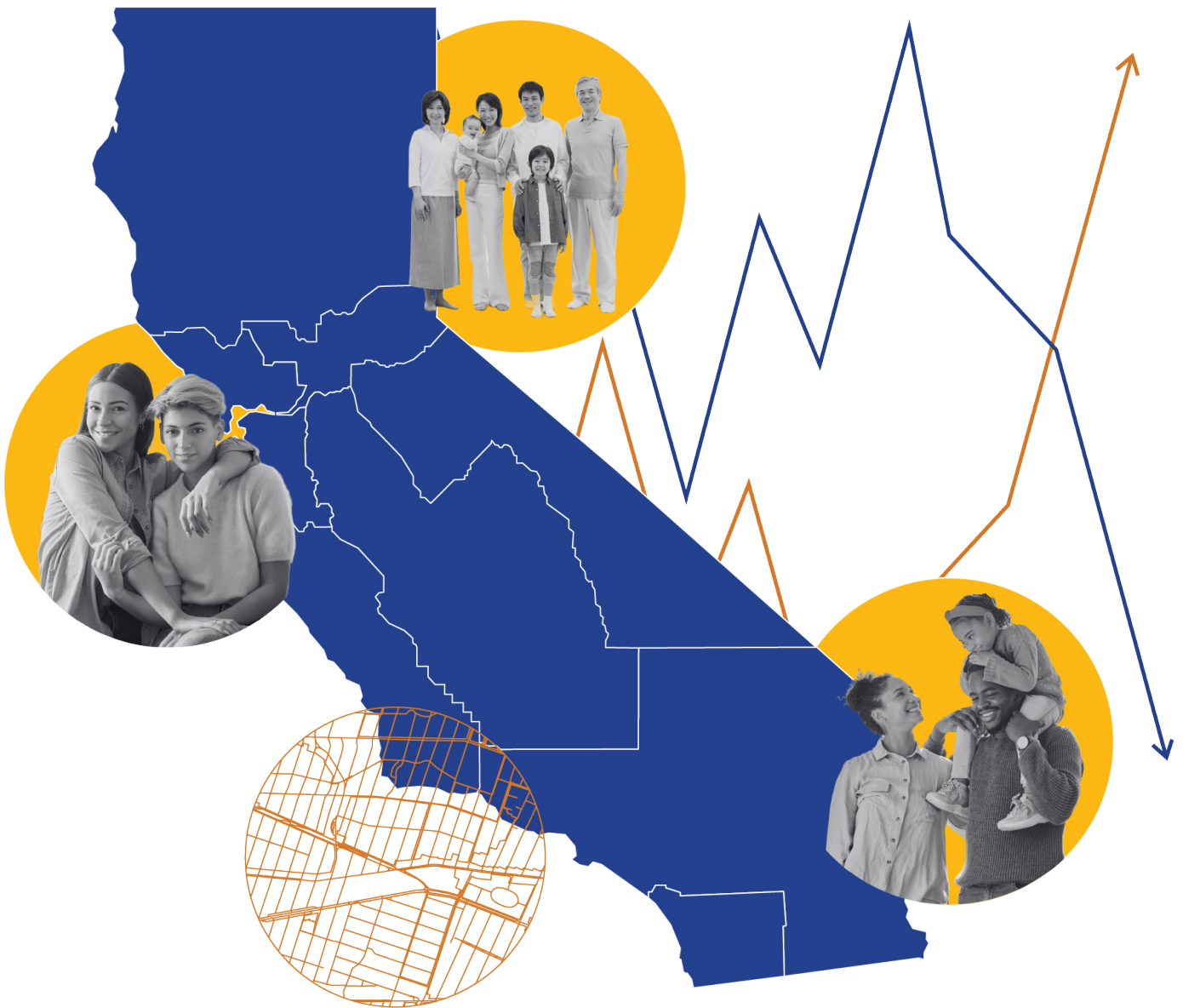


California's Missing Middle

Middle-Income California is Large, Diverse, and Left Out of the Housing Conversation



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60%

Sixty percent of all “middle-income” Californians are BIPOC.

Almost 60% of Californians earning between 80% and 200% of Area Median Income — what we refer to as “all-middle-income” throughout this report, are not white. Further, 61% of Californians earning 80-120% of Area Median Income — known officially as “moderate-income” in California and colloquially as “lower-middle-income” — are not white.

13.2 million

Middle-Income California is huge, but shrinking — there were 13.2 million middle-income Californians as of 2019.

The number of middle-income Californians is larger than the populations of all but three states: Texas, New York and Florida. The combined low-income and middle-income categories total 30.7 million people — roughly 80% of the state — and by itself would otherwise be the second-largest state in the nation. Still, California’s middle-income population dropped by nearly one million between 2000 and 2019.

-35%

The lower-middle-income bracket is shrinking dramatically.

This group is shrinking, and this decline is driving the overall shrinkage of middle-income California. The lower-middle-income cohort is the only group to have decreased in numbers between 2000 and 2019 — shrinking by an astonishing 2.4 million people, even as the state’s overall population grew by over 5 million. Every major racial group saw a decline in their lower-middle-income population, and every racial group lost ground in homeownership in the lower-middle-income band.

27% versus 8%

Middle-income is where Californian’s diversity is most evident.

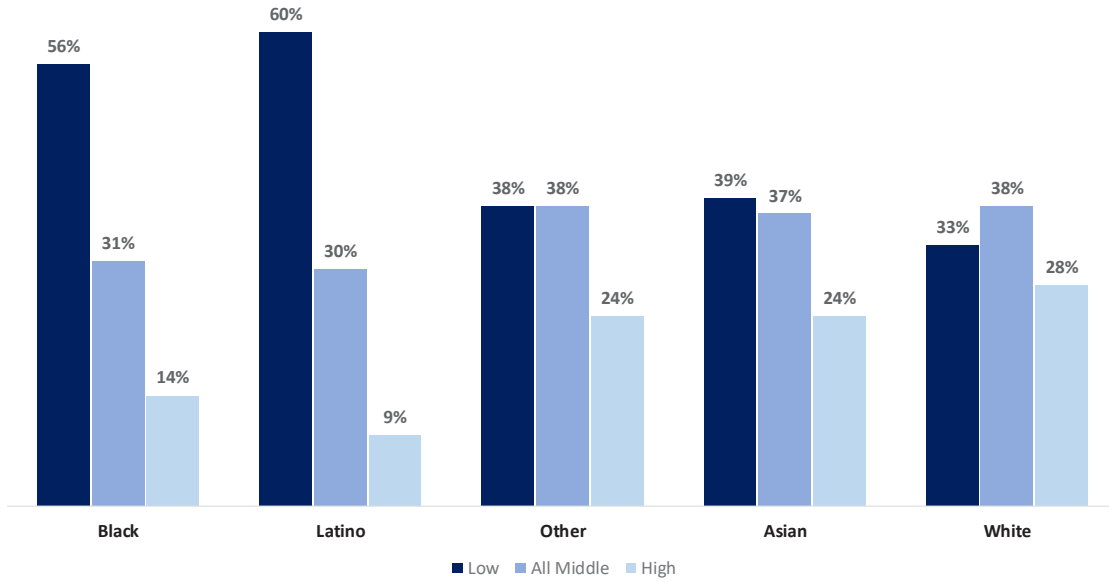
While we see wide racial and ethnic inequality in the demographics of low- and high-income California, we see a relative equality in the middle. While there is a 27 percentage point difference between the numbers of low-income Latinos and low-income whites (60% of Latinos are low-income compared to 33% of white Californians), there is only an eight percentage point difference between middle-income whites and middle-income Latinos.

7%

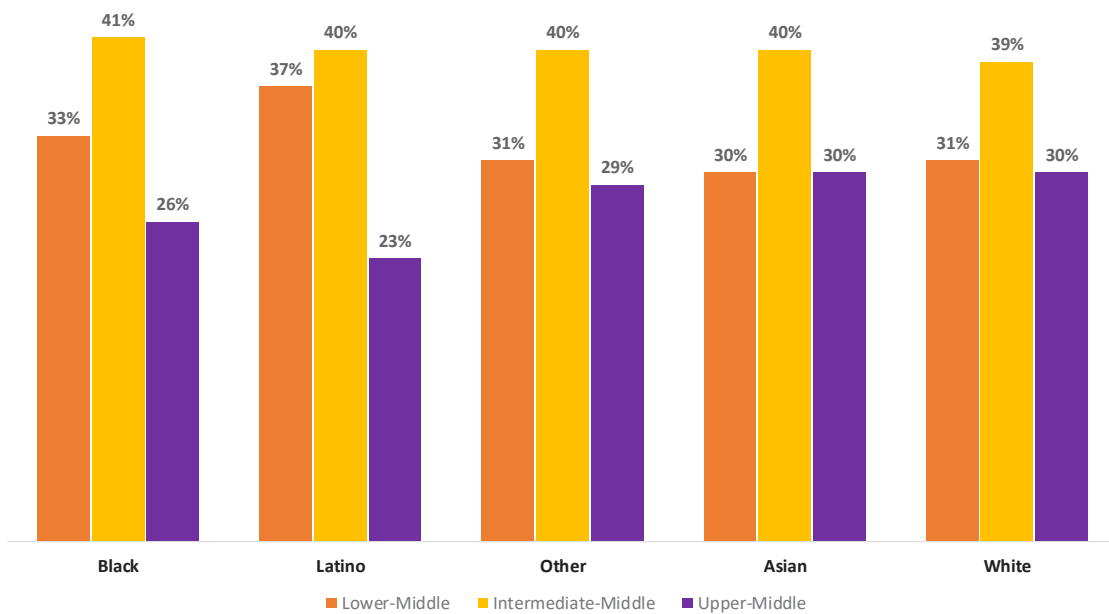
When we break down middle-income Californians into lower-, intermediate- and upper-middle-income segments, they’re all incredibly diverse.

Within each subgroup, there is no more than a seven percentage point difference between ethnic groups.

Racial Group Population by All Income Bands (2019)



Racial Group Population by Middle-Income Bands (2019)



So What Does This Mean?

01

Not all people of color are low-income. These statistics make clear that people of color are not all poor, and thus are not all well served by traditional low-income housing strategies. We need to commit as a housing community to building political and policy bridges across lower- and middle-income housing policy.

02

We don't know enough about middle-income people of color. Ultimately, we still know relatively little about middle-income Californians, or about their housing needs and their housing dreams. Middle-income housing, especially housing affordable to lower-middle-income families, has received relatively little research and attention. While this report fills some knowledge gaps, much more research needs to be done — including understanding how lower- and middle-income Californians are connected.

03

We need policy, especially housing policy, that reflects the diversity of our state. We need housing and other wealth building policies that serve all Californians. Today, the needs of low-income families are often the primary source of discussion when it comes to housing policy and housing subsidy. CCB agrees with this perspective and believes low-income families need far greater support than they receive today, but we also believe that the 17 million middle-income Californians also need care and attention, as our current housing market regularly fails them. Further, we believe that the 4.3 million lower-middle-income Californians — a population that is larger than the city of Los Angeles and majority BIPOC — needs significant attention because not only do these families make too little to compete in the housing market, they make too much to qualify for most income-restricted housing subsidies. As such, we need to continue to build on efforts which can narrow the racial wealth gap by increasing multi-family homeownership and other lower-cost for-sale housing types, open up more land for denser and more affordable housing, and improve mortgage lending to people of color — issues which CCB has been fighting for years to achieve.

This lack of information about the households who make up California's economic middle is especially true when we talk about race. California as a whole is close to 65% BIPOC (Black, Indigenous, People of Color): While 37% of California's population (14.6 million people) is white, 39% (15.3 million) are Hispanic^[1], 15% (5.7 million) are Asian^[2] and 6% (2 million) are Black. Does this majority extend into the middle-income bands? Is this group of people growing or shrinking? Is moderate-income California — defined legally as households earning between 80% and 120% of Area Median Income^[3] and known colloquially as “lower-middle-income” — majority BIPOC? Are these lower-middle-income Californians homeowners or renters? Are there important regional differences?

As an organization led by and serving people of color, we know what our families and communities look like, but does that hold true for the rest of the state? How do people of color fit into the income levels set throughout state housing policy, and are these families served by CCB's work around creating unsubsidized, lower-cost housing, even if it is not directly targeted at low-income families? Most importantly, is our operating assumption factually accurate: Not every Black and Brown family in California is low-income, and to aim the majority of the state's economic and philosophical support for our communities at this one subset, important as it is, misses the larger, more complex truth of what our communities need, both in terms of direct subsidy and larger policymaking.

We sought to start answering these questions with real data. Thanks to support from Meta, and to a new data tool Meta and Metrosight helped develop called the HOPE Tool, we had the ability to dig into the demographics of “AMI bands.” These are the ranges of Area Median Income commonly used to define housing policy and eligibility for various programs — which may, for example serve those making 50-80% or 80-120% of AMI. We then partnered with Schafran Strategies to help bring this report to life.

Using data from the U.S. Census, this report does something that is long overdue: We paint a basic demographic picture of middle-income California, with a particular focus on lower-middle-income Californians. While much of affordable housing policy is aimed at households below 80% of AMI, which the state and federal government define as “low-income,” California housing policy does have many programs and policies aimed at those making 80-120% of AMI, typically referred to in official statistics as “moderate-income” (in general, we prefer the term “lower-middle-income” to describe this group — see “Language and Terminology” below for details). But do these programs really serve the needs of this group, which clearly struggles in California's current housing market?



The data paint a clear picture: Middle-income California is a majority BIPOC group of people — almost as diverse as the state as a whole. While not quite as diverse as lower-income Californians or the state in general, 60% of lower-middle-income Californians are not white.

If we focus specifically on lower-middle-income Californians, we see a few important things in addition to their diversity. First, this group is shrinking. Lower-middle-income California is the only income group to have lost population between 2000 and 2019. Second, this group has lost ground in homeownership.

Third, both the diversity of the group and its homeownership losses are generally true across California and not confined to any particular region. These facts are significant in light of the frequent commentary about America's "shrinking middle class," though in this report we generally focus on income rather than the fraught topic of class (see "Language and Terminology" below).

Even as this report sheds important light on just who is lower-middle, middle-, and upper-middle-income in California, it represents merely the first step. Ultimately, we still know relatively little about these Californians or about their housing needs and their housing dreams. Income is used across the board in housing policy, but middle-income housing has received relatively little research and attention. While this report serves to fill some knowledge gaps, a lot more work needs to be done.

Some things are clear. First and foremost, there are 17.5 million lower-income Californians, which reaffirms in our minds that this group, which generally cannot compete in California's high-cost rental or homeownership market, desperately needs as much support as possible. Second, there are roughly 13.2 million middle-income Californians, of which about 4.3 million are what we refer to as "lower-middle-income." Combined, this group of more than 30 million people — who all struggle in California's housing market — is larger than every state except for New York, Florida, and Texas. Both groups are majority BIPOC and are spread throughout the Golden State.

Who are Lower-Middle-Income Californians?

Imagine a two-person household with a dental assistant and her partner, a security guard — what most would consider "working-class" jobs that also happen to be good examples of lower-middle-income jobs.

In the Los Angeles area, this couple would make roughly \$86,000. The Area Median Income (AMI) for a household of two is \$78,550, so this couple is 109% of AMI in Los Angeles County.

In the Sacramento area, this couple would make roughly \$92,000. The Area Median Income (AMI) for a household of two is \$91,100, so this couple is 101% of AMI in Sacramento County.

In the Fresno area, this couple would make roughly \$80,000. The Area Median Income (AMI) for a household of two is \$67,050, so this couple is 120% of AMI in Fresno County.

If, in any of these households, one of the members worked only part-time as an Uber driver so they could care for a sick relative, they would drop to the very bottom of the lower-middle-income bracket and might well be low-income, despite being a two-income household.

Housing issues constitute a question of racial justice for both groups, and any true solutions to California's housing crisis — and its persistent and growing racial wealth gap — will require a firm coalition of these over 30 million people. Each group is too large to ignore and only together can we meet the housing, climate and racial justice challenges our communities face every day.

If we are going to build bridges across lower- and middle-income housing policy in California, we need to know more about all of these households. We need to better understand how housing policies impact different income groups, and whether the housing policies aimed at middle-income families are working as currently designed and funded. And we need to keep digging into this data, to better understand the experiences of different racial and ethnic groups and to examine the connection between income, race, housing and profession. The statistics and analysis that follow represent a necessary start, but only a start.



Language and Terminology

How we talk and write about things matters because language shapes our perceptions and understanding, and certain terms can become quite fraught.

Language About Race and Ethnicity

Throughout this report, we use terms such as “people of color” and BIPOC (Black, Indigenous, People of Color) interchangeably. While we respect that language and specific terms matter and carry significant weight, in the context of this report we simply are trying to articulate when data or issues apply to all nonwhite communities, without taking a particular stance on what the appropriate term should be, considering that both are in common usage.

We have also generally chosen to use the term “Latino”, rather than “Latinx” or “Hispanic,” the term that is typically used in official statistics (the only context in which we use it). This is due both to the fact that Latino is the most commonly used term and, most importantly, it is the term that members of CCB use to self-identify. This is also true for our use of the term “Asian,” as is sometimes used in research studies and because the technical demographic category (“Asian (Non-Hispanic)”) does not include Pacific Islanders or Native Hawaiians. CCB does not claim any particular expertise in terms of the language we use in this report, and our goal is to simply articulate our points and convey information in an accurate, straightforward manner that is relevant to how we and our communities refer to ourselves. In discussing Asian American and Pacific Islander communities, it is important to recognize that stats which lump all AAPI communities together, as is commonly the case, obscure important differences between particular Asian and Pacific Islander nationalities. Some AAPI groups have far lower homeownership rates and incomes than census data suggests, and we need disaggregated data to better understand these populations.

Language and Terminology, Cont'd.

Language About Income and Class

“Middle-income” is less commonly used by the state of California. When it is used in state law, it tends to refer to households earning up to 150% of AMI, and a lower bound number that roughly correlates to 120% of AMI.

Local laws like inclusionary zoning or density bonus laws routinely use these AMI bands to define their specific targets, though details vary. Definitions of moderate- and middle-income can be slippery. There is no standard legal, policy, or academic definition used across the board, so every report on this issue must devote time to clarifying definitions.

We mostly avoid using “moderate-income” because in our experience no one actually talks about themselves that way — these folks generally call themselves “middle-income,” even though they are on the lower end of the middle-income group. Because much of this report examines the relationship between segments of the broader “middle-income” group (households earning from 80% to 200% of AMI), we use the term “middle-income.” to refer to this entire 80-200% of AMI group, “lower-middle-income” to refer to the income band at 80-120% AMI (designated as “moderate-income” in state law), “intermediate-middle-income” when referring to the 120-160% AMI band, and “upper-middle-income” for those earning from 160-200% of AMI.

80-120%
AMI

Lower-middle/Moderate-income

120-160%
AMI

Intermediate-middle-income

160-200%
AMI

Upper-middle-income

Talking about “middle-class housing” can also be inaccurate.

Some readers might ask, “Aren’t you talking about middle-class housing?” The answer is: sometimes, but not always — which is one of many reasons we don’t talk much about class in this report.

Class is a complicated and divisive concept. Class can be used pejoratively to put someone down or give someone status they haven’t necessarily earned. Class is about much more than income — social status, wealth, cultural habits, and, sadly, race and ethnicity, can play a role in determining your “class.” Different societies view class differently. In this situation, we don’t want to bring that baggage to the table any more than we need to.

We have data about how much people earn, not about how wealthy they are, whether they have a comfortable life, and other things that people think about when they think of being “middle class.”

If anything, this report helps illustrate how being middle-income isn’t necessarily a guarantee of being middle class — at least not for BIPOC households in California in 2023.

The Challenges of AMI

Area Median Income (AMI) is a central part of this report for one reason: It is central to U.S. affordable housing policy. Public housing subsidies, density bonus and inclusionary housing programs, and policies like California's Regional Housing Needs Assessment (RHNA) all rely on AMI to determine both the eligibility of people for the housing or subsidies, and the degree to which any proposed housing satisfies program criteria or legal requirements (see the [Middle-Income Housing Overview](#) for more on specific AMI levels for California programs).

The AMI is calculated by the U.S. Department of Housing and Urban Development (HUD) based on location and family size. These calculations are derived from the Median Family Income reported by the U.S. Census Bureau American Community Survey (ACS) for each metropolitan statistical area, metropolitan division, or nonmetropolitan county. This figure is treated as the AMI for a household of four, with estimates adjusted downward for households with fewer than four members and adjusted upward for households with more than four members. Standards for "low-income" (less than 80% of AMI), "very-low-income" (50% of AMI), and "extremely-low-income" (30% of AMI) are calculated from these location- and family size-specific AMI estimates. However, HUD may further adjust these standards due to statutory requirements, such as setting "extremely-low-income" at the federal poverty threshold if that value is greater than 30% of the estimated AMI.

It is hard to overestimate just how embedded this complicated AMI figure is in our system for determining who qualifies for various forms of affordable housing support. In many ways, AMI is a problematic standard.

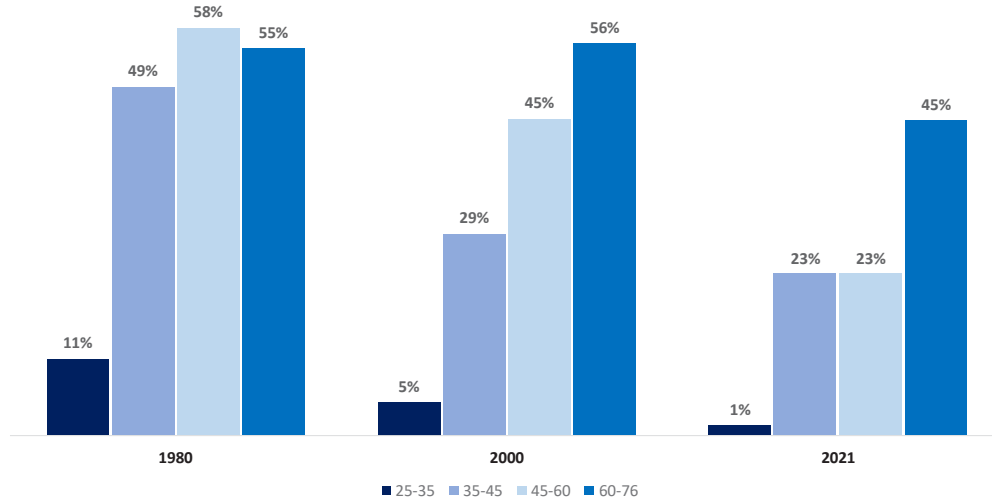
For example, a recent report from Urban Institute raised important questions about how AMI reacts

to inflation. Others note that AMI measures are based on somewhat arbitrary determinations of geography (i.e. the area that the AMI should be calculated for) and adjustments for household size: These thresholds are effectively hard cut-offs, which means that a household could move between income categories from year to year even if their inflation-adjusted income doesn't change. Area Median Income has also long been criticized for disadvantaging low-income people in poorer places that lie within wealthier areas. AMI is generally calculated for relatively broad regions rather than cities or neighborhoods, so they include both wealthier and less-wealthy neighborhoods. As a result, the higher median incomes of the larger area raise the overall bar, leaving residents of poorer neighborhoods out of the affordable housing lottery and even spurring gentrification through supposed affordable housing.

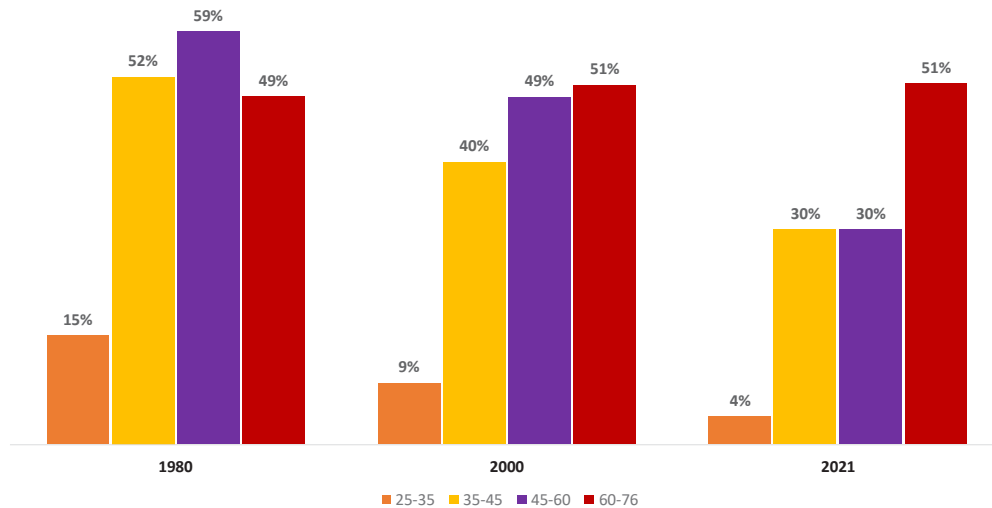
Arguably AMI's biggest fault is that it moves attention away from the core variables: how much a household can pay for housing (income + wealth), and how much the housing costs.



1.a. Percentage of Californians That Own a Home by Age Group



1.b. Percentage of Latino Californians That Own a Home by Age Group



Source: Turner Center for Housing Innovation. (2023). The First Step Is The Hardest: California's Sliding Homeownership Ladder. <https://turnercenter.berkeley.edu/blog/homeownership-ladder-california/>

Notes: These figures use data from the 1980, 2000 Census and the 2021 American Community Survey for California. Homeownership is defined as reporting that the primary residence is owned by either the respondent or their spouse. Hispanic ancestry is not excluded for categories other than white.

Growing Body of Research and Thinking on the ‘Missing Middle’

The foundations of research on middle-income housing come from a few key sources. The first is the steady decline in homeownership rates, especially for BIPOC communities, in the aftermath of the 2008 foreclosure crisis. This is an issue that CCB has worked to bring attention to over the years,^[4] and the facts are stark. A [2023 study by the Turner Center](#) found dramatic drops in homeownership in California for people aged 25-75, the prime homebuying age. The drop was particularly severe for adults aged 35-45, who have traditionally been prime candidates for homebuying. Homeownership rates fell for every racial group in this age bracket, with an especially pronounced decline in Black and Latino communities. The homeownership rate for Black 35-45 year olds went from almost 50% in 1980 to just 23% in 2021. The Latino rate for this group fell from 52% to 30%.^[5] During this same period, white homeownership for this age bracket also fell significantly, from 70% to 47%.

The homeownership rate for Black 35-45 year olds went from almost 50% in 1980 to just 23% in 2021. The Latino rate for this group fell from 52% to 30%.



The roots of this decline are numerous. BIPOC homeownership has always been on shakier ground in the United States, starting with the racial inequality built into our original postwar homeownership machine.^[6] The foreclosure crisis [devastated moderate- and middle-income BIPOC homeowners](#) in what a [2012 report](#) from the National Fair Housing Alliance called the “largest loss of wealth for these [BIPOC] communities in U.S. history.” The [data from that era](#) show consistent and persistent racial inequalities in lending, predatory debt, and foreclosure — challenges which remain in the U.S. housing system.^[7]

The second pillar of this work is a growing focus on land use reform, in particular the earlier use of the term “missing middle” to refer to housing at middle densities that is more affordable than single-family homes based primarily on real estate market economics — using less land makes the housing less expensive — rather than direct government subsidy. We have seen significant growth in research, writing and design thinking aimed at changing what gets built in California. This work mainly focuses on the buildings themselves, but the ultimate driver is their potential to be less costly homes for middle-income residents, especially homebuyers.^[8]

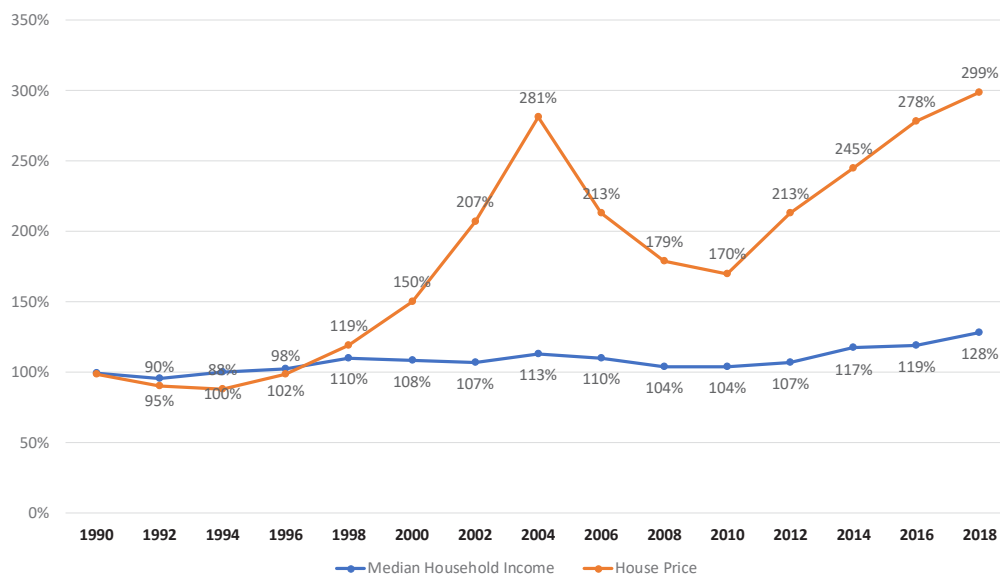
Limited Attention to the People of the Missing Middle

While research into the decline in homeownership, the impacts of the foreclosure crisis on BIPOC communities and the possibilities of middle density housing have helped bring attention to the struggles of middle-income Californians, very little research has directly examined middle-income Californians and their housing situation. And only limited research has used the AMI bands, which for better or worse are central to much of our affordable housing policy.

This is starting to change. This report builds most directly on two pieces of recent research which focus specifically on moderate- and middle-income housing: a [2022 Turner Center report](#) which examined the “landscape” of middle-income housing in California and a 2023 SPUR report which took a similar lens to the Bay Area.^[9] These two reports — which both focus only on the moderate-/lower-middle-income cohort band — represent a critical step in helping us examine issues of housing cost burden and homeownership rates for this specific group of Californians.

The Turner report showed several issues for lower-middle-income Californians. At the most basic level, median incomes have not kept up with median housing prices.

Figure 2: Percentage Growth in House Prices Compared to Median Household Income



Source: Turner Center for Housing Innovation. (2022). The Landscape of Middle-Income Housing Affordability in California. <https://turnercen-ter.berkeley.edu/blog/middle-income-housing-affordability-california/>

Notes: All-Transactions House Price Index for California, Index Q1 1990=100, Quarterly, Not Seasonally Adjusted. Median household income inflation adjusted using 2019 CPI-U-RS adjusted dollars.

Indexed to 1990, median home prices rose 199%, compared to a 28% rise in median incomes. Put another way, California home prices have risen nearly eight times as much as Californians' incomes.

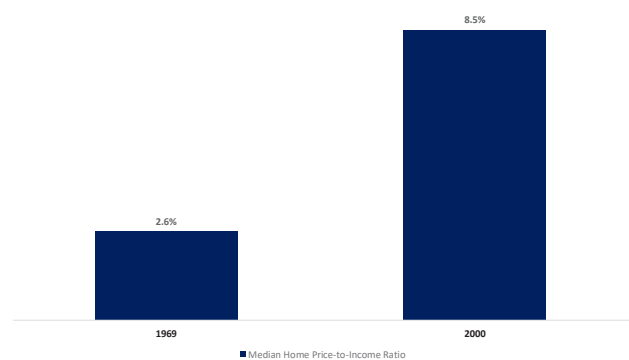


The report also begins to dig into some of the issues we focus on below, especially inequalities based on race. They found a more than 20 percentage point gap in homeownership rates between Black and white lower-middle-income households in 2019. White households in that income group had 2.5 times the mortgage originations of Latinos with similar incomes. With only 35% of the population, white households had more than 50% of the home loans.

A key finding from the SPUR report^[10] shows the growing gap between what median income households — people right at 100% of AMI — can afford to buy versus what houses actually cost. What had been a roughly \$200,000 gap in 2000 grew to more than \$360,000 in 2020. Gaps of that size between income and home prices can only be filled by wealth — which, because of unequal access to safe and affordable homeownership for multiple generations, the BIPOC members of these groups are less likely to possess. This just furthers the vicious circle that is the racial wealth gap.

As documented in “[California Dream For All: A proposed shared appreciation loan investment fund for the state of California](#),” a report prepared for the California State Treasurer’s Office by California Forward, HR&A Advisors, CSG Advisors, and California Community Builders, data from the California Association of Realtors, California Housing Community Development Department and HR&A show that **the median California home price rose from 260% of the median income in 1969 to 850% of median income in 2020.**

Figure 3: Rising Home Price to Income Ratio



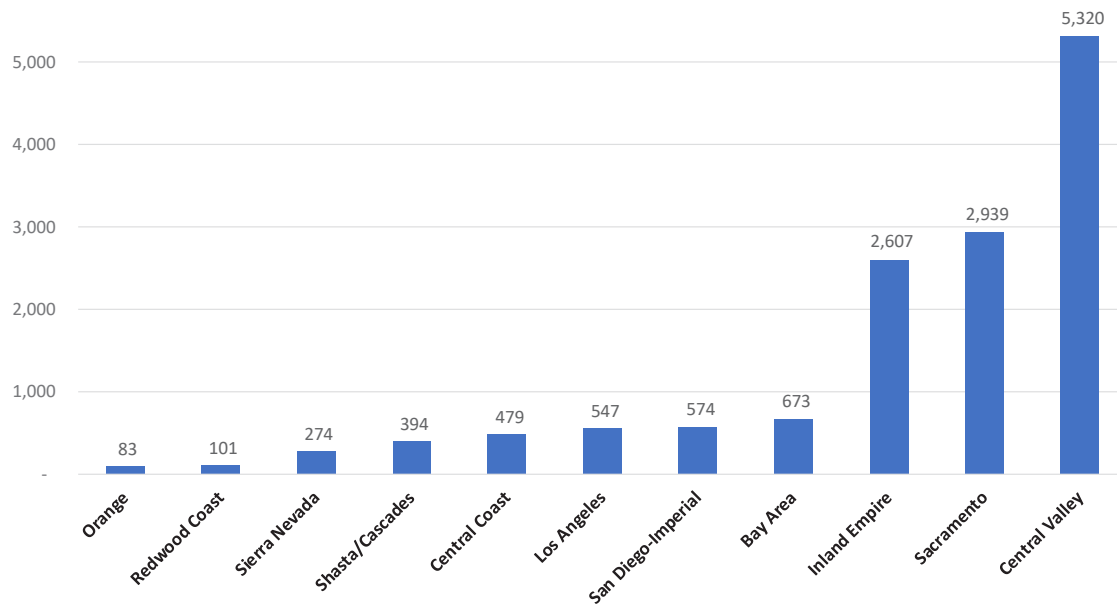
Source: California Association of Realtors, California Department of Housing and Urban Development, & HR&A Advisors. (2022). California Dream For All: A Proposed Shared Appreciation Loan Investment Fund For the State of California.

<https://www.ccbuilders.org/research/ca-dream-for-all>

That same report found that between 2018 and 2020, the Central Valley region built almost three times the number of low- and moderate-income housing units as the Los Angeles, San Diego, and Bay Area regions combined, despite having a much smaller population.



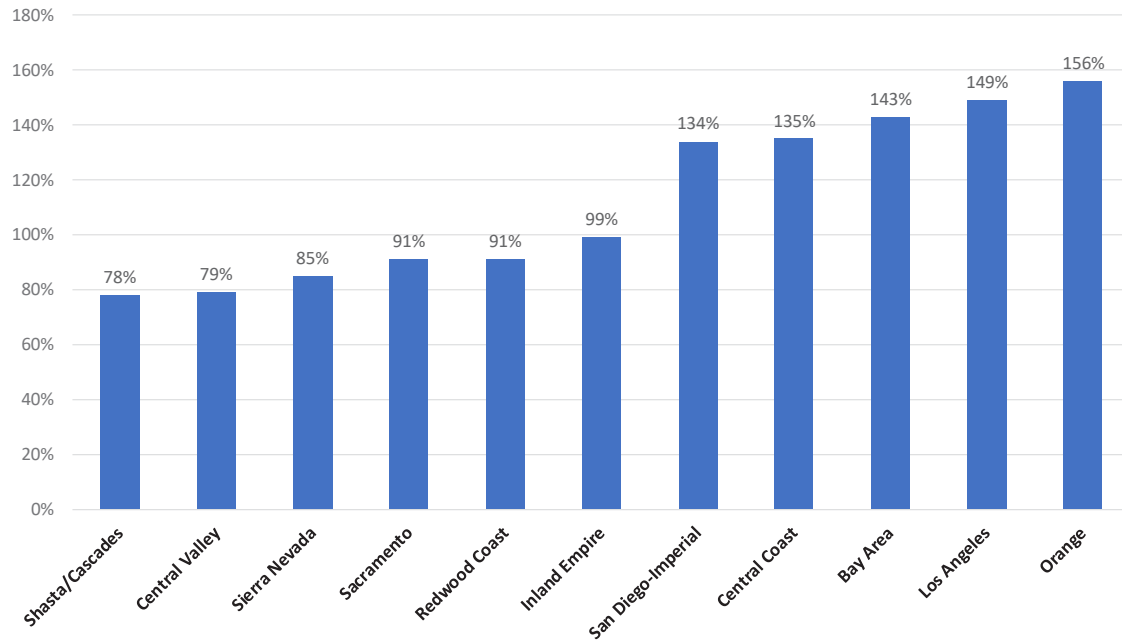
Figure 4: Units Built Affordable to Moderate-, Low-, or Very Low-Income Households (2018-2020)



Source: California Association of Realtors, California Department of Housing and Urban Development, & HR&A Advisors. (2022). California Dream For All: A Proposed Shared Appreciation Loan Investment Fund For the State of California. <https://www.ccbuilders.org/research/ca-dream-for-all>

The report also found that in the areas where most Californians live, families need to make more than the median income to afford the median price home. For instance, in the San Diego region a family of four would need to make 134% of the median income — or roughly \$175,000 — to afford the median priced home. In a place like Los Angeles, a family of four would need to make almost 150% of the median income — or almost \$150,000 — to own a median priced home.

Figure 5: Percentage of Median Income Required to Purchase Median-Value Home



Source: California Department of Housing and Urban Development. (2022). California Dream For All: A Proposed Shared Appreciation Loan Investment Fund For the State of California. <https://www.ccbuilder.org/research/ca-dream-for-all>

Who Exactly is Middle-Income in California?

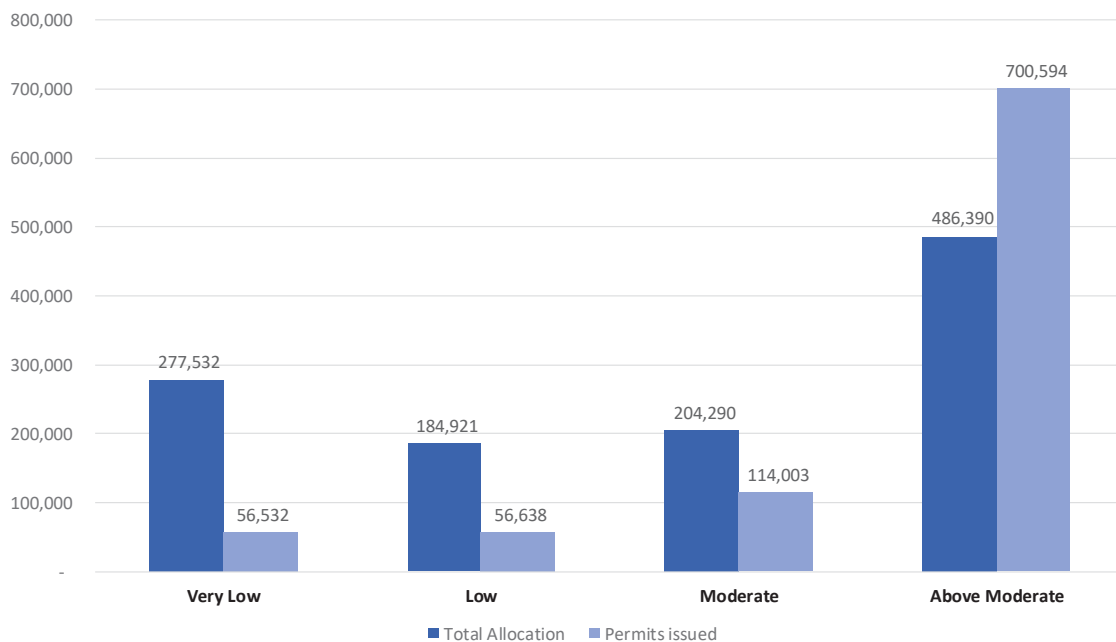
Who exactly makes up the lower-middle-income cohort band in California? What about intermediate-middle-income households, earning 120-160% of AMI? What do we know about their racial demographics, housing challenges, or economic lives? What can we say about trends in middle-income households over the past two decades? Do the demographics and housing data for middle-income Californians differ between regions?

The research below tries to answer these questions. Using public data from the American Community Survey, we paint one of the first pictures of lower-middle- and intermediate-middle-income California, examining overall numbers, race, and housing. We examine the broader middle-income category and the smaller sub-category groups it contains (lower-middle, intermediate-middle, and upper-middle). We do so both at the state level and in key California regions, in order to better understand any regional differences.

Interested in Middle-Income Housing Policy in California?

As part of a broader conversation about why moderate- and middle-income California is so important, it is important to understand how moderate- and middle-income housing policy already fits into current California housing policy. There are too many programs and policies to examine them in this report, so we wrote a separate “Moderate- and Middle-Income Housing Policy in California Overview” that aims to give an overview of the policy side. A whole spectrum of existing support for moderate- and middle-income California represents an important starting place for any conversation about what comes next. Some programs that support these 13.2 million Californians are state based, others are state based with important local implementation, others are local. Some programs are supply side and support developers, others are demand side and support homebuyers and renters. One of the programs you have most likely heard of is the Regional Housing Needs Assessment (RHNA), which sets targets in 8-year cycles for housing production at certain AMI bands — moderate (80-120% of AMI) being one of them.

Figure 6: 5th Cycle Regional Housing Needs Allocation



Source: California Department of Housing and Community Development. <https://www.hcd.ca.gov/planning-and-community-development/housing-open-data-tools/housing-element-implementation-and-apr-dashboard>

What Jobs Do Lower Middle-Income Californians Work In?

The HOPE Tool allows us to see occupation and employment data by income, race and housing. This is a subject for a report of its own — stay tuned for more on this from CCB in 2024. The list below shows the top occupations in California for people in the lower-middle-income cohort band.

Top Occupations For Lower-Middle Income (80-120% of AMI) Californians, by # of Jobs in 2019

OFFICE & ADMIN SUPPORT 369,063	SALES 271,171	MANAGEMENT 213,395
FOOD PREP & SERVICE 154,188	EDUCATION & LIBRARY 147,241	PRODUCTION 137,881
CONSTRUCTION 137,367	PERSONAL CARE & SERVICE 125,403	TRANSPORTATION 108,550

Part 3: Data Analysis

In the sections below, we present the data in a structured fashion, focused on three key areas:

01

All Middle-Income

02

Middle-income People of Color

03

Middle-income Households & Homeownership

01 / All Middle-Income Californians

Let's start with the basics: How many Californians are in the total middle-income group (**Figure 7**)? In 2019, approximately 4.3 million Californians fell into the lower-middle-income cohort band. When combined with the intermediate-middle- and upper-middle-income groups, what we consider to be the entirety of middle-income California, you get approximately 13.2 million Californians. This compares with approximately 17.5 million low-income and 7.2 million high-income Californians. You can see this breakdown visually in **Figure 7**.

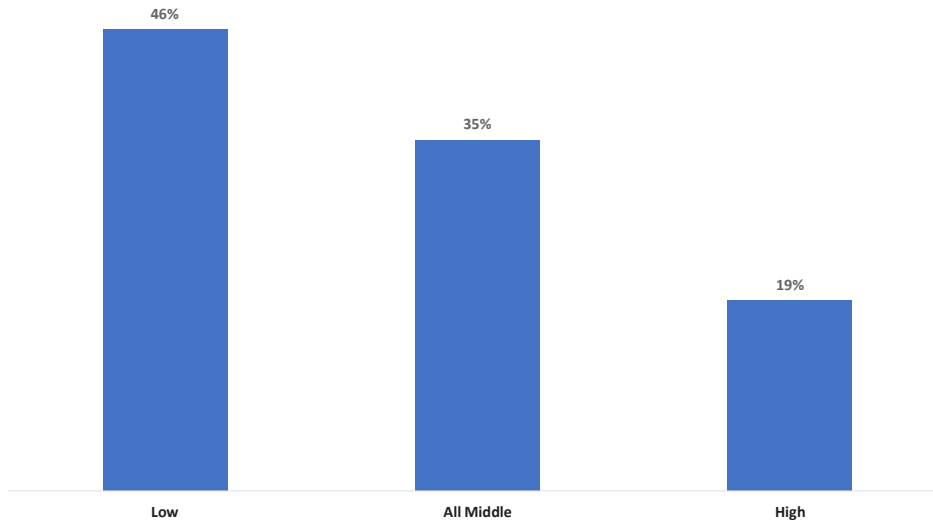
Figure 7: AMI Band Breakdown and Definitions

Category	AMI Band	Sub-Category	2019 Population
Low-Income (17.3m)	<30%	Extremely-low-income	5,833,494
	30-50%	Very-low-income	4,621,076
	50-80%	Low-income	7,103,972
Middle-Income (13.2m)	80-120%	Extremely-low-income	5,833,494
	120-160%	Very-low-income	4,621,076
	160-200%	Low-income	7,103,972
High-Income (7.3m)	200-240%	High-income	2,333,910
	>240%	Very-high-income	4,982,988
Total			38,035,128

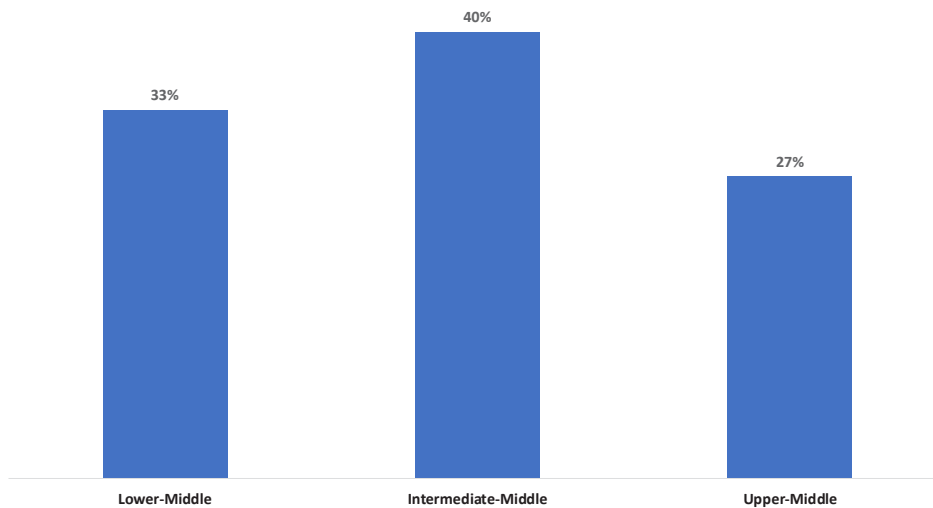
How Income Bands are Distributed by Region

Figure 8 shows the broader picture of how income bands are distributed by region. What stands out is the general similarity across regions: California’s regions, different as they are in many ways, are more similar than different when it comes to income distribution.

8.a. Percentage of Population by All Income Groups



8.b. Percentage of Population by Middle-Income Groups

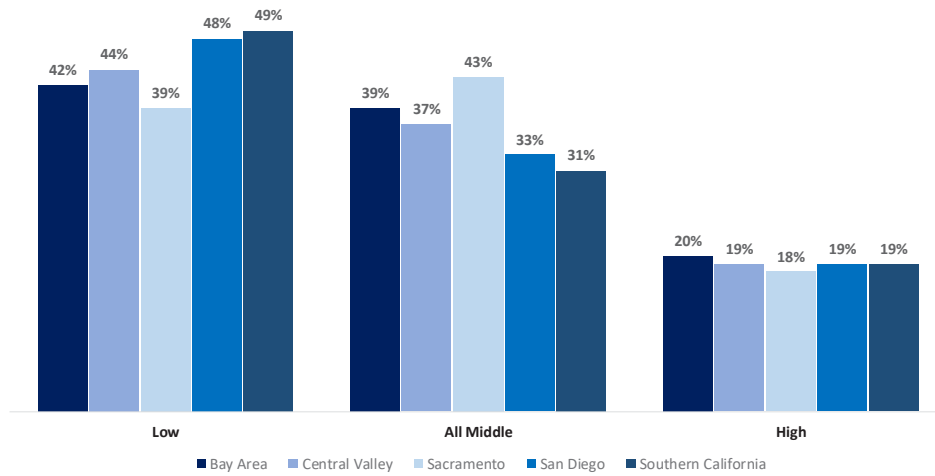


Source: [HOPE Tool](#)

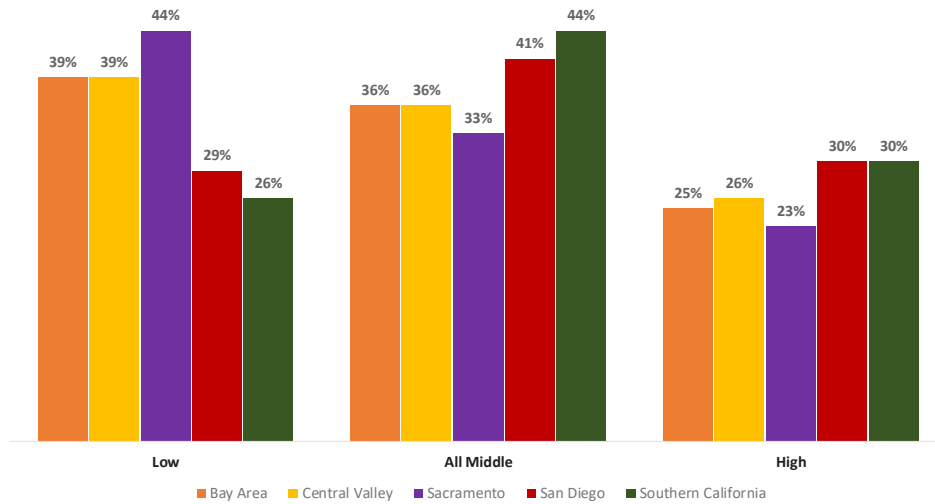
How Income Bands are Distributed by Region

Figure 8 shows the broader picture of how income bands are distributed by region. What stands out is the general similarity across regions: California’s regions, different as they are in many ways, are more similar than different when it comes to income distribution.

8.c. Percentage of Regional Population by All Income Groups (2019)

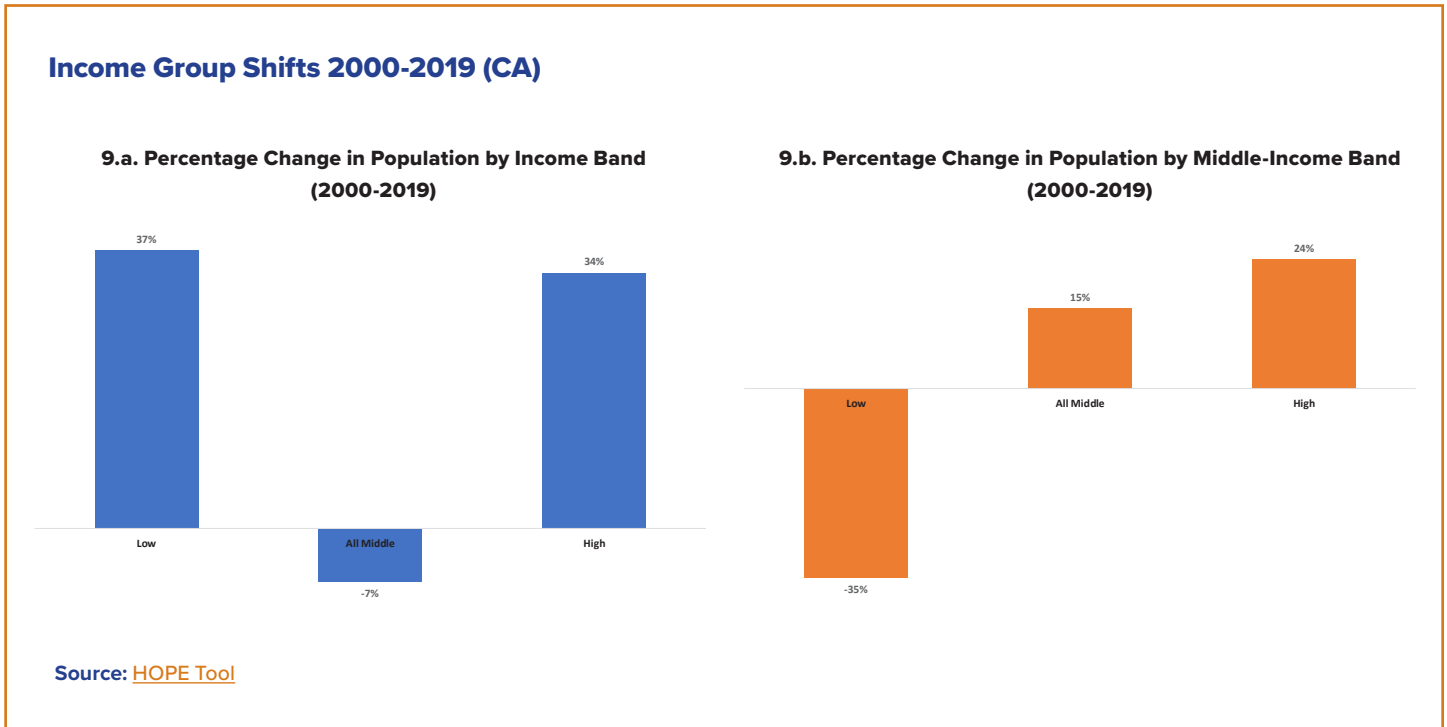


8.d. Percentage of Regional Population by Middle-Income Groups (2019)



Source: [HOPE Tool](#)

The most striking fact about California’s lower-middle-income group comes when you examine this 2019 figure against the year 2000. **Lower-middle-income Californians are the only cohort group that has shrunk in the past two decades (Figure 9). From almost 6.7 million people in 2000, this group now has only 4.3 million people. That is a 35% decline — a massive number in demographic terms.** One of the many things this report cannot do is tell us where the people who had been lower-middle-income ‘went.’ Many began earning less or more money, and thus changed AMI bands. In many other cases, their income didn’t change, but the AMI bands did (they didn’t cross the border, the border crossed them). Many no doubt left the state. Unfortunately, we do not know how many fall into each of these groups. As we discuss in recommendations, future research can dig deeper into this, even if some of these phenomena will remain elusive.

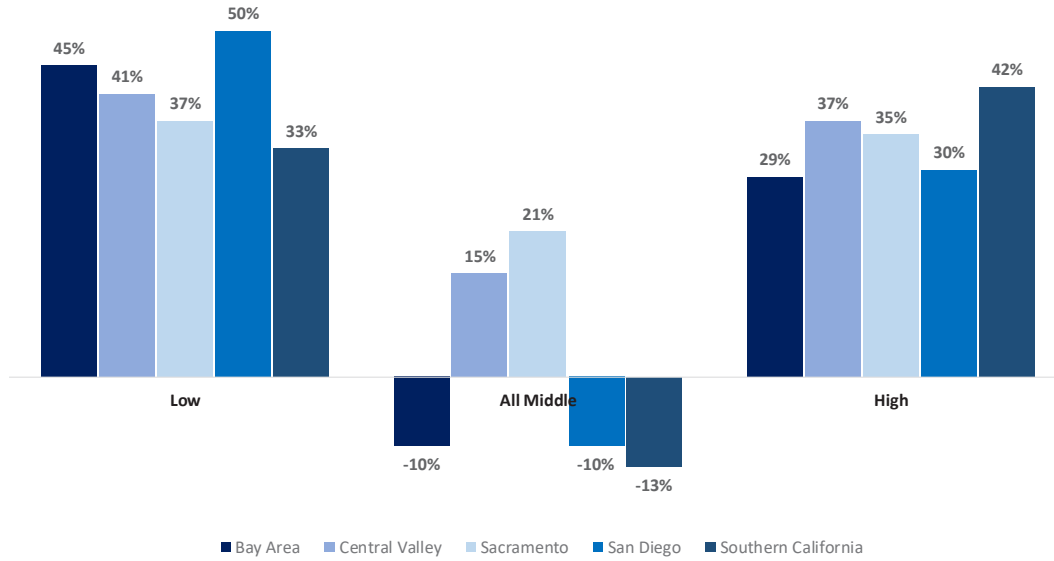


A Statewide Decline, But More Dramatic in the Bay Area and Southern California

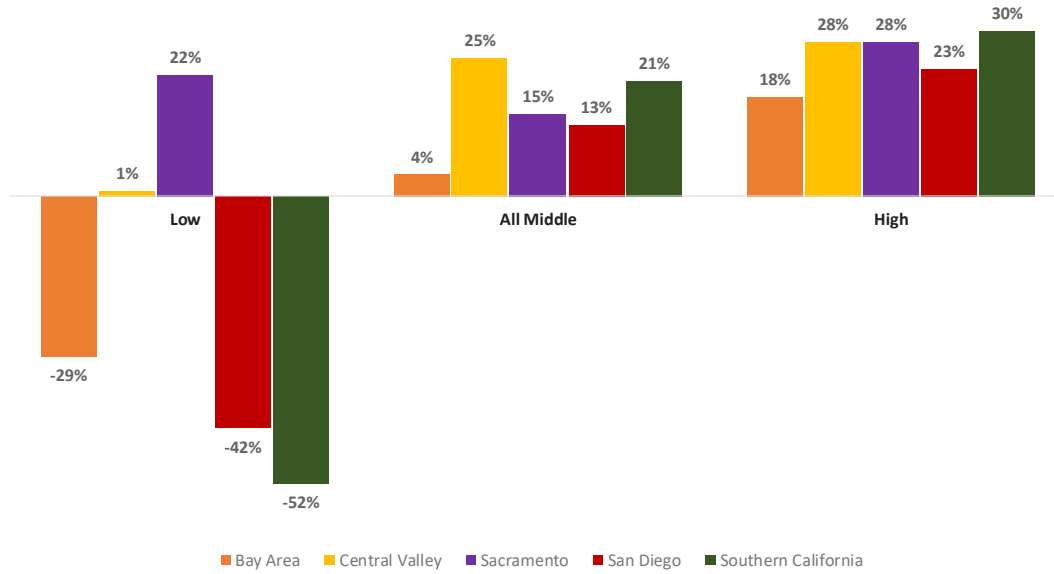
The lower-middle-income decline is significant for the state overall, and present in most of the state, but it was significantly more dramatic in certain places. The more expensive coastal regions saw major declines. The Bay Area lost more than 460,000 lower-middle-income residents between 2000 and 2019. Its much bigger neighbor to the south had an even more extreme shift. Southern California had 1.64 million fewer lower-middle-income cohort residents in 2019 than in 2000. That’s a 52% decline in two decades, an absurd number in demographic terms. The Sacramento region, on the other hand, saw noticeable growth, adding more than 77,000 80-120% AMI residents, a 21% increase. The Central Valley stayed largely stable.

Income Group Shifts 2000-2019 (Regional)

10.a. Percentage Regional Change in Population by Income Band (2000-2019)



10.b. Percentage Regional Change in Population by Middle-Income Band (2000-2019)



Source: [HOPE Tool](#)

02 / Missing Middle & Race

One of the central research questions in this report focuses on the racial makeup of middle-income California, especially lower-middle-income families. Is this a majority BIPOC group?

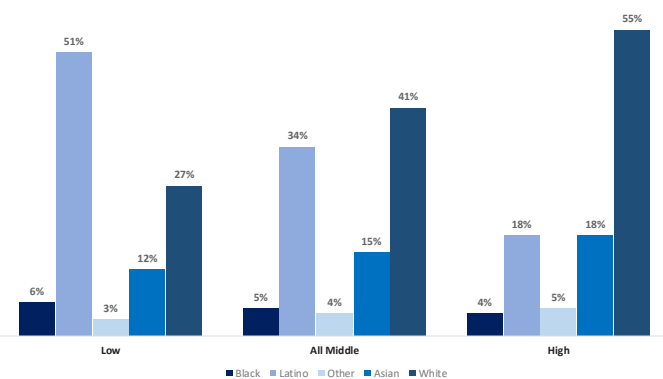
Of the 13.1 million middle-income Californians, roughly 8 million are BIPOC. Drilling down, we see that the 61% of lower-middle-income Californians are people of color. What is particularly interesting is that the intermediate-middle-income and upper-middle-income groups are almost as diverse (Figure 11). The intermediate-middle-income group is almost 60% people of color, and the BIPOC majority continues through the upper-middle-income group. It is only when you get to the highest income group do white Californians form a significant majority.

A full 61% of middle-income California is BIPOC.

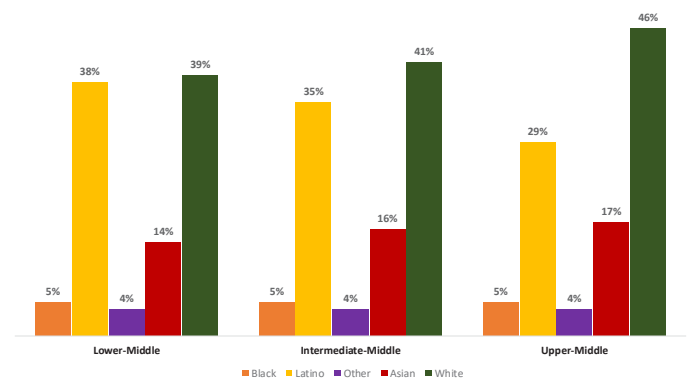


Income by Race

11.a. Percentage Racial Group Population by All Income Bands (2019)



11.b. Percentage Racial Groups Population by Middle-Income Bands (2019)

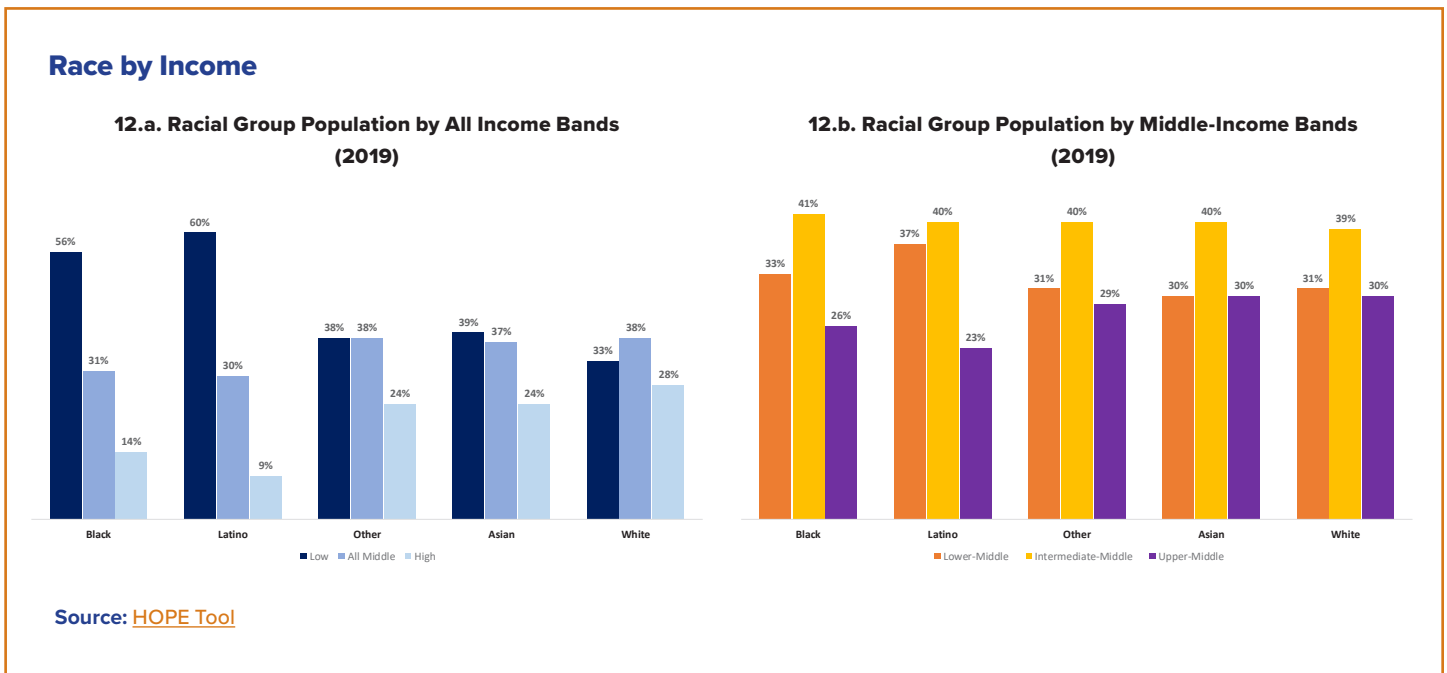


Source: [HOPE Tool](#)

The Majority of Black and Latino Californians are Low-income

What happens if you flip this view, and ask “What percentage of each racial group falls into different AMI bands?” This is an important question. Figure 12 shows how each racial group breaks down. Here we see the most glaring example of California’s racial inequality, and key differences in BIPOC communities. The Black and Latino communities are majority low-income, while there is a more even distribution across the Asian, white and Other communities.

Inequality is mainly about the size of the low- and high-income groups, and less about the size of the middle. The gap between the middle-income groups is much smaller.



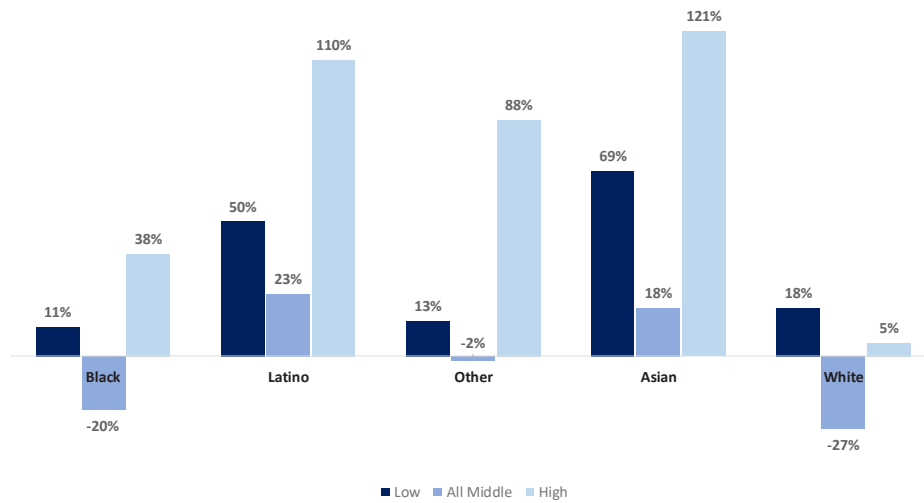
So how has this changed over time? Moderate-income California isn’t just majority BIPOC now; it has been since before the foreclosure crisis. **Figure 13** shows this band across two decades. We see the presence of a BIPOC majority in the moderate/lower-middle band back in 2000. The connection between moderate-income and diverse California is not a new phenomenon — the broad middle-income group (inclusive of lower-, intermediate-, and upper-middle-income Californians) has been majority BIPOC for decades, even as the lower-middle-income population overall has shrunk more recently.

Figure 13 also shows how the decline in lower-middle-income California occurred across racial groups. Every single racial group in California saw a decline in its lower-middle-income population — and we’re not just talking small dips. The lower-middle-income Black population fell almost in half, as did the lower-middle-income white population.

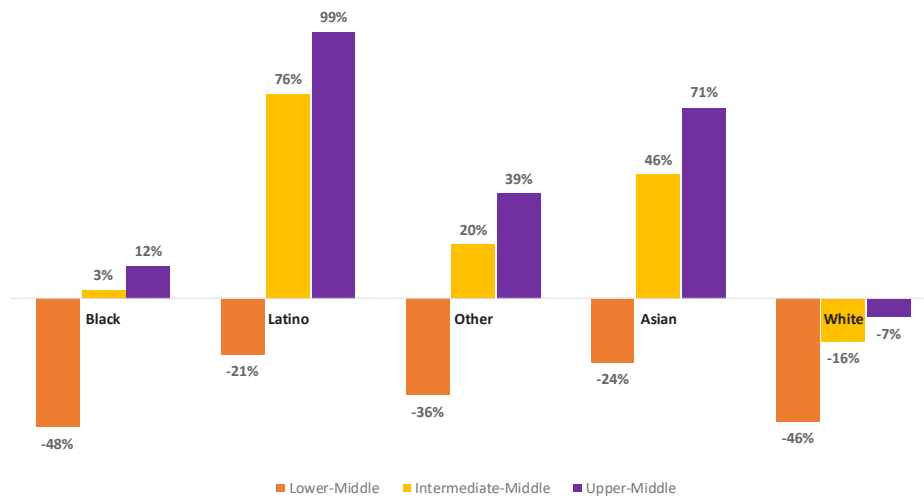
Figure 13 drills down one more level into middle- and moderate-income groups, and shows one very important finding: Intermediate-middle-income folks represent a higher percentage of Latino, Black and Asian communities than do lower-middle-income people. This group is consistently the largest of the three middle-income groups. It is also notable that the size of these middle-income bands is relatively similar across racial groups. The most equitably balanced income band in California is the intermediate-middle-income group, not the lower-middle-income group.

Race by Income Change Over Time

13.a. Percentage Change in Racial Group Population by Income Band (2000-2019)



13.b. Percentage Change in Racial Group Population by Middle-Income Band (2000-2019)



Source: HOPE Tool

BIPOC Majorities Across the State

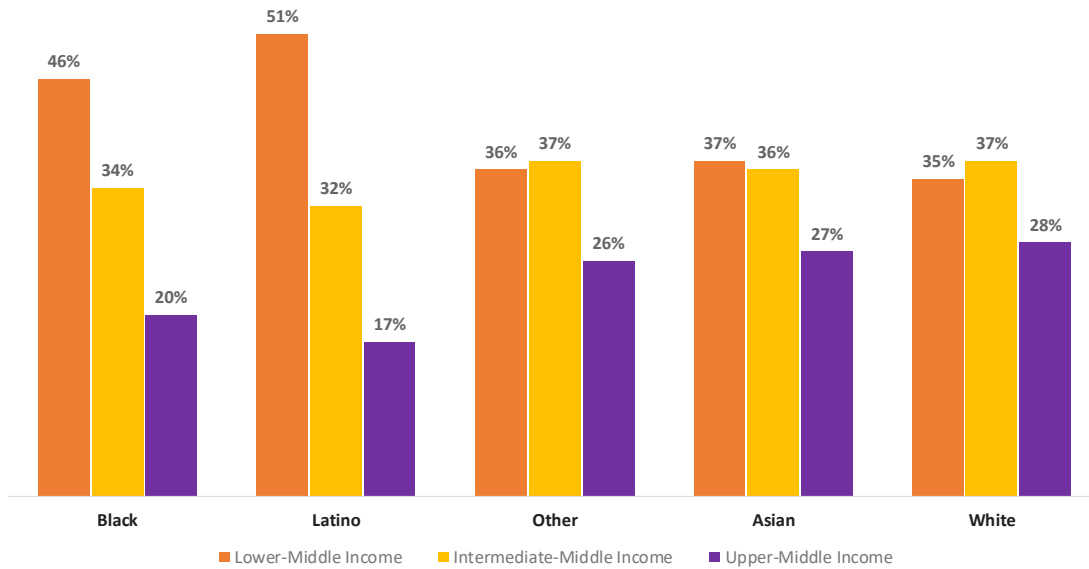
When we zoom into the regional figures, we find some interesting things. Of the five major regions we looked at, only Sacramento has a majority white lower-middle-income group. The Central Valley's lower-middle-income group is 69% BIPOC, with strong majorities also through the intermediate- and upper-middle-income groups (**Figure 14**). This is unsurprising, especially with what we know about the Central Valley being a destination for so many middle-income BIPOC families searching for homeownership that they can't afford in other regions. But these large BIPOC majorities in the lower-middle-income cohort were also present in both the Bay Area and Southern California, even as the overall share of lower-middle-income households shrank. The Bay Area's lower-middle-income cohort is 62% BIPOC, and Southern California's is almost 68%, both higher than the state average.

The other key fact — that Black and Latino communities are majority low-income — holds true across regions. The most noticeable regional difference is how Sacramento and the Central Valley have larger lower-middle-income cohorts across all racial groups than the more expensive (and higher income) coastal regions. This too should come as little surprise given what we know about these regions, but we always need to confirm hypotheses with real data.

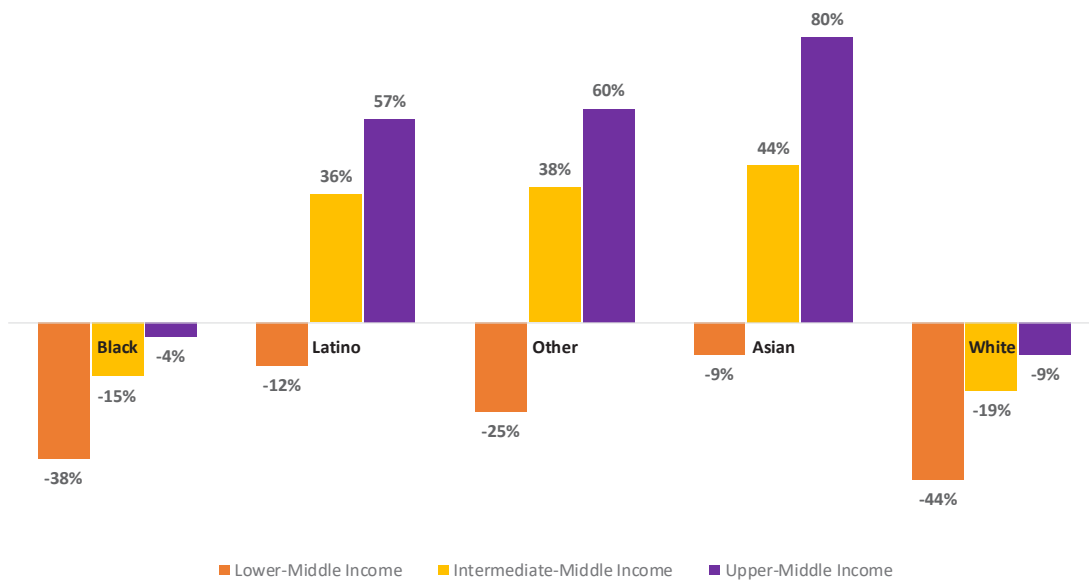
Overall, we hope it is clear that middle-income California is majority BIPOC, a fact that extends across regions and across the middle-income subgroups. It's equally critical to see just how many BIPOC Californians fall below 80% of AMI, especially in Black and Latino communities. Even as we work to create visibility for the eight million middle-income BIPOC Californians, we must not do so at the expense of the millions of BIPOC Californians who are low-income. Anecdotally, we know of many BIPOC families with some members who are low-income and some who are middle-income, although we lack data on how common this phenomenon is. We see and recognize both groups, and we must work to understand the housing challenges of each, which we do in the next section.

Income by Race by Region

14.a. Percentage Bay Area Racial Group Population by Middle-Income (2019)



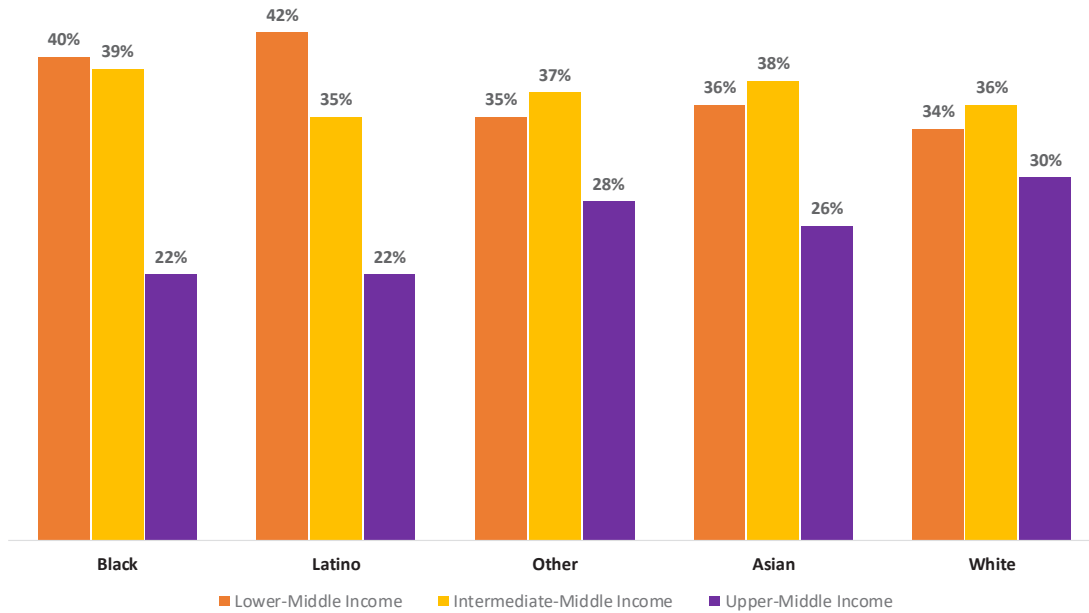
14.b. Percentage Change Bay Area Racial Group Population by Middle-Income (2000-2019)



Source: [HOPE Tool](#)

Income by Race by Region

14.c. Percentage Central Valley Racial Group Population by Middle-Income (2019)



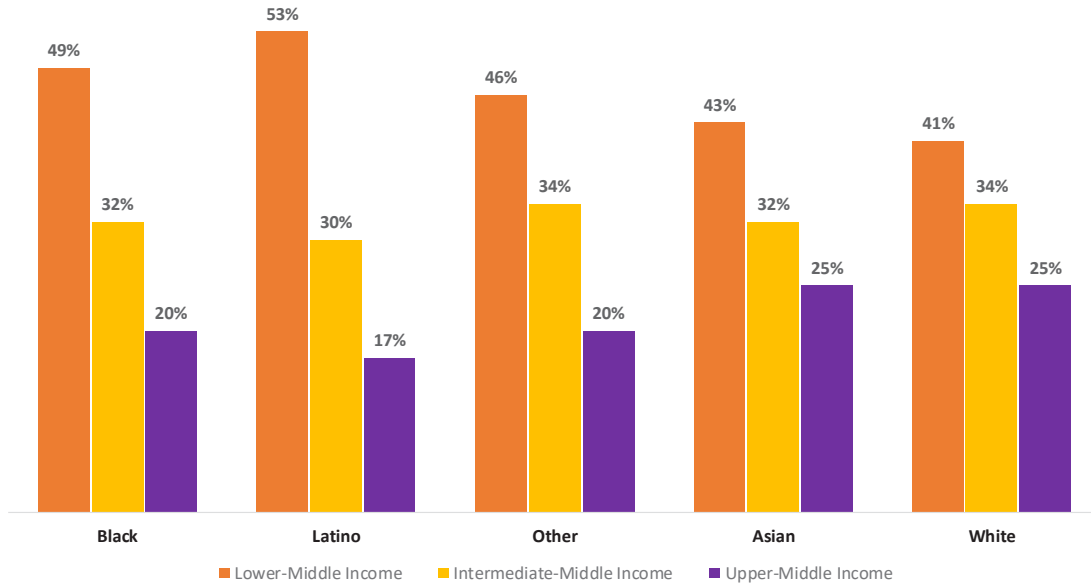
14.d. Percentage Change Central Valley Racial Group Population by Middle-Income (2000-2019)



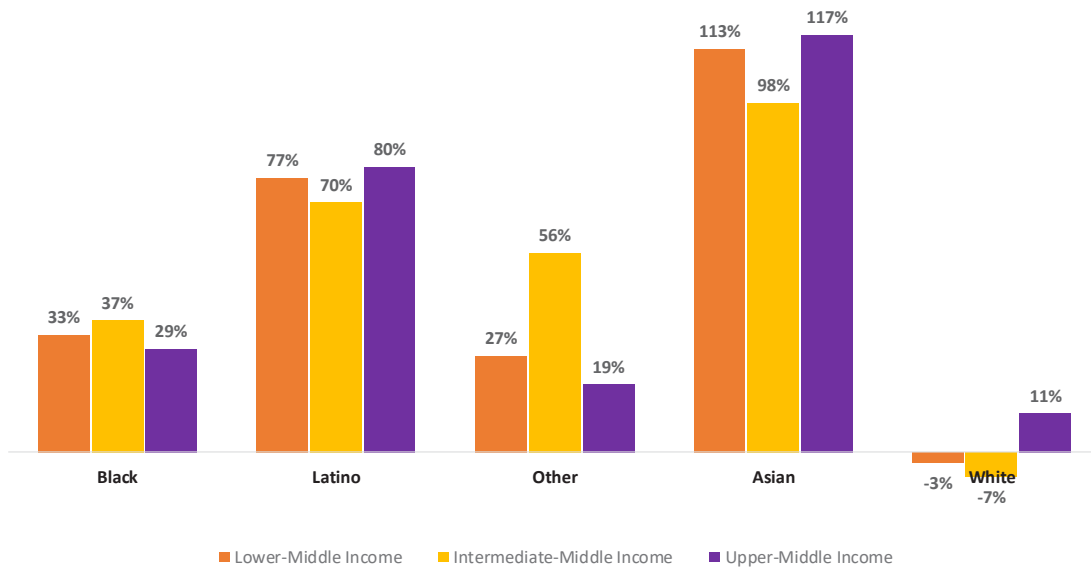
Source: [HOPE Tool](#)

Income by Race by Region

14.e. Percentage Sacramento Racial Group Population by Middle-Income (2019)



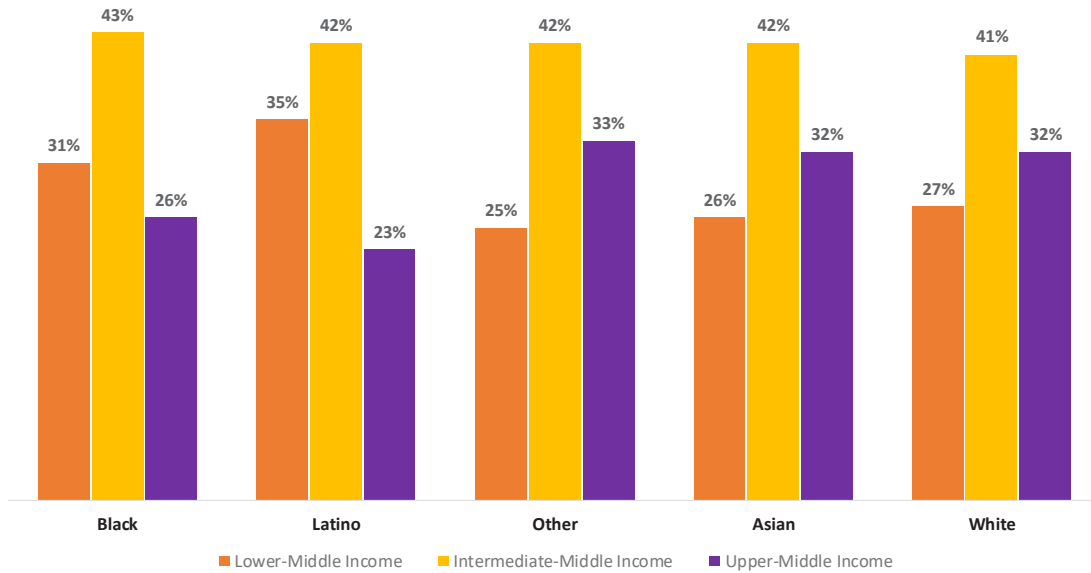
14.f. Percentage Change Sacramento Racial Group Population by Middle-Income (2000-2019)



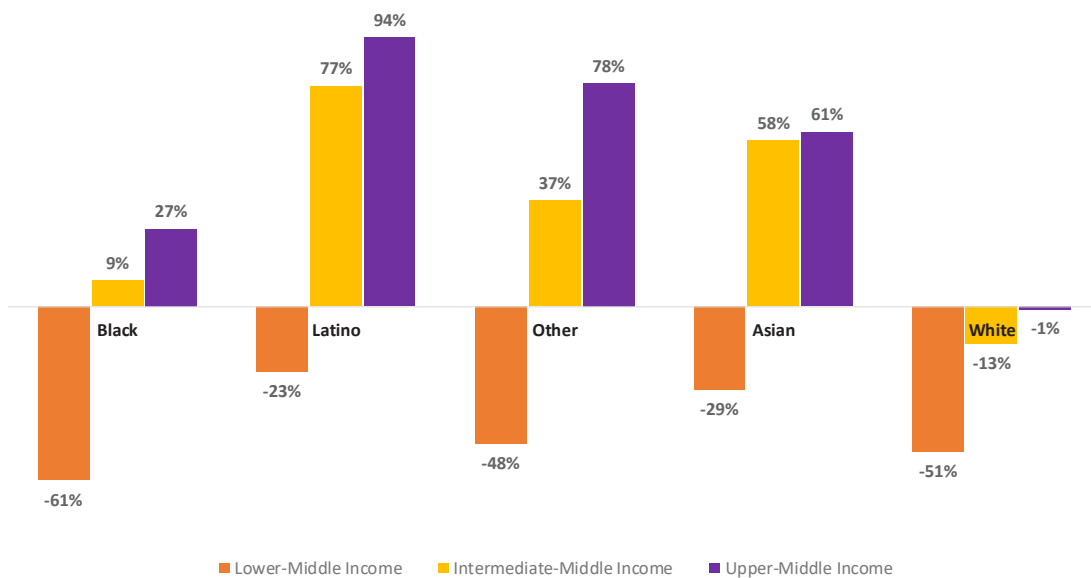
Source: [HOPE Tool](#)

Income by Race by Region

14.g. Percentage San Diego Racial Group Population by Middle-Income (2019)



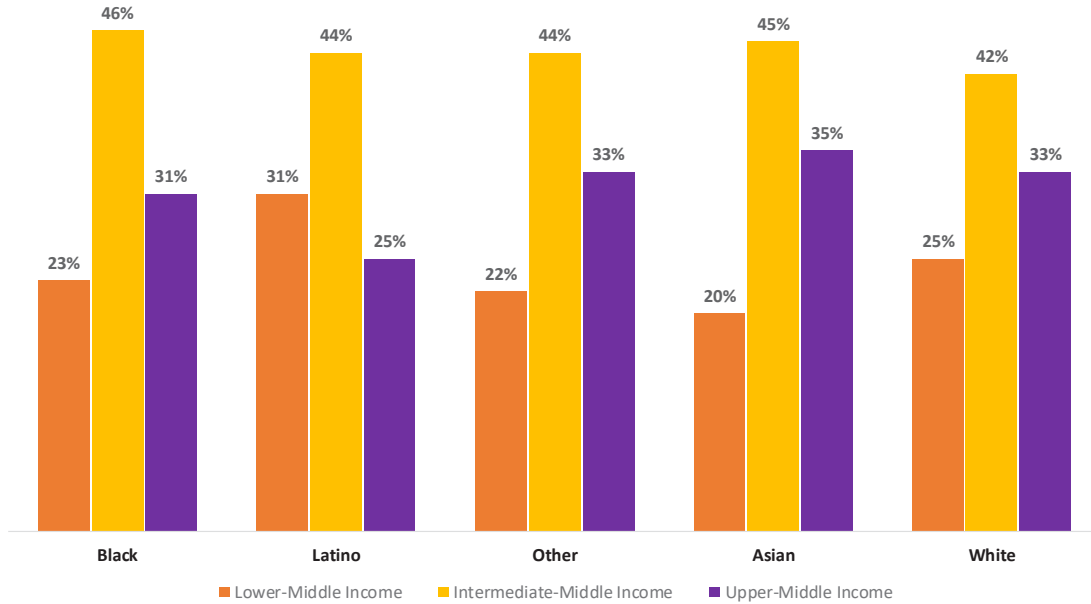
14.h. Percentage Change San Diego Racial Group Population by Middle-Income (2000-2019)



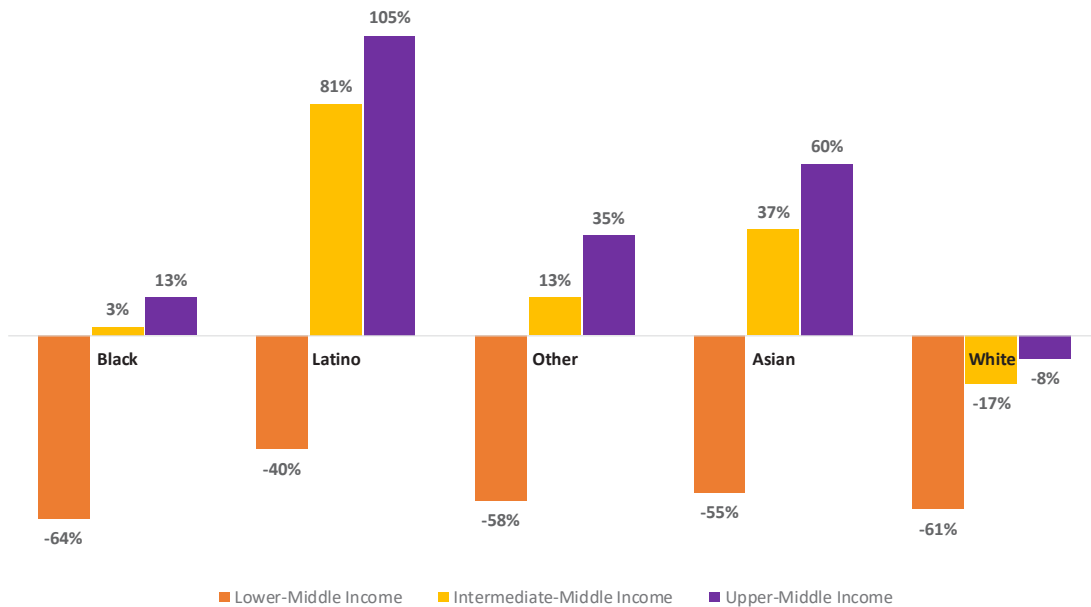
Source: [HOPE Tool](#)

Income by Race by Region

14.i. Percentage Southern California Racial Group Population by Middle-Income (2019)



14.j. Percentage Change Southern California Racial Group Population by Middle-Income (2000-2019)



Source: [HOPE Tool](#)

03 / The Missing Middle & Housing

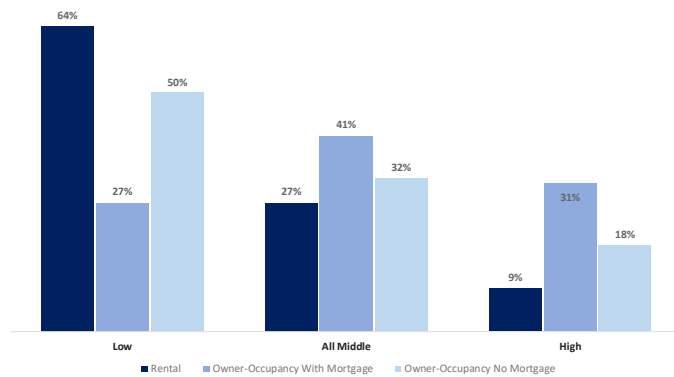
Many variables can be used to measure housing and housing challenges. Here we highlight two: 1) homeownership, which is an important variable for wealth and other issues, and 2) cost burden, a critical variable for understanding housing affordability. Let's start with homeownership.

Homeownership

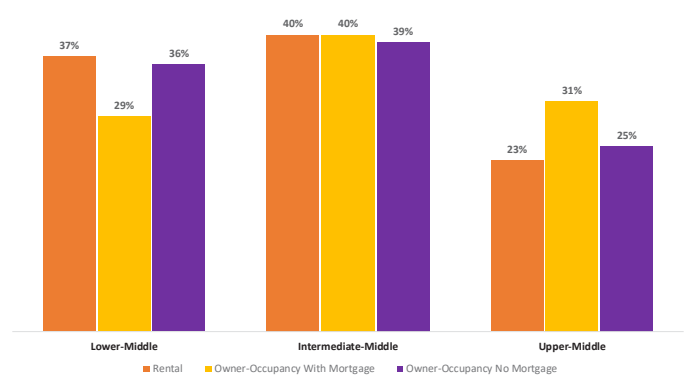
How Income Bands are Distributed by Region

Figure 15 presents an initial snapshot of basic housing tenure in California. For both the aggregate middle-income group and the lower-middle-income subset, the tenure breakdown isn't that different from the state as a whole. Aggregate middle-income Californians are slightly less likely to be renters, and slightly more likely to have a mortgage, but these are not massive differences.

15.a. Percentage of Renters/Homeowners by Income (2019)



15.b. Percentage of Renters/Homeowners by Middle-Income (2019)



Source: [HOPE Tool](#)

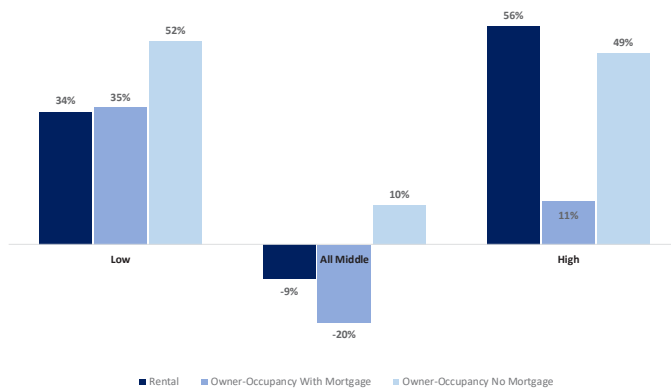
Middle-income Households are Trending Away from Homeownership and Towards Renting

The changes over time starkly illustrate our state’s housing challenges. **Figure 16** show the changes in housing tenure. Lower-income California is largely stable, with a small shift from renting to owning.[11] The change is much more dramatic and significant for middle- and even high-income households, with significant shifts away from homeownership and toward renting. If we break it down further into smaller bands (**Figure 16.b**), we can really see the impact on lower-middle-income homeowners and on the middle-income and upper-middle-income groups above them.

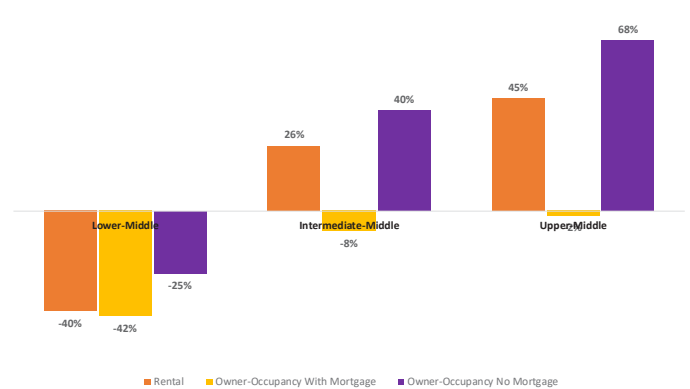
The cratering of lower-middle-income households with mortgages is particularly startling, and is in line with the overall decline in the number of lower-middle-income Californians. Did many of these families leave the state in search of more affordable homeownership opportunities? This seems plausible, but we do not presently have data that can tell us for sure.

Change in CA Population by Income and Housing Tenure

16.a. Percentage Change in Renters/Homeowners by Income (2000-2019)



16.b. Percentage Change in Renters/Homeowners by Middle-Income (2000-2019)



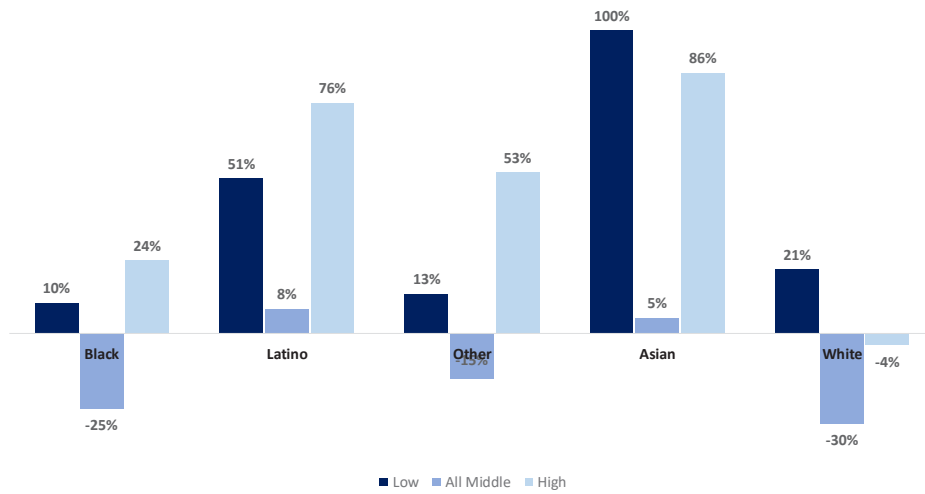
Source: [HOPE Tool](#)

Moderate-income Homeownership Decline Impacts All Racial Groups — But Some More Than Others

We also see very clear and significant drops in homeownership with a mortgage across all racial groups in all three moderate/middle bands (**Figure 17**).

Homeowner Household by Race

17.a. Percentage Change in Racial Group Homeowners with a Mortgage, by Income (2000-2019)



17.b. Percentage Change in Racial Group Homeowners with a Mortgage, by Middle-Income (2000-2019)

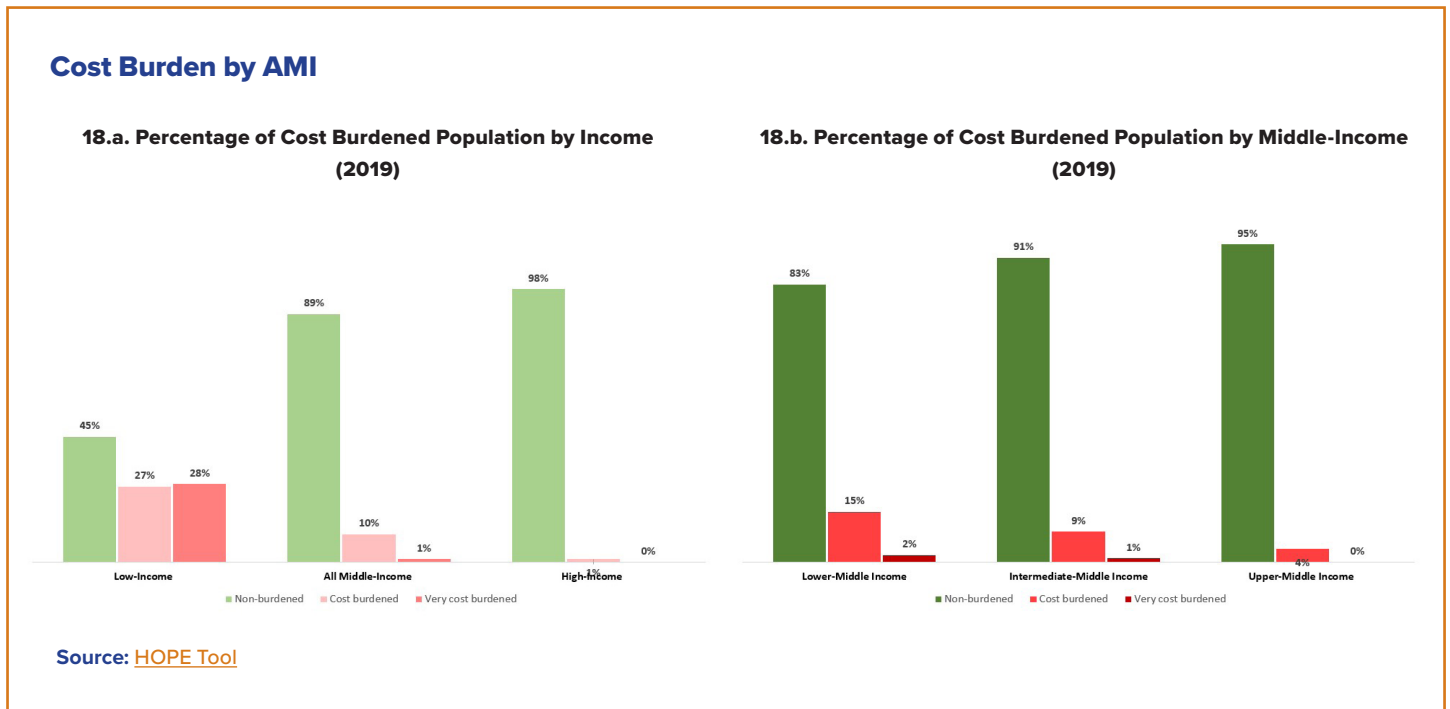


Source: HOPE Tool

Cost Burden

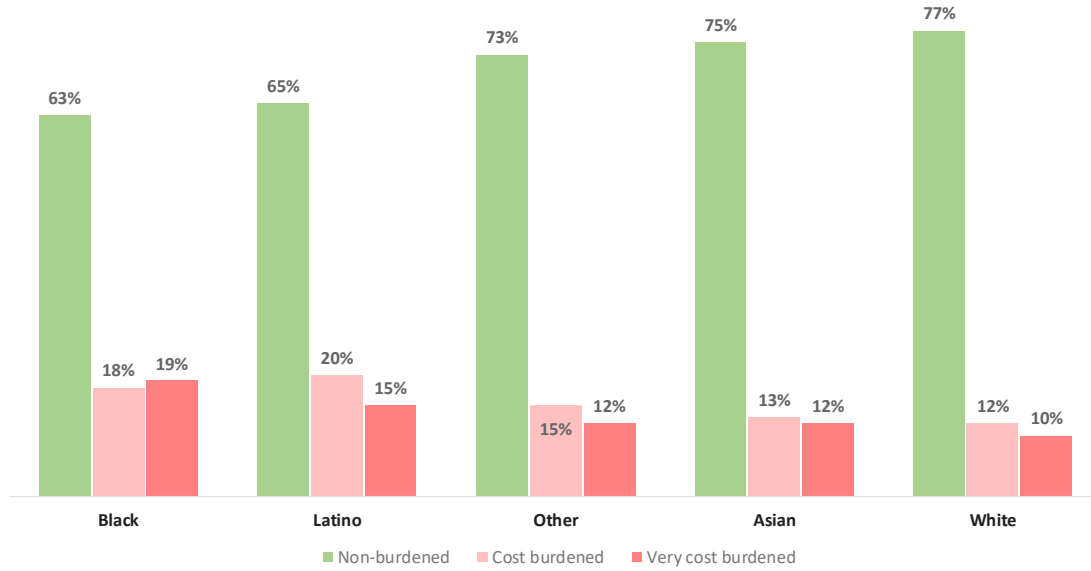
When we switch to cost burden, we see the metrics differently. **Figure 18** shows both cost burdened (i.e., households spending 30-50% of income on housing) and extremely cost burdened (more than 50% spent on housing) households by income group. The distribution is one we would expect — lower-income Californians pay a much higher percentage of income for housing costs. This is unsurprising in a state with very limited affordable housing and even more limited housing vouchers.^[12]

Cost burden by race shows something interesting: Overall cost burden by race — independent of income — shows higher rates of cost burden for BIPOC Californians (**Figure 19**), but if we examine all-middle-income (**Figure 19.b**), we see similar higher cost burdens in white Californians and Black Californians. Our operating hypothesis is that white middle-income households are more likely than Latino borrowers to be able to get loans to become homeowners even when they are overstretched, while Black Californians tend to face cost burdens that impact all income groups. This requires more investigation and we look forward to exploring this data point more in the future.

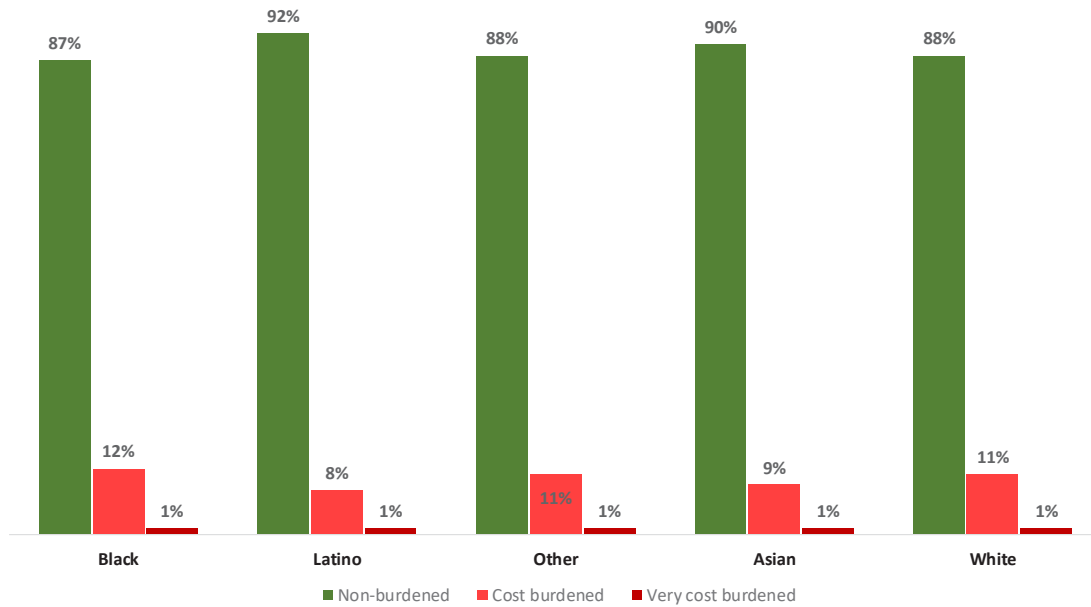


Cost Burden by Race

19.a. Percentage Cost Burdened Population by Racial Group (2019)



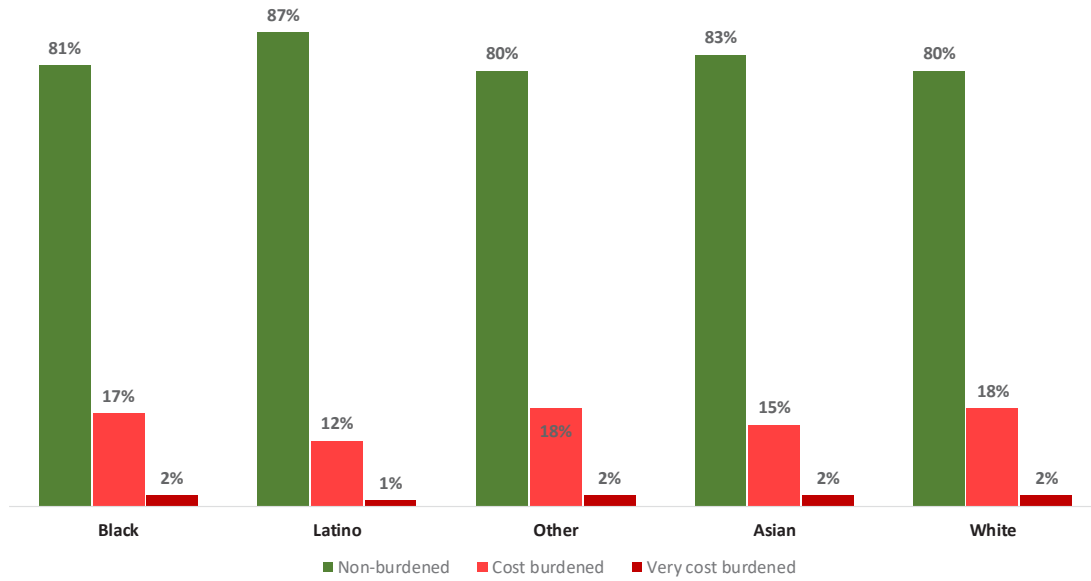
19.b. Percentage of Middle-Income Cost Burdened Population by Racial Group (2019)



Source: [HOPE Tool](#)

Cost Burden by Race

19.c. Percentage of Lower-Middle-Income Cost Burdened Population by Racial Group (2019)




Source: [HOPE Tool](#)

Part 4: Conclusions, Recommendations & Next Steps

The figures presented above highlight important facts about middle-income California, especially lower-middle-income California, that have not gotten sufficient attention. They show a group of Californians that is majority BIPOC and has been for some time, a group struggling with homeownership, but not facing the cost burdens of lower-income California. The lower-middle-income group is shrinking at the same time as the intermediate-middle- and upper-middle-income groups are growing. While we see some regional variation, many of the overall trends hold throughout California. Both the diversity and housing challenges of middle-income, especially lower-middle-income, California are not exclusive to the Bay Area or Los Angeles or San Diego, even if they are at times more pronounced in the wealthier parts of the state.

So what do we do with this information?



The fact that middle-income California is majority BIPOC highlights the need to work on housing policy across lower- *and* moderate-income California, and reminds us that housing for households below 200% of AMI is an economic and racial justice issue.

Too often, housing advocacy has been seen as a zero-sum game, assuming that gains for moderate- and middle-income households must come at the expense of low-income households, and vice versa. We hope that the facts outlined above help convince other allies to work broadly on housing policy covering several different income levels, including policies around homeownership and wealth-building, and will help to build political bridges between advocates on either side of the low- and middle-income divide. The most critical piece of this report is the number we highlighted at the beginning: 30.7 million. This is the number of lower-income (17.5 million) and moderate- / middle-income (13.2 million) Californians combined. Until we build a housing coalition that includes Californians on both sides of the 80% of AMI line, we will never achieve the systemic change that our housing system requires.

This report also raises as many questions as it answers. As we flagged in the introduction, we know little about how lower- and middle-income communities live together or how the 80% AMI dividing line between what qualifies as “low-income” and “middle-income” operates in real life. We know what it looks like in our own families — in many BIPOC families, some members are middle-income while others are low-income — but we can’t speak with any certainty at a statewide level.

For folks who want to collaborate on solutions in this space, we present a series of policy areas where California can take meaningful action on low- and middle-income housing — areas like multifamily homeownership, land use reform, and other important aspects of housing policy.



Policy Approach

Support Lower-middle-income Families Without Taking Away from Low-income Families

01

Prioritize land-use reforms that make it easier for low-income and middle-income BIPOC families to thrive: To support middle-income California, policymakers should work to make unsubsidized housing as affordable as possible through solutions that do not require government funding, such as zoning reform. Despite some notable progress, California today still effectively prohibits most development in single-family neighborhoods, which drives up housing costs by creating an artificial scarcity of an essential good while at the same time increasing economic and racial segregation.

02

Support lower-cost homeownership: Homeownership has been a longtime focus for CCB. Earlier this year, we published a [groundbreaking approach to homeownership](#), one that has immense potential to help Californians in both low- and middle-income families. Multifamily homeownership includes a variety of America's hidden housing tenures — condominiums, co-ops, community land trusts, or even just extended families sharing a house that they own. By supporting more and more people to own homes together — in whatever way works for them — we can safely grow family, community and household homeownership for middle- and low-income families.

03

Improve mortgage lending: As we see very clearly in this report, very few families in the lower-middle and middle-income groups can afford to buy the median priced home in their region, especially in high-cost markets. We see a clear need for more and better mortgage products that take into account the needs of lower-middle-income borrowers.

04

Protect renters: A focus on homeownership need not — and must not — ignore the struggles of renters in today's difficult housing market. Severely cost-burdened renters can never save enough to become homeowners. Policies that promote housing construction must protect existing affordable rentals, and the supply of affordable rentals needs to be increased.

Research Agenda

- 01** ***Individuals and families across the 80% line:*** At the beginning of this report we highlighted the limits of AMI bands and the limits of what we know about life at certain incomes. While we can see how bands grow and shrink, and what kind of housing outcomes people have, this type of quantitative work has limited value when it comes to understanding the lived experience at any AMI level. Much more work can and must be done qualitatively to understand housing life at different income levels. One of the most critical is to understand how households, families and communities straddle the 80% of AMI line, the official line in California between middle- and lower-income. What are the connections between households and families across the line? Are people crossing AMI lines, or are the lines crossing them? What effect does gentrification have on AMI and the low- and lower-middle-income residents of a gentrifying neighborhood?
- 02** ***Analysis of middle-income housing programs:*** Our [Middle-Income Housing Overview](#) gives a first-step description of the array of programs which serve these income bands. The next step is to analyze them in more depth to understand what is working and what is not, and to ask more about how existing programs do or do not serve folks across the 80% AMI line. In general, we need more research on housing policy outcomes in California, and this research has to be inclusive across lower- and middle-income bands.
- 03** ***Going deeper into California's diverse communities:*** This report uses pretty broad brushes to talk about race and housing, in part because more specific data is often unavailable. But we know that there are significant differences between racial groups and within them. How do income, housing and middle-income differ within the vast diversity that is Asian and Pacific Islander California? We urgently need disaggregated data about Asian and Pacific Islander subgroups. What about regional variations in the Latino community? What happens if we dive deeper into the experience of moderate- and middle-income Black Californians, or Indigenous Californians? And what about the collection of ethnicities now crudely lumped into the “Other” category? This report is a first step in understanding race, income and housing, not the destination.
- 04** ***Deeper dive into professions and employment:*** The HOPE Tool allows us to see more than income, housing and race. We can also dive into specific professions. We tend to imagine certain professions as middle-income — nurses, teachers, etc. Are they? If they are, does this hold everywhere in California? How have different professions been impacted by declining homeownership and a shrinking lower-middle-income cohort?
- 05** ***A future beyond AMI?*** As we have emphasized throughout this report, AMI bands in general and AMI specifically are challenging to work with. The type of housing indicators we care about — cost burden, homeownership rates, and many more — don't have anything to do with how much you make relative to the median income in your area. We impose this linkage through housing policy. A recent Urban Institute study shows some of the vast technical [challenges with AMI](#). Is it time we reconsider AMI's central role in eligibility for housing subsidies? If so, what other factors should we consider using?

Methodology

This report was developed using data from the [HOPE Tool](#), which provides information about demographic characteristics, household income, and housing affordability for California as a whole as well as for cities, counties, and legislative districts within the state. The HOPE Tool draws from microdata generated via the 2000 and 2010 decennial census and the 2015-2019 American Community Survey (ACS). The 2015-2019 ACS was selected for this analysis because it represents the final aggregated census survey results that do not include the impacts of the COVID-19 pandemic, which had significant and unpredictable impacts on census estimates in 2020. Individual and household observations are broken down by income categories based on the Area Median Income (AMI), which is calculated based on taking the median household income for each designated metropolitan statistical area, metropolitan division, or county and applying adjustments based on household size. AMI standards are developed by the U.S. Department of Housing and Urban Development (HUD) in order to determine income eligibility and are conventionally divided into a series of categories. Households that make less than 30% of the AMI adjusted for household size are classified as “Extremely Low-Income,” households that make between 30% and 50% of the size-adjusted AMI are classified as “Very Low-Income,” and households that make between 50% and 80% of the size-adjusted AMI are classified as “Low-Income.”

In addition to these income standards provided by directly by HUD, the HOPE Tool calculates an additional set of categories: households between 80-120% of AMI (“Moderate-Income / Lower-Middle-Income”), 120-160% of AMI (“Intermediate-Middle-Income”), 160-200% of AMI (“Upper-Middle-Income”), 200-240% of AMI (“High-Income”), and greater than 240% of AMI (“Very-High-Income”). After excluding households that were not given an AMI classification, we summarize the number of individuals and households that fall into each income category.

The naming of the middle-income categories presents a challenge. As noted in the literature section above, there is no standard set of categories or names. The 80-120% AMI category is well embedded in California law — see our [Middle-Income Housing Overview](#) — and referred to officially as ‘moderate-income’. To avoid confusion, we use this term throughout, alongside lower-middle-income. The names for the categories of lower-middle, intermediate-middle, and upper-middle-income, alongside high-income and very-high-income, were created for this project. We feel like they make logical sense, have some internal consistency in terms of naming, and help us see how income bands differ on questions of race, geography and household income. They also allow us to see three broad categories of income — low (<80%), middle (80-200%) and high (>200%), which we feel shine useful light on income strata in California.

Region	Counties	Total Population (2022)
Southern California	Imperial, Los Angeles, Orange, Riverside, San Bernardino, Ventura	18,551,198
Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma	7,516,241
Central Valley	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare	4,356,597
Sacramento	El Dorado, Placer, Sacramento, Yolo	2,416,702
San Diego	San Diego	3,276,208



The names for the categories of lower-middle, intermediate-middle, and upper-middle-income, alongside high-income and very-high-income, were created for this project. We feel like they make logical sense, have some internal consistency in terms of naming, and help us see how income bands differ on questions of race, geography and household income.

We calculate regional figures by aggregating county-level estimates from the HOPE Tool. The table above shows the counties that are grouped into each broader region for analysis. Regional definitions are an adaptation of the definitions used in the [California Regional Economies Employment Data Series](#). For our analysis, we shift San Benito County and Santa Cruz County out of the Bay Area and into the Central Coast, and Imperial County out of Southern Border into SCAG, to maintain the integrity the major Councils of Government (ABAG, SACOG, SCAG, SANDAG).

We recognize that approximately 4 million Californians live in rural counties that are not included in the regional analysis. This reflects limitations on data and resources, not a lack of respect for these Californians.

RHNA calculations created for this report were made based on [California's HCD Annual Progress Report](#). Regional analysis was completed using the definition above. Because some counties are excluded from this report's regional analysis, the numbers used in this report may not equal California totals.

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Endnotes

[1] In most cases, this report uses the term “Latino” rather than “Hispanic.” See “Language and Terminology” above.

[2] Official statistics often fail to provide clear information about some groups, including Pacific Islanders and Indigenous people.

[3] See <https://www.hcd.ca.gov/grants-and-funding/income-limits>

[4] See CCB's 2022 report on [Housing, Homeownership and the Racial Wealth Gap](#) and our 2023 report on [Multi-family Homeownership: Pathways to Addressing the California Housing Crisis](#).

[5] It was only slightly less bad if you look at 45-60 year olds. In general, only older Californians, many of whom bought their houses in pre-Prop. 13 California, have not seen across the board declines.

[6] See Taylor, Keeanga-Yamahtta. “Race for profit: How banks and the real estate industry undermined black homeownership.” UNC Press Books, 2019. Rothstein, Richard. The color of law: A forgotten history of how our government segregated America. Liveright Publishing, 2017.

[7] See recent efforts to draw attention to [racism in the appraisal system](#). Stay tuned for forthcoming work from CCB on mortgage originations, quality and denials using data from the Home Mortgage Disclosure Act (HMDA).

Endnotes, Cont'd.

[8] See Alameldin, Muhammad, and Quinn Underriner. “San Diego’s Success in Spurring Missing Middle Housing: The Accessory Dwelling Unit Bonus Program.” Turner Center for Housing Innovation, UC Berkeley, 2023, <https://turnercenter.berkeley.edu/research-and-policy/san-diego-adu-bonus-program/>, Garcia, David. “Unlocking the Potential of Missing Middle Housing.” Turner Center for Housing Innovation, UC Berkeley, 2022, <https://turnercenter.berkeley.edu/wp-content/uploads/2022/12/Missing-Middle-Brief-December-2022.pdf>.

[9] The Turner and [SPUR reports](#) use ‘middle-income’ to refer to the 80-120% AMI band, which California law and this report calls ‘moderate-income’. We also use the term lower-middle-income for this band.

[10] The SPUR Report also dives into the intersection of professions and median income, which is a critical avenue for further work. See the sidebar below for more on CCB’s future plans in this area.

[11] This is an interesting and surprising outcome which warrants further investigation.

[12] Housing Choice Vouchers (HCV), aka Section 8, cap the amount that voucher holders pay at 30%. Contrary to popular belief, HCV’s can be used to pay a mortgage, but rarely are in California. See our report on [Multifamily Homeownership](#) for more. One of the key pathways to growing wealth and stable homeownership for Californians <80% AMI would be increasing the number of vouchers used in this way and getting more Public Housing Authorities (PHA’s) to participate in this program.

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