

California Housing Crisis Begg for a Cooperative Effort to End It

By CARY LOWE

The seriousness of the housing crisis in California cannot be overstated: apartment vacancy rates below 1% in some cities, including Los Angeles; the median price of a Los Angeles single-family home approaching \$100,000; the costs of shelter rising much more rapidly than income; the loss of thousands of construction-industry jobs.

Until recently, renters and home buyers had little effect on the problem. Then the renters drew together as a tenant movement and, joining homeowner groups, began to wield substantial political clout with elected officials and public agencies. As a result, housing consumers in general have been able to fight real-estate industry interests to a standstill on many controversial issues. At the same time, these interests have retained more than enough clout to keep housing consumers on the defensive and block such proposals as stronger eviction protections.

This virtual stalemate, which has been evident in the legislative arena for some time, has now taken hold at the ballot box as well, most dramatically last month with the defeat of Proposition 10, which would have repealed all existing rent-control laws in the state. Now consumer groups are beginning to recognize that rent control alone is only an interim solution to a critical situation.

Similarly, housing developers and construction unions are beginning to acknowledge that there are economic and political constraints on housing production that are far more serious obstacles than the consumer-protection laws.

Recently representatives of activist organizations and the real-estate industry have been cautiously seeking a conciliation, and have begun to discuss possible areas of future cooperation. Building-industry officials, including the head of Gov. Jerry Brown's task force on affordable housing and the president-elect of the California Savings and Loan League, have publicly called for a coalition approach to resolving the housing crisis.

All factions recognize that there is a need for the creation of a well-organized political constituency for affordable housing development.

Too many public officials, and too many of their constituents who already own homes, treat new housing development as a blight to be avoided. When builders and bankers alone argue for loosened controls on development, they are too easily dismissed as being merely profit-hungry. But the prospective home buyers of tomorrow, as well as those seeking a balanced rental market, should join the builders and the bankers in a joint lobbying effort to attain production of affordable housing.

Major progress in relieving the housing crisis will be slow in coming, in any case, but it is possible to begin. There is already substantial agreement among groups that have traditionally been adversaries, with regard to some basic policy changes.

For example, local governments could dramatically cut land costs by allowing greater density in new, affordable housing developments. Redevelopment agencies could provide the kind of assistance with land clearance and resale subsidies for affordable housing that they routinely provide for commercial developments. Finance costs could be significantly reduced by subsidizing interest rates for developers of affordable housing, through the sale of tax-exempt bonds by local government. Proposals for low-to-moderate-income housing construction could be given priority in processing by local government agencies. Public-housing authorities could expand their production of housing for low-income families and the elderly. Federal housing funds could be more effectively used to assist in all these programs. New sources of investment capital, such as building-trades pension funds, could be tapped.

A critical point is that the housing built with such assistance must be affordable to people who are currently frozen out of home-ownership opportunities or who are paying an excessive share of their income for rent. Rent regulation and resale controls on owner-occupied units may be required to ensure that such housing remains affordable.

California needs substantially increased investment in new housing production. A distinction must be drawn between the builders, construction workers and investors who are committed to new production and the elements of the real-estate industry that derive their profit from speculating in existing housing. Speculation inflates housing costs and diverts investment capital without adding to the housing supply, and its control must be part of a cooperative strategy.

There is no shortage of specific proposals to bolster housing production. What has

been missing until now has been the political will to turn these ideas into practice. That can be changed, however, through a cooperative effort by housing producers and housing consumers, with each side recognizing the legitimate needs and goals of the other. □

Cary D. Lowe is the director of the California Public Policy Center, and a member of Los Angeles City Council President John Ferraro's Fact-Finding Committee on Housing.