threats to the future of a region that has been an engine of prosperity for the global economy." Local governments and high-tech businesses responded by supporting an extension of BART to Santa Clara County and sponsoring a new commuter rail line between Stockton and San Jose. The Altamont Commuter Express, equipped with laptop hookups and an espresso bar, whisked passengers (in the words of one inspired journalist) "from cow chips to computer chips."

Meanwhile, congestion on the freeways of the Los Angeles basin reached crisis proportions. Some observers despaired. "If you were born in L.A., as I was," said one former assemblyman, "you never expected transportation to be good." Others placed their hope in a new technology called Intelligent Vehicle Highway Systems (IVHS). Regarded as the core of the surface transportation system of the future, IVHS technology allowed traffic managers to operate freeways more efficiently by using integrated applications of computers and telecommunications. The first successful IVHS project encompassed one of the busiest commuter corridors in the nation, the Santa Monica, Harbor, and San Diego freeways.

The most ambitious plan to meet the state's transportation challenge came from Governor Arnold Schwarzenegger in 2006. His ten-year Strategic Growth Plan, which proposed spending more than $100 billion on transportation improvements, promised the most sweeping public works program since the days of Governor Pat Brown. Pledging to "create an infrastructure that reduces the gridlock on our roads," Schwarzenegger dedicated most of the proposed resources to highway projects aimed at easing congestion. Environmentalists were disappointed that the governor's plan virtually ignored mass transit, but others applauded the proposal. "The bottom line is this kind of commitment to our transportation system is long overdue," said the director of the Metropolitan Transportation Commission.

Housing

During the last decades of the twentieth century, the income gap between the top fifth and the bottom fifth of the population widened more in California than in any other state. This growing disparity was particularly evident in the split-screen recent history of housing in the Golden State.

On the one hand were California homeowners enjoying phenomenal increases in the value of their properties. Among the hundreds of metropolitan regions in the United States, the ten with the greatest increases in home prices were all in California. Housing values were doubling every five years. By 2005 California had the most expensive housing of any state, boasting more than 40 percent of the nation's million-dollar abodes. Luxurious trophy homes in gated communities were emblems of the California dream fulfilled.

On the other hand, the sizzling rise in property values meant that many Californians simply could not afford to buy a home. The state's affordability rate was the second lowest in the nation. *Affordability* is the estimated percentage of residents who can afford a median-priced home. Only about one in seven households statewide could afford such a home; in the major metropolitan regions, just one in ten. Low- or moderate-income families despaired of ever being able to purchase a home of their own. The annual income required to purchase a median-priced residence in San Francisco, for instance, was four times the average earnings of a local public school teacher. Not surprisingly, the proportion of residents who owned homes was much lower in California than in the rest of the nation. Indeed, California in 2005 ranked 48th among the states in its rate of homeownership.

Soaring property values also meant higher rents. One in four California renters paid more than half their paycheck for shelter. A minimum-wage worker in Los Angeles would have to hold two full-time jobs, seven days a week, to afford the average rent for a two-bedroom apartment.

The most disturbing manifestation of the gap between rich and poor was the rising number of homeless Californians. UC Berkeley economist John Quigley, the author of *Homelessness in California* (2001), found that "housing affordability is strongly associated with the level of homelessness." As property values and rents increased, more families lost their homes and were forced to live on the street. In the midst of a state that prided itself on its economic vitality, the homeless were daily reminders of the California dream denied.

Scholars puzzled over another perplexing feature of the California housing picture. With prices at all-time highs and affordability rates at all-time lows, real estate sales continued to boom. So who were the buyers? Some were speculators who bought homes with the intention of "flipping" them—making minor improvements and quickly reselling the properties for a handsome profit as prices increased. (If the California "housing bubble" were to burst, as some experts predicted, speculators would be the first to feel the pain.) Many buyers were young professionals who took great risks to purchase a home. Federal housing authorities recommended that homebuyers spend no more than 30 percent of their monthly income on mortgage payments. The proportion of buyers who exceeded that threshold was higher in California than in any other state; many Californians were spending well over half their income on housing. Also, a majority of new California homebuyers took out variable-rate or interest-only loans. Monthly payments on such loans remained low for the first few years, allowing financially strapped buyers to get into the market, but had the potential for rising sharply in later years.

The fundamental cause of the California housing crisis was the same as that which was producing congestion on the state's highways—an inadequate supply to meet demand. New jobs and residents were increasing far more rapidly than new homes were being built. Just one new unit of housing was constructed in California during the 1990s for every three new jobs. By 2006 the annual supply of new homes was running about 40,000 below the total needed to keep pace with job growth. Housing shortages were especially severe in the largest metropolitan areas—Los Angeles, San Francisco, and San Diego.

Among other things, the shortfall in housing was one of the long-term consequences of Proposition 13, the property tax–cutting initiative of 1978. Local governments came to regard housing developments as "money losers" because they did not generate enough tax revenues to cover the costs of required public services (such as schools). Instead of approving proposals to build more houses, local