Crisis of low-cost housing affects a million families in California

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In recent months, multiple reports have documented the impact of rising social inequality on access to affordable housing in California. Currently, the city of Los Angeles is one of the most unequal in the US, with the highest poverty rate of all major American cities, and with 40 percent of its population either living in poverty or homeless. Meanwhile, rent and housing costs have risen astronomically in the last decade.

A damning report by the California Housing Partnership Corporation finds there are now 1 million low-income households that do not have access to an affordable home. The report also shows that in California from 2000 to 2012 median rent has increased by over 20 percent, while median income has dropped by about 8 percent. In Los Angeles County, median rent has risen 25 percent while median income has fallen 9 percent.

The CHPC report points out, "The housing market has failed to meet the needs of an entire segment of California's population. [Those] being left out of the California housing market are nursing assistants, security guards, janitors and cleaners, restaurant cooks, retail salespersons, home health aides, and cashiers." In a word, workers.

The report also details changes in funding for public housing initiatives. State funding for low-income housing initiatives has dropped by a whopping 79 percent since 2007, from $2.5 billion to $500 million annually, as a direct result of austerity policies.

At the same time, an expensive tax break for home-owners has remained virtually untouched: the state mortgage interest deduction (MID), modeled on a similar federal benefit. While the tax break was introduced under the guise of increasing homeownership for all Californians, "in practice the overwhelming majority of the benefits accrue to the highest-income homeowners. In fact, 76 percent of the benefits of the state's MID accrue to the 20 percent of homeowners with the highest incomes."

Since the financial crisis of 2008, federal, state and local governments have adopted measures to protect and in fact increase the wealth of the rich, at the expense of the vast majority of workers. Growth remains at a near standstill, while corporations have intensified workers' exploitation. An increased cost of living is but one form this process takes.

Substantial portions of the cuts to the public housing programs were made by Obama and California Governor Jerry Brown. It was the Obama administration that originally proposed cuts to the Community Development and Block Grant programs that gave development assistance to city governments, and it was Brown who signed the legislation eliminating the redevelopment funds for affordable housing.

After vetoing AB1229, a bill whose passage would have meant restrictions on real estate developers, Brown said, "Requiring developers to include below-market units in their projects can exacerbate [their] challenges, even while not meaningfully increasing the amount of affordable housing in a given community." Brown's veto was hailed by developers and condemned by affordable housing groups.

Such developments are part of the class warfare program conducted by the entire political establishment against workers, including cuts to crucial social programs such as food stamps and unemployment benefits, attacks on pensions and tuition hikes at public colleges and universities.

According to a separate report from the National Low Income Housing Coalition (NLIHC), "In the United States, the 2014 two-bedroom housing wage is $18.92

[an hour]. This national average is more than two-and-a-half times the federal minimum wage, and 52 percent higher than it was in 2000. In no state can a full-time minimum wage worker afford a one-bedroom or two-bedroom rental unit at Fair Market Rent."

In this context, arguments raised in the establishment about an increase of the minimum wage to $10.10 an hour are not aimed at counteracting the rising cost of living. The meagerness of the plan will not genuinely ease conditions on workers. The $10.10 minimum wage proposal is primarily being used as a tactic to win votes and to maintain its leadership of the unions, while compelling millions to a life of misery.

The NLIHC report also noted that a California worker working at minimum wage must work *130 hours per week* to afford an average two-bedroom unit, that is, for rent to be under 30 percent of income. As a result, California has the second lowest home ownership rate in the country, just ahead of New York. Nearly half of California residents now rent, and about 20 percent of renters pay more than half of their income in rent.

There has been an overall shift from owning towards renting. In the fallout of the subprime mortgage crisis, the vacancy rate for owner-occupied housing has decreased relative to the vacancy rate for rented housing, pushing people towards renting because such homes are more available.

Among the principal causes for an increase in housing costs is the monetary policy of quantitative easing, which pumped trillions into the financial markets and had the effect of promoting speculation, particularly in real estate.

Financial investment in real estate has shot up since 2011, when the Fed lowered the interest rate, and has led to higher prices in the housing market, resulting in a speculative wave and a new housing bubble. That there is little affordable housing today is a direct result of this policy. Just in the first quarter of 2014, over half the total US wealth increase was absorbed by real estate, mostly concentrated in the property of the super-rich.