

Where Will Our Children Live?
Keynote Address
California Housing Consortium
May 8, 2007
Los Angeles Central Library

Peter Dreier
Occidental College

We have some serious choices to make about our future. Choices we make today will shape the world that our children and grandchildren will inherit.

Those of us here today understand the details of housing programs and policy. We take them for granted. So we may not recognize that people in other parts of the world, even in Canada, think that the way we provide housing in this country makes little sense. Our policies seem to work at cross-purposes: Some promote sprawl and suburbanization, while others seek to rebuild inner-city neighborhoods. Some of our policies exacerbate racial segregation and the concentration of poverty, while others try to promote racial integration and income mixing. They don't understand why the federal government spends about \$40 billion a year for low-income housing, but spends more than twice that much in tax subsidies for homeowners, most of it going to households earning over \$100,000. In terms of federal housing subsidies, we have an entitlement for the rich and a lottery for the poor. They don't understand the reasons why the federal government, state governments, and local governments have overlapping and sometimes conflicting responsibilities with regard to housing policy.

Some of the tension over housing policy is so obvious that we fail to recognize it. In California, we face a real dilemma: We hate sprawl, but we despise density.

This reminds me of something that Woody Allen once wrote. As part of commencement address, he told the college graduates: "More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly."

Our choices in California aren't that stark or that bleak. Yes, we have some important choices to make about our future. But our housing crisis is manageable. We have the resources and the know-how to solve it. What we lack is the political will. And creating that political will is within our grasp. We just have to be more

strategic, build stronger coalitions, and link housing with other concerns and issues.

The Social Contract

The debate over housing policy—whether at the local, state, or federal level—is ultimately about the proper role of government in society. This involves various kinds of subsidies, tax breaks and other incentives (for developers, tenants, and homeowners) and regulations (over land use, building codes, and discrimination). What's the proper balance between profits and the public interest? Let's put this debate over housing regulations in a broader, and historical, perspective. More than a century ago, Americans forged a social contract with American business. It said, in essence, that business should be able to make a profit, but it must also be socially responsible. So, local, state and federal governments passed laws regulating their activities.

In the early 1900s, state and then the feds adopted child labor laws to end the exploitation of children in factories. In 1938, Congress enacted a federal minimum wage to guarantee the workers had enough money to feed and clothe their families; 28 states have adopted their own minimum wage laws to account for higher living costs. In the 1970s, Congress and states passed environmental laws— requiring factories and auto companies to limit pollution—so that we have clean drinking water and clean air, and to protect the public health. For the same reason, we require oil companies to remove lead from the gasoline we put in our cars and trucks.

In 1970, Congress enacted the Occupational Safety and Health Act to require employers to meet basic workplace safety standards. To protect workers and consumers, we've outlawed companies from using certain toxic chemicals. We inspect medicines, food and other consumer items to make sure that they are safe; since the 1970s, the federal government has required drug and food companies to show the ingredients on their labels.

Counties and cities require restaurants to maintain clean kitchens and safe food, or risk losing their licenses to remain open. Federal laws outlaw banks from the practice of "redlining"—discriminating against minority borrowers if they can afford to repay the loans. States regulate private utility companies, setting their rates (prices) so that families and businesses can have electricity. When these laws were first proposed, business and their industry lobbies were split. Some enlightened business leaders understood that the trade-off between profits and the public interest was necessary for a healthy society in which business could prosper.

But other businesses and their lobbyists protested. They argued that these laws violated their property rights, or that they would cost too much to implement and force entire industries to shut down. Indeed, whenever public officials and community leaders proposed policies to make business act more responsibly, some

business leaders reply in horror that it would destroy the incentive to invest and hurt the business climate. Let's call this the "Chicken Little" syndrome or, to use another metaphor from children's fables, crying "wolf." Sound familiar? Business has always found a way to adapt to these requirements and still make healthy profits. Most Americans agree that these laws have made our country a better place to live and work. Government investments in education, roads, transportation facilities, communication systems, and research and development, as well as our legal system of contracts, has allowed business to flourish. The quid-pro-quo—the social contract—is that businesses must behave responsibly; they owe something back to the broader community. Since Americans also don't trust businesses to act responsibly on their own (i.e., voluntarily), they support laws that involve inspections, fines, and other penalties for violating the laws. What about housing? In his 1890 book, *How The Other Half Lives*, Jacob Riis described the deplorable conditions in New York City's slums:

The tenement-house population had swelled to half a million souls by [1855], and on the East Side, in what is still the most populated district in all the world...it was packed at a rate of 290,000 to the square mile... The death of a child in a tenement was registered in the Bureau of Vital Statistics as 'plainly due to suffocation of foul air of an unventilated apartment,' and the Senators, who had come down from Albany to find out what was the matter with New York, reported that 'there are annually cut off from the population by disease and death enough human beings to people a city, and enough human labor to sustain it.' And yet experts had testified that, as compared with uptown, rents were from twenty-five to thirty percent higher in the worst slums of the lower wards.

The same conditions could be found in other cities around the country, including L.A. In the late 1800's and early 1900s, cities enacted municipal housing reform laws that required apartment builders to meet basic safety and health standards (i.e. fireproof buildings, fire escapes, ventilation, indoor plumbing).

Since then, we've accepted the idea that the "free market" in housing must be balanced with regulations that protect the public. We have zoning laws to make sure that developers don't build huge factories in single-family neighborhoods. We have "fair housing" laws to make sure that realtors and landlords don't discriminate against people based on race, age, or families with kids. We have "warranty of habitability" laws that require landlords to meet basic safety and health standards—such as keeping the heat on in winter, installing smoke detectors, and fixing exposed electrical fires. Many cities around the country, including more than 100 in California alone, have adopted "inclusionary zoning" laws that require developers to include housing affordable to working families. Housing and labor groups in L.A. are now pushing L.A. to adopt such a requirement. Predictably, many developers don't

want inclusionary zoning laws. They say they can't afford it, that "the numbers don't work." Carol Schatz, president and chief executive of the Central City Assn., has been running around town warning that the sky will fall if the City Council adopts inclusionary zoning. Housing developers will no longer want to build homes in Los Angeles, she says. If they do, Ms. Schatz warns, they will raise the prices and rents of their expensive units to offset the losses from building units for schoolteachers, nurses, secretaries, factory workers, janitors and retail clerks. That there is absolutely no evidence to support these dire predictions doesn't muzzle Schatz and her allies. More than 100 cities and counties in California—including San Diego, San Francisco, Pasadena, Sacramento and Santa Monica—have adopted inclusionary zoning, and houses are still being constructed in those cities. In those cities, housing developers initially grumbled about having to build more affordable units. They also warned that the requirement would undermine new housing starts. But developers soon learned to live with the new rules and have continued to build profitable residential projects. In fact, socially responsible developers acknowledge that inclusionary zoning laws, rent regulations, and limits on condo conversions are a reasonable trade-off for their right to make a profit from owning a basic necessity—housing. But because groups like the CCA and the Apartment Owners Association give big campaign contributions, some City Council members find it useful to believe them. So unions, tenant groups, and community organizations—who represent the concerns of a majority of working people in L.A.—need to mobilize to challenge the power of those businesses who refuse to live by the social contract. Let's learn from recent history. The Central City Association and the L.A. Area Chamber of Commerce have pushed the Chicken Little button before when opposing legislation to require business to act responsibly. In 1996, the Chamber released a report warning that the living-wage ordinance then under City Council review would cost taxpayers more than \$130 million in tax increases and program cuts, force city contractors to downsize, eliminate about 3,000 low-skill jobs and cripple local job-creation programs. The next year, the Council adopted an ordinance that required about a thousand firms with city contracts to pay workers at least \$7.25 an hour, plus family health insurance and other benefits, or \$8.50 an hour with no benefits. The City Council has since increased the wage and benefit levels. A report published last year by two University of California economists showed that business leaders were crying wolf. The living wage law had none of the negative consequences that the CCA and the Chamber of Commerce warned about. We cannot solve our housing crisis without acknowledging the need for trade-offs, for compromises, subsidies and regulations, an appropriate balance between private profit and public interest. We need to build a movement for affordable housing that is part of a larger movement for social and economic justice. We need to shape public opinion, influence policy makers, and change the political climate.

Widening Inequality: The Root Cause of Our Housing Crisis

The housing crisis – a shortage of affordable homes for sale and for rent – is not confined to Los Angeles, or San Francisco, or even California.

It is a national crisis. And its cause is political, not economic. As a nation we have the resources, the technology, and the know-how to solve the housing crisis. What we lack is the political will.

Right now, America seems to be holding its breath – trying to decide what kind of society it wants to be.

We have many challenges:

For example, if we compare the U.S. to other advanced industrial countries like Canada, Germany, France, Sweden, Australia, Holland, and Denmark, and Norway, we find some troubling things:

- o The U.S. has the highest per capita income among those countries.
- o At the same time, the U.S. has, by far, the widest gap between the rich and the poor.
- o We have the highest poverty rate. More than 37 million Americans live below the poverty line -- roughly \$20,000 for a family of four.
- o About 13 million of these poor Americans are children. In fact, almost one out of five American children is poor. They live in slums and trailer parks, eat cold cereal for dinner, share a bed or a cot with their siblings and sometimes with their parents, and are often one disaster away from becoming homeless.
- o A growing number of America's poor earn their poverty on the job. Almost 30% of American workers work full-time, year-round, for poverty level wages.
- o Only three out of five children eligible for the Head Start program are enrolled because of the lack of funding.
- o About 7 million students attend school with life-threatening safety code violations.
- o The U.S. has the highest infant mortality rate among major industrial nations.
- o One fifth of all children under two are not immunized against serious diseases.
- o The U.S. ranks last in the number of people without health insurance. Almost 47 million Americans – 16% of the population – have no health insurance.
- o The U.S. has a much higher proportion of our citizens in prison than any of these societies. We have more than 2 million Americans in prison.
- o We spend the least on social programs, and the most on the military, of any major democracy.
- o Not long ago, we watched in horror as the Bush administration and Congress sat on their hands after Katrina hit the Gulf Coast and allowed the citizens of New Orleans -- mostly poor, mostly African-American -- fend for themselves.

- o We are spending more money rebuilding Iraq than we are spending to rebuild our cities.
- o Hardship isn't confined to America's poor.
- o Among the middle class as well, Americans are working harder, longer hours for the same money, and feeling less secure about the future.
- o American middle class families are drowning in debt.
- o Last year, families had to spend 14.4 percent of their disposable income to service their debt — the largest share since 1980.
- o Wages continue to stagnate. The median household income has actually declined under the Bush administration, even though productivity is up 18.4 percent.
- o Americans are also having to spend more and work longer to pay for basic middle-class items -- housing, medical care, transportation, and savings for college.

The Current Housing Crisis

We need to make housing part of a broader agenda for reform at all levels of government and society.

How serious is America's housing crisis? Today, about 35 million American households pay more than 30% of their incomes for housing. That's one-third of all U.S. households—about 90 million people. That's significantly more than the number of Americans who lack health insurance.

Almost 16 million households—one out of seven—pays more than half their income for housing. These are almost evenly divided between owners (7.4 million) and renters (8.4 million). And it is getting worse. Housing is rapidly eating up much more of the family budget. OK, you say, these are national figures, but housing markets are local. This may be a problem in San Francisco, Los Angeles, New York, Boston, and Washington, D.C., but it isn't a problem in the "heartland," the rest of America. Wrong. The gap between incomes and housing costs is widening in every part of the country. According to the "Out of Reach" report, a full-time worker at minimum wage cannot afford a typical apartment anywhere in the country. No other major industrial nation has permitted the level of destitution and decay found in America's cities. We see the consequences every day: deadly levels of crime and violence; Third World levels of infant mortality; a growing army of homeless people sleeping on park benches and in vacant buildings. Americans accept as "normal" levels of poverty, crime and homelessness that would cause national alarm in Canada, Western Europe or Australia. But the good news is that these other countries demonstrate that the housing crisis is solvable. The U.S. has the resources, technology, and policy ideas to guarantee that every American has a safe, decent, affordable home. What's missing is the political will—in Washington, Sacramento, and in cities across CA.

So I'd like to talk about **THE PROBLEM**, especially here in California. Then I'd like to discuss **POLICY SOLUTIONS**, at the local, state and federal levels. Finally, I'd like to talk about building the **POLITICAL WILL** to address our housing crisis.

California Housing Indicators

We need to make California a great place to live and work.

California is projected to add 3 million jobs, 5 million residents, and 2 million households during the next ten years. Can we provide enough housing at affordable prices to support this projected job and population growth?

According to a report by the Center for Continuing Study of the California Economy: "Housing is probably California's long-term competitiveness challenge."

By several measures, California is the least affordable state in the country.

1. Let's take homeownership:

Except for Hawaii (59.9) CA has the second lowest homeownership rate – 60.2%.

The National Association of Home Builders ranks all 202 metro areas in the U.S. in terms of housing "affordability" – the gap between media home prices and median family incomes.

- * 9 of the 10 least affordable metro areas are in California

- * 22 of the 25 least affordable metro areas in in California

Since 2000, housing costs have far outpaced increases in income and consumer prices.

Median home prices in California are still about two-and-a-half times the national average.

But median household income in California is only about 15% more than the national average. Our per capita income is only 4% above the national average. [CA Economic Growth: 2006, p. 5-3].

2. For renters, too, CA is – after Hawaii – the most expensive state in the country.

Every year, the National Low Income Housing Coalition calculates a "housing wage" for each state and county. It formulates how much a family needs to earn to afford the typical two-bedroom apartment.

Last year, the “housing wage” for CA was \$22.86. This is more than 3 times the state’s minimum wage (\$6.75).

Of the 10 most expensive counties in the U.S. for renters, 6 of them are in California – Marin, San Mateo, San Francisco, Orange, Ventura, and Santa Cruz.

Moreover, things are getting worse – in two ways.

First, we are not building enough housing.

Second, most of the housing that we are building is not affordable to California’s working families.

- o HCD estimates that we need to add 220,000 new housing a year to meet the demand. But since 1999, we’ve averaged adding fewer than 170,000 units each year. So each year we get further and further behind.

- o The greatest production gap is multifamily, and the recent increase in multifamily development has been for high-end rentals and condos.

- o The greatest need is for housing for low income households. The Dept of Housing (HCD) estimates that the statewide backlog of home production to lower income families is 651,000. We need to add 52,000 units every year just to match the growth demand.

California’s economy is growing, but the jobs that are being created are bifurcated between high-wage professional level jobs and low-wage service and manufacturing jobs – including clerical, janitorial and security services, and logistics (ie warehouse and transportation). Most jobs now, and most jobs that are being created for the future, do not require a college degree.

More than half of CA’s renters are low or very-low income. Nearly half of all renters pay more 50% of income for rent. Roughly 24% of renter households are overcrowded.

In fact, we are losing more affordable housing than we are producing. Rising rents, condo conversions, deterioration, and demolition are eroding our inventory of affordable housing - especially rental housing. We cannot simply build our way out of the housing crisis. We need to preserve what we already have.

More than 4.7 million Californians live below the poverty line. (2005) This is 13.3% of the state’s population. CA also has one of the widest gaps between the rich and poor. It ranks fifth – between New York, Texas, Tennessee, and Arizona – in terms of

the gap between the richest 20% and poorest 20%.

To summarize:

The housing market is broken.

We are not building enough housing to keep up with population growth.

The housing we ARE building isn't affordable to most working families. Most developers are only building expensive new apartments, condos, and houses.

Some owners are also evicting poor and middle-class renters to convert their apartments to high-priced condominiums.

The gap between the rich and the working poor—those who can afford housing and those who cannot—grows wider.

We find ourselves in the incredible situation that high school teachers (\$60,537/year), Fire fighters (\$66,307/year), police officers (\$67,693/year), registered nurses (\$67,755/year), college professors (\$70,372/year), electrical engineers (\$81,108/year), pharmacists (\$95,280/year), even young lawyers and dentists, can afford to buy a home in many parts of the state. And through much of the state, rents are out of reach for: Waiters (\$17,216/year), Sewing machine operators (\$18,151/year), Food preparation workers (\$18,750/year), Maids (\$19,308/year), Childcare workers (\$21,368/year), Janitors (\$22,535/year), Security guards (\$22,736/year), Receptionists (\$24,751/year), Retail salespersons (\$25,756/year), Office clerks (\$26,311/year), Secretaries (\$32,337/year), Truck drivers (\$35,937/year), Social workers (\$39,346/year), Retail managers (\$39,514/year), Licensed vocational nurses (\$41,111/year), Computer support staff (\$44,917/year), Electricians (\$49,829/year), Paralegals (\$51,429/year) and even Clergy (\$52,237/year)

Creating more affordable housing is necessary if we are to restore the middle class in California.

Consequences

Our housing crisis is:

Bad for the business climate, especially employers who require a workforce that can afford to live here

Bad for retailers who depend on consumer demand. If families pay too much for housing, they have little left over to pay for other things.

Bad for schools. Last year, 574 school districts in California, serving 63% of California's students – experienced a decline in enrollment. This is due in large measure to rising housing costs. Fewer students translate into fewer dollars for California school districts. It plays havoc with school budgets, leaves districts with

empty school buildings, and requires districts in outlying areas to raise funding to build new schools. This is a recipe for fiscal disaster and sprawl.

Bad for the environment and public health – people live further and further from their jobs, commute long distances, creating pollution, cancer, and respiratory diseases

What To Do?

We cannot solve this problem without government – that is, subsidies and regulations.

So the appropriate questions involve: what kind of subsidies and how much? What kind of regulations? And which level of government should be responsible for addressing these concerns?

I'd propose a 12-Step program – 4 ideas at the local level, 4 at the federal level, and 4 at the state level. And, like all 12-step programs, we need to acknowledge that we are powerless to solve this problem on our own. There's a higher power – that's the combined power and influence of a well-organized political constituency.

Local Government

Let's start with local governments:

1. Local governments can streamline the development process, giving priority to, and fast-tracking, affordable housing developments.
2. Local governments can adopt local housing trust funds, as many CA cities have already done. The key, however, is to identify a permanent source for these trust funds, so that they are predictable.

For example, the 392 active local redevelopment agencies should be "persuaded" to use more of their \$7.3 billion in annual revenues for the preservation, rehab and increase of affordable housing.

Local governments can also adopt linkage fees on commercial development, targeted for local housing trust funds.

3. Local governments can adopt Inclusionary Zoning laws to help balance to create mixed-income housing. Over 100 jurisdictions in CA have already done so. LA should be the next. We shouldn't little to the Chicken Littles.

4. Local governments can help preserve the existing supply of affordable rental

housing by enacting the strongest possible tenant protection laws, to find a healthy balance between landlords' profits and the public interest. These include limits on rent gouging, condo conversions, and demolitions.

Federal government

Let me jump to the federal level, then come back to what we can do here in California.

We cannot solve our nation's housing crisis without the federal government playing a much stronger role. There's been a dramatic decline in HUD assistance since the early 1980s. Housing assistance for low-income households has been slashed, while tax subsidies for affluent homeowners have significantly increased. We're fortunate that Congressman Barney Frank of Massachusetts – my old stomping grounds – is now chair of the Financial Services committee in the House. He's a true ally and very knowledgeable about housing and lending issues.

Most Americans think that federal housing assistance is a poor people's program. In fact, fewer than one-fourth of all low-income Americans (those who have Section 8 rental vouchers or who live in government-assisted developments) receive federal housing subsidies. In contrast, almost two-thirds of wealthy Americans—many living in mansions—get housing aid from Washington. The largest housing subsidies are tax breaks for homeowners. These cost the federal government almost \$90 billion—\$70.1 billion for the mortgage interest deduction and \$19.3 billion for the property tax deduction—according to a report by the Congressional Joint Committee on Taxation. That would be OK if most of it helped middle- and working-class people. But it doesn't. Those with the highest incomes and the most expensive homes (including second homes) get the largest subsidy. More than half (53.7 percent) of the \$89.5 billion homeowner subsidies went to the 11.8 percent of taxpayers with incomes over \$100,000. More than one-fifth (20.6 percent) went to the wealthiest 2.3 percent of taxpayers with incomes over \$200,000. Wealthy households are most likely to own homes and to itemize deductions. Half of all homeowners do not claim deductions at all. Tenants, of course, don't even qualify. As a result, 62 percent of households with incomes above \$200,000 receive a mortgage interest tax break, averaging \$7,219. In contrast, only 3.5 percent of households with incomes between \$10,000 and \$20,000 receive any subsidy, averaging \$317. If anything, these tax deductions help push up housing prices artificially, especially at the upper end, because homebuyers include the value of the tax subsidy in their purchase decision. This leads wealthy homeowners to buy bigger houses than they would without the tax breaks. In recent years, many middle-class families have found it more and more difficult to buy a home. Contrary to the rhetoric of the real estate industry, these deductions aren't the salvation of the middle class. Only one-third of the 52 million households with incomes between \$30,000 and \$75,000 receive any homeowner subsidy. As a result, a

wealthy corporate executive is more likely to receive a much bigger homeowner tax break than a garment worker, a construction worker or a school teacher. The current system subsidizes the rich to buy huge homes without helping most working families buy even a small bungalow. Housing subsidies for the rich are virtually an entitlement, but for the poor it is a lottery. While the tax code provides about \$50 billion in homeowner subsidies for families with incomes above \$100,000, the entire U.S. Department of Housing and Urban Development (HUD) budget is under \$40 billion. This provides housing assistance for less than one-quarter of the nation's poor. Under President George W. Bush, the number of poor people (now 37 million) has increased, while he's cut housing subsidies for low-income families.

For example, there are more than 20,000 families on the waiting list for Section 8 vouchers in LA alone because HUD doesn't have enough money to meet the need. So the gap between housing subsidies for the rich and the poor has been widening. We should support federal (and state) subsidies for working class and middle class families so they can buy a home, but not for rich people to purchase mansions.

Housing advocates in Washington are rallying behind the creation of an Affordable Housing Trust Fund, with a dedicated source of revenue, sufficient to build and preserve 1.5 million units over the next decade.

But, a revitalized federal housing program should fund housing developments that are most low-income units. We do not want Washington to exacerbate the problems of concentrated poverty. Federal funds should be used to promote mixed-income units, leveraging market forces where possible. I would argue that assisted projects should have no more than one-third of all units targeted for the poor, another one-third for what "workforce" housing, and another one-third for market-rate units.

2. Congress and the next President need to strength our banking laws to protect communities against redlining, predatory lending, and foreclosure. A growing number of mortgage lenders do not fall under the Community Reinvestment Act. This needs to be fixed.

3. One of the most effective ways that Washington can help address the housing crisis is to reform the Earned Income Tax Credit. The EITC is one of the most effective but also one of the most invisible anti-poverty programs. Working families earning up to \$39,000 are eligible to receive a wage supplement. Families at the bottom of the income ladder can earn as much as \$4,700 a year.

About 22 million Americans earn EITC cash assistance benefits, totally over \$41 billion. The EITC lifts millions of working Americans with low-wage jobs out of poverty. But it has one serious flaw. Low-wage families earning \$20,000 in Des

Moines get the same tax credit benefit as families earning \$20,000 in Los Angeles. Because housing costs are so much higher in LA, the tax credit isn't as helpful there as it is in Des Moines (or other areas with lower housing costs).

It would be a huge help to California's economy and to its working poor families if Congress adjusted the EITC for regional housing costs, since housing is the major difference in the cost of living from city to city, region to region. HUD already does this with the Section 8 program -- it calculates a Fair Market Rent (FMR) for each city and provides a bigger subsidy in those cities with higher rents.

Adjusting the EITC in the same way would be efficient and effective, require no major bureaucracy, and make a huge difference in the standard of living for the working poor. Plus, the EITC is more popular than the Section 8 program with the public, once it is explained to them.

This should be part of the anti-poverty agenda of the Democrats running for President and Congress. We should be talking to our Congressional delegation about building a coalition to adjust the EITC for regional housing costs.

4. Fourth, in tandem with expanding the EITC, Congress should raise the minimum wage to at least the poverty level – about \$9 an hour. It that sounds outrageous, consider that in the late 1960s the minimum wage was equal to the poverty level. Back then, its buying power was equal to about \$9/hour in today's dollars.

The minimum wage's buying power has eroded significantly since then. It is now \$5.15. Congress should not only raise the minimum wage to the poverty level, but should index it to inflation.

California

What about California? What role should our state play in addressing our serious housing crisis?

1. First, we need a permanent funding source for the statewide Housing Trust Fund to increase production. In 2005, despite our severe housing crisis, California ranked near the bottom among states in per capita funding for housing. Even with the passage of Prop IC last year, California is still near the bottom.

For about the past decade, California has allocated about \$175 million a year for housing – from bonds and general fund programs.

To address our housing needs, we should be spending close to \$500,000 million a year. And it should come from new sources, so that housing doesn't have to compete with schools, health care, and other important issues.

Some significant portion of these funds should be targeted for housing preservation. It should provide funding for nonprofit developers to purchase buildings and preserve them as affordable rental and cooperative housing with long-term deed restrictions.

2. Second, CA needs to embrace Land Use Reform. As I mentioned earlier, we have a dilemma: We hate sprawl, but we despise density. We need to embrace density, embrace mixed-income housing, and embrace mixed-used development.

We can begin to tackle this by putting some teeth in our Housing Element law. In CA today, many localities are not complying with their own Housing Elements, but pay no consequence, because the state has no mechanism for enforcing the law.

CA should enact a “fair share” housing law that requires cities to adopt some version of Inclusionary Zoning. In Massachusetts, it is called the “anti snob zoning” law and it comes with a “developers’ remedy.” If localities don’t have at least 10% of their housing units affordable, then the state can over-ride local zoning and allow developers the right to build affordable housing projects.

The state can also require localities to rezone sufficient sites for affordable housing before they submit their Housing Elements – rather than the current practice, in which cities make vague promises about what they will do to identify sites for housing.

The state should be empowered to reward cities that comply with affordable housing thresholds and punish cities that do not comply.

3. The state needs to help cities protect the existing stock of affordable rental housing. To do so, we need to reform the Ellis Act to prevent speculators from taking advantage of renters.

Under California’s “Ellis Act,, a landlord is allowed to evict all the tenants in a building for no stated reason, whether or not the jurisdiction requires evictions only for “just cause” if the landlord indicates he or she is “going out of the rental business.”

But a growing number of landlords in LA, the Bay area, San Diego, and elsewhere are circumventing this law and using bait-and-switch tactics.

In Los Angeles, more than 13,000 rental units have been taken off the market in the last 5 years. The loss of this vast number of units, almost all of which were under the city’s rent stabilization ordinance, has been devastating to the tenants evicted and to the city’s rapidly declining affordable housing stock. In San Diego, more than

4,000 rental units have been lost.

This growing problem is not primarily caused by landlords who have owned their properties for a long while, but by speculators. They have buy properties with no intention of continuing to rent the units. These buyers typically “Ellis” a building they have just purchased, evict all the tenants, demolish the building, and construct another rental housing development at much higher rents.

About half of the “Ellised” buildings in Los Angeles were vacated less than a year after purchase. About 2/3 were Ellised” 1 to 2 years after purchase.

Sen. Sheila Kuehl has proposed a solution. She has filed SB 464. It requires that landlords maintain ownership of a building for more than 5 years before they are permitted to avail themselves of the Ellis exception to city eviction ordinances. Under the bill, a current owner would continue to be able to use the Ellis procedure -- but a new buyer could not speculate by buying rental housing to quickly turn around and take this scarce resource off the market.

4. Fourth, and finally, the State government can also help lift the working poor out of poverty so they will have more to spend on housing. It can do this in 4 ways:

o The federal EITC is the nation’s largest anti-poverty program for the working poor, but too many families are NOT aware that they are eligible for it. In fact, close to 750,000 eligible Californians do not collect more than \$1 billion in federal earned income tax credit that they are eligible for. Think about that. It’s as if that federal government has a check for \$1 billion with the name “California” written on it, and we don’t bother to take it. The state should enact legislation requiring employers to inform their employees about the federal EITC. This could be in the form of a slip of paper in employees pay checks. It would cost employers next to nothing, but it would make a big difference in the standard of living of low-wage workers, and would help the state economy by increasing the flow of federal funds to low income families, who would spend all of it in the local economy.

o In addition, California should join 19 other states and adopt a state Earned Income Tax Credit to supplement the federal wage supplement. A well-targeted state EITC can advance various policy goals by supporting low-income families and increasing their incentive to work.

o California should also amend the state minimum wage law to index it to inflation, so that its purchasing power is not gradually eroded by inflation each year. Last November voters in six states voted to raise the state minimum wage and index it to inflation. CA should join that list.

o Many cities and some counties in CA have enacted “living wage” laws, which requires firms that do business with local and county government to pay employees a living wage, higher than the state minimum wage. The nexus of the living wage is that our tax dollars should not be subsidizing companies that pay poverty wages. The state can enact its own living wage law for those firms that have contracts and subsidies with the state government. Maryland has already done this, and CA should follow its lead.

Creating the Political Will

That’s my 12-Step Program.

How do we build the political will to make it happen?

We need to build a broad coalition for bi-partisan appeal.

For too long, housing advocates have been living in their own isolated silos, talking only to themselves.

We are beginning to break out of those silos.

The votes last November for Proposition 1C statewide and Measure H in Los Angeles are strong evidence that CA voters understand the need to address the housing crisis – and are even willing to help pay for it.

Last November, voters approved Prop IC - the \$2.8 billion housing bond – by a margin of 58 to 42%. Many counties that have voted against Prop 46 a few years earlier came out in support of Prop IC. Even in those countries that voted against Prop IC, the margin of defeat was extremely narrow.

In Los Angeles, voter support for Measure H was also more dramatic. More than 62% of LA voters endorsed Measure H, the \$1 billion bond. In any normal election, this would be considered a LANDSLIDE. But because a municipal housing bond requires two-thirds approval, Measure H was defeated. Even so, voter clearly and overwhelmingly said that they were willing to tax themselves to help the city build more affordable housing.

Public opinion is on our side. But, as with many issues, public opinion doesn’t always translate into public policy. If that were the case, we’d have strong gun control laws and universal health insurance.

We need to expand the political constituency for affordable housing policies.

1. Business groups. We know that the housing crisis is bad for the business climate. But where is California's business community when it comes to lobbying for and speaking out for affordable housing in City Halls, in Sacramento, and Washington, DC? I'm not talking about developers and bankers. I'm talking about major employers.

Did you see the front-page headline in yesterday's (May 7) Los Angeles Times? "Universal healthcare gains unlikely backer." The subheading: "A big business group breaking ranks will lobby Sacramento and DC to expand coverage to all."

The article went on to describe a coalition of 39 major companies who are launching a political campaign calling for medical insurance for everyone. The group includes Pacific Gas and Electric, Kroger, Safeway, General Mills, PepsiCo, Wrigley Company, Aetna, Cigna, Eli Lilly, and PacifiCare.

We need to persuade the major employers in CA that the shortage of affordable housing poses as much a threat to our business climate as the shortage of health insurance.

There are exceptions. In the Bay Area and in Silicon Valley, major employers have played a key role as a voice for affordable housing. But where are the key business leaders, the large employers, in other parts of the state?

Where is the CA Business Roundtable and the state Chamber of Commerce?

In LA, the biggest private employers are USC and Kaiser. USC has a hard time recruiting professors because of the area's high housing costs. Kaiser can't recruit enough nurses for the same reason. But where are these employers when we advocate for affordable housing policies and funding?

We know where the Disney Company is when it comes to putting affordable housing into Anaheim!! But what about the other major employers in Orange County?

We need to do a better job of recruiting business allies. In LA, we can't let the Central City Assn speak for the business community when it comes to housing.

2. Labor. During the Depression and after World War 2, the labor movement was the most vocal and effective advocate for affordable housing programs. It was the political muscle behind the first public housing program, behind the post-war FHA and VA programs that helped lift millions of Americans into homeownership and the middle class, and into the subsidized housing programs of the 1960s and 70s.

The labor movement is still the strongest force for progressive change in the country, and especially here in LA and across the state. It is still the major force to lifting the poor into the middle class.

In LA, Miguel Contreras, head of the LA County Federation of Labor, served as co-chair of the campaign that got the City Council to pass a \$100 million annual housing trust fund back in 2001.

The unions that represent janitors, school teachers, hotel workers, grocery workers, nurses, security guards, and others recognize that the rising cost of housing can wipe out hard-fought pay increases.

We “housers” have to do a better job reaching out and recruiting unions to join us in the fight for better housing.

We have to see the labor movement as our ally. And it doesn’t help when housers oppose prevailing wage legislation. We shouldn’t be pitting the labor movement and the housing movement against each other. That makes no political sense, is short-sighted, and is counter-productive.

3. Clergy and the faith communities. Cardinal Roger Mahoney was the other co-chair of the LA Housing Trust Fund campaign in 2000 and 2001. His leadership was critical to our victory. We also had many other clergy and faith-based groups involved in the campaign. They lend both moral leadership and grassroots troops to any campaign for better housing.

4. Veterans groups and seniors. Besides unions, the other key lobbying force for post-WW2 housing reform were veterans groups like the American Legion. Many of those veterans are now seniors. But there are new generations of veterans - from VietNam and now the Persian Gulf and Iraq wars – who need affordable housing. Imagine the AARP and the American Legion working together with us to lobby our Sacramento officials!

5. Environmentalists. The housing issue has also become an issue of sprawl, density, traffic congestion, pollution, and “greening” our communities. We need to bring environmental groups into our coalition for housing.

6. Educators and parents. There is strong evidence that unstable housing undermines educational outcomes, especially for low-income students. And, as I mentioned earlier, half the school districts in the state are losing students due to gentrification and rising housing costs, which are pushing families out of many areas. School

board members, teachers and their unions, and parents should be our allies on housing matters.

Will a New Gilded Age Lead to a New Progressive Era?

In many ways, America today resembles the conditions a century ago that was called the Gilded Age. It was an era of rampant, unregulated capitalism. It was a period of merger mania, increasing concentrations of wealth among the privileged few, and growing political influence by corporate power brokers called the Robber Barons.

The Gilded Age was an period of enormous wealth and great disparities between rich and poor. New technologies made possible new industries, which generated great riches for the fortunate few, but at the expense of workers and consumers. The corporate Robber Barons who were exploiting workers, gouging consumers, and corrupting politics with their money

It was an era of massive immigration to the US from people fleeing political persecution and economic hardship. In the growing cities of the early 20th century, there were terrible poverty, child labor, sweatshops, slums, and serious public health crises, including major epidemics of contagious diseases.

But out of that turmoil, activists created a "Progressive" movement, forging a coalition of immigrants, unionists, middle-class reforms, settlement house workers, journalists, clergy, and upper-class philanthropists. They fought for better working conditions, better housing, and better public services like sanitation and public health laws.

We are now on the brink of another progressive era. Bubbling below the surface is a new wave of social activism.

Today's progressive movement is almost invisible to the mainstream media, but it obvious to anyone involved in the struggle for justice. It has many of the same elements as 100 years ago:

- o workplace justice, living wages,
- o health care and insurance
- o environmental justice
- o immigrant rights
- o affordable housing

And, like a century ago, there are a growing number of public officials at the local, state and national level who are our strong allies and who help give voice to this movement.

Toward the end of her career, Helen Keller was speaking at a small Midwestern college. A student came up to her and asked: "Miss Keller. Is there anything that would have been worse than losing your sight?" Helen Keller replied: "Yes. I could have lost my vision."

We need to think big. America has a long and proud tradition of social justice -- of people and movements who were ahead of their times, who spoke out about problems before they became public issues.

This is the tradition of the early abolitionists who, in the early 1800s, build a movement to oppose slavery; the union leaders who, back in the 1870s, called for the 8-hour day; the suffragettes, who, at the turn of this century, insisted that women get the right to vote; the civil rights organizers, who demanded federal action to end lynchings and remove unfair barriers to voting and full participation for Blacks in our society; and the senior citizens who fought for what they once called "old age insurance" -- what we now call Social Security. The housing and union activists who, in the Depression, pushed for the federal government to provide subsidized housing for poor and working class Americans.

As I said earlier, America is holding its breath -- trying to decide what kind of country we want to be.

One hundred years from now, when our great-grandchildren look back at America AND CALIFORNIA in 2007, what will they say about us?

Hopefully they will look back and say we helped create the Progressive Era of the 21st century.

Martin Luther King said: "The arc of the moral universe is long, but it bends toward justice"

But he also understand that it is our job to help bend that arc so we get more justice, more quickly. That's why he wrote a book called "Why We Can't Wait."

Dr. King understood that the radical ideas of one generation are often the common sense of the next generation.

We share his vision of a society with healthy, safe, diverse, and livable cities; a country that brings out the best in people; a country that values human rights and prosperity that is widely shared.

In the wealthiest and most powerful country in the world – and in a state with so much wealth and talent -- that's not too much to ask.