



California For All: How State Action Can Foster Inclusive Mixed-Income Communities¹

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“... [T]he new housing units would include low-income, high-density housing apartments. This would mean we would have uneducated people living in Cupertino. [...T]his would make the current residents of Cupertino uncomfortable.” (From a community member’s PowerPoint presentation at a September 2018 council hearing at the City of Cupertino, providing misleading information in opposition to a proposed new housing development.)²

Californians who believe that the legacies of residential segregation are behind us (or comfortably situated to the East of the Sierra Nevada Mountains) would be well served to attend a city council meeting in one of California’s more exclusive coastal communities when a new affordable or mixed-income project is being proposed. Indeed, in California, where I serve as director of the state [Department of Housing and Community Development](#), we contend not only with neighborhood resistance to communities of color and new affordable housing but with a history of actions that perpetuate those patterns—as does much of the rest of the United States. Richard Rothstein’s *Color of Law*, published in 2017, captures well the legacies of racially restricted housing covenants, exclusionary municipal zoning, and racist federal mortgage insurance policies that greatly shaped residential patterns of development through the 20th century and into the 21st, even in a state that consistently has seen itself as progressive, innovative, and welcoming to diversity.

The consequences of those past practices and the ongoing challenges of achieving mixed-income communities today translate directly into decreased economic mobility and serve as a direct affront to the American Dream. Look no further than the ground-breaking research compiled as part of the [Opportunity Atlas](#)³ project, a collaboration between the U.S. Census Bureau, Harvard University, and Brown University that married federal tax data and census records for 40 million Americans over a three-decade timespan to create indicators of upward

¹ This essay appears in Mark L. Joseph and Amy T. Khare, eds., *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, please visit the [volume website](#) for access to more essays.

² Shirin Ghaffary, “In Apple’s Hometown of Cupertino, a Debate Over the Fate of an Old Mall Epitomizes Silicon Valley’s Class Divide: Who Gets to Live in one of Silicon Valley’s Richest Cities?,” *Recode*, September 21, 2018, <https://www.recode.net/2018/9/21/17883246/silicon-valley-cupertino-development-housing-apple-yimby-nimby>.

³ Opportunity Atlas, accessed June 20, 2019, <https://opportunityatlas.org>

mobility at the tract level (such as increased social cohesion, higher median income, low rates of incarceration, or presence of two-parent households). The research findings suggest that, all else being equal, a family that lives in a neighborhood with above-average prospects increases a child's lifetime earnings as an adult by \$200,000 and dramatically decreases the likelihood of incarceration.⁴ When we overlay these findings with data showing that being black/African American⁵ in California correlates closely with living in a high-poverty neighborhood, the challenges ahead become clear.⁶

Remarkably, although California today would be the fifth largest global economy in terms of gross domestic product if it were considered a country, and California has supported one of the longest periods of economic expansion in history, it also has the highest poverty rate in the nation when cost of living is considered, according to the U.S. Census Bureau.⁷ And the share of households living in poverty is growing. Some 1.7 million low-income households are considered to have “worst-case housing needs” (i.e., paying more than half their income on housing costs without receiving any subsidized housing assistance), as of 2017.⁸ Furthermore, notwithstanding a torrent of media attention on the remarkable gentrification (and displacement) of lower-income neighborhoods and communities of color in California, the number of neighborhoods of concentrated poverty has also been growing. Between 2000 and 2017, the growth in the poor population for California's 10 largest metros averaged 28 percent, while the growth of poor residents in high-poverty census tracts averaged 53 percent. This is experienced unequally by race and ethnicity. For black/African-American and Hispanic/Latinx households in

⁴ John Ydstie, “The American Dream is Harder to Find in Some Neighborhoods,” *National Public Radio*, October 1, 2018, <https://www.npr.org/2018/10/01/649701669/the-american-dream-is-harder-to-find-in-some-neighborhoods>.

⁵ Editor's note: All references in this essay to black/African-American, white, or Asian populations refer to non-Hispanic/Latinx individuals unless otherwise noted.

⁶ While the Opportunity Atlas data are clear that black/African-American boys who move to higher-opportunity neighborhoods earlier in their childhood have higher incomes and lower rates of incarceration, it must be noted that black/African-American boys are disproportionately located in neighborhoods that impede their long-term economic mobility. In addition, uniquely as compared to girls and non-black/African-American boys, those higher-opportunity neighborhoods that most benefit black/African-American boys appear to be ones that also have higher rates of fathers and lower rates of racial bias among whites: “Among low-poverty neighborhoods (those with poverty rates below 10%), there are two factors that are strongly associated with better outcomes for black men and smaller black-white gaps: low levels of racial bias among whites and high rates of father presence among blacks... Less than 5% of black children currently grow up in areas with a poverty rate below 10% and more than half of black fathers present. In contrast, 63% of white children live in areas with poverty rates below 10% and more than half of white fathers present.” See Raj Chetty et al., “Race and Economic Opportunity in the United States: An Intergenerational Perspective,” (NBER working paper No. 24441, National Bureau of Economic Research, Cambridge, MA, March 2018).

⁷ Liana Fox, *The Supplemental Poverty Measure: 2017*. (Washington, DC: U.S. Census Bureau, 2018), 26-27, <https://www.census.gov/library/publications/2018/demo/p60-265.html>.

⁸ California Department of Housing and Community Development, *California's Housing Future: Challenges and Opportunities*. (Sacramento, CA: California Department of Housing and Community Development, 2018), http://www.hcd.ca.gov/policy-research/plans-reports/docs/SHA_Final_Combined.pdf.

California experiencing poverty, two-thirds live in high-poverty neighborhoods compared to only one-quarter of non-Hispanic white households experiencing poverty.⁹

The factors that fuel this increased economic segregation by place and race are varied and include national and global trends that are generally going in the wrong direction. They include insufficient poverty-alleviating tax and federal spending policies; the collapse of unions; and, in places like California, a massive underproduction of housing during several decades, all of which have combined to price entry-level housing—both for-sale and rental—well out of reach of those who need it most. These economic factors in turn exacerbated residential patterns of racial segregation that had deep roots in state and federal policies enacted over the past century.

However, all hope is certainly not lost. A half century of intentional experimentation, kicked off in the wake of the federal War on Poverty and the [Civil Rights Act](#), brings into focus some clear models of what works to foster diverse and inclusive communities. These can be clustered into two categories, revitalization and mobility strategies. Nationally, large-scale revitalization strategies include place-based efforts like the [U.S. Department of Housing and Urban Development](#) (HUD)'s [HOPE VI Program](#) and [Choice Neighborhoods Initiative](#), which focused on redeveloping existing affordable housing, as well as the Obama Administration's much-lauded [Promise Zones](#) effort. Mobility strategies that facilitate access to high-income neighborhoods include HUD's promulgation of [Small Area Fair Market Rent](#) standards to allow voucher holders access to higher payment standards in more affluent neighborhoods.

A “both/and” approach to promoting revitalization and mobility is perhaps best articulated by the Obama Administration's [Affirmative Furthering Fair Housing \(AFFH\)](#) rule that was promulgated in 2015. The new AFFH federal regulation aimed, in part, to redress the legacy of past governmental actions by adopting plans for the expenditure of federal funds that obligate state and local jurisdictions to take into consideration these past practices. (Under the Trump Administration's Secretary of Housing and Urban Development Ben Carson, local governments' obligation to comply with the rule was suspended pending consideration of changes to it.)

At the state level, Massachusetts' [Chapter 40B](#) program has proven successful in overriding local zoning bylaws to allow developers to build affordable housing in jurisdictions where fewer than 10 percent of the housing stock is affordable.¹⁰ New Jersey's fair housing standards, though they have had a more mixed track record, were created to redress past discriminatory practices; they obligated towns to approve their fair share of affordable housing (or, failing that, to pay the costs of affordable housing in other jurisdictions) and created an

⁹ *Ibid.*

¹⁰ Since enactment of the law in 1972, there has been a 10-fold increase in the number of towns in Massachusetts that have at least 10 percent of their housing stock reserved for low- or moderate-income households, see Spencer M. Cowan, “Anti-Snob Land Use Laws, Suburban Exclusion, and Housing Opportunity,” *Journal of Urban Affairs* 28, no. 3 (June 2006): 300.

independent [Council on Affordable Housing](#), which oversaw those obligations and monitored local compliance.¹¹

Indeed, with the retreat of federal leadership on both funding levels and fair housing, states increasingly are stepping up to push these types of efforts forward. They are doing so first by continuing the effort to conduct effective comprehensive planning—for example, by incorporating findings from plans developed for use of federal funds that expressly take into account Obama Administration-era guidance on Affirmatively Furthering Fair Housing plans even if not mandated by HUD; and by leaning in on metropolitan planning organizations to conduct regional planning and regional growth plans that can serve as templates for local development patterns. In California, every eight years regional governments must create [Sustainable Communities Strategies](#) that serve as regional templates for growth patterns and regional and transportation investments; they must assign housing permitting targets for homes serving different income levels to all member jurisdictions (indeed, all cities must accept at least a minimal allocation of lower-income homes, for which they must plan and zone); and, more recently, regions and cities are obligated by state law to incorporate a fair housing lens into this process.¹²

The second way states are stepping up is by building on, and innovating from, national models for revitalization and mobility. This essay focuses on efforts to further mixed-income communities under the strong leadership of former Governor Jerry Brown and current Governor Gavin Newsom. Both leaders pushed to use state power in new and creative ways to help the state address racial and economic inequities while also facilitating economic gains. As Gov. Newsom said shortly after his inauguration in 2019: “The California Dream is in peril if we don’t act to address this housing crisis. The cost of housing—both for homeowners and renters—is the defining quality-of-life concern for people across this state. Housing costs threaten to erode our state’s long-term prosperity and are driving hard-working Californians to look for opportunities elsewhere.”¹³

¹¹ Both of these developments emerged out of the Supreme Court’s 1975 and 1983 decisions in the Mt. Laurel case, which led to a set of state fair housing standards that included state mandates on local governments to approve affordable housing. These controversial regulations initially allowed wealthier towns to opt out of their obligations by paying other municipalities to build up to half their shares, and did not prevent jurisdictions from exclusively serving elderly affordable households.

¹² The California work on regional planning—specifically, the Sustainable Communities Strategies land-use plans that all regions must create and update regularly—served as the model for federal Sustainable Communities grants that were jointly awarded by HUD, the Department of Transportation, and the Environmental Protection Agency starting in 2010 until it was defunded several years later in the wake of the Republican takeover of the U.S. House of Representatives because of concerns that it constituted federal overreach into local land-use matters. For more information on California’s Sustainable Communities Strategies, see California Air Resources Board, *2018 Progress Report: California’s Sustainable Communities and Climate Protection Act*. (Sacramento, CA: California Air Resources Board, 2018), https://ww2.arb.ca.gov/sites/default/files/2018-11/Final2018Report_SB150_112618_02_Report.pdf.

¹³ Office of Governor Gavin Newsome, “Governor Newsom Unveils Proposals to Tackle Housing Affordability Crisis,” January 15, 2019, <https://www.gov.ca.gov/2019/01/15/housing-affordability-crisis/>.

Facilitating Mixed-Income Communities in Exclusionary Communities: Rebalancing State Affordable Housing Investments

Starting in early 2017, leaders within the State of California’s Department of Housing and Community Development (HCD) and the State Treasurer’s office collaborated on an initiative to more equitably award public subsidies for multifamily affordable housing developments in state subsidy programs and the [Low-Income Housing Tax Credit \(LIHTC\)](#) program. The initiative stemmed from a concern that too many of the state’s affordable housing investments were in lower-resourced areas and inadvertently might be perpetuating patterns of segregation and poverty. State officials also recognized the growing body of data suggesting improved outcomes for children in mixed-income neighborhoods, as well as the risks of litigation if they couldn’t assess and defend the underlying data.¹⁴

Pulling together researchers from the [Turner Cerner for Housing Innovation](#) and the [Haas Institute](#) at University of California (UC) Berkeley, the [Center for Regional Change](#) at UC Davis, the [Kirwan Institute](#) at The Ohio State University, [Enterprise Community Partners](#), and [California Housing Partnership Corporation](#), the state launched an effort to better identify which California census tracts might be most conducive to economic mobility for children growing up in low-income families. The Opportunity Mapping effort, as it was called, identified approximately 25 evidence-based indicators in environmental, economic, and educational areas that predicted upward economic mobility. These indicators were regionally weighted and then filtered by racial/ethnic segregation and/or concentration of poverty to create a tract-level map.¹⁵

The results were eye-opening: Back-testing showed that 62 percent of affordable homes in large-family new construction developments that had received 9 percent LIHTC allocations from the state of California since 2003 were located in the poorest and most racially segregated census tracts—and only 7 percent of homes were located in areas with the most resources.¹⁶

Responding to these findings, over the course of 2018 and early 2019 the state of California enacted new regulations and program guidelines for LIHTC and other state subsidy

¹⁴ A notable example is the litigation brought by the Inclusive Communities Project against the State of Texas Department of Housing and Community Affairs for its disproportionate awarding of federal Low-Income Housing Tax Credits into higher poverty communities, which ultimately worked its way in 2015 to the United States Supreme Court, see *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.*, 135 S. Ct. 2507 (2015).

¹⁵ The opportunity mapping team’s review of the literature confirmed the extent to which living in racially and ethnically concentrated areas of poverty constrained upward economic mobility and so used data on that item to filter out tracts that otherwise showed positive indicators for purposes of reflecting low and lowest resource areas.

¹⁶ The two types of federal low-income housing tax credits are the 9 percent and 4 percent credits. The 9 percent federal credits are much more valuable, limited in supply and are awarded through a competitive process. The 4 percent tax credits derive from a project’s use of tax-exempt bond authority and are limited only by the amount of bond cap available to California. Back-testing data are from internal memorandum prepared by the Opportunity Mapping Research Team.

programs that provide low-income families more options for where to live.¹⁷ Changes included new scoring boosts for new-construction family projects proposed for high-opportunity neighborhoods over others. Projects in high-opportunity neighborhoods no longer needed to be proximate to amenities traditionally valued in the scoring process (such as grocery stores, drug stores and schools) for which the literature had not identified improved outcomes for residents of the developments.¹⁸ Also, in recognition of the additional costs (such as higher land values, higher permitting and impact fees, and longer approval processes) that complicate development of affordable housing in more affluent areas, program changes allowed somewhat greater subsidy levels for those projects. Accordingly, a greater share of affordable housing now is being developed in wealthier communities, pushing those communities in a mixed-income direction by opening up heretofore unobtainable opportunities for lower-income families to access affordable housing in single-family, for-sale communities that may otherwise have been entirely priced out of reach.¹⁹

Facilitating Mixed-Income Communities in Exclusionary Communities: Overriding Local Control

Increased availability of government funding to support affordable housing in high-resource areas is important, but insufficient, to ensure mixed-income communities in the absence of conducive sites, zoning, and politics. Fortunately, the changes to California’s state funding programs were accompanied by new state streamlining authority, enacted as part of the state’s 2017 Housing Package. [Senate Bill 35](#), a highly contentious component of that package pushed by key leaders in the state senate and Gov. Brown, required cities and counties to accept a new [State Ministerial Streamlining Program](#) that allows new, affordable housing to be built in communities that are not keeping pace with their state-mandated affordable housing goals. California, similar to other states with strong histories of local control of land-use policy, has seen local leaders repeatedly capturing the local political process to regulate who lives (and,

¹⁷ At present, two HCD-administered programs incorporate Opportunity Mapping: federal [HOME](#) funds administered by the state and state bond-funded [Multifamily Housing Program \(MHP\)](#) funds. Roughly \$70 million in state-administered HOME funds and \$560 million in MHP funds are expected to be released over the next two years. See “Notices of Funding Availability (NOFAs),” California Department of Housing and Community Development, Accessed July 11, 2019, <http://www.hcd.ca.gov/grants-funding/nofas.shtml>.

¹⁸ “High-opportunity” refers to the top two quintiles of census tracts that the Opportunity Mapping tool indicates to be most predictive of upward economic mobility.

¹⁹ In the initial funding year for the 9 percent low-income housing tax credit round, Mark Stivers, then the executive director of the Tax Credit Allocation Committee, estimated that only two more projects in high-opportunity areas were awarded funding than would have without the credit. However, this reflects in part the long lead time for developers to identify and prepare sites prior to submitting them for competitive funding. State officials expect to see higher rates of developments in high-resource neighborhoods going forward. No data are yet available on changes in outcomes on the state HOME program or Multifamily Home Program, but state officials are monitoring closely.

more critically, who does not live) in their neighborhoods and cities. As of April 2019, only 11 of 540 cities were keeping pace with their share of the state’s goal for affordable housing production,²⁰ so virtually all communities are subject to streamlining.²¹ Additional eligibility limitations to the State Ministerial Streamlining Program stipulate that the proposed housing conform to local zoning, be located on an infill site, and pay prevailing wages to construction workers.

The streamlining authority means that cities cannot say “no” to a mixed-income or affordable housing project, nor can they substantially de-densify it or cause it to comply with ad-hoc and expensive design requirements, if a developer chooses to use the streamlining provision of state land-use authority. In such an instance, the project must be reviewed in a non-discretionary fashion only for its conformance with local objective standards codified in ordinance, and the project cannot be subject to litigation under the [California Environmental Quality Act \(CEQA\)](#). In addition, HCD was given express authority both to codify this policy through regulations and to enforce it as necessary, in partnership with the State’s Attorney General. The regulations were finalized in December 2018, and so the early impacts will need to be tracked.

These policy changes have two important intended effects: affordable projects can be built in neighborhoods and cities where they might otherwise be locally disallowed—as is too often the case in affluent, exclusive communities wary of moving toward a mixed-income neighborhood; and the projects can be built more quickly and at lower costs than might otherwise be the case.

Developers have begun to test the new regulations, with early but promising results. A 130-unit affordable family housing project at 681 Florida Street in San Francisco, which made use of the streamlining authority, is expected to reduce the timeframe to receive local governmental approvals to build by six months to a year. In fact, San Francisco—along with several other large California cities—now is explicitly requiring use of some form of ministerial streamlining as a prerequisite to receiving local subsidy gap funds for affordable housing. Other

²⁰ Since 1969, California has required that all local governments adequately plan to meet the housing needs of everyone in the community, based on demographic projections calculated at the state level. California’s local governments meet this requirement by adopting housing plans that serve as the local government’s blueprint for how the city and/or county will grow and develop. The state’s Department of Housing and Community Development regularly reviews all local governmental zoning plans and regulatory systems to ensure that opportunities exist for private developers to build both market-rate and affordable housing.

²¹ The state’s mapping tool for compliance with Senate Bill 35, which documents residential permit issuances for lower-income and market-rate housing compared to state housing goals, can be found on HCD’s website. There are two tiers of cities that must comply with streamlining: those that are meeting their state targets for market-rate housing and must streamline developments in which residential units are primarily affordable, and those that are meeting neither their affordable nor their market-rate targets and must approve any project that has at least 10 percent of its units restricted to lower-income households, see “Housing Element Open Data Project and SB 35B Determination,” California Department of Housing and Community Development, accessed July 11, 2019, <http://cahcd.maps.arcgis.com/apps/View/index.html?appid=8ea29422525e4d4c96d52235772596a3>.

projects using this new authority have now received approvals in both Berkeley and Cupertino, both infamous for their protracted entitlement processes and both of which have historically opposed denser affordable housing projects out of concerns that include the nebulous notion of “neighborhood character” or traffic impacts, which privilege existing residents over proposed residents. Ministerial streamlining is poised to bring 2,400 new units to Cupertino (half of which will be affordable to low-income households) and 186 units to Berkeley (all of which will be affordable to low-income households).

Fears that some cities might respond by comprehensively downzoning residential sites or placing moratoria on new construction have proven unfounded. Few, if any, have tried this approach because the state of California requires cities to zone for their fair share of both low-income and market-rate housing. Moreover, the state 2017 Housing Package of legislation included new authority for HCD to retain the State’s Attorney General to challenge cities that sidestepped that authority. Indeed, in January 2019 the state of California brought suit against the city of Huntington Beach for its failure to comply with state housing law, including its provision of a minimum level of zoned land available for low-income housing.

The new State Streamlining Ministerial Program also has been bolstered by the enactment, effective in January 2019, of a new [California Fair Housing](#) law that fills the gap left by HUD’s suspension of its Affirmatively Furthering Fair Housing rule. It does so by imposing on all California cities an obligation to consider racial equity and patterns of economic and racial segregation in both their local funding decisions and their local land-use decisions. This new legal authority gives broad latitude to the public to bring suit against cities that either fail to enable state streamlining or lack equity-oriented zoning and land-use maps to begin with (for example, by obtaining higher-density zoning conducive to building multifamily developments in neighborhoods that have historically refused anything other than single-family zoning and that disproportionately fail to house lower-income individuals or persons of color).

Fostering Mixed-Income Communities in Racially/Ethnically Concentrated Areas of Poverty

Efforts to give low-income communities access to opportunity cannot hinge solely on providing choices for individuals and families to relocate into exclusive communities. Nor can they focus only on mitigating the impacts of rising rents and home prices in decreasingly affordable, gentrifying neighborhoods. For those communities that have endured generational segregation and entrenched poverty, California’s [Transformative Climate Community \(TCC\)](#) program offers another possible solution. TCC grants support community-led initiatives to tackle entrenched environmental, health, and economic concerns in California’s most disadvantaged census tracts. Using a place-based, neighborhood-level, community-driven approach, the program helps bring together key community actors, including local government, advocacy groups, anchor institutions, and others, who holistically tackle the issues that contribute to

poverty and segregation while also facilitating a low-carbon, climate-friendly alternative. Collaborators invest simultaneously in preserving affordable housing, improving resident mobility options, and investing in evidence-based services and key community facilities for low-income residents, generally in partnership with local government and academic researchers. The program's design draws heavily on lessons learned from the federal [Strong Cities, Strong Communities](#) initiative; the federal Promise Zones Initiative, which does not provide federal funding directly; and HUD's Choice Neighborhoods, for which demand has far outstripped limited congressionally appropriated funds.

TCC was authorized in 2016 following intense advocacy from racial equity and environmental justice organizations with concerns that California's ambitious climate-change goals, launched under Gov. Arnold Schwarzenegger, ignored issues of racial equity and the realities of entrenched poverty. The state's climate-change efforts hinged on an ambitious cap-and-trade program that succeeded in lowering carbon emissions but also allowed emitters located close to poor neighborhoods to buy their way out of environmental impacts that were disproportionately affecting communities of color. In fact, a San Francisco State University study published in 2018 found that increased emissions from regulated facilities occurred more often in neighborhoods populated by people of color or low-income, less-educated, and non-English-speaking residents.²²

TCC is funded entirely from proceeds generated through California's quarterly cap-and-trade auctions by polluters that are unable or unwilling to achieve certain regulatory targets for greenhouse gas emissions and instead purchase carbon credits. In 2016, as this program was being renewed, Gov. Jerry Brown and legislative leaders faced significant opposition from the progressive left, which chafed at the lack of an equity focus, and from conservative Democrats and moderate Republicans, who disdained any increase in regulation and fees on businesses. By explicitly targeting the TCC program at the most disadvantaged census tracts—which in California happened to be overwhelmingly located in the high-poverty, high-minority, and relatively conservative San Joaquin Valley—Gov. Brown and other leaders reached a delicate balance. Outgoing Fresno Mayor Ashley Swearingen, a Republican who had collaborated closely with the Obama Administration on Strong Cities, Strong Communities, a place-based initiative similar to the proposed program, was an early advocate for TCC who helped bring over reluctant moderate Assembly Democrats representing the San Joaquin Valley.

To date, almost \$200 million has been deployed through one round of TCC planning grants and two rounds of implementation grants. Grant amounts have ranged from \$22 million to \$75 million to support efforts in neighborhoods in Los Angeles, Fresno, Riverside County, Pacoima, and Sacramento. For example, the [Housing Authority of the County of Los Angeles](#)

²² Lara Cushing, et al., "Carbon Trading, Co-Pollutants, and Environmental Equity: Evidence from California's Cap-and-Trade Program (2011–2015)," *PLOS Medicine* 15, no. 7 (July 2018): 4.

(HACLA) is the lead grantee for the [Watts Rising](#) initiative, which received one of three TCC implementation grants in the inaugural round. The Watts neighborhood is home to a large population of individuals without legal status, for whom English is not a native language, and has a substantial black/African-American community.²³ Watts residents have experienced historic discrimination in housing accessibility, making these two majority populations in Watts less likely to advocate for their rights as tenants or to utilize the government and legal channels available to them.

With the TCC grant, HACLA brought together a coalition of more than a dozen different civic, stakeholder, and governmental organizations to facilitate a range of interrelated investments intended to catalyze private-sector investment while benefiting existing residents. Pending efforts include redeveloping dilapidated homes in the Jordan Downs public housing development, opening 118,000 square feet of new commercial space, offering electric-vehicle car sharing and electric shuttle buses, constructing new solar initiatives, launching a new food waste prevention program to divert 300 tons from landfills, and much more. HACLA aims to prevent the displacement of low-income residents through resident education and access to legal services, creating new deed-restricted affordable housing, and retrofitting existing housing stock to lower expenses. A workforce development plan is in place to connect Watts residents with new jobs created by the TCC projects; at least 30 percent of all new hires will be local, low-income residents. As one Watts resident put it, “The Transformative Climate Communities program will allow Watts to finally move away from survival mode to becoming an integrative, sustainable community.”²⁴

While future investments in other communities through TCC will hinge on continuing to direct cap-and-trade funds toward this purpose via the state budget process, the early successes of initial investments as in Watts will help sustain the political will.²⁵ Furthermore, the TCC program has been aided by federal tax reform’s creation of the [Opportunity Zone](#) Program, which has significant geographic alignment with the eligible census tracts designated as disadvantaged under the TCC. In his 2018 budget proposal, Gov. Newsom called for the

²³ Since the 1990s, Watts has seen a rapid influx of households of Hispanic/Latinx origin and is currently 73 percent Hispanic/Latinx and 25 percent black/African American. Almost half of the neighborhood residents have extremely low incomes and high housing cost burdens, paying over 35 percent of income for housing. Watts has the highest number of single-parent households in the city, and almost 50 percent of Watts’ residents are 17 years old or younger (compared to 23 percent citywide). Nearly 50 percent of residents over 25 do not have a high school diploma, and only 4 percent have a four-year degree or higher. From “Watts Rising: Transformative Climate Communities,” California Strategic Growth Council, accessed July 12, 2019, http://sgc.ca.gov/programs/tcc/docs/20190201TCC_Awardee_Watts.pdf.

²⁴ *Transformative Climate Communities: January 29, 2018 hearing of the California Strategic Growth Council* (Testimony of Watts Resident).

²⁵ “Governor Newsom’s proposed 2019-20 budget includes \$40 million for the Transformative Climate Communities program.” See “2019-20 Governor’s Budget,” California Department of Finance, accessed July 12, 2019, <http://www.ebudget.ca.gov/budget/2019-20/#/Home>.

legislature to offer conforming state tax changes to affordable housing and green infrastructure projects located in federal Opportunity Zones.

Conclusion and Implications for Action

The challenge of creating and sustaining mixed-income communities is significant but achievable. As experiences in California illustrate, state leaders can take the mantle to devise policy interventions that are commensurate with the challenges in front of them and deploy solutions, at scale, even if federal supports diminish or are not fully in place. To succeed over the long term, however, we must be diligent about building on what has worked—learning from mistakes and holding ourselves accountable to documentable outcomes—and doubling down wherever we see momentum. To that end, highlighted below are a few key implications for future action.

Implications for Policy.

While the federal government has historically led on housing matters, states can establish housing as a priority of statewide importance, and they have a powerful role to play in setting statewide and regional housing goals. States can guide innovation in land-use policy, ensure affirmatively advancing fair housing, provide resources and technical support to local governments, and hold jurisdictions accountable for plans and progress toward implementing local governments' share of the state's overall housing goals.

Implications for Research and Evaluation.

Understanding and measuring progress against key data indicators is essential for achieving policy outcomes. Pulling data on economic factors into a place-based format, as has been done in developing opportunity mapping programs, is crucial for directing policy interventions, measuring outcomes, and iterating programs successfully.

Implications for Development and Investment.

While it may be tempting to offer policy quick-fixes to address our most visible public problems, long-term change must include tackling root causes. The homelessness crisis in California is an instructive example. Although there may be cause to invest in shelters, the drivers on rising homelessness rates stem from the underlying lack of affordable housing supply. Root-cause solutions require inclusive intersectoral efforts. While leadership from within state government may be key to launching such initiatives, civic, academic and business support must be incorporated to flesh out the details and ensure long-term fidelity to the vision.

Implications for Residents and Community Members.

The land-use decisions that most impact mixed-income communities happen at the local level; local government should be the first point of entry for concerned residents and community members. However, given the role of land use in shaping historic patterns of segregation and the hostility of many local governments to reform, state action may ultimately be a more effective

lever in facilitating mixed-income communities in otherwise exclusive jurisdictions. Organizing residents and community members and engaging at the state level with advocates and elected officials affords marginalized populations the opportunity to gain strength and influence.

About the Volume

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The views expressed in the essays reflect the authors' perspectives and do not necessarily represent the views of The Kresge Foundation, the Federal Reserve Bank of San Francisco or of the Federal Reserve System.

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