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# Challenges and Opportunities for Housing Development in the Inland Empire: Perspectives from the Community

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## Authors & Editors

Kristen Kopko

Policy Analyst & Research Manager

Inland Center for Sustainable Development

University of California, Riverside

[kristen.kopko@ucr.edu](mailto:kristen.kopko@ucr.edu)

Suki Wang

Research Associate

Inland Center for Sustainable Development

University of California, Riverside

[swang062@ucr.edu](mailto:swang062@ucr.edu)

# Executive Summary & Main Findings

In Southern California's Inland Region (Riverside and San Bernardino Counties), many residents frequently struggle with housing issues, contributing to a lower quality of life and general economic instability. In the past year, with the onset of the COVID-19 pandemic, regional economic and housing instability has worsened.<sup>1</sup> These issues, which are echoed throughout many parts of California, are the mainstay of California's housing crisis. During the Great Recession of the mid to late 2000s, the home building and development industry virtually collapsed, exacerbating a statewide shortage that had been building for decades. Even while the state and local governments have implemented policies and development goals to address housing issues, there is still a substantial shortage of housing across most, if not all, regions in California, leading to a widening affordability gap. A holistic rethinking of the core functions and practices of housing development in cities and counties is urgently needed.

The Inland Southern California Region, the 13th largest metropolitan area in the United States with a population of over 4 million people, faces unique challenges. The region has previously struggled to keep up with its coastal counterparts in housing development, education attainment, and general economic development. In recent decades the region has become a popular suburban outlet, fueled in part by a west exodus from highly-priced coastal areas like Los Angeles and Orange Counties.<sup>2</sup>

The purpose of this study is to examine the perspectives of various stakeholders (i.e., local government officials, regional real estate developers, community development non-profit organizations) in the Inland Southern California Region for their opinions on and experiences with regional housing development issues, and generate recommendations related to housing development for consideration by the region's policy-makers. From April 20th, 2020 to July 1st, 2020, ICSD conducted in-depth interviews (60-90 minutes per session) with 25 stakeholders following a preliminary focus group discussion which included 8 participants. Specifically, we ask four sets of questions:

1. What are the strengths and weaknesses of the Inland Region in housing development?
2. How do stakeholders view the common barriers and most pressing issues regarding housing development in the region?
3. What strategies are used by stakeholders to overcome these barriers and what recommendations could be made to improve the situation?
4. What are the impacts of the coronavirus pandemic on housing issues?

## **Main Findings:**

### **1. The Identified Housing Development Strengths of the Inland Region:**

- a. The relatively low cost of land, living, and housing prices compared with the coastal California regions is a universally discussed strength among our participants.
- b. The diversity of the geography and neighborhoods was another strength of the Inland Region. From downtown condos in Riverside, farms in Rialto and desert retreats in Palm Springs, there

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1. Kang, Wei, and Kristen Kopko. Rep. *Housing Insecurity & the COVID-19 Pandemic*.

2. Lansner, Jonathan. "Where Do Folks Move to? The Less-Populated, Cheaper Counties!"

are diverse options for differing lifestyles.

## **2. The Barriers, Weaknesses & Challenges to Housing Development:**

### **a. Broad Statewide Challenges:**

- i. The lack of funding for affordable housing development was cited by participants as a challenge for some jurisdictions within the region. Participants additionally stated that the level of support for affordable housing varies broadly among jurisdictions.
- ii. The prevalence of excessive red tape, and variations in regulation between state and local entities can slow housing development.
- iii. Housing's negative fiscal calculus for jurisdictions may cause localities to pursue commercial developments in lieu of residential developments. Local officials pointed to the tension between commercial development which generates both property and sales taxes and residential development which only generates property taxes.
- iv. Environmental regulations, including the California Environmental Quality Act (CEQA) increase housing construction costs and the time taken to complete a development project.

### **b. Regional / Local Challenges to the Inland Region:**

- i. The lack of white collar jobs and the overemphasis on the logistics industry presents a particular Regional challenge.
- ii. The overemphasis on single-family zoning and outdated requirements may hinder housing development.
- iii. High mitigation and city fees increase the cost of housing and development. These costs are typically passed on to the home buyer.
- iv. NIMBY's (Not In My BackYard's) may cause delays in housing developments or halt projects completely.
- v. Participants also stated that the Inland Region broadly lacks a balance in many community aspects (E.g. economy, housing, and jobs).

## **3. COVID Impacts on Housing & the Region:**

- a. The most common impact on the Region discussed by our participants was the reduction in the Region's workforce and a decrease in sales tax revenue due to store closures.
- b. An increase in the homeless population due to unemployment and housing insecurity is also expected.
- c. An increase in the value of homes in the Region, as COVID-19 has created new benefits to low-density, suburban living.

## **Recommendations:**

1. An increase in communication, public engagement, transparency & coordination regarding the importance – and necessity - of housing to the economy and overall quality of life.
2. Further streamline governmental procedures for housing production.

3. The expansion of fee reduction programs, specifically for affordable housing developments.
4. The additional expansion of CEQA relief for affordable housing developments
5. Inland municipalities should consider updating outdated zoning policies and incorporating more inclusive zoning policies.
6. The enhancement of the local economy and the creation of high-paying jobs.

**Key Terms:**

- **Affordable Housing.** According to the federal government, housing is affordable if it costs no more than 30% of the monthly household income for rent and utilities.<sup>3</sup>
- **Multi-family housing.** Based strictly on design, multifamily housing refers to a single structure that contains more than one dwelling unit.

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3. “Rental Burdens: Rethinking Affordability Measures.” U.S. Department of Housing and Urban Development.

## Section I: Data Collection

Data collection was carried out in two phases. First, a focus group discussion was formed to identify key issues and barriers to housing development in the Inland Region. Eight participants were recruited, including but not limited to, local public officials, housing developers, and local residents. Based on the focus group discussion, we identified several common themes on housing development challenges. To further explain why these issues exist and how to overcome these challenges, we employed in-depth interviews in the second phase of the data collection. In the second phase, stakeholders were recruited based on their roles in housing development processes. In order to discern possible disparities, we expanded our recruitment in the second phase to include participants with more diverse backgrounds. Our stakeholders come from both Riverside and San Bernardino Counties; additionally, we selected participants from the western, central, and eastern portions of the region to further diversify our sample. In total, 32 community officials or stakeholders took part in our study. Their backgrounds are included as shown in Figure 1. More specifically, our sample included but was not limited to, city managers, affordable and market rate real estate developers and builders, consultants, real estate agents, bank officials, and transportation executives.

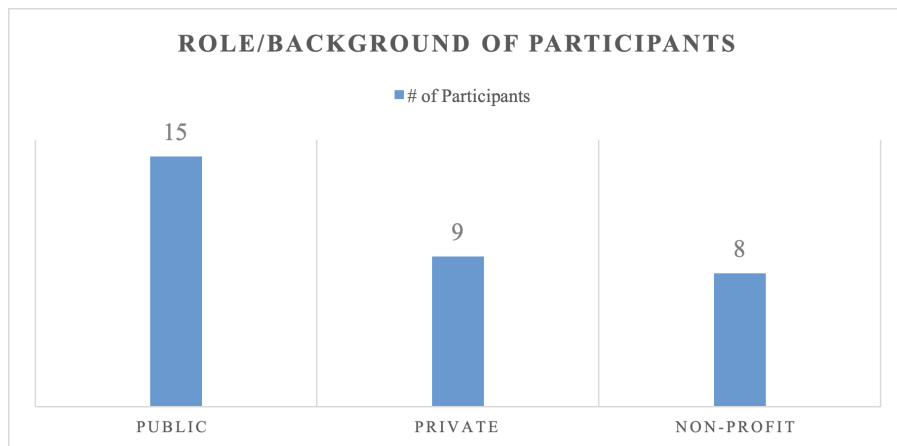


Fig 1. Roles / Backgrounds of Interview Participants

In order to understand the region's complex development issues, we designed interview questions that targeted three levels of governance: state, regional and local governments. Because housing development issues range beyond any one level of government, it is important to critically understand the interaction between multiple levels of government and how that multifarious dynamic influences development.

The focus group, which took place in February of 2020, was conducted in person and transcribed by graduate students in the UCR Master of Public Policy program. The focus group was conducted over a 3 hour period. The interviews were conducted by a trained qualitative researcher from April 20th, 2020 to July 1st, 2020. Due to COVID-19, the interviews were conducted online through Zoom and were recorded with participants' permissions, then transcribed verbatim. Each interview lasted about 60 to 90 minutes to adequately understand the participants' perspectives. The transcripts of interviews and focus group discussions were analyzed by the qualitative researcher and cross-checked by ICSD's researchers to ensure accurate reporting.

In this section, we analyze the overall findings from our interviews. First, we discuss the participants' perceived strengths and weaknesses in housing development, then we present regional challenges. Next, we

## Section II: Findings

discuss our interviewees' opinions on COVID-19 and its relationship with and effects on future housing development. Finally, we discuss the confluence of factors influencing regional housing development.

### Part A: Strengths in Housing Development

#### Strengths:

##### Price of Land, Cost of Living, and Convenient Transportation

The first and most universally discussed strength by our participants was the low cost of land and the relatively low cost of living in the region. When compared to California's coastal communities, including, San Diego, Orange County, and Los Angeles, the cost of living and the cost of undeveloped land in the Inland Region is much lower, theoretically allowing developers to produce housing at a lower cost to the potential home buyer. The cost of undeveloped land is accompanied by the greater availability of land throughout San Bernardino and Riverside County compared to the coastal counties. According to our participants, because of a larger supply, the availability of land translates into a lower cost of development, housing and living in the region. The availability of land also demonstrates the region's potential for housing and job growth. The convenience of the MetroLink and the proximity to major freeways to job centers is a related strength of the region.

##### Diversity of Neighborhoods & Affordability

The diversity of the region's neighborhoods and general affordability were both cited as strengths by participants. One participant noted: *"We're considered to be affordable in Riverside, when compared to other areas in California. So we have a great influx of people coming in from areas where they might not be able to afford homes... They can afford homes in [the region]."* Many participants also pointed to the differing types of housing found throughout the County: from urban-style apartments in downtown Riverside, desert retreats in Palm Springs, and rural-style housing in Norco. One participant stated: *"One of the great things about [the region] is there's different neighborhoods for everybody."* Although the region is accommodating to a variety of lifestyles, this variety has not necessarily translated into a variety of housing stock types in most areas. Some areas in the region have more housing diversity than others; many focus solely on single family developments.

### Part B: Specific Barriers, Weaknesses and Challenges to Housing Development

Drawing on stakeholder's perspectives, in this section, we identify common barriers to housing development. Due to the positionality of each stakeholder, their perceptions on housing development issues reflect the competing community demands on residents, local community officials, and home builders. Each stakeholder is therefore positioned in their role and outlook on the region's housing. Often the primary goals of the public and private sector conflict, leading to impasses in increasing housing construction. For example, council members, city managers, and other public officials perceive their primary role as serving the community and meeting the demands and needs of local residents, whereas, those in the private sector may see their principal goal as increasing construction and profit margins. These interests directly conflict in situations in which residents object to new hous-

ing projects and local officials are tasked with balancing resident interests with those of the private sector. This section highlights the different barriers at the local and state level based on the role of selected participants.

## **Broad, Statewide Challenges:**

### **Lack of Funding and Regional Disparities Support for Housing Development**

One salient weakness identified by our participants is a lack of political support and funding for affordable housing. Participants pointed to issues with funding and support at both the local and state levels. At the regional and local levels, although there is a tremendous need for affordable housing development, support varies vastly by jurisdiction. A regional affordable housing developer remarked, *“There is a need [for affordable housing] everywhere. The need is high. What lacks is funding. Funding to build the affordable housing... varies from jurisdiction to jurisdiction in terms of the political support.”* Therefore, in the Inland Region, not only is the availability of affordable housing problematic, but the variety of political support for such programs offers a large regional weakness. Affordable housing in both senses of the phrase – housing that is below market rate and housing that receives government funding or subsidies – often struggles with political support.

Throughout the interview process, the discrepancies between different regions regarding affordability and affordable housing stock were well outlined. Two specific affordability gaps were mentioned: between the Inland Region and the coastal areas, and between the western suburbs of the region and the eastern exurbs. Stakeholders more generally agreed that the region is more affordable than the coastal regions of San Diego, Orange County, and Los Angeles, but that the differing cultures of the areas play a role in the accessibility to affordable housing. Those representing the eastern regions of Riverside and San Bernardino Counties believed their areas offered more affordable options to renters and buyers than those in the western parts of the counties. Some noted that because of the historic political culture in the Inland region, the region has failed to adequately build affordable, government-subsidized housing: *“The Inland Empire historically has been a more conservative area than some of our coastal communities, [the area has been] less likely to tax themselves, either with inclusionary zoning policies or with other... taxes on commercial or residential development or even partial taxes, to generate funding sources to assist affordable housing development.”*

Unwillingness to charge city development fees to entire cities often levies heavy tax or fee burdens on new developments. City services like libraries, infrastructure, and public school systems are critically important for new home buyers. Because city services are paid for with tax monies, smaller areas, or areas that are local tax hesitant have a hard time attracting residents and home developers alike. One participant described this phenomenon as the chicken and egg causality dilemma: *“The biggest impediment or constraint is the lack of services. So we have the housing, it’s kind of a chicken and egg where we don’t have a lot of the services... So it’s been hard to attract new home buyers and new renters because we don’t have those services, but we need the housing in order to get those services.”* Attracting housing development to some portions of the region adds a new set of challenges due to lack of transportation options, housing diversity, and city services.



The uneven distribution of resources among jurisdictions also poses a funding challenge for some areas. The resources are allocated based on the size of the jurisdictions, as larger cities tend to generate more sales and income tax than smaller cities. Therefore, some areas have more access to affordable housing funding sources, and have more opportunities to navigate the circuitous state funding paths for affordable housing.

### **Red Tape & Excessive, Varied Regulation**

Rigid housing legislation and regulation are frequently cited as a driving force behind California's consistently low housing production numbers. The region's home builders and developers echoed this prevailing sentiment, *"All of the processes you have to go through to get approval, that needs to be streamlined, and that's city to city. Some cities are good at that; some cities are bad at that... If you've got the housing department who says one thing and the planning department that says another and they can't agree on how to interpret zoning laws for a local area, how do you ever get your project approved?"* For developers and builders in the private sector, the adage 'time is money' is especially true. The inefficiency and the large variance in regulation among jurisdictions have discouraged developers from building in the region.

According to our participants, this is partially due to variances in zoning laws, although this is a statewide issue, and not unique to the Inland Region. Because each jurisdiction has its own distinct zoning policies, a significant amount of time goes into understanding and abiding by local ordinances. Some cities have updated zoning policies and rules tailored to the current popular characteristics, demands, and planning for cities, while other jurisdictions have not updated their zoning for years. Zoning, especially outdated zoning, was mentioned as a paramount challenge that developers have to navigate to get their projects approved.

This tension echoes another challenge that exists between developers and public officials: the need for regulation and the need for profit. According to our interviews, regulation and profits sometimes have an inverse relationship; the more regulation placed upon housing development, the less profit might be available for housing developers. A local public official spoke to this divide: *"We have to find a way to be able to get them to come here and build a home, make a profit, and then as that home is built, capitalize on that by building the next phase."*

### **Housing's Negative Fiscal Calculus**

According to participants, California's complex tax structure poses another set of difficulties to housing development, partially due to Proposition 13. Proposition 13 is often cited as the third-rail of California politics. A voter-initiated ballot measure passed in 1978, Proposition 13 prohibitively limited taxes and tax increases on real property. With the passage of Proposition 13, California's property tax system shifted from a system in which property taxes increased ad valorem with the assessed value, to a system which capped property tax to 1% of the full cash value of the property.<sup>4</sup>

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4. "California Legislative Information Database." California Legislative Information.

Arguably, the most important negative externality of Proposition 13 was the loss of property tax revenue which was used to fund essential city services. Proposition 13 left many California cities with a discretionary revenue gap. Prior to 1978, California's two main sources of discretionary revenue (revenues not restricted by law for a specific purpose) were local property and sales taxes.<sup>5</sup> Property taxes were the mainstay of a city's discretionary revenue fund. But in the post-Prop 13 world, municipal localities were now tasked with maintaining the same level of public services that residents required on much less discretionary revenue. Sales taxes became highly sought after in cities throughout California as a way to make up for the new restrictions on property taxes, ushering in a new era of mass fiscalization of land use.

'Fiscalization of land use' is a phrase used to describe local municipalities making development, redevelopment, and planning decisions based on land uses that are expected to create higher tax revenues in proportion to their expenditure consequences. For example, housing developments may bring in significant property tax revenue, but the cost of city services and public goods required by housing development (E.g., schools, infrastructure, trash collection, etc.) are often believed to exceed the taxes garnered by residential development. One participant in our study claimed that in their jurisdiction, a home must be sold for more than \$650,000 for the property taxes to cover the cost of city services required by that household. Whereas, commercial developments provide the city with property and sales tax revenue, but often require fewer city services and public goods. Participants directly commented on the fight between localities to attract businesses due to their sales tax creation.

The fiscalization of land uses and the reliance on sales tax, not property taxes, is seen abstractly through our participants' discussions of the region's economy and the competition for emerging businesses. Numerous participants pointed to the reliance on businesses in their areas to stimulate development and balance their city's budget. A local public official used Temecula as an example: Temecula exemplified this struggle because, due to the billion-dollar tourism from wineries and casinos, business is one of the city's biggest tax drivers. Increasing the sales tax base by attracting businesses, often in lieu of housing development, is therefore incentivized.

## **Environmental Regulation**

Environmental regulation, similar to development fees, is often blamed for California's low housing production, and the subsequent high cost of housing. The tension between the need for this regulation and the challenge of compliance was conveyed throughout the interview process. The California Environmental Quality Act, henceforth referred to as CEQA, was commonly recognized as increasing the cost of development specifically due to the additional time and cost needed to comply with the law. In the experience of our participants, statewide regulations slow and increase the cost of development, but do not necessarily and systemically perturb viable housing development.

Although many participants expressed opinions on environmental regulation, the opinions were equally as diverse and multi-faceted as those of fee reduction programs. Some believed that although CEQA and statewide regulations increased the time and money spent on housing development, they do not disincentive housing.

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5. Lewis, Paul G., and Elisa Barbour. Rep. California Cities and the Local Sales Tax.

One participant remarked on CEQA, statewide regulations, and the Inland Region, “*It’s not demotivating. It’s just more expensive. It’s very expensive. We’re still less expensive than building closer to the coast.*” According to participants, CEQA and other regulations can greatly increase the costs of housing, adding a new limitation on development.

Additionally, one participant summarized the tension between the need for compliance and the cost of compliance: “*state law... [and the] cost for infrastructure are the two biggest reasons that slow housing development down because the regulatory process is extremely complex.... And because we have to comply with so many rules, those costs are high... And the longer the process takes, the more expensive a project is. So it’s kind of a vicious cycle sometimes.*” Both public officials and developers pointed to this tension, although local public officials serve as an intermediating role between builders, state officials, local officials, and local community members in the development process. This puts local officials in an arduous fight to balance resident demands, with state regulations, local regulations, and the needs of housing developers.

## **Regional / Local Challenges to the Inland Region:**

### **Lack of White Collar Jobs/ Overemphasis on the Logistics Industry**

The lack of high-paying jobs in the Inland Region was cited as a common weakness for the region as housing issues are closely related to the regional economy and other socioeconomic issues such as education, poverty, and workforce development. These different issues impact both the supply and demand of housing production. Although some participants did state that the industrial commercial space does offer possibilities for economic growth, others opined that the focus on blue-collar jobs continues to forestall the region’s economic development.

Over the past decade, about 150 million square feet of industrial space has been built in the Inland Region.<sup>6</sup> The majority of this industrial space is used by the warehousing and logistics industries. The rise of the redoubtable warehousing industry in the region has undeniably created jobs and contributed to the economic base. However, many of our participants in the non-profit, public, and private sectors questioned the stability of this industry over the coming decades. One of our participants who works closely with housing and development in the non-profit sector stated: “*[The logistic industry is] employing people, but they’re not the jobs that have long sustainability... the positions that they’re hiring... are ones that can be, not too far off in the future, easily automated.*” Thus, while warehousing and logistics industries have contributed to growth in the Inland Region’s economy, it’s likely that the job growth in the blue-collar sector is relatively hollow and unsustainable over the next two to three decades.<sup>7</sup>

The reliance on this industry directly translates into another highly discussed problem by our interviewees: the regional lack of white-collar jobs, indirectly bolstering the Inland jobs-housing imbalance. The Riverside-San

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6. Esquivel, Paloma. “Efforts to Rein in the Inland Empire’s Warehouse Industry Fall Flat.”

7. Theodore, Nik, and Beth Gutelius. Rep. The Future of Warehouse Work: Technological Change in the U.S. Logistics Industry.

Bernardino metropolitan area lags behind its coastal counterparts in terms of per capita and household income, with many residents of the region making low to moderate incomes. The lack of high-paying jobs creates a lack of qualified and solvent buyers. The resulting jobs-housing imbalance was conveyed clearly throughout the interview process. One councilmember remarked, *“A lot of people that live in my city are college-educated, and their high-paying jobs... are located in LA or Orange County and really not here in Inland Empire.”*

The jobs-housing imbalance is partly due to the region’s focus on industries that employ the lower-end and blue-collar workforce and the region’s inability to attract higher-paying jobs and industries. At the same time, because the region has a lack of high-paying industries, the majority of the region’s workforce remains low-skilled, although some cities in the region are more active and more successful in attracting new and better businesses. This imbalanced cycle contributes to longer commutes, higher greenhouse gas emissions, lower quality of life, persistent poverty, and many other negative externalities for the region.

### **Zoning Constraints**

Zoning constraints were also categorized by our participants as general weaknesses. Although the land is available for development, land specifically zoned for housing is lacking compared to other land uses, according to participants. A city manager from the region stated, *“we lack available land that has the right zoning, that has the infrastructure and then has the accessibility.”* The same participant continued on the difficulties of zoning changes and the importance of infrastructure: *“You’re really only having to look at a very thin strip in the city as far as the parcels that have the right zoning and then have infrastructure available. Because if you pick a piece of property that doesn’t have water or sewer, well, then you’ve got to bring that to your property and your costs go out the window.”* Updating zoning policies and incorporating policies that promote inclusion in terms of development would therefore advance development. Additionally, rezoning or ‘upzoning’ areas near transportation for larger scale or multi-family housing could reduce commute times for residents and attract developers to build more projects in the region.

### **Increased Mitigation and City Fees**

Residential impact and mitigation fees consistently heighten housing prices by tens of thousands of dollars.<sup>8</sup> The cost of compliance in the region and throughout California is high. Development fees on a new housing development cover the costs of the community’s education, infrastructure, as well as provide and support environmental regulation, but can be high enough to preclude a development from moving forward. Fees support local communities and community building, however, the cost of compliance can constrain profits and productivity for developers and builders. Typically, development fees fund essential programs and city services like libraries, infrastructure, sewer systems, and local public schools. As cities increase in population and pursue policies of community building, fees to strengthen this development commensurately add to the cost of new homes.

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8. Raetz, Hayley, David Garcia, and Nathaniel Decker. Rep. Residential Impact Fees in California. University of California, Berkeley, August 5, 2019.

The stakeholder's opinions of this development and mitigation fees were varied; some participants pointed to issues with fees and how fee reduction may not translate into lower costs for the consumer, while other participants believed that the revenue from development fees is crucial for well-rounded communities. Further, some participants with experience in fee reductions claimed that it did not increase development by a meaningful amount.

Generally, participants all acknowledged the high costs of fees and the repercussions they had on the cost of housing. However, although fees are often touted as the reason for rising home costs, public officials had relatively negative opinions on the success of fee reduction programs. One directly questioned the notion that high fee costs directly and negatively affected housing production, *"We were successful in lowering fees and we had those in place for a couple years. Did it spur a lot of development? No."* Other officials additionally doubted that the savings of fee reduction would be passed to the consumer. According to some of our participants, due to the general lack of housing supply, it is unlikely that any positive monetary benefit from streamlining would be passed on to the homebuyer: *"What we end up seeing is if we were to lower the fees, but [builders] can still sell the house for \$350,000 or \$500,000. They're not going to lower it because we saved them \$50,000 in fees if they can sell it for the same amount and make a \$50,000 profit for instance."*

The final prevailing issue identified is the unequal fee burden levied on a communities' new residents, which was mentioned in Part A. Because many jurisdictions in the Inland Region are still in the process of development and community building, fees in many communities have increased over time, placing higher costs on new residents who typically absorb them as part of the purchase of the home. These fees often benefit the community as a whole, not just the new portions of a city, or the portion in which a resident purchased a home. As a result, some officials believe that new residents paying a majority of the fees is unequal and unfair.

However, participants continually noted the positive community development that results from fees. School fees to fund local education and expansions to educational programs are viewed as a necessity according to a majority of participants. Participants also deemed fees to build public infrastructure and provide environmental protection as necessary. Therefore, development and mitigation fees are extremely complex, and can often be both negative and positive in community building and development.

## **NIMBYISM**

Both public officials and those in the private and non-profit professions emphasized the tension between public officials who promote housing development and citizens who actively oppose proposed developments, often referred to as NIMBY's (Not In My Back Yard's). In the Inland Region and throughout California, the NIMBY phenomenon targets development of many kinds. For example, high-density housing, transit-oriented development, and affordable housing are often targets of NIMBY attention. According to our interviews with public officials, pushbacks and concerns from community residents have become one of the greatest obstacles for council members and city managers to openly support housing development projects.

Specifically, one public official described the challenge his community faces when developments were proposed, then subsequently opposed by residents: *“We get a lot of pushback from residents saying, ‘We don’t want any more apartments. We don’t want high density. We don’t want any more transit-oriented development’ and they come out and speak against the project, and if you’ve got a council that is weak with their resolve, they can end up not getting [the project approved].”* The dichotomy between residents’ perspectives and positionalities, who are often hesitant of community change, and the need to solve the housing crisis is stark. Therefore, city councils and managers are additionally tasked with actively working with or against the NIM-BY mindset and changing the stereotypes that accompany affordable housing or high-density development.

## **A Need for Balance**

An overarching theme evident in each perceived barrier and weakness is the need for more community balance in areas like zoning, community building, the economy, and education. There are many indicators of imbalance that are evident in the context of the Inland Region: housing stock, jobs, zoning, age, socio-economic status, etc. Housing policies and the local economy are influenced by these imbalances in the region and vice versa. The need for balance was frequently noted by our participants by expressing the need for economic and community inclusivity. By identifying the need for robust transportation networks, greater job opportunities, and a diverse economy, participants discern the general need for broader community balance. Many residents in the Inland Region, due to the imbalance of jobs, education, and socio-economic status, face a broad lack of opportunities.

The most salient issue of Inland housing and community balance is the overemphasis on single-family zoning which has created large exurban areas. Although the region does have different types of housing and some variety in terms of housing stock, participants noted some areas were better suited to diverse options than others. Some additionally noted that a variety of housing in each local community is necessary to create vibrant and inclusive communities. This is exceedingly challenging given the size of the Inland Region. One participant mentioned: *“Riverside County is the same size as the state of New Jersey. So... the [community] needs are vastly different. The solutions are vastly different... that’s why there are no easy answers.”* Although some areas within the region are more balanced in terms of housing stock and development, some lack inclusive housing options, like senior and entry-level housing. Participants additionally commented on the trend towards housing exclusivity, due to zoning constraints and regional trends: *“we’re just pricing people out because you don’t want certain types in the community, you want people with disposable income.”* Another stated: *“diversification of housing is critically important to our citizens and to our community.”*

The Inland Region also has a tremendous housing-jobs imbalance which results in many residents commuting to neighboring San Diego, Los Angeles, or Orange Counties for their jobs. The overall jobs-housing imbalance can create a lack of opportunities in both jobs and education. According to our participants, balancing these factors is critical to a sustainable and vibrant Inland Region. Attracting higher-paying jobs in the region will likely be a stabilizing force in the economy. Attracting these jobs have many positive externalities: attracting highly-skilled people whose skills are less likely to be substituted by machines, and attracting additional business and thus a wider sales and property tax base through the commercial and service economy. As our stakeholders readily expressed,

increased tax dollars would improve the quality of public education, and thereby improve the future of the region.

Finally, community balance is much more than just increasing sales and property tax revenues. As one public servant noted, *“So you’re striving to get this balance... by collaboration with education in our school districts because that’s a major determinant in the value of property in a place, and in creating interesting places, the place making aspect of what cities can do.”* Balance in communities in the more social aspects of development therefore increases the quality of life and allows residents to build healthy and fulfilling lives for themselves and their families. By noting the need for more balanced communities, our participants demonstrate that housing is not an isolated issue; the variety and quality of housing influences vital aspects of one’s life. Increasing housing, social opportunities, education, and jobs in a variety of areas translates into an increase in broader opportunities in the personal lives of residents. Creating balanced communities and is an extremely difficult and onerous task. One participant concluded this sentiment simply: *“the most difficult element it’s balance. It’s maintaining balance.”*

## **PART C: COVID-19 IMPACTS**

COVID-19 has created a unique set of crucial housing challenges for the Inland Region. With higher unemployment rates under the stay-at-home orders, the maintenance of suitable housing has become a pervasive issue in the region for both renter and owner households.<sup>9</sup> The main COVID-19 impacts perceived throughout our interview process centered around the loss of sales and income tax, in addition to the reduction in the regional workforce due to business closures, the reduction of working hours, and a rise in homelessness and housing instability.

### **Reduced Workforce & Decrease in Sales Tax**

Participants noted that workforce reductions due to loss of working hours and business closures will largely affect the Inland economy and taxes. The Inland Region, which before the pandemic had a large focus on relatively low-paying and service sector jobs, may face larger temporary and permanent job losses that could be difficult to rebound from. Many people in the Inland Region work in relatively low-paying jobs and have been laid off because of the COVID, which has led to an increased unemployment rate in the region and has impacted the economy of the region.

COVID-19 additionally may affect sales taxes for jurisdictions not only due to closures, but due to the mass shift to online shopping. One participant in the public sector described this in detail: *“The first and second quarter of this year when we received our tax revenues... [the loss of revenue] could really hurt our city. That’s how we pay our bills. It’s going to be an interesting time over the next 6 months to 12 months to see how those taxes roll in.”* In particular, the service and entertainment sectors in the region are likely to be disproportionately affected. Sub-regions like eastern Riverside County and San Bernardino, which rely heavily on entertainment tourism for

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9. Kang, Wei, and Kristen Kopko. Rep. *Housing Insecurity & the COVID-19 Pandemic*.

events like Coachella and Stagecoach are likely to face large sales tax and workforce reductions. Although the entertainment and service sectors are not the only sectors which have been and will be affected. An increase in fear of COVID-19 has additionally led to a decrease in buyer's confidence equally affecting the Inland economy.

### **Homelessness**

According to our participants, COVID-19 has both positively and negatively affected the region's homeless population. Due to job losses, working hour reduction, and housing instability, the region's population may be at an increased risk for homelessness. This COVID-19 effect is not specific to the Inland Region, and is rather a state and nationwide issue. However, for the current homeless population, COVID-19 may bring one positive impact: more attention on the identification of the current homeless population, and the placement of that population into shelters, hotels, and other facilities sponsored by COVID-19 public policies. As part of the Coronavirus Aid, Relief and Economic Security (CARES) Act both San Bernardino and Riverside Counties have received Emergency Solutions Grants toward homelessness prevention.

### **Potential for Higher Housing demand in the Region**

Real estate agents in particular have theorized that COVID-19 may increase the value of homes, due to a lull in migration, thus leading to a lack of supply in the housing market. Others also claimed that due to the increased risk of viral infections for those who live in higher density communities, many may prefer to live in suburbs or exurbs outside of larger metropolitan areas. Because of COVID-19, suburban areas have many benefits that are scarce in larger cities. Suburban living may also have a larger draw to some due to the transition to remote work for many industries.

Many also speculated that the new benefits of suburban living may increase housing development in the Inland Region in the future due to a higher demand for suburban or rural-style living. Therefore, the increased demand for this style of home may increase stimulate and incentivize development in the Riverside-San Bernardino area.



## Section III: Recommendations

### Recommendations

Based on stakeholders' responses, we provide varied recommendations:

1. An increase in **communication, public engagement, transparency & coordination**. A large identified barrier in this study was the competing development demands particularly on city officials to balance the needs of developers with the needs of the community. However, many indicated that a lack of effective communications only furthers the developer/resident divide. Likewise, transparency from the government officials to both residents and developers and vice versa can streamline development.
2. **Further streamline** governmental procedures for housing production. According to many developers, the delay in approval for housing projects discourages investments in housing. A more standardized procedure and streamlined process – especially among jurisdictions since builders often work in more than one local community - may save time, and therefore decrease the costs of approving housing projects.
3. The **expansion of fee reduction programs specifically for affordable housing developments**. Fees are needed so that municipalities can mitigate the impacts that new development has on roads, public safety, education, parks, etc. But existing fee structures can also inhibit the development of needed low and moderate-income housing. Policy-makers should strive to identify where fees can be reduced and possibly offset by state and federal sources.
4. Additionally, **further CEQA relief for affordable housing** developments should be considered to promote development and improve costs. There are many forms in which CEQA relief can take, such as expanding limitations on the ability for organizations to bring lawsuits for minor errors in CEQA documents. Limiting the requirements for Environmental Impact Reports (EIR's) for affordable housing, or expanding the ability to issue negative declarations for affordable projects can decrease development costs and building time should also be considered. Further research on CEQA streamlining and exemptions for affordable housing is necessary.
5. Inland municipalities should consider **updating outdated zoning policies** and incorporating more inclusive zoning policies. Some stakeholders indicated that due to rapidly changing and developing areas, zoning policies may not meet realistic demands in terms of housing production.
6. The **enhancement of the local economy and the creation of high-paying jobs**. The deliberate and targeted attraction and development of a higher-end workforce are important for the economic development of the region and would increase the number of people who are able to afford new homes here. Highly skilled industries can attract a wide range of residents that support different sectors of the economy, increase access to education and create socio-economic diversity. Neither Riverside or San Bernardino Counties has a functioning Economic Development Corporation (EDC) that could act to brand the region and compete for these kind of jobs that are urgently needed to 1) help reduce/eliminate out of county commutes because of the significant white-collar jobs to housing imbalance that exists between the coastal and inland counties, and 2) as mentioned above, potentially increase the number of people in the Inland Region that can afford new homes here. EDCs exist in each of the counties that surround the Inland Counties.

## Appendix

Most Salient Issues by Perspective		
Mayors & Council Members	City Managers	Developers
Shifting state government priorities – In the past decade, the state's focus has shifted from housing developments to other types of development.	Complying with state laws – State laws are often hard to comply with due to their high cost of compliance.	Excessive regulatory processes (E.g. red tape, CEQA) – Compliance with multifarious state laws increases costs and thereby hinders development progress.
Homelessness – The rising number of homeless people is an issue at the forefront of the region.	Uneven distribution of resources – Due to differences in population, wealth, and employment opportunities some cities receive more resources from the state government.	Outdated & varied zoning policies by jurisdiction – Differences in zoning policies and complying with said policies increase costs for developers.
Attracting businesses – Jurisdictions in the region may have a difficult time attracting the type of businesses and jobs that the region lacks.	Attracting businesses – Jurisdictions in the region may have a difficult time attracting the type of businesses and jobs that the region lacks.	Differences in what cities pursue – Some jurisdictions are more willing to pursue housing over businesses' land uses, and vice versa.
NIMBY mentality – Resident backlash against newer developments presents a challenge for public officials.	NIMBY mentality – Resident backlash against newer developments presents a challenge for public officials.	High & Excessive City Fees – Paying fees can often increase costs which are passed on to new home buyers.

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