Family homeownership has always been central to the California dream. Throughout the past 50 years, millions of people flocked to California and staked their claims in the nation’s fastest-growing state. Families invested in their first home and began developing nest eggs for the next generation. Those once-affordable investments helped provide a sense of permanence, community and economic promise throughout the Los Angeles area.

As a new resident of L.A., who is looking at housing this week, I have become acutely aware that for many of our residents, the California dream is a distant memory.

Today, too many people are facing the stark reality that they may never be able to purchase their own home. Even lower-priced condominiums, developed as alternatives to the conventional detached single family home, are equally unaffordable. The problem in L.A. is especially critical; our city’s homeownership rate is the third lowest in the nation.

The City Council is moving forward on efforts to place a $1 billion citywide affordable housing bond on the November ballot. If done right, the bond will be an important step towards reversing the slide of housing affordability and availability. It will also bring hope and opportunity to young people beginning their careers and families, and those who have been shut out of the housing market.

The figures are startling. The median home price in L.A. County skyrocketed from $195,000 to $508,000 in the past six years, according to the California Association of Realtors. At the same time, the number of households that can afford a median-priced home dropped from 38 percent to only 12 percent. Homebuyers need an income of more than $100,000 per year just to break into the market.

As more people move into the Inland Empire and Santa Clarita, where land and housing are at the lower end of the high prices, our freeways are jammed with commuters who spend three to four hours on the road each day. That’s precious time away from family and work. The experience is so prevalent that the term “bedroom community” is now part of our regional vernacular.

Even more troubling is the effect on our sense of community. Many local police and firefighters live miles away from the cities where they work. The Los Angeles Police Department cites this as a major reason why they aren’t meeting recruitment goals. Teachers often live outside of their school districts, reducing the amount of time they spend on campus and with students. How can we expect first-rate law enforcement and quality teachers if they can’t afford a place to live?

This isn’t simply a housing bubble. The market may be overvalued, but the fact is that high home prices in L.A. are due to demand far outstripping supply. Southern California’s population is growing by nearly 300,000 people per year – adding the population of two Chicagos by 2020. Developers are building new housing at an increasing pace, but it’s not keeping up with demand.

The housing crunch is hurting our quality of life and our region’s ability to attract top notch business investment. High home prices are forcing many workers to leave the area for more affordable communities. Businesses are finding it more difficult to recruit new employees from outside of Southern California. Building affordable housing is a smart investment for our region’s future.

Many people hear the words “affordable housing” and equate them with the high-rise urban projects of the 1960s and 1970s. Today’s affordable housing is much different. Indications are that a portion of the bond funds will be used to fight homelessness. That’s vitally important. Much of the funding, however, will help young professionals, police officers, teachers, firefighters and nurses realize the currently unattainable dream of homeownership. New affordable housing often includes innovative, mixed-use developments along transit routes that incorporate retail with residences. Residents have easy access to public transportation, with shopping and cultural opportunities within walking distance.

For any local housing bond to be successful, two important factors must be addressed: process and partnerships.

Process includes the city’s requirements for building new projects – expediting permits, city department approvals and integrating new housing with an overall planning vision for L.A.
Major strides have been made in recent years, but residents and developers still find themselves caught up in bureaucratic red tape. Perhaps the most important need is that the city updates L.A.’s master development plan to reflect the need for transit-oriented, smart-growth development. With innovators such as Mayor Antonio Villaraigosa and Planning Director Gail Goldberg at the helm, this can certainly be accomplished.

Regional partnerships are also crucial. The city must partner with surrounding municipalities and the county to maximize the bond’s effectiveness. This is a regional problem and every community must work together for affordable housing, smarter growth and more cohesive urban planning processes. And partnerships with the private sector – both builders and equity investors – will be essential to provide incentives to build and finance the housing.

We still need to examine the bond’s details and discuss exactly how it will be implemented. But one thing is for sure – if nothing is done to dramatically increase the amount and affordability of quality housing, more families will see their California dream extinguished. The result will be an exodus of jobs, families and economic opportunity to areas that can solve this problem.

That would be unacceptable, and we can and must do better.

And that’s The Business Perspective.

Gary L. Toebben
President & CEO
Los Angeles Area Chamber of Commerce

The Business Perspective is a weekly opinion piece by Gary Toebben, President & CEO of the Los Angeles Area Chamber of Commerce, produced with the input of Senior Policy Advisor Rusty Hammer.