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## Staying Home During California's Housing Affordability Crisis

**E**ven before the COVID-19 pandemic, unaffordable housing costs represented one of California's most pressing challenges – and the job losses triggered by stay-home orders necessary to address the public health emergency threaten to exacerbate this long-standing crisis. Housing affordability is a problem throughout the state when housing costs are compared to incomes, and the Californians who are most affected by the affordability crisis are renters, households with the lowest incomes, people of color, and immigrants. Many of these same Californians are also especially hard hit by the economic effects of the COVID-19 public health crisis. Policy solutions that particularly address the needs of these households represent a promising approach to tackling the state's housing crisis strategically, with a focus on those most deeply affected. The current pandemic highlights the urgency for strategies to eliminate unjust disparities in who is burdened by unaffordable housing, including racial inequities in housing affordability.

### Californians Were Already Struggling to Afford High Housing Costs Before COVID-19

Californians faced a housing affordability crisis even before the outbreak of COVID-19. The high cost of housing has been one of the primary drivers of California's high poverty rate – ranked first among the 50 states – under the Supplemental Poverty Measure, which accounts for differences in the local cost of living.<sup>1</sup> For renters, housing costs include monthly rent payments, plus the cost of utilities if not included in the rent. Housing costs for homeowners include monthly mortgage principal and interest payments, plus property tax, property insurance, utilities, and condominium or mobile home fees, if applicable.

More than 4 in 10 households statewide (41%) had unaffordable housing costs according to the most recent available data from 2018. Furthermore, more than 1 in 5 households across California (21%) faced

severe housing cost burdens, spending more than half of their income toward housing expenses.<sup>2</sup> To understand the housing affordability challenges facing Californians, it is important to consider these housing costs *relative to incomes* – and this is especially important as millions of people have lost their jobs and incomes amid COVID-19 but still must pay their rent and mortgages. This means that without an adequate public policy response, many more Californians could find themselves with insufficient income to afford their housing costs.

If high housing costs are matched by high incomes, then expensive housing may be affordable to many households. At the same time, even relatively low housing costs may be unaffordable if local incomes are also low. For housing costs to be considered affordable, a household's total housing costs should not exceed 30 percent of household income, according to the US Department of Housing and Urban Development. Households paying more than

30% of income toward housing are considered housing “cost-burdened,” and those with housing costs that exceed half of their income are considered “severely cost-burdened.”

### Renters Are Especially Likely to Have Unaffordable Housing Costs

California’s renters are substantially more likely to struggle with housing affordability than homeowners in the state. The most recent available data show that more than half of renter households paid over 30% of income toward housing, and more than a quarter were severely cost-burdened, paying more than half of household income toward housing costs. California homeowners generally struggle less to afford their housing, though more than a third of homeowners with mortgages were housing cost-burdened. Not surprisingly, owners without mortgages are least likely to face high housing burdens in California. Besides

not having the monthly expense of a mortgage, many of these homeowners have been in their homes for decades and therefore benefit from relatively low property taxes due to Proposition 13’s limitation on property tax increases (Figure 1).

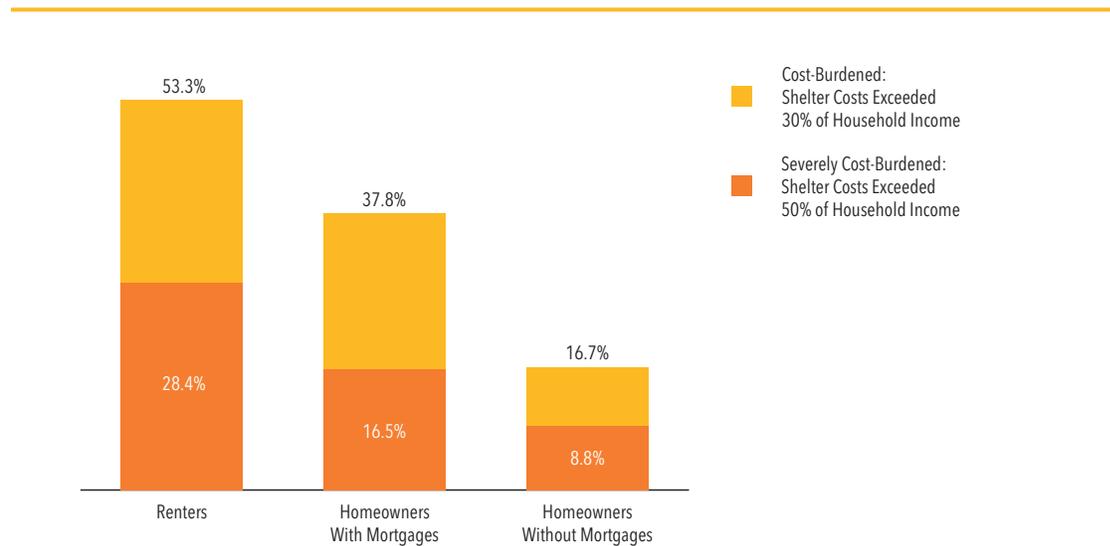
### Low-Income Households Are Particularly Affected by Unaffordable Housing

Households with the lowest incomes are by far the most likely to have housing costs that are unaffordable. Eight in 10 households with incomes of less than 200% of the federal poverty line were housing cost-burdened in 2018, and almost 6 in 10 of these households spent more than half their income on housing.<sup>3</sup> At the same time, only about 16% of households with high incomes (400% or more of the federal poverty line) were housing cost-burdened in 2018, and only about 2% were severely cost-burdened (Figure 2).

FIGURE 1

## More Than 1 in 2 Renters and More Than 1 in 3 Homeowners With Mortgages Were Cost-Burdened Before COVID-19

Percentage of California Households With Housing Cost Burden, 2018

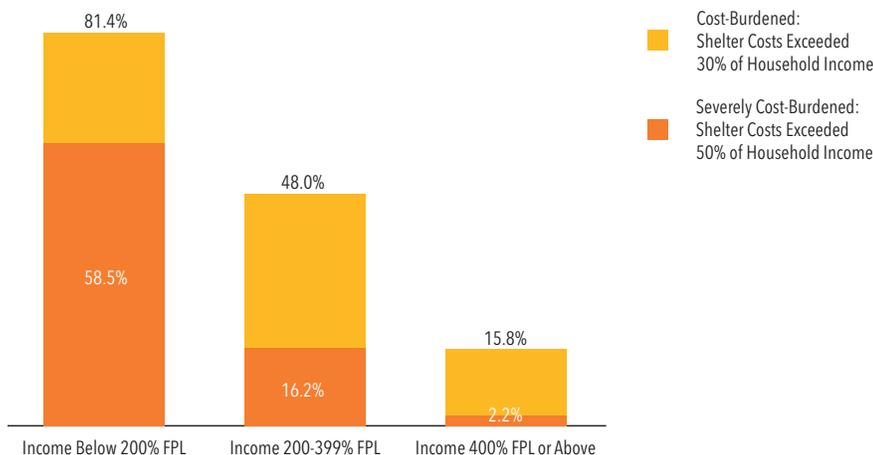


Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development.  
 Source: Budget Center analysis of US Census Bureau, American Community Survey data

FIGURE 2

## 8 in 10 Households With Incomes Below 200% of the Federal Poverty Line Had Unaffordable Housing Costs Before COVID-19

Percentage of California Households With Housing Cost Burden, 2018



Note: Income categories are based on household income compared to the federal poverty threshold that corresponds to the number and age of individuals in the household. Definitions of housing cost burden are from the US Department of Housing and Urban Development.  
Source: Budget Center analysis of US Census Bureau, American Community Survey data

### Black and Latinx Californians Are Most Likely to Have Unaffordable Housing Costs

Many of the individuals affected by unaffordable housing costs are people of color. Among all Californians living in households paying more than 30% of income toward housing costs in 2018, more than two-thirds were people of color, and about 45% were Latinx. Black and Latinx Californians are disproportionately likely to have high housing costs. Nearly half of Black and more than 4 in 10 Latinx Californians lived in households that spent more than 30% of their incomes toward housing in 2018, while only about 1 in 3 white Californians lived in housing cost-burdened households. Pacific Islander Californians also have an elevated rate of housing burden compared to white Californians, with about 38% living in cost-burdened households, and almost 1 in 5 American Indian or Alaskan Native individuals in California live in a household with severe housing cost burden (Figure

3). These racial disparities in housing affordability reflect the legacy of exclusionary and discriminatory policies and practices with racist intent or outcomes that drive disparities in wages and wealth as well as unequal access to housing opportunities.

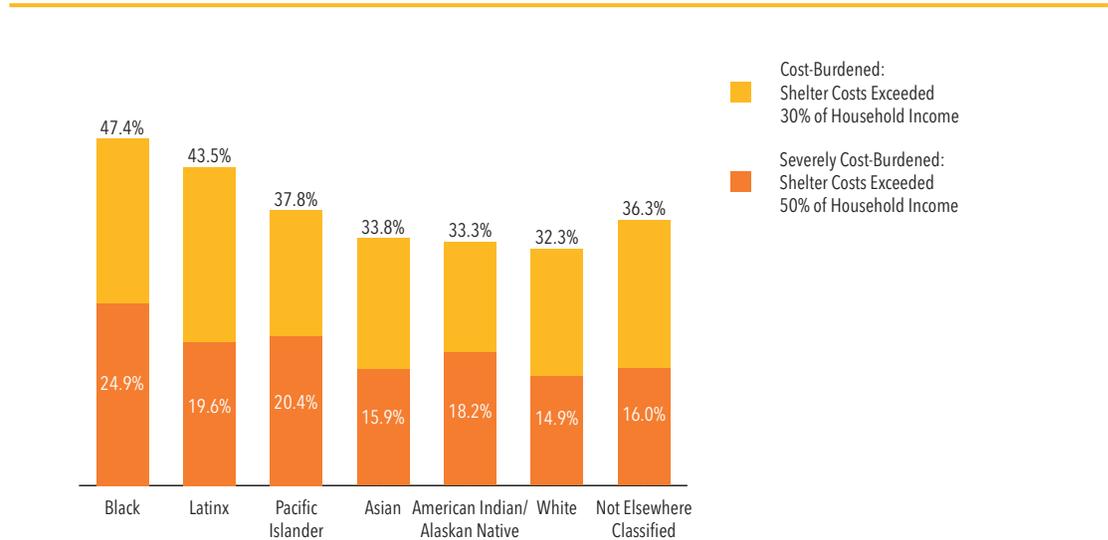
### Immigrants – and Especially Undocumented Californians – Face Especially High Housing Cost Burdens

Californians who are immigrants are more likely to live in households facing unaffordable housing costs, with 41% living in cost-burdened households (compared to 37% of non-immigrants) and 20% living in severely cost-burdened households as of 2018 (versus 17% of non-immigrants). Californians who are undocumented face an especially high risk of unaffordable housing costs. According to Budget Center estimates, half of Californians who are undocumented (an estimated 51%) live in households with unaffordable housing, and about 1 in 4 (an estimated 26%) live in severely cost-burdened households (Figure 4).<sup>4</sup>

FIGURE 3

### Black and Latinx Californians Were Most Likely to Have Unaffordable Housing Costs Before COVID-19

Percentage of Individuals With Housing Cost Burden by Race/Ethnicity, 2018

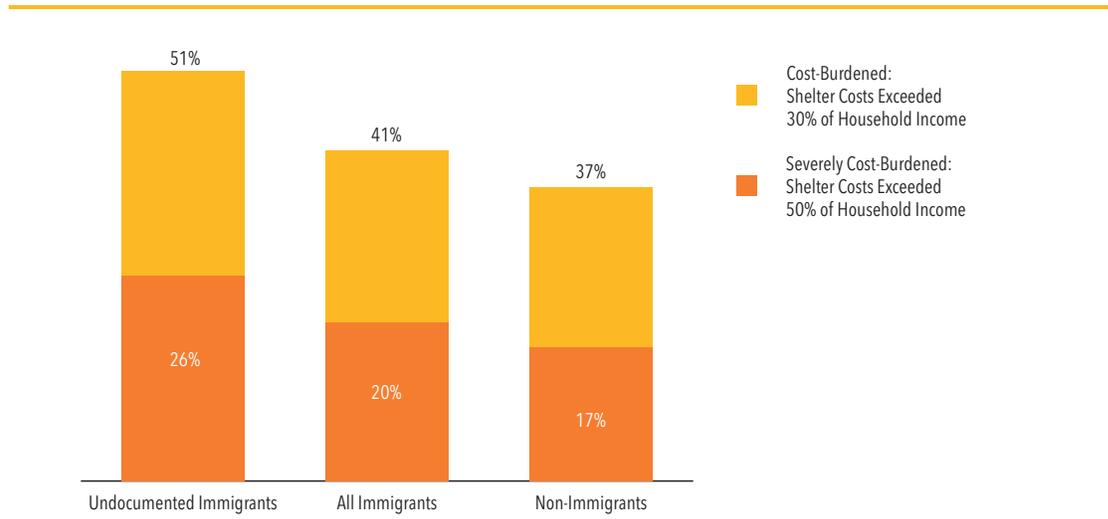


Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development. Estimate for undocumented immigrants is based on an imputation of immigration status developed for the California Poverty Measure, a joint project of the Public Policy Institute of California and the Stanford Center on Poverty and Inequality.  
 Source: Budget Center analysis of US Census Bureau, American Community Survey data

FIGURE 4

### Among Californians Who Are Immigrants, Unaffordable Housing Costs Were Especially Common Before COVID-19

Percentage of Individuals With Housing Cost Burden by Immigrant Status, 2018



Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development. Estimate for undocumented immigrants is based on an imputation of immigration status developed for the California Poverty Measure, a joint project of the Public Policy Institute of California and the Stanford Center on Poverty and Inequality.  
 Source: Budget Center analysis of US Census Bureau, American Community Survey data

## Housing Affordability Is a Problem in All Regions of California

Housing costs vary substantially throughout California, with the highest costs in coastal urban areas and the lowest costs in inland rural areas. But incomes also vary regionally, and areas with relatively lower housing costs also tend to have lower typical incomes. The result is that housing affordability is clearly a problem throughout the state when housing costs are compared to incomes. Across every region of California, from the high-cost San Francisco Bay Area and Los Angeles and South Coast to the lower-cost Central Valley and Far North, at least a third of households spent more than 30% of their incomes toward housing in 2018, and more than 1 in 6 spent more than half of their incomes on housing costs (Figure 5).

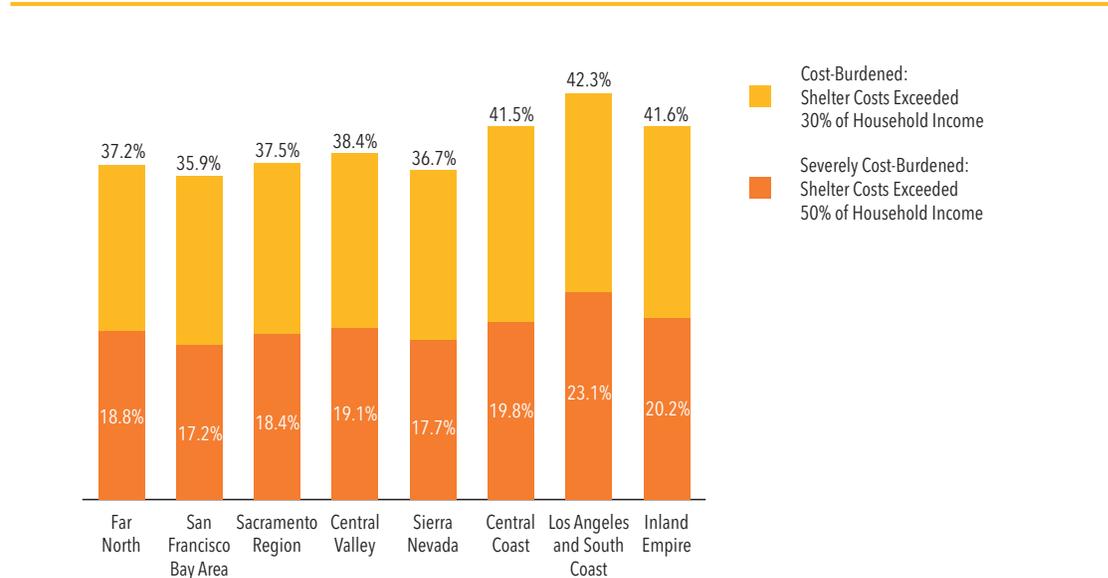
## COVID-19 Puts More Californians at Risk of Housing Instability, Highlighting the Urgency for the State to Address Persistent Affordability Challenges

What problems arise when households struggle to afford housing? When rent or the mortgage is due, these families are forced to spend less on other basic necessities like health care or food, to cut costs by seeking lower-quality child care, or to under-invest in important long-term assets like education or retirement savings. Unaffordable housing costs can also pressure families and individuals to accept substandard housing or live in neighborhoods that lack basic safety and lack resources such as better funded schools, grocery stores, or transit stations. In the most serious cases, unaffordable housing can push households into homelessness

FIGURE 5

### Housing Costs Were Unaffordable Throughout California Before COVID-19

Percentage of Households With Housing Cost Burden, 2018



Note: Definitions of housing cost burden are from the US Department of Housing and Urban Development.  
 Source: Budget Center analysis of US Census Bureau, American Community Survey data

– a particularly dangerous circumstance during the COVID-19 outbreak.<sup>5</sup> All of these consequences can have cascading effects on health and can shape both short-term well-being and long-term outcomes for affected individuals.<sup>6</sup>

As a result of the COVID-19 public health crisis, millions of Californians have lost their jobs or seen their work hours cut. Women and people of color have experienced greater job loss during the first three months of the downturn, with employment falling especially sharply for Black and Latinx women and Asian and Pacific Islander men.<sup>7</sup> Workers in the most immediately affected industries are especially likely to earn low wages, and a majority are people of color, with Latinx Californians particularly likely to live in households that include workers in affected industries.<sup>8</sup> Undocumented workers are also especially likely to work in affected industries, while being locked out of many public supports to weather this crisis.<sup>9</sup> Many of these Californians were already especially likely to be struggling to afford their housing even before the COVID-19 outbreak, so that a job loss or reduction in earnings puts them at particularly high risk of a housing emergency or even homelessness.

These new economic challenges posed by COVID-19 come on top of the ongoing housing affordability crisis across all regions of California – especially for renters, households with the lowest incomes, people of color, and immigrants. Strategies to ensure that Californians are able to remain in their current housing, provide rapid access to emergency housing, and increase housing affordability over the long term are all urgently

needed, particularly for the most-affected Californians. Housing policies that directly reduce families' housing costs, that protect tenants from unfair evictions or rent increases, and that increase the supply of housing – especially housing affordable to the lowest-income households – can address these needs over the short term and the long term. Moreover, policies outside of the housing arena that help families make ends meet – by reducing costs for child care, food, health care, or other necessities, or by supplementing incomes or replacing earnings for workers who have lost their jobs – represent another important approach to helping Californians who are struggling to afford the cost of housing. Addressing the racial and income disparities in who struggles most to afford housing is also critically important, especially given that many of these same disparities are apparent in who is most likely to be affected economically by the COVID-19 crisis.

As state and federal leaders craft budget and policy proposals, it is important to acknowledge and understand the legacy of policy choices that have created an uneven playing field for many Californians and have driven racial inequities in housing, where Californians who are Black, Latinx, Pacific Islander, and Native American and Alaskan Native disproportionately struggle to afford housing. A mix of policies are needed to address California's housing crisis – both to meet short-term needs resulting from COVID-19, and to address the state's long-term affordability challenges. Doing so is particularly important for California's renters, families with low incomes, people of color, and immigrants.

**Aureo Mesquita and Sara Kimberlin** prepared this *Issue Brief*. The Budget Center was established in 1995 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The Budget Center engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. General operating support for the Budget Center is provided by foundation grants, subscriptions, and individual contributions. Please visit the Budget Center's website at [calbudgetcenter.org](http://calbudgetcenter.org).

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## ENDNOTES

- <sup>1</sup> Sara Kimberlin and Esi Hutchful, *New Census Figures Show More Than 1 in 6 Californians Struggle to Afford Basic Necessities* (California Budget & Policy Center: September 2019).
- <sup>2</sup> Based on Budget Center analysis of US Census Bureau, American Community Survey public-use microdata from 2018, downloaded from IPUMS USA (University of Minnesota, [www.ipums.org](http://www.ipums.org)). All data cited are based on this analysis unless otherwise noted.
- <sup>3</sup> The federal poverty line for a family of two adults and two children was roughly \$25,500 in 2018.
- <sup>4</sup> Estimate for undocumented immigrants is based on immigrant status imputed using a method developed for the California Poverty Measure, a joint project of the Public Policy Institute of California and the Stanford Center on Poverty and Inequality.
- <sup>5</sup> Monica Davalos and Sara Kimberlin, *Homelessness and COVID-19: Older Adults and Black Californians Face Severe Health Risks* (California Budget & Policy Center: April 2020).
- <sup>6</sup> Adriana Ramos-Yamamoto, *Advancing Health Equity: How State Policymakers Can Increase Opportunities for All Californians to Be Healthy* (California Budget & Policy Center: March 2019).
- <sup>7</sup> Alissa Anderson, *Women and People of Color Take Biggest Hits in California's Job Losses* (California Budget & Policy Center: June 24, 2020).
- <sup>8</sup> Alissa Anderson and Aureo Mesquita, *Californians With Low Incomes Will Be Hit Hardest by the COVID-19 Economic Shutdown* (California Budget & Policy Center: March 2020); Sara Kimberlin, Aureo Mesquita, and Alissa Anderson, *California Workers With Less Education, People of Color, and Immigrants Are at Greatest Financial Risk Due to COVID-19* (California Budget & Policy Center: April 2020).
- <sup>9</sup> Sara Kimberlin and Aureo Mesquita, *California's Undocumented Workers and Mixed Status Families Are Locked Out of Safety Net and Federal COVID-19 Support* (California Budget & Policy Center: April 2020).