County and Riverside County hovers around \$13,000, a figure which may be lower than the California average of \$17,000, but one which towers over the average price of infant child care in most states (\$11,896). Unfortunately, both counties are lagging when it comes to availability of child care spaces for children who need them. According to Kidsdata.org, Riverside County reports only having child care spaces available for 18.3% of children who need them, which is 6 percentage points lower than the California average, while San Bernardino



PHOTO CREDIT: Yakobchuk | Dreamstime.com

County's 16.3% makes it one of the lowest in the entire state. Given that AB131 seeks to reduce child care costs and fund the creation of new child care spaces, this bill in theory should lead to an increase in maternal employment in both counties. Note that these statistics and subsequent figures are pre-pandemic and prices are likely to have increased since then as child care centers closed.

Starting with San Bernardino County, a larger percentage of all families with children are living in poverty (24.2%) as compared to the United States (18.8%). This is true for two-parent households with children. A larger percentage of single mothers in San Bernardino County are also living in poverty (39.2%) than in the United States (37.4%). With a high school graduation rate of 80.7% and a bachelor's degree attainment rate of 22.5%, San Bernardino falls short of both California and the United States on these educational attainment metrics. Connecting these statistics to Anderson and Levine's theory that low-skilled workers are more responsive to higher child care costs, it seems clear that families in San Bernardino would likely benefit from this bill. Data at the federal level suggests that a significant percentage of

married women choose not to work in order to take care of their children. One would assume that this percentage would be even higher in San Bernardino, given that a greater percentage of married women are living in poverty in San Bernardino County than in the US. However, federal level data also showed that married women with children under the age of six were the most responsive to higher child care costs, with 65% of these women choosing not to work at all and 31.32% choosing to spend some time out of the labor force. In San Bernardino County, however, requests for child care for preschool aged children (those under the age of six), were only at 45%, which means that most child care requests were for children over the age of six. Federal data suggests that among married couples with children over the age of six, high child care costs are not too big an impediment to participating in the labor force.

Riverside County shares some similarities to San Bernardino County. Its educational attainment levels are slightly higher than San Bernardino County, but still fall short of the national averages. The high school graduation rate (82.8%) is close to six percentage points lower than the national average

(88.5%), while the percentage of the population holding a bachelor's degree (23.3%) is two-thirds of the national percentage. 19.5% of all families with children are living at or below the poverty line, slightly higher than the national (18.8%) and California (19.0%) averages, while a greater percentage of two-parent households are living in poverty as well. In contrast to San Bernardino County, however, a smaller percentage of single-parent households are living in poverty in Riverside County (33.9%) than either state (34.6%) or nationwide (37.4%). There is another area in which Riverside County differs from San Bernardino, and that is in number of families with children of pre-school age, and subsequently the difference in the requests for child care. Riverside County, in comparison to the state average, has a greater percentage of children between the ages of 0 and 6. As a result, 55% of requests for child care in Riverside County are for children of pre-school age, over 10 percentage points higher than San Bernardino County, and 11 percentage points higher than the state average. So, in contrast to San Bernardino County, the majority of requests for child care are for children under the age of six.

Both counties also have significantly higher single motherhood rates than the national average. Whereas the national percentage of children under the age of 18 living with only one parent stands at 23%, Riverside's percentage is 28%, while San Bernardino's is a whopping 33%. Given the prevalence of single parenthood, it seems an almost foregone conclusion that a reduction in child care costs would increase maternal employment in these households, especially as an estimated 80% of these households are headed by the mother rather than the father. Federal data shows that over one in four single mothers choose to leave the work force or remain out of it due to child care costs, with this figure rising to over three in four when looking at single mothers with children under the age of 6. Consistent with Han and Waldfogel's study -- in which they found that single mothers' labor force participation rates are more affected by higher child care costs -- AB131 may prove to be effective to increase women's employment in both Riverside County and San Bernardino County. ♦

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INCLUSIONARY HOUSING ORDINANCES AND HOUSING PRODUCTION

BY RYAN LENNEY '25

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Californians are facing the effects of a housing crisis that has been mounting for decades across the state. The California Housing Partnership estimates that increases in housing costs in California have outpaced wage growth by 32% since 2000. As a result, the majority of renters in California are burdened by the cost of housing, meaning they spend more than 30% of their monthly income on housing costs, according to the Public Policy Institute of California. The disparity between high housing costs and comparatively low wages in California has created an immense need for affordable housing. While developing housing is primarily the private sector's role, the state requires local governments to plan for the development of a number of housing units for people of different income levels. The number of units needed at very low, low, moderate, and above moderate-income levels in each of California's eighteen regions is determined by the California Department of Housing and Community Development

(HCD) through the Regional Housing Needs Assessment (RHNA), for a period of eight years. The governing association for each region is responsible for allocating their RHNA among the municipalities in their jurisdiction. To complete their RHNA allocation of units, many municipalities in California implement policies meant to increase the production of affordable housing. One such policy is an inclusionary housing ordinance (IHO). An IHO is a city or countywide requirement for a certain percentage of new housing developments be made affordable. The specifics of IHOs vary, but most require that 10-15% of new housing units be made affordable, and many allow developers to pay an "in lieu fee" instead of building affordable housing. As the housing crisis in California continues to worsen, many municipalities are considering joining the hundreds in California already using IHOs.

Inclusionary housing ordinances first appeared in

California in the early 1970s. The 1970s marked the start of an increasing disparity between housing prices and wages in California, and many municipalities began to look for ways to advance affordable housing. Orange County was among the first in California to adopt an IHO, in response to a growing need for affordable housing throughout the county. Orange County's IHO was later phased out, but throughout the following decade dozens of new IHOs were implemented in California. By the 1990s, a study by the California Coalition for Rural Housing showed that 64 California local governments were using IHOs. In 2003, a study by the Non-Profit Housing Coalition of Northern California (NPH) concluded that this number had nearly doubled to 107. The most recent statewide study on IHO programs, conducted in 2007 by NPH, shows that there are 170 jurisdictions using IHOs. Although there has not been a statewide study of IHOs conducted since 2007, the number of jurisdictions using IHOs has likely increased following new legal precedent and pressures from the state to increase the availability of affordable housing.

The legality of inclusionary housing ordinances has long been contested in California. Throughout the early 2000s, a number of lawsuits were brought against cities using IHOs. In 2001, the City of Napa had its IHO upheld by the courts in *Home Builders Association of Northern California v. City of Napa*. Similar decisions in favor of IHOs were reached in *Action Apartments Assn v. City of Santa Monica* in 2008, and in *California Building Industry Assn. v. City of San Jose* in 2013. These cases primarily established the right of cities to use IHOs to compel developers to sell a percentage of units at an affordable rate. They did not raise the issue of cities requiring developers to set rent at an affordable rate. In 2009, IHOs relating to rent were challenged in *Palmer/ Sixth Street Properties, L.P v. City of Los Angeles*, and were declared invalid under the Costa-Hawkins Act of 1995, which greatly limited rent control in the state. After the decision in *Palmer v. City of Los Angeles*, many municipalities suspended their IHOs, or modified them to allow for developers to opt out by paying a fee instead of producing affordable housing. Nearly a decade passed with IHOs in a largely unenforceable limbo, until the passing of California

Assembly Bill 1505 in 2017. AB1505 authorized any city or county in California to adopt ordinances requiring new developments in their jurisdiction to include a percentage of affordable housing for moderate-income, low-income, very low-income, or extremely low-income households. It also included a provision to allow the Department of Housing and Community Development to require cities to implement IHOs, but this provision does not take effect until 2027.

With the legality of IHOs in California now established by AB 1505, the question remains as to whether IHOs are an effective tool to produce affordable housing. A 2004 study of IHOs in Los Angeles County and Orange County by the Reason Foundation found that IHOs had an adverse effect on the price and production of housing in cities where they were used. By analyzing the production of affordable housing in thirteen cities with IHOs, the Reason Foundation study concluded that IHOs only resulted in the production of 34 affordable units each year on average. In addition to this relatively low production of affordable housing, the study found that each inclusionary housing unit came at a cost of over \$570,000, by comparing a hypothetical affordable price to the average market rate cost for housing in each city. The results of the Reason Foundation study are supported by a more recent study conducted by university researchers in 2009 titled "Market Effects of Inclusionary Zoning." This study analyzed housing prices in California from 1988-2005 and determined that jurisdictions using IHOs experienced an increase in the cost of single-family homes.

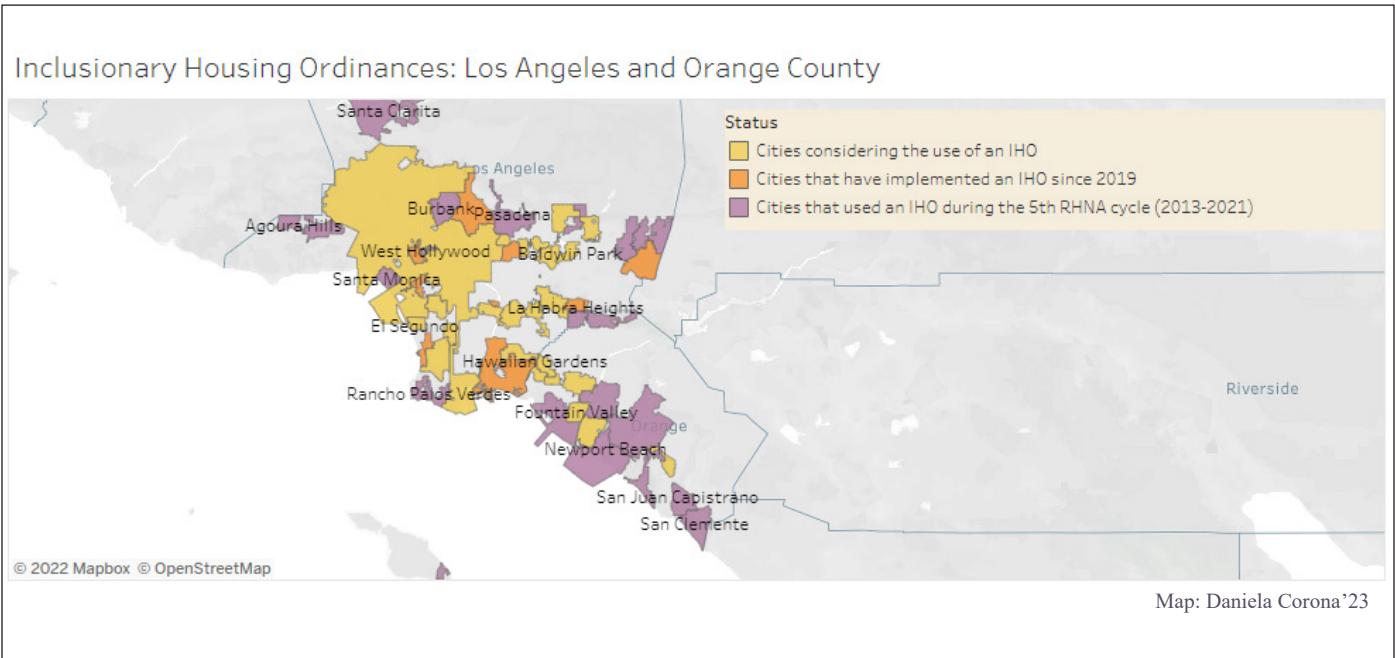
Other studies challenge the conclusion that IHOs can have negative effects on the housing market. One, "Can Inclusionary Zoning Be an Effective and Efficient Housing Policy? Evidence from Los Angeles and Orange Counties," was conducted by academic researchers and the housing non-profit organization Adobe Communities in 2010. It studied the effectiveness of IHOs in Los Angeles and Orange Counties by comparing them to other affordable housing policies and analyzing the impact of IHOs on housing markets. This study determined that there is little evidence to support an adverse effect of IHOs on hous-

ing supply in Los Angeles County or Orange County. The main difference in methodology between the 2010 study and other studies which drew contrary conclusions, such as the Reason Foundation’s 2004 study on IHOs, was the 2010 study’s recognition that many cities use incentives to offsets costs to developers in tandem with their IHOs.

Most California municipalities with IHOs use a variety of methods to reduce the cost of building affordable housing for developers, including density bonuses, fee reductions, and subsidies. These developer incentives help to prevent developers from pushing costs incurred by IHOs onto the housing market. By

housing in those five counties, the study concluded that cities using both IHOs and several incentive programs were more likely to produce affordable housing.

While current research suggests that IHOs paired with developer incentives can increase the supply of affordable housing, potential differences in the efficacy of IHOs in coastal and inland municipalities have not been adequately examined. Existing studies on IHOs in California have focused primarily on densely populated coastal communities, such as Orange County and Los Angeles County, leaving a significant gap in research concerning the use of



recognizing these incentives in its research, the 2010 study determined that IHOs with density bonuses result in an overall increase in the supply of housing. A more recent study of IHOs in Southern California conducted in 2015 by a researcher at the University of California Irvine supported the findings of the 2010 study. Using a survey sent out to Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties, the 2015 study showed that over 80% of cities using IHOs in Southern California also offer density bonuses and other incentives to developers as a means of encouraging the production of affordable housing. By analyzing the production of affordable

IHOs in inland municipalities. Inland cities in California are typically less built out than urbanized coastal cities, and they have considerably different housing markets as a result. The lack of research on IHOs in inland California is an impediment to many local governments’ abilities to make informed housing policy decisions. It is especially important that information on IHOs in inland California be available in the near future, as many municipalities are restructuring their housing policies for the 6th cycle of RHNA and Housing Elements.

This article aims to address the current shortcomings

of research on IHOs in California by comparing the use of IHOs in Riverside County and San Bernardino County to Los Angeles County and Orange County. It focuses on the questions: Do cities in inland Southern California counties use IHOs on a similar scale to those in coastal counties, and are IHOs in either area effective at accomplishing RHNA requirements for affordable housing? We analyze this question by comparing the progress made by cities with and without IHOs in each county on completing their 5th cycle RHNA housing allocations, which spanned 2013-2021. Production of affordable housing was estimated by the number of permits for housing units approved at very low and low-income levels during the 5th cycle. Production levels were then compared between cities in Los Angeles County, Orange County, Riverside County and San Bernardino County to identify any differences in the effectiveness of IHOs in inland and coastal areas of California that previous studies may have overlooked. This study builds upon previous research concerning the efficacy of IHOs, but its results were more representative of the diversity of housing markets in cities across California.

To analyze the use and efficacy of IHOs in Los Angeles County, Orange County, Riverside County and

San Bernardino County, we studied the Housing Element and municipal code of each city in these counties to determine where IHOs are used. Only IHOs used in the 5th cycle of Housing Elements and RHNA allocations, from 2013-2021, were considered. IHOs which were not in use for more than three years, meaning they were either implemented and quickly repealed or implemented after 2019, were not considered to have significantly influenced housing production during the 5th cycle, but were noted in the study. In inland counties, six cities with IHOs were identified. These were Chino Hills, Fontana, Highland, Montclair and Yucaipa in San Bernardino County, and Calimesa in Riverside County. In coastal counties, twenty-three cities with IHOs were identified. These cities were Brea, Huntington Beach, Irvine, Laguna Beach, Laguna Woods, La Habra, Newport Beach, San Clemente, San Juan Capistrano, and Santa Ana in Orange County, and Agoura Hills, Avalon, Burbank, Calabasas, Claremont, Duarte, La Verne, Pasadena, Rancho Palos Verdes, San Dimas, Santa Clarita, Santa Monica and West Hollywood in Los Angeles County.

We then utilized the Annual Progress Report (APR) data published by HCD to determine each city's prog-

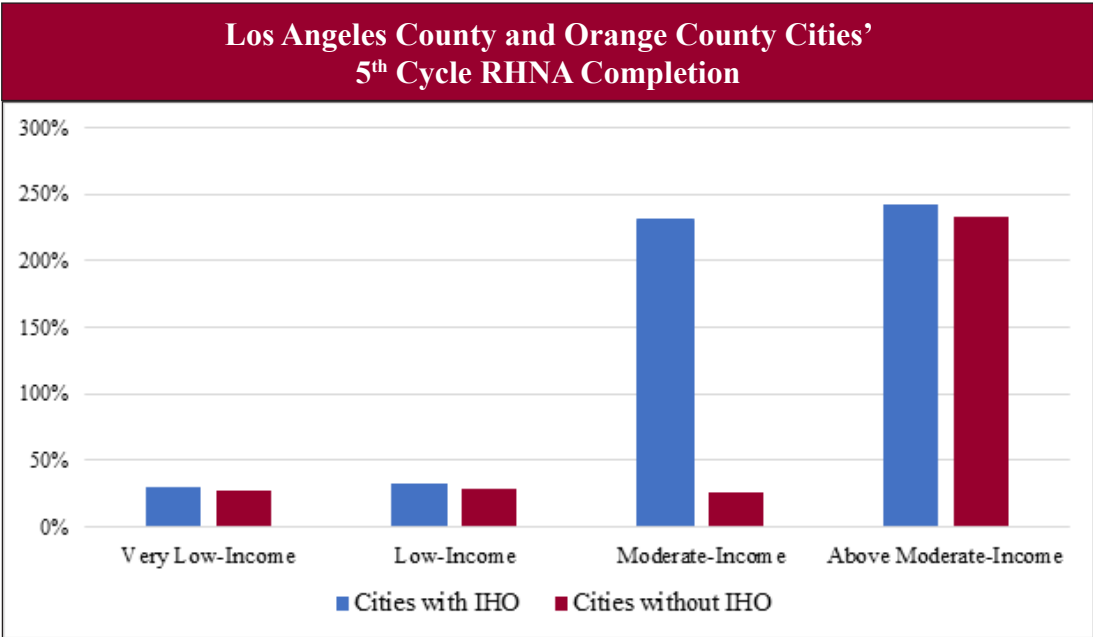


Figure 1: Comparison of 5th cycle RHNA completion of cities in Los Angeles County and Orange County based on their use of IHOs

ress towards completing their 5th cycle RHNA allocation for very low, low, moderate, and above moderate-income housing units. Data for very low and low-income units was used to estimate the amount of affordable housing developed in each city. Data for moderate and above moderate units was included to test whether cities with IHOs experienced a decrease in housing development at higher income levels. We also included the total RHNA allocation to each city for the 5th cycle to measure each city's progress towards completion. We collected data for each city in Los Angeles County, Orange County, Riverside County and San Bernardino County, divided it between inland and coastal regions, and split it into categories for cities with IHOs and cities without IHOs.

In the two coastal counties, cities with IHOs completed a greater percentage of their RHNA allocation for affordable units than cities without IHOs. Cities with IHOs completed 31% of their RHNA allocation, with 4,476 permits approved for very low and low-income units. Cities without IHOs approved 16,463 permits, which represents a greater number of units overall, but only a 27% RHNA completion rate. Cities with IHOs in coastal counties also completed a greater percentage of their RHNA allocation

for moderate and above moderate-income housing than those without, with 51,266 permits approved for a 239% RHNA completion rate. In cities without IHOs, permits were approved for 156,008 moderate and above moderate-income units for a RHNA completion rate of 175%. These findings indicate that cities with IHOs in coastal counties did not experience a decrease in the production of housing in other sectors. In fact, as shown in Figure 1, cities with IHOs in coastal counties completed a greater percentage of their RHNA allocation in every income category than cities without IHOs.

In the two Inland Empire counties, IHOs had a similarly positive effect on the production of affordable housing. In cities with IHOs, permits were approved for 504 very low and low-income units during the 5th cycle, which represents a 10% RHNA completion rate. In cities without IHOs, permits were approved for 2,231 very low and low-income units for a 5% RHNA completion rate. For moderate and above moderate-income housing, cities in inland counties with IHOs approved permits for 6,835 units for an 88% RHNA completion rate. In cities without IHOs, permits were approved for 44,273 units at these income levels for a 66% RHNA completion rate. As

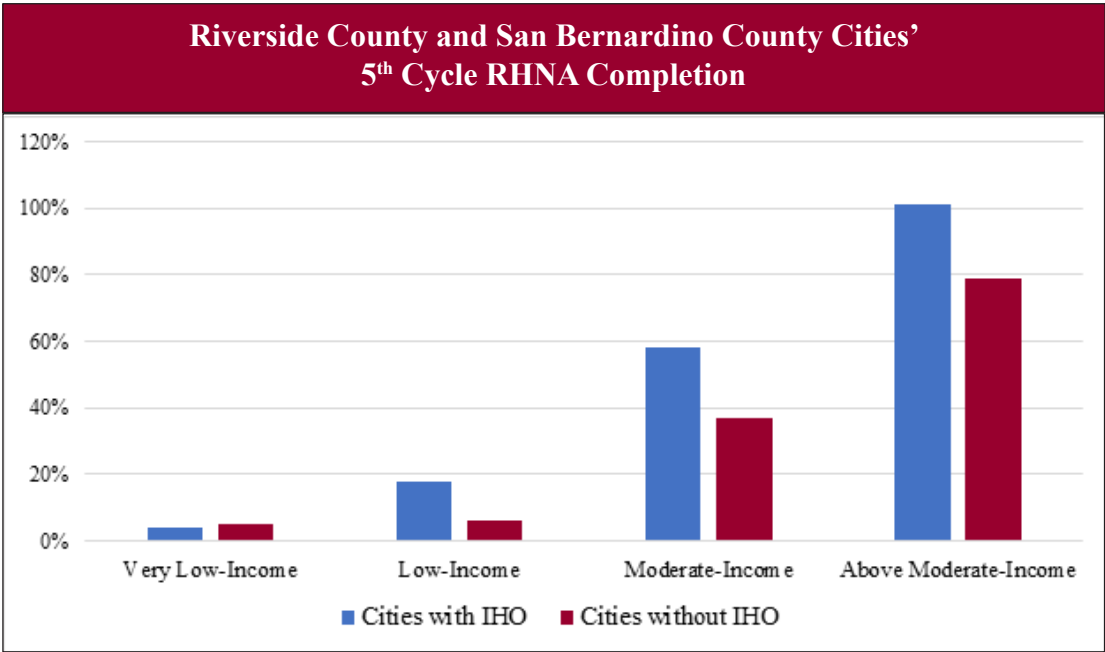
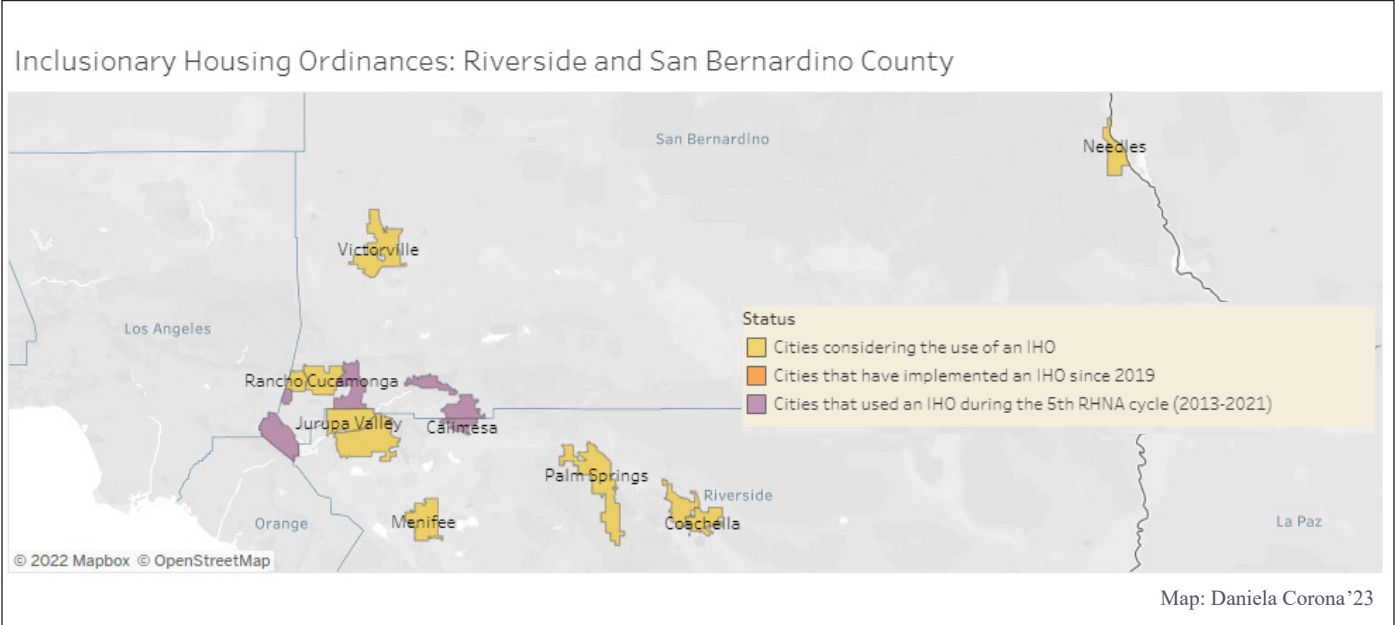


Figure 2: Comparison of 5th cycle RHNA completion of cities in Riverside County and San Bernardino County based on their use of IHOs

shown in Figure 2, cities with IHOs in inland counties completed a slightly smaller percentage of their very low-income housing RHNA allocation than cities without IHOs, but they achieved a greater percentage of their allocations in every other income category.

Several conclusions regarding the use of IHOs and the production of housing in inland and coastal counties in Southern California can be drawn from the Rose Institute study. Nearly one in every four cities in coastal counties uses an IHO while only one in seven cities in inland counties does. This difference may be a result of increased concerns in inland cities that IHOs will deter housing developers, whereas coastal

Although this study’s findings indicate that IHOs can increase housing production without reducing production at other income levels, there are several limitations to the study. First, determinations about which cities in Los Angeles County, Orange County, Riverside County and San Bernardino County use IHOs were based solely on an analysis of city information available online, which is not always up to date. Second, this study had a relatively small sample size of only 29 cities with IHOs and 143 cities without. This allowed outlier cities such as Irvine, which alone produced more housing than all other Los Angeles County and Orange County cities with IHOs combined, to potentially skew the results.



cities typically have higher levels of developer interest regardless of additional taxes or fees. Nonetheless, cities with IHOs in both inland and coastal counties collectively completed a greater percentage of nearly every 5th cycle RHNA allocation category. The one exception to this is the very low-income category for the inland counties, but here the difference between housing production for cities with and without IHOs was only 1%. These findings not only demonstrate that cities with IHOs usually complete a greater percentage of their affordable housing RHNA allocations, they also show that IHOs do not seem to have a negative effect on housing production in other sectors of the housing market.

Third, in-lieu fees that allow developers to opt out of IHO requirements were not adequately addressed in this study. Nearly every city with an IHO in all four counties uses a form of an in-lieu fee, and many developers choose to pay this fee instead of building affordable housing. These fees are often set aside and used to subsidize future affordable housing developments, but such funds are not reflected in the RHNA data used in this study. Finally, higher levels of housing production in cities with IHOs may be a result of a third variable such as a city government’s willingness to encourage and approve housing development – rather than the direct result of IHOs.

The Rose Institute study can also be used to analyze differences in the overall production of housing in inland and coastal counties. Cities in Los Angeles County and Orange County collectively approved more permits and completed a greater percentage of their RHNA allocations at every income level compared to cities in Riverside County and San Bernardino County. With a growing population of over 7 million people, compared to Riverside County and San Bernardino County's combined population of 4.6 million, it is to be expected that cities in Los Angeles County and Orange County would receive a larger RHNA allocation and approve more permits as a result. In fact, they received a 5th cycle RHNA allocation roughly one and a half times larger, which is nearly equal to their current population difference.

This proportionality did not hold up during the 5th RHNA cycle, however, as coastal cities approved permits for over four times the amount of housing as inland cities. In other words, cities in Riverside County and San Bernardino County only completed 43% of their total 5th cycle RHNA allocation with permits approved for 53,038 units. Cities in Los Angeles County and Orange County, in comparison, completed 123% of their total RHNA allocation with permits approved for 228,213 units. The stark contrast between housing production in coastal and inland cities during the 5th RHNA cycle demonstrates a conflict between RHNA allocations and the housing market in Southern California. The Southern California Association of Governments (SCAG), which allocated the RHNA requirements from HCD to the four counties, appears to want more housing built inland, whereas housing developers still greatly favor the coast.

Coastal cities approved a greater number of permits than required by their RHNA allocation, but the vast majority of these permits were for above moderate-income units. In Los Angeles and Orange County, cities collectively completed 235% of their collective RHNA allocation for above moderate-income units, approving permits for 186,987 units during the 5th RHNA cycle. Similarly, in Riverside and San Bernardino County, 81% of the RHNA allocation for above-moderate income units was completed with 41,377 permits approved. Above moderate units represented the largest share of permits collectively approved by cities in all four counties. At the same time, few cities came close to completing their very low, low, and moderate-income RHNA allocations. Riverside County and San Bernardino County cities collectively only completed 5% of their very low, 7% of their low and 40% of their moderate-income RHNA allocations. Los Angeles County and Orange County cities came closer, but fell short at 27% completion of very low-income, 30% of low-income and 65% of moderate-income RHNA allocations. Several individual cities in the counties studied such as Santa Ana, West Hollywood and Westminster were able to complete their RHNA allocations at these income levels. This was not the case for the majority of cities.

This study noted that twenty-seven cities in Los Angeles County, six cities in Orange County, six cities in Riverside County and four cities in San Bernardino County have recently started to consider the use of an IHO, or have implemented an IHO since 2019. With the availability and affordability of housing in California on the line, it is imperative that local governments are well informed when choosing whether to implement IHOs, and in all of their housing policy decisions. ♦

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VARIABLE ATTITUDES ON HOUSING MARKET REGULATION

BY THOMAS SHORT PO'24

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America is facing a housing crisis in some of its largest cities. In part, economists have attributed high housing prices to the regulatory burden facing new development. Though zoning in America has existed for about a century, cities are only now experiencing the worst effects of a resurgence of housing market regulation that started in the 1970s. Decades ago, researchers who noticed this trend sought to understand how pro-regulation political movements formed and found limited partisan or demographic consistency. This article will provide a contemporary look at geographic variance in regulatory attitudes. At the city level, quantifying the barriers to housing development can be accomplished in a few ways. First, cities often endorse or oppose housing-related legislation, which can provide an important measure of regional attitudes towards housing regulation. In addition, economists have created indices that measure the regulatory burden with regard to housing in numerous cities across the country. Research

shows a positive association between the proportion of white-collar workers in a city and opposition to major bills that relaxed housing development restrictions.

Laws that make residential construction more difficult have significant, observable effects on housing supply and prices. An early portent of the severity of the current housing shortage arrived in the form of a study conducted by John M. Quigley and Steven Raphael from 1990 to 2000 that concluded not only that strict regulation and high housing prices were positively correlated, but also that housing production was higher in areas with less regulation. Their findings were later corroborated by Kristoffer Jackson, who looked at over 400 California cities from 1970 to 1995 and found that additional regulation—especially zoning regulation—caused statistically significant decreases in the number of permits approved for new housing, with more pronounced effects for mul-

tifamily developments. These studies show a significant negative impact of housing market regulation on housing construction and affordability.

The recent surge in political discourse and action regarding housing market regulation is not unprecedented. Zoning has been a political issue since its inception. In the early 20th century, local officials tried to use zoning as a way to enforce segregation based on race or socioeconomic status. Post-war residential development was defined significantly by suburban, single-family zoning, but decades later support for restrictive zoning began to spread into urban areas. This trend was exemplified in Los Angeles during Mayor Tom Bradley's tenure. He led a so-called "growth machine" coalition of business interests from 1975 to 1985, after which pro-development politics began to lose ground to homeowners associations and other anti-growth elements. To explain this shift in political power, both in Los Angeles and statewide, researchers began to study the composition of anti-growth coalitions from the late 1970s to the early 1990s.

To better understand the political factors behind these coalitions, M. Gottdiener and Max Neiman surveyed a sample of Riverside voters in 1979 about their socioeconomic status and political philosophy. They found that those who generally favored government intervention in a number of areas, such as environmental protection and public services, were more likely to favor a measure that prevented the development of several thousand acres of farmland. The authors also determined that level of schooling and financial security did not predict voter preference. Mark Baldassare and William Protash similarly surveyed a sample of Northern California city planning agencies about development restrictions and assigned each city a score based on its level of regulation, where a higher score corresponded to a greater amount of regulation. The authors then compared each city's regulation score to a number of factors including income relative to the county, city density, proportion of white-collar residents, and proportion of homeowners. They found that only the latter two factors had a statistically significant relationship with regulation score; in each case

the relationship was positive. Ten years later, Todd Donovan and Max Neiman constructed a regulatory index based on Southern California city planning department survey responses and compared the results with income, partisan affiliation, poverty, and occupation data. They found that the only statistically significant demographic factor with regard to the regulatory index was the proportion of professionals who resided in a city. In aggregate, these studies pointed to an anti-growth coalition comprised of professionals and homeowners who generally favored a larger role for government. Most notably, researchers repeatedly found no significant correlation between anti-growth tendencies and income or partisan affiliation.

Decades later, Vicki Been, Josiah Madar, and Simon Thomas McDonnell studied the same issue in New York. Looking at New York City lot rezonings from 2002 to 2009, they compared the proportion of lots that were upzoned (made eligible for additional residential development) and downzoned (further restricted in their capacity for residential development) with the demographics of the neighborhood in which the lot was located. The authors found that homeownership and voter turnout were positively associated with relatively lower probabilities of upzoning. They also observed a connection between race and zoning changes: neighborhoods that were more than 80 percent white, black, or Hispanic had relatively higher probabilities of lot downzoning. The researchers posited that this relationship could be explained by white zoning officials wanting their own neighborhoods to minimize new development, but also for neighborhoods presumed to attract minorities—those with high concentrations of black or Hispanic residents—to have limited opportunities for expansion. This more recent finding is partly consistent with studies from earlier decades that also described a relationship between homeownership and opposition to new development, but also provides support for potential hypotheses regarding the association between race and housing market regulation.

In addition to finding relationships between characteristics like homeownership and stricter regulatory

Bill Number	Year of Passage	Summary	Number of Cities Opposed
SB 35	2017	Streamlines approval process for some kinds of housing	97
AB 68	2019	Allows for 2 Accessory Dwelling Units (ADUs) on one lot	18
AB 881	2019	Loosens ADU restrictions	13
AB 1763	2019	Allows higher density affordable housing	16
SB 13	2019	Loosens ADU restrictions	10
SB 330	2019	Minimizes local bureaucracy around housing applications	51
AB 2345	2020	Allows local jurisdictions to expand density incentives	13
SB 9	2021	Ends single-family zoning	129
SB 10	2021	Allows upzoning in transit-proximate or infill areas	22

Figure 1: Housing-related bills used by this article as a measure of community opposition to development.

environments, recent research has also focused on more granular measures of zoning-related decision making. The significant role of local officials in approving development allows community participation at zoning and planning board meetings to have an outsized impact on housing policy. However, analysis by Katherine Levine Einstein, David M. Glick, and Maxwell Palmer has demonstrated that neighborhood input at these meetings is not reflective of community demographics. They determined that while there was no relation between partisan preference and meeting participation, participants were significantly more likely to be older, male, homeowners, and more frequent voters. In addition, the proportion of comments in opposition to new development was nearly 50 percentage points higher than the proportion of those in favor.

To formulate a qualitative measure of attitudes towards development, Mai T. Nguyen, Victoria Basolo, and Abhishek Tiwari studied the rhetoric employed by opponents of affordable housing construction. By analyzing the arguments used in 146 newspaper articles related to the development of affordable housing from 1996 to 2006 in 38 California newspapers, the authors found that nearly 40 percent of these ar-

ticles associated affordable housing with race or ethnicity. This study lends credence to the theory that there will be a correlation between race and attitudes towards barriers to new development.

Several measures of regulatory burden have been used throughout the existing literature on housing market regulation, often pertaining to only a small region of the United States. However, a 2019 study by Joseph Gyourko, Jonathan Hartley, and Jacob Krimmel constructed an extremely broad index, covering 2,844 communities in the United States—including 171 California cities. They based their index scores on an extensive survey that included questions regarding the number of entities required to approve development, density restrictions, fees, and time lag for new construction, among numerous other factors. A similar statistic can be derived from data published by the Association of Bay Area Governments, which provides city and county level binary responses to questions of specific land-use regulations. These resources, combined with city responses to housing-related bills, allow for the use of multiple regulatory indices to evaluate attitudes towards housing market regulation in cities across California.

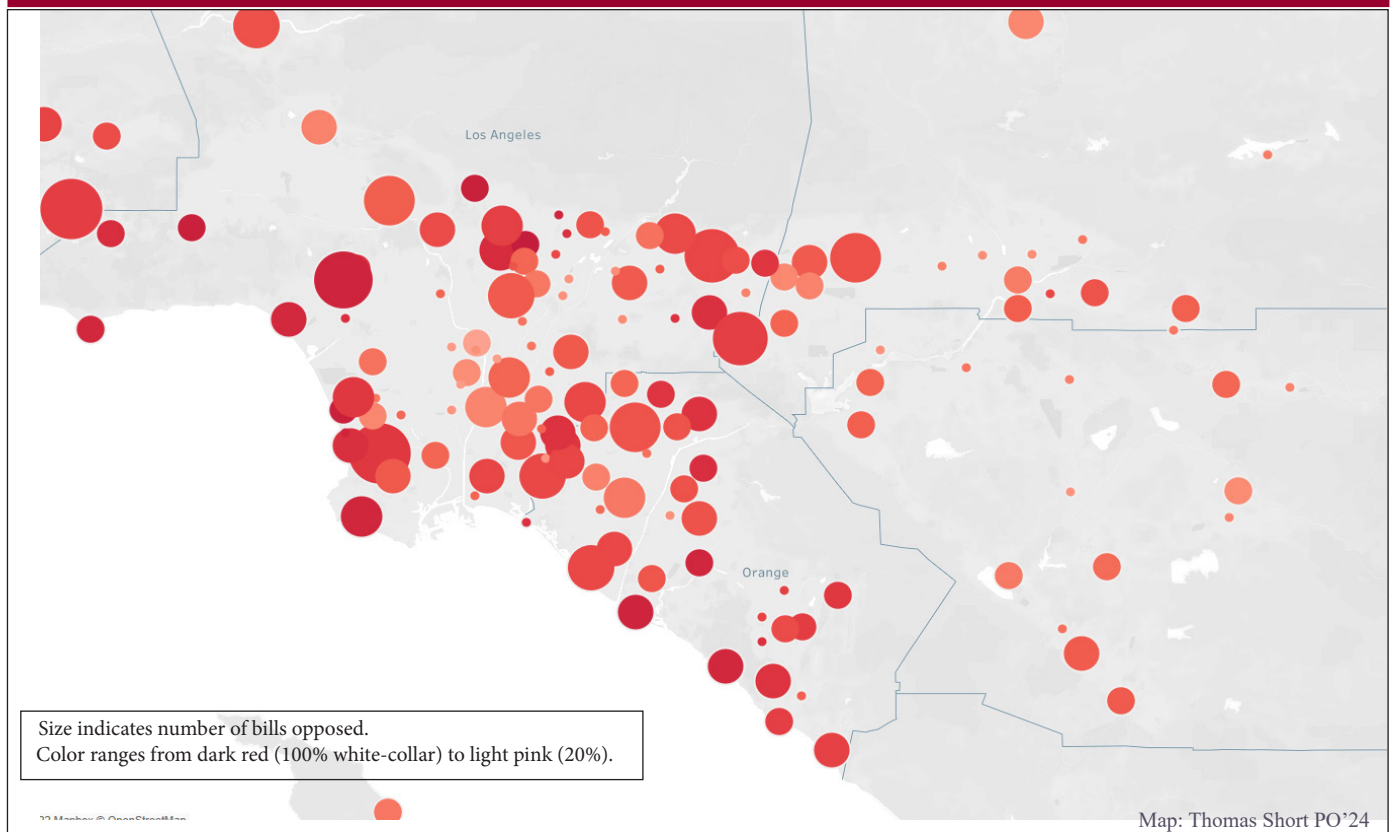
The rise of anti-growth political forces—especially in California—in the 1970s and subsequent decades spawned numerous research projects seeking to explain the upstart political movement with demographic data, partisan preference, income, and a host of additional statistics. They found that homeownership and professional occupations predicted resistance to new development, and more recent research has mostly corroborated earlier findings. In addition, a number of data sources are available for measuring the level of regulation in California cities, from which multiple indices can be derived and compared with a number of explanatory variables such as racial demographics, income, partisanship, and homeownership.

This article presents an analysis that uses four total dependent variables. First, Gyourko, Hartley, and Krimmel’s Wharton Residential Land Use Index, which contains data for 171 California cities and quantifies the regulatory barriers faced by potential development in 2019.

Second, a narrower regulatory index was constructed from data gathered by the Association of Bay Area Governments; it tracked the adoption of 12 housing supply restrictions or incentives across 101 Bay Area cities. The remaining dependent variables were constructed by the author based on an analysis of city opposition to major housing bills. This analysis examined opposition to nine successful bills over the past five years. These bills were selected because they had drawn enough attention to be opposed by at least 10 sampled cities, giving some indication of their importance, and because they sought to loosen housing regulation in some way. Figure 1 describes these bills and notes the number of cities in the sample that opposed each one.

Both an adjusted average, which weighted bills based on their impact (measured by the total number of cities that opposed the bill in question), and a simple count were used.

Figure 2: Opposition to Housing Development Bills - SoCal Cities

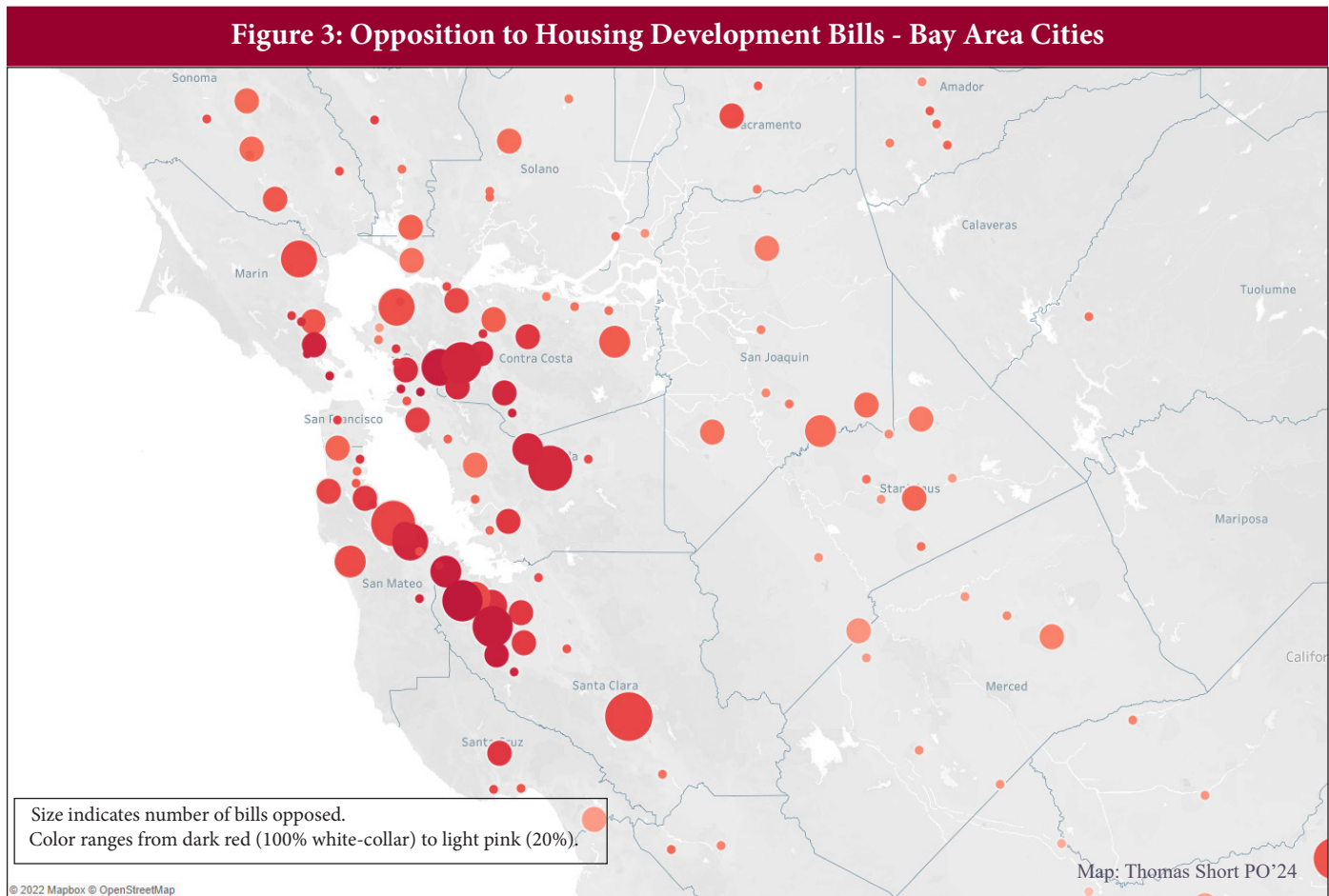


This analysis also used U.S. Census Bureau data for the following demographic variables at the city level to potentially explain regulatory attitudes: race and ethnicity, homeownership rate, median income, and the proportion of white-collar workers (out of all workers), all from 2018. In addition, partisan lean by county was included.

The proportion of white-collar workers turned out to be the only significant explanatory variable in predicting both the weighted and unweighted totals of bills opposed. This finding is consistent with previous literature: higher proportions of white-collar workers are associated with attitudes more favorable to regulation, while other variables such as race and income were not associated with the likelihood that a city opposed major housing bills. Figure 2 is a visual representation of the relevant data across Southern California, and Figure 3 shows the Bay Area. Each circle represents a city, where the width of the circle

indicates the number of bills opposed and the color of the circle indicates the proportion of white-collar workers, with dark red being 100% white-collar and light pink being 20% white-collar.

Housing market regulation has been a significant contributor to California’s acute housing shortage. To gain a better understanding of the political impetus behind pro-regulation and anti-growth coalitions, existing research analyzed how regulation, regulatory attitudes, and demographic factors varied, finding that larger cohorts of homeowners and professional workers were associated with higher levels of housing market regulation. This analysis employed two regulatory indices and two measures of regulatory attitudes, and found that the only statistically significant relationship was a positive association between the proportion of white-collar residents and the number of housing bills a city opposed. ♦



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Ryan Lenney '25, Thomas Short PO'24, George Ashford '25, and Nikhil Agarwal '24.

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The Rose Institute of State and Local Government at Claremont McKenna College was founded in 1973. A leading resource for information on California state and local governments, the Institute maintains extensive demographic, economic, and political databases on the Southern California region. Under the direction of nationally-recognized faculty and staff, students from Claremont McKenna College play a significant role in researching, interpreting, and presenting data.

The mission of the Rose Institute of State and Local Government is to enhance the education of students at CMC, to produce high quality research, and to promote public understanding on issues of state and local government, politics, and policy, with an emphasis on California. The Institute employs close to 30 student research assistants each year, almost all of whom stay for the duration of their time at Claremont McKenna College.

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