The Rose Institute of State and Local Government is pleased to welcome you to Claremont McKenna College for the 2023 Housing Symposium with Governor Gray Davis. Governor Davis will lead a distinguished panel of public officials to discuss the state’s growing role in local housing policy.

This special edition of the Inland Empire Outlook showcases student research on a variety of housing topics. We begin with an analysis of California’s chronic housing underproduction. The California Department of Housing and Community Development estimates that the state need to build 180,000 new units a year. California has averaged less than half that over the past decade, but 2021 shows a marked improvement.

Our second article (reprinted from Spring 2022) looks at the use of inclusionary housing ordinances (IHOs) by cities in Los Angeles County, Orange County, San Bernardino County, and Riverside County. An IHO is a city or county 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 (reprinted from Spring 2022) 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 limiting housing.

We hope you find this edition of the Inland Empire Outlook a useful guide. Please visit our website, www.RoseInstitute.org, for information on many other Rose Institute research projects.
The median price of a house in California is two-and-a-half times that of the rest of the country. Prices continue to skyrocket as demand has outstripped supply for decades. Experts agree that California has not built enough housing for the people who live here. The California Department of Housing and Community Development (HCD) estimates that the state needs to build 180,000 new housing units a year. Over the past decade, California has averaged less than half that number. In recent years, the state has seen an increase in housing production, with HCD recording over 130,000 permits approved in 2021. Still, a 2022 report on housing underproduction from Up For Growth shows that California has the largest housing deficit in the nation, at approximately 980,000 homes. According to Up For Growth, California represents 25% of the nation’s total housing underproduction, despite having only 12% of the nation’s population.

Why has housing supply fallen so far behind demand? In 2015, the Legislative Analyst’s Office analyzed this question in “California’s High Housing Costs, Causes and Consequences.” The LAO identified four contributing factors: community resistance, use or abuse of environmental reviews, local finance favoring nonresidential development, and limited developable land. In the eight years since the LAO published that report, new legislation and mounting pressure from the state on cities to adopt growth-friendly policies and plans have begun to move the needle on housing. Still, the factors identified in the LAO study remain the primary causes of housing underproduction in California.

Community Resistance

Cities and counties generally decide how to regulate development within their jurisdictions. They prepare Housing Elements as a part of their General Plans every eight years that shape long-term development patterns. Local zoning ordinances and building codes specify where housing can be built and determine its density, quality, and style. Over two-
California doesn’t build like it used to

thousands of cities and counties in California’s coastal regions have adopted policies explicitly aimed at limiting housing growth. These policies are known as growth controls. LAO cites a research study that found that each additional growth control policy a community adopted resulted in a 3% to 5% increase in home prices. Many growth controls regulate directly by capping the number of new homes that may be built in a given year. Other explicit caps may limit housing density or building heights.

The state has long sought to prevent local governments from abusing their land use authority to prevent housing development. Since 1969, California cities and counties have been required to plan for housing for all income levels in the Housing Element of their General Plan according to their allocation under the Regional Housing Needs Assessment (RHNA). If they do not submit a Housing Element that is deemed sufficient by the state, the Housing Accountability Act (HAA) requires local governments to approve housing projects even if they violate growth control policies like zoning, a provision known as ‘Builder’s Remedy.’ This year, the state rejected a vast majority of Housing Elements across the state, leaving many cities exposed to Builder’s Remedy until they approved Housing Elements that the state accepted.

More recent legislation has also limited the ability of local jurisdictions to set restrictive regulations. SB 9 (2021) resulted in a statewide ban on single-family zoning. SB 330 (2019) prohibited local governments from “downzoning,” or reducing the degree of allowable housing development in their jurisdiction. AB 2011 (2022) allowed for housing construction on commercially zoned land. These laws reflect a growing proclivity of the legislature and Governor Gavin Newsom to reduce local land use authority in the interest of housing production. Still, local governments retain wide reaching authority over housing development in their jurisdiction through the planning and zoning process.

Beyond zoning, cities and counties generally require housing projects to be reviewed by multiple departments prior to approval. Independent review by a building department, health department, fire department, planning commission or department, and city council are typical. Researchers at the Berkeley Law Center for Law, Energy and the Environment...
found that permitting for housing developments of over five units in Oakland, San Francisco, Redwood City, and Palo Alto took an average of 25 months. A follow-up study examining Southern California found an average permitting time of 13 months in Los Angeles, 11 in Long Beach, 16 in Pasadena and 48 in Santa Monica. Across the state, inefficient and outdated permitting processes lead to increased expenses for contractors and developers, who in turn confer higher costs to renters, homebuyers, and the surrounding community. In some cases, the process to get a permit approved can become so drawn out that housing projects are no longer viable.

One contributor to these delays is the ability for concerned residents to weigh in at every stage of review. With its long history of citizen activism, California has a high degree of public involvement in land use decisions. The demographics of those who attend Planning Commission and City Council meetings, however, are far from representative of California’s wider population. In a study of city council minutes, Boston University researchers found that those who attend city council meetings are more likely to be older, white, male, longtime residents, and homeowners. Moreover, these individuals overwhelmingly oppose new housing construction. A study of planning commission meetings in San Francisco reached a similar conclusion, demonstrating that members of the Not In My Backyard, or “NIMBY,” movement have an outsized presence in local housing decisions. The LAO study explains how this local opposition can hinder housing production, slow approval timelines, and increase costs.

The state has taken several steps to reduce permitting delays. SB 35, passed in 2017, allows developers to use an expedited approval process for affordable, zoning-compliant housing development in jurisdictions that have made under 50% progress towards their RHNA goals. Major cities, including Los Angeles, San Francisco and San Jose, and several large counties, have been subject to the SB 35 ministerial approval process for several consecutive years. The HAA has also long required cities to permit housing projects that meet certain “objective standards,” including zoning compliance, in a timely manner. Recent HAA amendments have required even faster permitting, and recent court decisions have reduced city and county officials’ ability to decide that a project does not meet the “objective standards” necessary for approval. The result is that cities and counties currently have little recourse for

### City Permitting per Capita

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<thead>
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<th>Population</th>
<th>Permitted Units</th>
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<td>2.40</td>
</tr>
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Source: California Department of Housing and Community Development.
blocking or slowing housing they have already zoned for—with one major exception: CEQA.

Environmental Review

The California Environmental Quality Act of 1970 requires state and local agencies to consider the environmental impact of their decisions when approving a public or private project. Cities and counties must conduct a preliminary analysis to determine whether a project may have significant adverse environmental impacts. If the preliminary analysis finds this may be the case, the developer will be required to prepare an environmental impact report (EIR). This report details the project’s likely environmental effects, potential mitigation strategies, and alternatives to the project. Local governments are prohibited from approving projects found to have significant adverse environmental impacts unless one of two conditions is met: either the project developer makes modifications that substantially lessen the adverse environmental effects or the city or county finds that economic or other project benefits override the adverse economic effects. The LAO notes that only four other states have this level of environmental review for private housing development.

The CEQA process is inextricably linked to the permitting delays that slow down California housing construction. The LAO reviewed CEQA documents submitted by California’s ten largest cities between 2004 and 2013 and found that local agencies took, on average, two and a half years to approve housing projects that required an EIR. Although it is difficult to differentiate between time delays caused by CEQA review and those driven by the entitlement processes, additional studies by the Berkeley Law Center for Law, Energy and the Environment have demonstrated that EIR review greatly prolongs approval time. In Los Angeles, the mean approval time for a project which was subjected to an EIR was 43 months—over four times greater than the timeline for projects without an EIR review. Although time
limits on CEQA review exist, case law indicates that these time limits are not mandatory. Moreover, as preeminent California environmental law scholar Chris Elmendorf explained in a recent article, CEQA allows cities to “launder the denial of housing projects,” by subjecting them to never-ending review where the HAA may prevent them from rejecting the projects outright.

CEQA also gives rise to lawsuits that have the potential to slow or even stop housing projects.

A recent study from the Center for Jobs and the Economy, authored by environment attorney Jennifer Hernandez, found widespread abuse of CEQA lawsuits for non-environmental purposes. In 2020, over 47,999 units were targeted by CEQA lawsuits. This amounts to nearly half of all units approved in California. Considering previous studies of CEQA lawsuits, including a 2015 study from the Center for Jobs and the Economy and a 2018 study from the Hastings Law School Environmental Law Journal, it is apparent that litigation over CEQA review is becoming increasingly prevalent. This lawsuit abuse inhibits new housing construction and thus contributes to California’s supply problem.

Local Finance Favoring Nonresidential Development

The third factor contributing to the supply problem identified by the LAO is the limited fiscal incentive for local governments to zone for housing development. The financial benefit to California communities is often higher from commercial development than residential. Both types of development generate increased tax revenue in the form of property taxes, but commercial developments also contribute substantial revenue from sales taxes. As such, commercial developments, especially major retailers, auto malls, restaurants, and hotels, typically yield the highest net fiscal benefits. While local governments have to provide public services to commercial developments, the increased tax revenue often outweighs the costs. These services can include things like police and fire protection and the cost of improving infrastructure like roads. Residential development, which generates less tax
revenue, also requires additional services such as schools.

Proposition 13 may also exert an influence on local governments’ decisions to prefer non-residential development. Passed in 1978, Prop 13 capped ad valorem property tax rates at 1% of the value at the time of acquisition. Property tax increases were limited to no more than 2% per year so long as the property was not sold. At the time of a sale, the property value is reset to the new sale price. According to California Tax Data, prior to Prop 13, the property tax rate throughout California averaged a little less than 3% of market value. There were also no limits on increases for the tax rate or on individual ad valorem charges.

In a 2016 analysis, the LAO found mixed evidence of Proposition 13’s role in local government land use decisions. The study looked at two measures of city development patterns over the last decade: rezoning decisions (changes in the allowable use of land) and building permits. It found little evidence that cities with lower property tax shares set aside less land for housing or built less housing. It also found that cities that are more reliant on sales taxes are, at most, modestly more likely to prefer retail over other types of development. While the LAO study did not find sufficient evidence to identify that Prop 13 disincentivized residential development, it did find that Prop 13 may have contributed to increased housing costs. It shows that cities increased fees on home builders to compensate for Prop 13, and these fees are likely passed on to new homebuyers.

**Constraints on Developable Land**

The final factor limiting the supply of housing in California is a result of the high demand and low land availability in coastal areas. The LAO cites a 2006 study finding that less than 1% of land in California’s coastal urban communities was developable and vacant. This lack of developable land is primarily the result of strict local zoning and regulatory policies rather than a physical lack of land. An analysis of land supply estimates from five metropolitan regional agencies in 2019 by the Economics and Planning Systems (EPS) land consulting firm demonstrates that enough land to meet California’s housing goals could be made available through zoning and policy changes. The LAO also highlights the potential for cities to address the lack of vacant land by zoning more parcels for housing, encouraging redevelopment, and allowing for higher density housing projects.

The RHNA is the primary method for the state to encourage cities to cultivate additional developable land. While historically thought of as “toothless,” the state has been cracking down on cities failing to meet their RHNA goals in recent years. A new Housing Accountability Unit at the California Department of Housing and Community Development promises to apply more pressure on cities, and has reportedly enabled the approval of over 4,600 units since its start in 2020. The state has also tested legal avenues for encouraging compliance. In 2019, Governor Newsom, himself a former mayor, sued the city of Huntington Beach for cutting affordable housing units from their general plan. Huntington Beach settled the case by allowing for the construction of an additional 500 units of low-income housing. On a broad scale, through legislation, such as SB 35 in 2017, more aggressive HCD enforcement and an increase in RHNA allocations, the state has both moved the goalposts and started to referee the housing game in California.

But despite these numerous avenues the state is exploring to encourage housing production, cities across California are still coming up short. The vast majority of jurisdictions across California failed to meet their 5th cycle RHNA goals, and an equal number have been denied approval on their 6th cycle Housing Element drafts. It is likely that further legislative, legal, and administrative steps will be taken by the state to force cities to free up land for housing development.
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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 out-paced 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.
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 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 understanding the role of IHOs in inland California.
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-

![Los Angeles County and Orange County Cities’ 5th Cycle RHNA Completion](image)

**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 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.

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.

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 Anna Short PO’24

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
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 articles 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.

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

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

Map: Anna Short PO’24

Size indicates number of bills opposed. Color ranges from dark red (100% white-collar) to light pink (20%).
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 imper-tus 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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