Do Housing Policies Make the Wealth Gap Worse?

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Hannah Phalen of California Community Builders demonstrates how governmental housing assistance policies favor the white and affluent, shutting low-income families and people of color out of homeownership

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Introduction

California Community Builders (CCB) has reviewed federal and California state housing policies to see if they uphold their intent to provide affordable homeownership opportunities and rentals for all, including people of color and low-income populations. We discovered that most homeowner-related benefits and opportunities are heavily weighted towards white and higher-income people, as well as those who already own a home. Even with rental subsidies—especially in California—it is increasingly difficult for minorities, millennials, and students to find affordable housing.

Overall, these policies as they stand are sustaining and exacerbating the racial and generational wealth gap. Low-income families and people of color can receive help with rentals, but even that is insufficient in the current economic climate. Since homeownership is the primary avenue of wealth creation in the United States, current policies keep these populations at an economic disadvantage.

Since the 1930s, both federal and state programs have supported constructing and providing affordable housing for low-income families. But the federal government has shifted away from overseeing the majority of these programs, giving state and local governments more control. As a result, housing nationwide has become increasingly unaffordable and homeownership rates for low-income families and people of color have fallen behind.

The Great Recession of 2007-2009 hit families of color particularly hard. It resulted in less aid aimed at increasing homeownership rates. More direct aid goes to renters to alleviate low-income families' cost of living. But the majority of overall federal housing-related expenditures still goes to current owners in the form of deductions for real estate tax and mortgage interest, and capital gains exclusions. In fact, owners receive over 70 percent of federal housing subsidies, despite making up less than 40 percent of those with severe housing cost burdens.

These trends are exacerbated in California. Rapid job and population growth in the state has inflated the cost of homes, and housing construction has not kept up. California lacks affordable housing, so families throughout the state struggle to make ends meet. This is especially the case for low-income families, minorities, millennials, and students.

In this report, we show how programs that may have started out to benefit all those in need have mainly benefited white, better off homeowners. We begin with a synopsis of our key findings, a comparison of the benefits of homeownership over renting, and some background on the policies in question. Next we move to a more detailed look at how homeownership rates fall across racial and income lines, both nationally and in California. We then take a look at how currently funded California programs fit into the nexus. We finish up with a discussion of what these findings mean for minorities, millennials, and students. In our conclusion, we make recommendations as to how federal and state funding allocations could be distributed in order to help alleviate the current wealth gap.

Key Findings

- Nationwide, more Americans own their homes than rent. In 2017, 56 percent of housing units were occupied by owners, and 31.75 percent by renters. Yet renters make up the majority of households with severe cost burdens—those who pay more than half their income on housing.
- The homeownership rate for households earning less than $50,000 per year is 45 percent, those making more at nearly 80 percent.
- The homeownership rates for households of color are significantly lower than those for white households, both nationwide and in California. The non-Hispanic white homeownership rate is 62.7 percent in California and 73.2 percent in the United States. Only 44 percent of households of color in California own their homes, and 46 percent nationwide.
- In 2014, only one quarter of eligible low-income households—those paying 30 percent or more of their income towards housing-related costs—received housing assistance through federal spending programs.
- The majority of direct aid to low-income families goes to renters. However, the majority of overall federal housing-related expenditures goes to current owners, through subsidies and tax deductions. In 2015, owners received over 70 percent of federal housing subsidies, despite making up less than 40 percent of those with severe housing cost burdens.
- In California, overall homeownership rates are decreasing, yet more money is being invested in current homeowners than in current renters and potential homeowners. This creates a lack of opportunity for renters to buy a home and build wealth.

Owning versus Renting: No Contest

Rentals are a crucial part of our society and provide shelter to those who cannot own a home. But for renters their home is an expense, not an investment. Owning a home, however, is an investment for both families and the community. Affordable rentals can provide safe, healthy, and comfortable shelter for those not able to buy. But homeownership creates a possible avenue for wealth accumulation and a stronger financial foundation. Homeowners have control over their environments. They can make improvements on their homes and invest money into them which may come back or even grow.

Renters have none of these possibilities. In fact, homeownership is the primary way for families to build wealth in the United States. It helped create the great middle class that emerged in the middle of the 20th century. It also improves the social and economic status of the family by building equity and capital for family investments like education, business, and retirement.

Moreover, communities with higher homeownership rates see increased political and community participation.

In the same way that owning property benefits the families and individuals who are able to invest in it, home building generates local economic activity—including additional income and jobs—and more revenue for local governments. The numbers tell the story. According to a study by the National Association of Homebuilders, building 100 single-family homes in a typical state brings in $30.4 million in income for residents, $6.1 million in taxes and other revenue for the state and local government, and 419 jobs within one year. By contrast, construction of 100 multifamily rental units generates $12.4 million in income, $3.3 million in taxes, and 170 jobs.[1]

Despite the clear economic benefits of increasing homeownership rates, state government programs have not prioritized it. More funding goes towards current homeowners through tax credits than to current renters who could potentially become homeowners themselves. Further, the funding spent on renters is primarily through rental credits or programs that provide temporary shelter, which—while also important—do not increase one's ability to own a home.

But how did this inequity come to pass? Wasn't the federal housing assistance program originally designed to help *everyone* in the quest for homeownership? To provide some insights, the next section briefly reviews critical historical aspects of government housing assistance.

US Housing Assistance Programs: A Look Back

The United States federal government has provided housing assistance to low-income families since President Franklin D. Roosevelt's response to the Great Depression in the 1930s. It began primarily by making mortgages more accessible through the establishment of the Federal Housing Administration (FHA) and constructing low-rent public housing through public housing authorities (PHAs). Fifteen- and thirty-year mortgages became the standard package. A loan would be paid off at the end of its term and the borrower would become the owner. The FHA insured lenders for full repayment in case the borrowers defaulted.

Even so, people of color and low-income families were denied the kind of loan access that white families with higher income enjoyed. As a result, they have fallen far behind white families in homeownership rates, and therefore in wealth and equity. In that past, several federal agencies were concerned with the lack of homeownership rates of low-income and minority communities. But the 2007-9 foreclosure crisis virtually put an end to this type of assistance for these populations.

Housing assistance now falls into three primary categories: rental housing assistance, federal assistance to state and local governments, and housing finance and homeownership assistance. These are not necessarily mutually exclusive—many programs use a combination.

[1] "The Economic Impact of Home Building in a Typical State" *National Association of Homebuilders.* April 2015.

Today, the federal government has shifted towards more rental subsidies than construction subsidies or mortgage assistance programs.

This shift began in the 1980s, when federal priorities were to lower taxes and increase defense and military spending during the last phase of the Cold War. It effectively reduced federal spending on social programs. State and local governments—in addition to NGOs—picked up the effort. Congress agreed with the notion that local control was more efficient and valuable. So it granted more authority and incentives by way of block grants and tax credits. And this pattern is still in play today.

Rental assistance happens primarily through rent vouchers for the private market and below-market rental units via contracts with landlords. Tenant-based rental assistance is the most prevalent form of federal housing assistance. It began in the 1970s with Section 8 certificate and voucher programs, replaced in 1988 by the Housing Choice Voucher program. Both function through the private market.

Local public housing agencies (PHAs) and some state agencies form contractual agreements with the US Department of Housing and Urban Development (HUD) and private landlords. All covered housing must meet safety and quality standards. Subsidies and vouchers supplement low-income tenant's monthly rent payments.[2]

Homeownership assistance includes subsidies, tax incentives, and incentivizing mortgage insurance programs for the private market to meet the needs of underserved communities.[3]

As the next section will demonstrate, historically these benefits have primarily been awarded to white and higher income populations. In turn, this trend has created and perpetuated a huge racial and income disparity in homeownership rates.

Homeownership: A Racial and Income Divide

The United States Census Bureau conducted the first census on homeownership rates in 1940. However, they have only collected consistent data by race since 1994 (Figures 1 and 2). Figure 1 shows the categories of race the census has consistently accounted for. Figure 2 shows the average of all non-white groups. It demonstrates homeownership opportunities overwhelmingly and solely granted to white families, while denied to everyone else.

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[2] *Family Data on Public and Indian Housing*. (Assisted Housing: National and Local | HUD USER, 2018), www.huduser.gov/portal/datasets/assthsg.html.

[3] McCarty, Maggie, Libby Perl, and Katie Jones. *Overview of federal housing assistance programs and policy*. Congressional Research Service, the Library of Congress, 2008. 1-2

Figure 1: Rate By Race

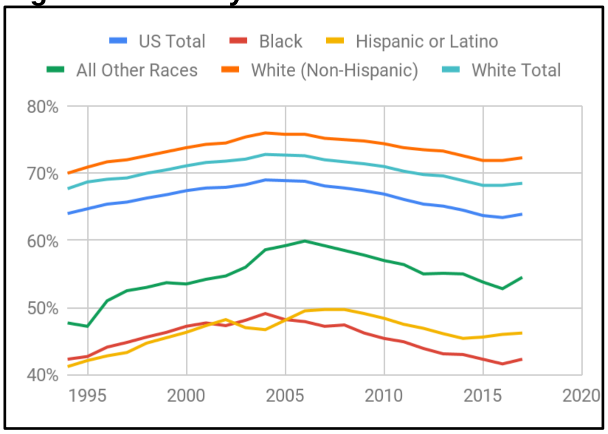
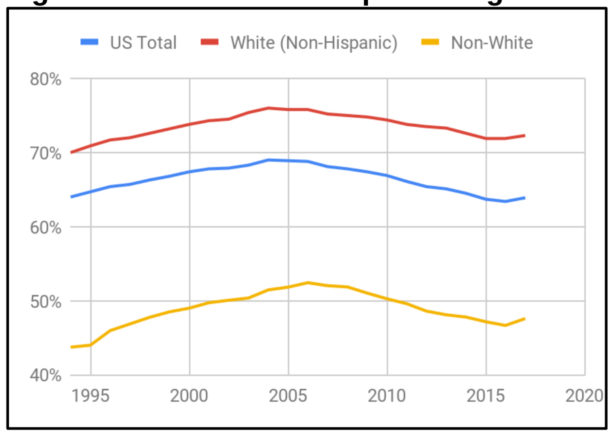
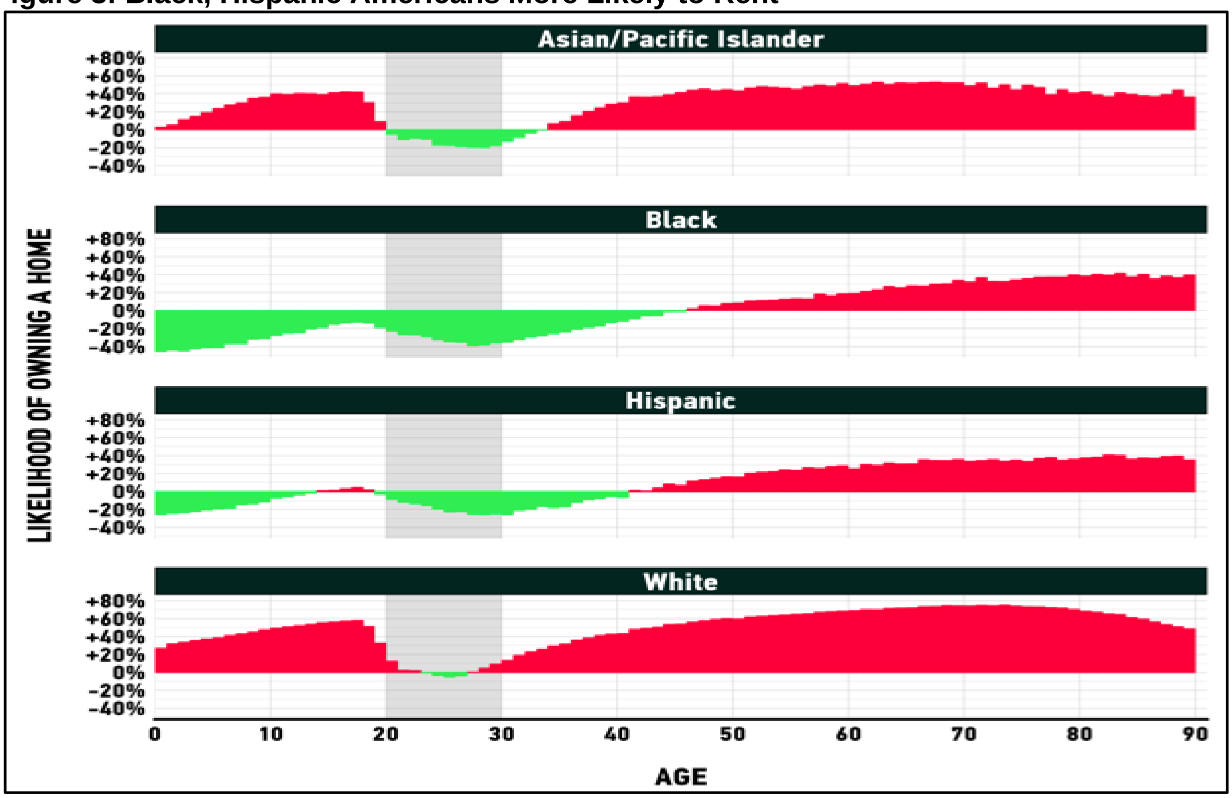


Figure 2: Non-White Groups Averaged



There is a huge racial disparity in homeownership. The following [charts by CityLab](citylab.com) show that Black and Hispanic households are much more likely to be renters far later into their lives, and that Black households are more likely to rent regardless of income.[4]

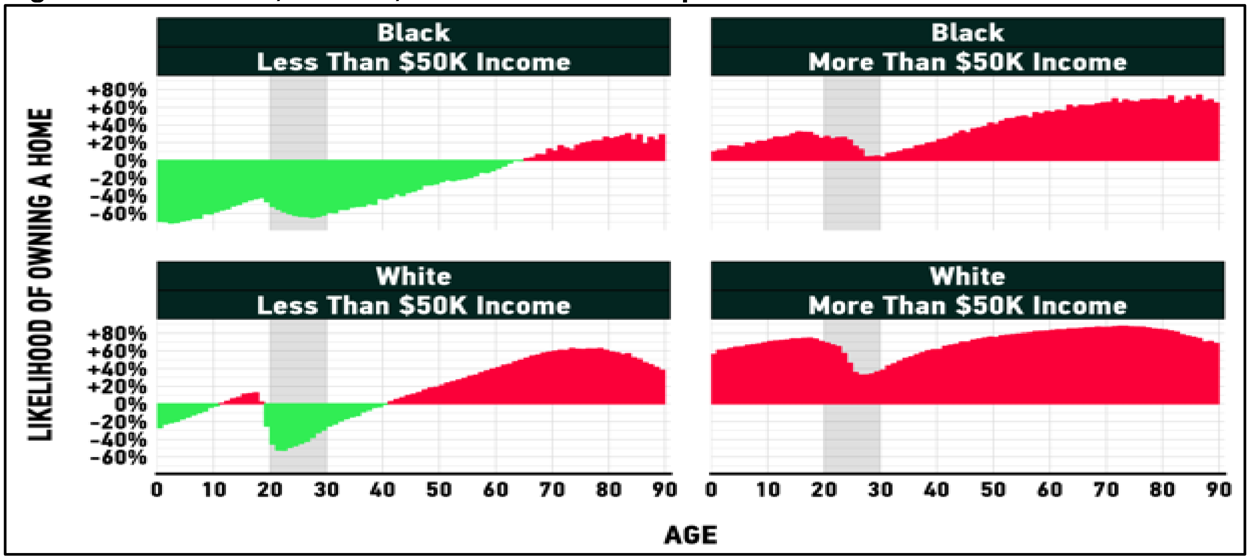
Figure 3: Black, Hispanic Americans More Likely to Rent



IPUMS-USA, University of Minnesota (CityLab)

[4] Montgomery, David. *Who Owns a Home in America, in 12 Charts.* The Atlantic: City Lab, 2018 citylab.com/life/2018/08/who-rents-their-home-heres-what-the-data-says/566933/. Accessed July 18, 2019.

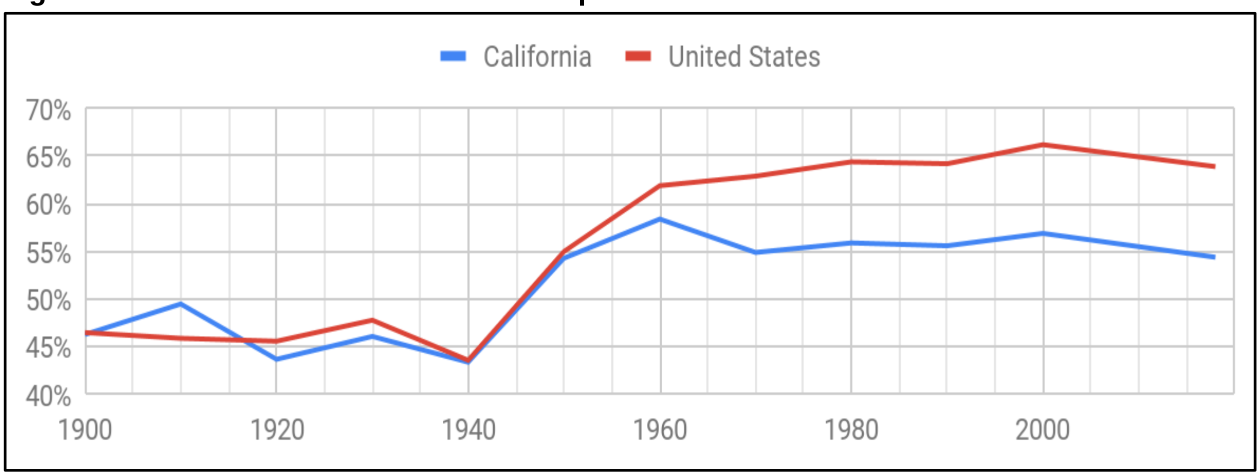
Figure 4: How Race, Income, and Homeownership Intersect



IPUMS-USA, University of Minnesota (CityLab)

California has shown similar racial trends. For example, in 2014, the homeownership rate among white households was 62.7 percent, with households of color at 44 percent.[5] However, since the 1960s, the state has consistently fallen about 10 percent behind the national rate in all racial categories (Figure 5). This shortfall is partially due to the state's generally more mobile population. But it occurs primarily because there is a severe lack of residential construction to match the exponentially increasing job and population growth in California since World War II. The lack of supply for the growing population forces homeownership out of reach for potential homebuyers and drives up the cost of all types of housing exorbitantly.[6]

Figure 5: California vs US Homeownership Rates



Data from US Census reports

[5] *2016 Prosperity Now Scorecard: Homeownership by Race*.. Prosperity Now Scorecard, 2016. scorecard.prosperitynow.org/2016/measure/homeownership-by-race.

[6] *California's Low Homeownership Rate to Continue*. First Tuesday Journal, 2018. journal.firsttuesday.us/californias-rate-of-homeownership-2/30161/.

Nationwide, more Americans own their homes than rent. 2017 estimates showed that 56 percent of housing units are occupied by owners and 31.75 percent by renters.[7] But the majority of households with severe cost burdens—who pay more than half of their income on housing—are renters. Lower-income renters are much more likely than homeowners or higher-income renters to pay a higher percentage of their income for housing. They are also more likely to experience overcrowding or become housing insecure, even homeless.[8]

Households earning less than $50,000 per year have a homeownership rate of 45 percent. For those making more than $50,000 it leaps to nearly 80 percent. In most categories of income, renting rates peak between ages 20 and 30. But wealthy households are more likely to own than rent at all ages. Lower-income Americans don't become homeowners as a majority until nearly age 50.

Our next two sections will examine how housing subsidies are shared among populations, first at the federal level and second at the state level as it pertains to California.

Federal Housing Subsidy Distribution

Since 2003, the federal government has been providing around $50 billion per year to assist low-income households with housing-related costs. This amount has remained relatively stable, with the exception of temporary increases after the recession. Unlike other forms of government assistance, housing assistance is not available for all eligible households due to a lack of available funding and long waiting lists.

But how is this support being distributed? In 2014, only one fourth of eligible low-income households received housing assistance through federal spending programs. $18 billion of federal funds went towards vouchers to help individuals pay for rental units in the private market, $12 billion to federally contracted and subsidized rent in designated privately-owned and operated buildings, and $7 billion for public housing which includes subsidized rent. The remaining $8 billion was spread among other categories, but mostly in the form of grants to state or local governments.[9]

Although the majority of assistance aimed at alleviating low-income families' housing cost burden goes to renters, most overall federal housing-related expenditures go to current owners in the form of real estate tax and mortgage interest deductions and capital gains exclusions (Figure 6). *The federal government spends over three times more on tax subsidies for*

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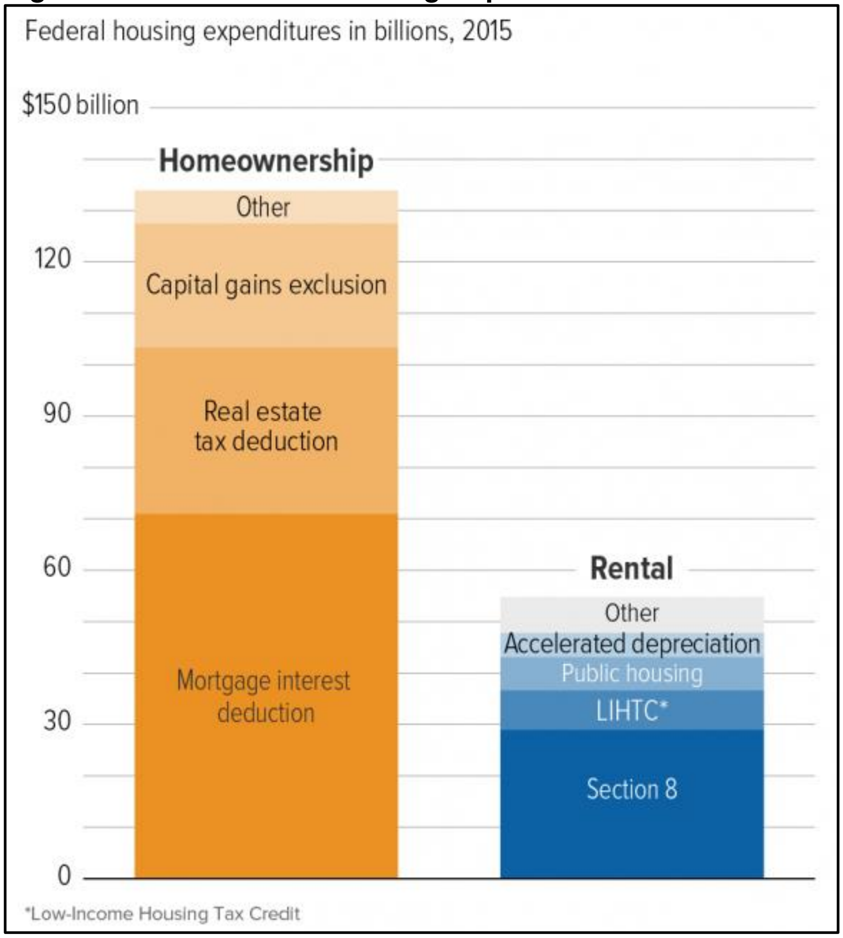
[7] *American Community Survey Tables 2013-2017 (5-Year Estimates).* US Census Bureau. (2010). (Tables SE:A10045). Social Explorer. Web. July 17, 2019.
[8] Fischer, Will, and Barbara Sard. *Chart book: Federal housing spending is poorly matched to need.* Washington, DC: Center on Budget and Policy Priorities, 2017.
[9] Congressional Budget Office. *Federal housing assistance for low-income households*.

homeownership—most of which benefit households with incomes over $100,000—than on rental assistance.[10]

Figure 6: Most Federal Housing Expenditures Benefit Homeowners



Center on Budget and Policy Priorities (CBPP.org)

This system provides the most government aid to those who have already purchased a home, and could likely afford to without any subsidies, while failing to provide programs which may help renters become homeowners. Owners received over 70 percent of federal housing subsidies, despite making up less than 40 percent of those with severe housing cost burdens. In 2015, households with incomes over $200,000 received an average housing benefit of $6,076—around four times the average for those with incomes below $20,000.[11]

But how does California measure up? Is the state's distribution equitable? Does it foster homeownership for lower-income families and people of color? Our next section will answer these questions.

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[10] Center on Budget and Policy Priorities. *Policy Basics: Federal Rental Assistance.* www.cbpp.org/research/housing/policy-basics-federal-rental-assistance.

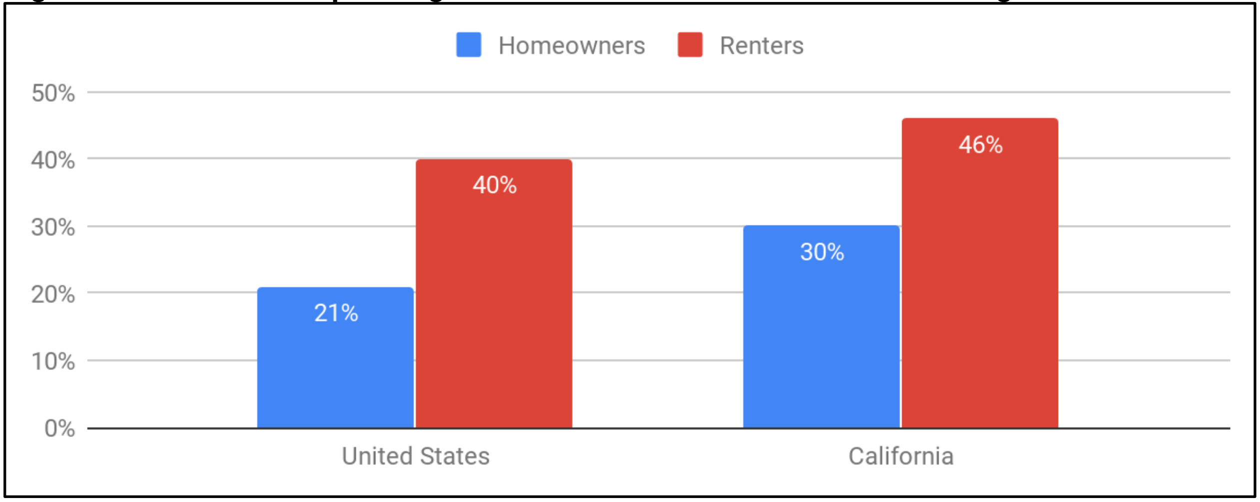
[11] Fischer, Will, and Barbara Sard. *Chart book.*

California’s Housing Distribution

Californians spend disproportionate shares of their income on housing. This is widely known to be one of the largest contributors to the state having the highest poverty rate in the United States. Among homeowners with mortgages, median monthly housing costs are 47 percent higher in California than nationwide. California renters pay 40 percent above the nationwide median, yet California’s median household income is only 18 percent higher.

This means that the share of Californians with excessive housing costs is quite high: 30 percent of mortgaged homeowners and 46 percent of renters spend more than 35 percent of their total household income on housing, compared with 21 and 40 nationwide (Figure 7).

Figure 7: Households Spending >35 Percent of Total Income on Housing



Data from Public Policy Institute of California

California and national homeownership rates are currently the lowest in more than a dozen years. California’s rates—already much lower than in the rest of the nation—have declined even more sharply over the last decade. Between 2004 and 2016, they fell from 58.6 percent of occupied units in 2004 to 53.6 percent in 2016. This is compared with 64.3 percent in the rest of the country. Owner-occupied units fell by about 133,500; rental units increased by more than 877,000. Moreover, much of the increase in rental units has occurred in formerly owned single-family detached houses.[12]

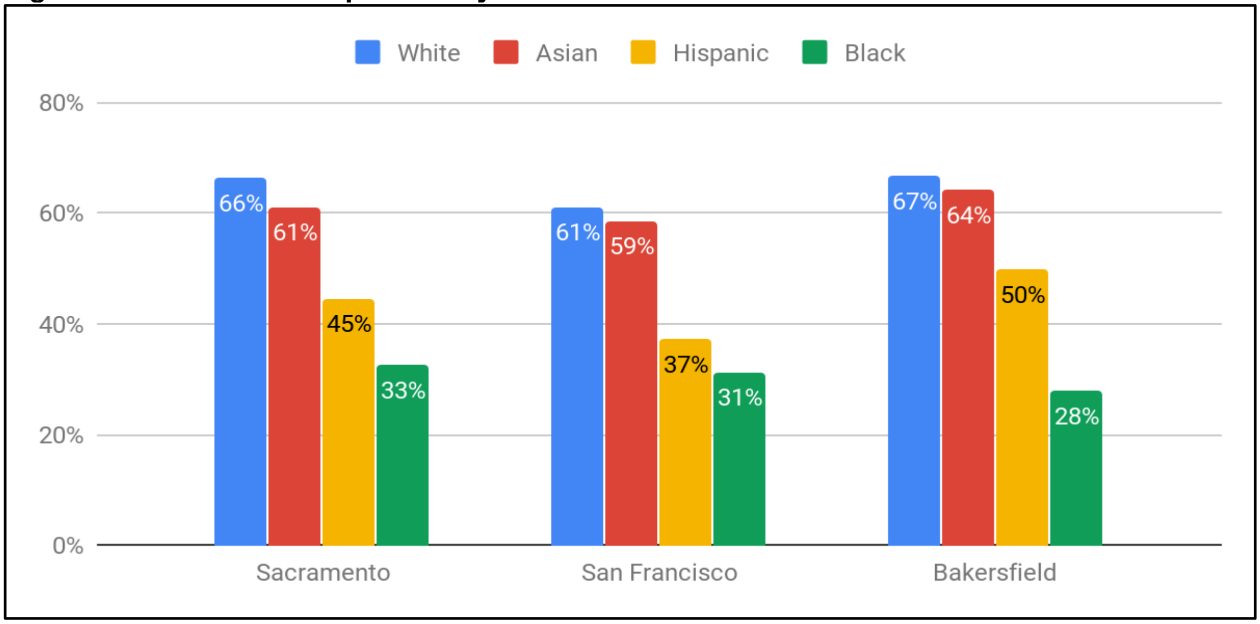
There is a vast disparity in how California supports its low-income renters as compared with homeowners. The state’s lowest-income renters spend 66 percent of their income on rent, leaving little left for food, transportation, health care, and other essentials. Yet the California divides its support in highly inequitable ways between homeowners and renters. For example, the state-funded California Housing Partnership Corporation spends a whopping $929 per owner household versus just $71 per renter household. In 2018, the state spent 14 times more on homeowners than on renters, even as rental demand has dramatically outpaced supply.

[12] Public Policy Institute of California. *California’s Housing Challenges Continue,* 2018.

California would need 1.5 million more homes to meet the current demand. Moreover, renters need to earn 3.5 times the state minimum wage to afford the average monthly asking rent of $2,004.[13]

This inequity also persists between white households and those of color. If we take a look at major cities in California like Sacramento, San Francisco, and Bakersfield, we see that as of 2016, white households have a higher homeownership rate than Asian, Hispanic, or black households (Figure 8).[14][15]

Figure 8: Homeownership Rates by Race in California Cities



Data from Zillow, Inc.

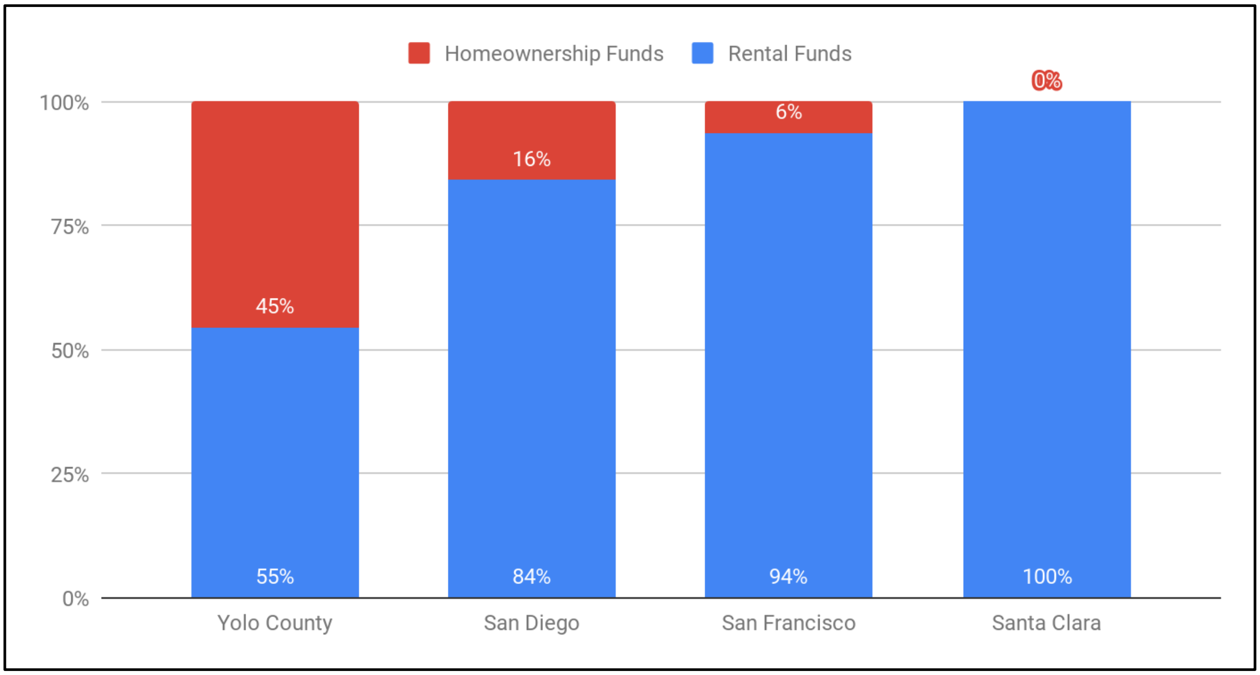
Most California housing programs primarily assist renters with direct aid. There is a lack of assistance that would help first time homebuyers. For example, the 2014-2015 report from the California Department of Housing and Community Development (CDHCD) shows that some key counties received more direct financial assistance for multifamily housing (rentals) than for homeownership (Figure 9).

[13] California Housing Partnership Corporation. *California's Housing Emergency: State Leaders Must Immediately Reinvest in Affordable Homes*, 2018.

[14] Olsen, Skylar. *Black and White Homeownership Rate Gap Has Widened Since 1900.* (\Zillow, Inc., 2018. https://www.zillow.com/research/homeownership-gap-widens-19384/. Accessed 25 July 2019.

[15] Government agencies aggregate data for Asians without distinguishing between origins such as Korea and S.E. Asia.

Figure 9: Funds Allocated Towards Homeownership vs Rentals



Data from California Department of Housing and Community Development

Below is a sample of California counties, and how their funds are distributed between rental and homeownership assistance programs.

- San Diego County received over $16 million for affordable rental housing, and $3 million for mortgage assistance programs.
- San Francisco received $15 million for affordable rental housing projects and less than $1 million for mortgage assistance.
- Santa Clara received $4 million for affordable rental housing and no funding towards homeownership.
- Yolo County received more than $6 million for affordable rental housing and a little over $5 million for first-time home buyer programs.

California counties have local funds, but also receive a lot of money from the state. The CDHCD is currently supporting the following active programs:[16]

- *Affordable Housing and Sustainable Communities Program* funds housing that reduces GHG (greenhouse gas) emissions.
- *CalHome* makes grants to local public agencies to assist first-time homebuyers become or remain homeowners through deferred payment loans. Funds can also assist in the development of multiple unit ownership projects.

[16] HCD California Housing and Community Development. *Home Investment Partnerships Program (HOME)*. http://www.hcd.ca.gov/grants-funding/active-funding/home.shtml#awarded

- *California Emergency Solutions and Housing* assists people experiencing or at risk for homelessness.
- *Community Development Block Grants* are primarily used to provide a suitable living environment by expanding economic opportunities and providing decent housing to low-income households.
- *Emergency Solutions Grants Program* funds supportive services, emergency shelter/transitional housing, and homelessness prevention assistance.
- *Golden State Acquisition Fund* makes loans to developers for up to five years for acquisition or preservation of affordable housing.
- *Home Investment Partnerships Program* (HOME) assists local governments and nonprofits to create and preserve affordable housing for low-income families.
- *Housing For a Healthy California* provides funding to developers for supportive housing opportunities.
- *Housing Related Parks Program* funds the creation and preservation of parks and recreation facilities associated with rental and ownership projects affordable for low-income households.
- *Infill Infrastructure Grant Program* provides grants for infrastructure improvements on infill housing in residential or mixed-use projects.
- *Mobile Home Park Rehabilitation and Resident Ownership Program* provides low interest loans to preserve affordable mobile home parks.
- *Multifamily Housing Program* provides low interest loans for construction, rehabilitation, and preservation of permanent and transitional rental housing for low-income households.
- *National Housing Trust Funds* increase and preserve the supply of affordable housing with an emphasis on rentals for extremely low-income households.
- *No Place Like Home* invests in supportive housing for persons in need of mental health services and experiencing or at risk for homelessness.
- *Predevelopment Loan Program* provides short-term loans to preserve, construct, rehabilitate, or conserve assisted housing primarily for low-income households.
- *SB 2 Planning Grants Program* provides assistance to local governments in California to implement plans and process improvements that streamline housing approvals and accelerate housing production.
- *Section 811 Project Rental Assistance* offers long-term rental assistance funding.
- *Supportive Housing Multifamily Housing Program* provides low-interest loans to developers of affordable rental housing that contain supportive units.
- *Veterans Housing Homelessness Prevention Program* provides loans for the development and preservation of rental housing for low-income veterans.

Some programs allocate small portions of their total CDH and Community grants to homeownership projects, but only two stand out as prioritizing first-time homeowners or homeowners in need of rehabilitation projects. Laudibly, CalHome's purpose is to enable low- and very low-income households to become and remain homeowners. They received $7,200,000 from the CDHCD. But since 2016 they have focused specifically on families affected by natural disasters.[17]

The Home Investment Partnership Program (HOME) did allocate a majority of their total 2016 grants of $14,505,343 to their First-Time Homebuyer Programs and Owner-Occupied Rehabilitation Programs in twenty-one California counties, while also running some Tenant-Based Rental Assistance Programs.[18]

These programs are the only two of the nineteen that may directly improve the homeownership rate for low-income families and people of color. However, they are only receiving a total of $22,900,000—a mere 4.75% of the $460 million that CDHCDt granted between 2016 and 2017.

Because large amounts of those grants went towards rentals, disaster relief, and program operations, CalHOME and HOME programs and projects were only able to directly assist about 121 homebuyers or homeowners in need of rehabilitation projects statewide. Unfortunately, that barely makes a dent in the homeownership rate.

It is essential that these diverse housing programs exist, and they are providing valuable support to those in need. But too few of them allocate money towards building affordable, purchasable homes or lending programs to assist families of color and families who are not otherwise able to buy homes at California's exorbitant market rates.

Our final section will show how these dynamics are affecting an important, intersecting population, now and in the foreseeable future if policies and practices do not change radically.

Minorities, Millennials, and Students Face a Difficult Future

Homeownership has been out of reach for most people of color throughout the history of the United States. Yet in more recent decades, *all* young people have begun to face a similar future. They are stuck in the cycle of lower wages, higher cost of living, and increasing debt. This cycle has created lower homeownership rates. Left unchecked, it will continue to do so.

Millennials, minorities, and college students share identities that overlap and connect with each other, especially as millennials are the most ethnically and racially diverse generation in US history. Millennials are also the most educated. As a result, they are weighed down by student

[17] *Home Investment Partnerships Program (HOME*).
[18] *Home Investment Partnerships Program (HOME).*

debt. At the same time, stagnant wages make it hard to support themselves adequately. Their education has come at a very high price. In addition, they have no memory of a time when home prices rose steadily, so there's no baseline for trusting what homeownership can do. They faced a particularly rough recession in 2008-2009, when their unemployment rate was higher than the average.

All of these factors mean that many have delayed the decision to live on their own. It is common for millennials and students to live with roommates or their parents. However, 70 percent of millennials want to be married, 74 percent want children, and 93 percent of 18-34 year-old renters would like to own a home someday.[19] Although this remains a part of their American Dream, many don't find these goals to be realistic or accessible in the same way they have been to previous generations.

Moreover, the face of higher education is changing. There are more students who work full time, students of color, first-generation students, students that come from low-income families, and students who balance studies with parenting.[20] Since the 2007-2008 school year, California has been one of the second leading states in rising tuition—up to a whopping 70 percent at four-year public institutions.[21] Students from low-income backgrounds are the most impacted by these rising tuition costs.

Although many view college as a path to a better life, low-income students can be forced to make choices that limit their ability to succeed in school. Students of color, first-generation students, students with children, and former foster children are among those most likely to become homeless. And those who do are more likely to fail a class or quit school altogether. They are also more likely to suffer from stress and mental health challenges.

Due to the decreased likelihood of homeownership, higher taxes and costs of living, and the lack of any type of affordable housing, more California millennials are finding themselves forced to leave the state. Every year, California falls about 100,000 units short of keeping up with the demand of the population and job growth. Low-income Californians who cannot compete for the rising price of housing are moving in larger-than-ever numbers to Texas, Arizona, Nevada, Oregon, and Washington.

California must work to narrow this growing wealth gap and to avoid becoming a state where only wealthy families can afford to live. It is critical to make policy and systemic changes that focus on helping minority and millennial communities gain access to sustainable homeownership earlier in life and to maintain.

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[19] Trulia, *Renter Nation" Just A Myth: 93% of Millennial Renters Plan to Buy A Home Someday.* 2012. https://www.trulia.com/research/trulia-american-dream-survey-winter-2012/

[20] Bill and Melinda Gates Foundation. *The changing face of U.S. higher education*. https://www.washingtonpost.com/sf/brand-connect/gates/the-changing-face-of-us-higher-edu

[21] Oliff, Vincent Palacios, Ingrid Johnson, and Michael Leachman. *Recent Deep State Higher Education Cuts May Harm Students and the Economy for Years to Come*, 2013. https://www.cbpp.org/research/recent-deep-state-higher-education-cuts-may-harm-students-and-the-economy-for-years-to-come

Conclusion

Homeowners receive significantly more benefits than renters. At the same time, most government programs for low-income families are targeted towards more affordable rentals, not homeownership opportunities. Although affordable rentals give necessary shelter, they are the minimum the state could provide. They should not be the long-term solution for most families who could become homeowners with some assistance. Families who never have the opportunity to own a home will miss out on the wealth through assets that owning a home can offer.

Homeowners have control over their environments and can make improvements and invest money into their homes with the likelihood of positive returns. Incentives to buy homes through tax credits is a great advantage for those who are fortunate enough to have the money for a down payment and mortgage. But real change would occur by creating avenues so those who do not can get on that path. That would go far to close the racial and generational wealth gap.

Although this is a problem throughout the United States, California has fallen particularly behind, especially for a state with such a large and powerful economy. Through tax credits, California and federal funds allocate more money for homeownership than for rentals. But on the local level, municipal governments spend a disproportionate amount on rentals compared to homeownership.

The tax credits do not necessarily help families become new owners, and instead primarily give advantages to people who have already purchased a home. Granted, there is a great need for rentals. About 45 percent of Californians currently rent and 1.5 million more multifamily housing needs to be built to fill the need. But wealth cannot be accumulated through renting. More must be done to help families get on that track.

Both state and federal policies should reallocate the money budgeted for homeownership assistance to incentivize new owners rather than existing ones. Local governments, especially in California where supply is severely lacking, need to invest more in building homes that current renters can own. As more homes are built, more funding and programs that specifically assist families with down payments and monthly mortgage bills is one of the best ways to invest in California's low-income residents. Programs like this provide more permanent shelter, are better for the local economy, increase political participation and community involvement, and prioritize closing the racial and generational wealth gap.

Communities of color have fallen behind in owning homes for centuries, and this is not by coincidence. Now, millennials and younger generations are losing the opportunity as well. Local governments should invest in their people of color and young residents, so their homeownership rates can grow in the same way as white families who have been provided this opportunity since The Great Depression. The wealth gap continues to widen, and although owning a home is not the only answer, it is a step in the right direction.

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