

Government report reveals scope of housing crisis in California

Guillaume Garnier
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A report released on August 9 entitled “Worst Case Housing Needs 2017” by the Department of Housing and Urban Development (HUD) revealed that 8.3 million American households had “worst-case housing needs” in 2015. These 8.3 million households are very-low income renters who do not receive any government housing assistance and paid more than half of their income in rent, lived in “severely inadequate conditions,” or both.

The crisis of affordable housing is felt acutely in California—namely in the Los Angeles and San Francisco metropolitan areas. These regions have seen a historic increase in rental and housing prices since the collapse of the sub-prime real estate market which set off the 2008 global financial crisis.

Official statistics reveal a desperate reality for residents of these major cities. According to HUD, 567,000 households in Los Angeles paid more than half of their income in rent or live in “severely inadequate conditions.”

A January shelter and street count of homeless individuals—which greatly underestimates the actual number of homeless—found that 58,000 people lacked reliable housing in Los Angeles County. This represents a growth of 23 percent in the homeless population over the previous year’s count.

Compounding the problem, a study by the online real estate database company Zillow estimated that a 5 percent increase of rent in Los Angeles during the next year would drive another 5,000 residents into homelessness. Zillow predicts a 4.5 percent increase in rent prices.

The dramatic rise in LA rental prices makes one pause. In January 2010, an average one-bedroom apartment in Los Angeles rented for \$1,224 a month; in January 2016, the cost was \$1,935—an increase of over 58 percent. The American Community Survey conducted by the US Census Bureau found that median household income in LA increased by only 10.6 percent between 2010 and

2015, from \$47,031 to \$52,024.

The San Francisco Bay Area has also been plagued by an affordable housing crisis of gross proportions. The price for a one-bedroom apartment in San Francisco has increased from \$1,258 per month in January 2010 to \$4,126 in February 2016, a 328 percent increase. Median household income increased from \$71,745 in 2010 to \$92,094 in 2015, a 28.4 percent increase.

Workers priced out of housing in San Francisco frequently move to neighboring cities like Oakland, but prices are rising there too. Between 2014 and today the cost of a house increased from an average of \$500,000 to \$700,000.

For some workers, the best option is to move even further inland and face an extreme commute. While other factors such as inadequate road systems play a role, Californians have the fifth worst commute in the United States. Only three percent of commuters travel at least 90 minutes on their way to work nationwide, but in the Bay Area this figure rises to 5 percent and in Stockton 8 percent.

The high cost of housing profoundly contributes to the fact that while California—the richest state in the richest country—is home to 12 percent of Americans, it is home to 22 percent of America’s homeless. Among the estimated 116,000 homeless individuals living in the state are some 900 unaccompanied minors.

Workers’ wages have been left in the dust by the frenetic increase of rents. According to Harvard University’s Joint Center for Housing Studies, the average rental price rose by 7 percent nationwide between 2001 and 2014. During this same period median household income sank by 9 percent. In 2001 in the US, 41 percent of renters spent 30 percent of their income or more on rent. This rose to 49 percent in 2014. In the same year, 26 percent of the renting population nationwide spent more than half of their income on rent.

KQED news reported that currently about one in three Californians pays over half of their income in rent. The unperturbed rise of rents and housing prices gives lie to the claim of politicians—both Republican and Democrat—that American society has stabilized following the 2008 financial crisis and that, in the words of former president Barack Obama, “things have never been better.” Meager wage increases in 2013 and 2014 have been entirely swallowed by higher rents and the inflation of prices for goods.

While California has suffered from extreme rent increases, the crisis of affordable housing is far from being a statewide phenomenon: it is a process that is unfolding across the United States and internationally.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index—a composite of single-family home price indices—demonstrated that housing prices increased 5.6 percent between May 2016 and May 2017, following a 5.2 percent increase over the same period last year. In the United Kingdom, the home ownership rate, less than 64 percent, is its lowest level in over 30 years and average home prices in London have doubled since 2009, from about £300,000 to £600,000.

In Australia, University of Melbourne professor Roger Wilkins’ research has shown that less than half of all adults are expected to own homes in a few years. Ownership rates declined by 3.5 percent between 2002 and 2014.

The rise of housing prices is interwoven with the monetary policies of the world’s major central banks. In response to the global economic crisis, the US Federal Reserve lowered interest rates on loans to almost zero, in effect handing the financial aristocracy unlimited quantities of cash. The Bank of England and Bank of Japan quickly followed suit, with the European Central Bank adopting negative interest rates in 2014. This monetary policy has fueled the astronomic growth of the world’s major stock indexes.

While low interest rates have boosted the stock portfolios of financiers, it has not been to the benefit of real economic activity. The capital distributed from central banks to major financial institutions has mostly funded parasitic operations such as stock-buybacks and higher dividends for stockholders.

Flush with cash, financial speculators have been encouraged to invest in the stock market and real estate. This speculation in the real estate industry has done much to create the housing crisis that confronts workers and youth across the world.

Typically, rent and housing prices rise and fall dependent on the movement of wages and interest rates. Higher interests and higher wages used to push up housing costs but today this is no longer the case. Despite over a decade of decline in inflation-adjusted wages and interest rates at, near, or even below zero for much of the world’s economy, housing prices are increasing unabated.

While money appears to be falling from the skies for the financial speculators, this value in fact must come from some sector of the real economy. Ultimately, the soaring rents and housing prices are a manifestation of the upward redistribution of wealth from the working class to the bourgeoisie.

The response of the political elites is one of callous cynicism in which they intend to aid the profiteering practices of real estate billionaires. Ben Carson, current HUD director and longtime enemy of social programs, said on August 10 in response to a HUD study showing an increase in substandard living conditions, “Today’s affordable housing crisis requires that we take a more business-like approach on how the public sector can reduce regulatory barriers so the private markets can produce more housing for more families.”

In other words: the federal government will cut what little housing aid is available for the working class while abetting the accumulation of riches by real estate moguls.

The Trump administration proposed budget cuts of \$7 billion, 15 percent, to HUD’s budget on May 23rd. Among these cuts included \$1.8 billion from public housing and nearly \$1 billion from vouchers that allow recipients to use the aid on their choice of housing. In contrast, Trump’s budget left untouched federal subsidies that pay landlords directly, perhaps because last year Trump received \$5 million from one of these programs, due to his 4 percent stake in a subsidized Brooklyn rental complex.

In this social and political context, disasters like the Grenfell Tower inferno in London and the 2016 Ghost Ship fire in Oakland are inevitable. Only a socialist, international program of common ownership of the means of production and the rationalization of the economy can guarantee every human’s right to secure and decent housing.



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