

BOOMING THEN, SPUTTERING NOW:

Reinventing the “Housing Machine” for Today’s Housing Emergency

By Michael Woo¹

ABSTRACT: This article reviews the post-World War II mass production of houses in Los Angeles and the roots of today’s housing shortage. Even with a high production rate, minorities and low-income Angelenos have experienced racial barriers and displacement. Today, L.A.’s homeless population is disproportionately Black, while home ownership is disproportionately white. The article concludes with four proposals for responding to today’s shortage of affordable and racially equitable housing.

Keywords: housing shortage; affordable housing; Los Angeles housing issues; housing inequity; Southern California “housing machine”

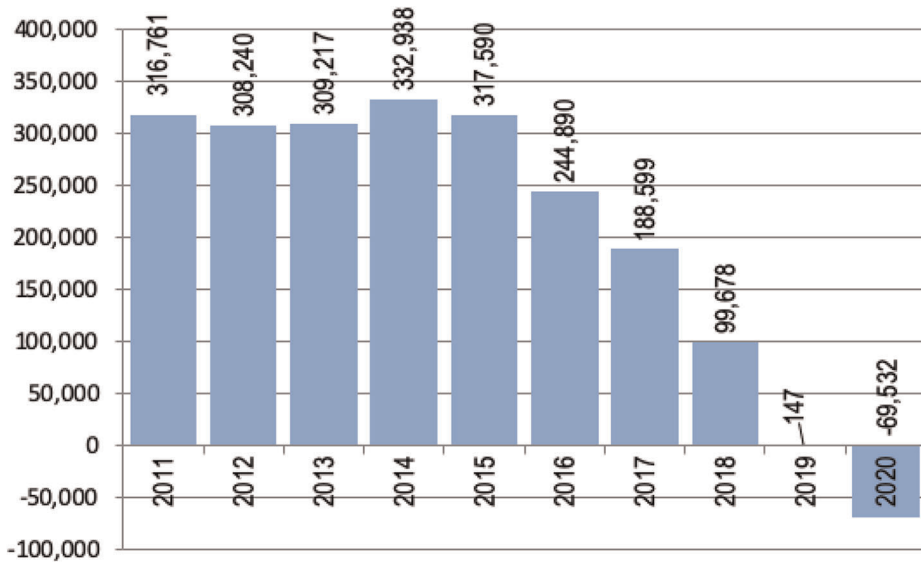
California is at the mercy of a relentlessly worsening housing crisis that is a primary threat to the state’s historic role as a juggernaut of U.S. economic growth. The inventory of available housing is far smaller than the demand. Housing costs are high. Competition for the available housing is very intense.

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Southern California Quarterly, Vol. 103, No. 3, pp. 281–308. ISSN 0038-3929, eISSN 2162-8637. © 2021 by The Historical Society of Southern California. All rights reserved. Request permission to photocopy or reproduce article content at the University of California Press’s Reprints and Permissions web page, <https://www.ucpress.edu/journals/reprints-permissions>. DOI: <https://doi.org/10.1525/scq.2021.103.3.281>.

Crowding results in compromises. Unemployment and student loan debt are keeping many young adults home with their parents instead of entering the housing market. Inability to find suitable housing near workplaces is forcing longer commutes and less time for parents to be with children. The number of homeless people continues to climb as long as the monthly cost of housing exceeds a reasonable percentage of income. Overall, the effects of the crisis are disproportionately negative for Californians with the lowest incomes and the least accumulated assets, especially Blacks and Latinos and single-parent households with children.

Consequently, it is no surprise that the U.S. Census Bureau estimates that California lost 70,000 residents between 2019 and 2020, the first time that the state registered an annual decline in population since at least 1900.² Even in the first half of the decade, California was still gaining more than 300,000 new residents in each year. Although the impact of COVID-19 on work-from-home, employment, and



Census Bureau Estimates.

FIGURE 1. California: Annual Population Change, 2010–2020. Courtesy of Wendell Cox, *Demographia*.

2. U.S. Census Bureau population estimate for California cited in Wendell Cox, “California Loses 70,000 Residents between 2019 and 2020,” *New Geography* website (December 23, 2020). <https://www.newgeography.com/content/006891-california-loses-70000-residents-2019-2020#:~:text=The%20Census%20Bureau%20has%20just,lost%2070%2C000%20residents%20last%20year.>

lifestyles—and thus on housing—has yet to be calculated, the decline in growth in the previous five years has been precipitous as shown in the graph (figure 1).

Because housing represents the biggest monthly expense for most households, the cost of housing becomes one of the main factors that people use to assess their cost of living burden. For a growing number of Californians, their cost of housing is becoming a deal-breaker. A 2019 survey by Edelman Intelligence found that 53 percent of Californians were thinking about moving out of the state, up from 49 percent in a poll conducted during the previous year. Ominously, the percentage of California millennials who told the survey that they were considering moving out of the state was even higher, at 63 percent. The main factor for moving was the cost of housing, cited by 55 percent of Californians overall and by 60 percent of California millennials.³

California was not always like this. This article traces the rise of a highly productive (though flawed) housing machine dating from the eve of World War II through its decline to today when the remains of that housing machine hardly function and we have a terrible shortage of affordable, racially equitable housing. It concludes with some modest proposals for rectifying the situation that is making California unlivable.

THE SOUTHERN CALIFORNIA “HOUSING MACHINE”

Consider California’s last great era of homebuilding in the years starting with the beginning of World War II, especially focusing on the growing areas of Los Angeles County and Southern California generally. Between the start of the war and 1990–1991, when the overall U.S. economy and other advanced economies slipped into a deep recession, Los Angeles County produced 2.5 million new housing units, especially in the 1950s when 724,477 new units were built, doubling the number of new units built during the previous decade.⁴

3. Jeff Daniels, “More Californians Are Considering Fleeing the State as They Blame Sky-high Costs, Survey Finds,” CNBC website (February 13, 2019). <https://www.cnbc.com/2019/2/12/growing-number-of-californians-considering-moving-from-state-survey.html>.

4. Diana Sabau, “How L.A. Keeps Coming Back: An 80-Year Overview of Real Estate Development” Commercial Café (Your Commercial Real Estate Blog (August 11, 2020). <https://www.commercialcafe.com/blog/history-los-angeles-real-estate-development/#:~:text=Between%201940%20and%201989%2C%20Los%20Angeles%20built%20roughly,and%20then%20to%20plateaued%20in%20the%20following%20decades.>

The war effort spurred the growth of defense contractors and an extensive network of subcontractors in Los Angeles County, providing jobs and attracting workers who could afford to buy into the local housing market. Entrepreneurial developers figured out how to take advantage of available undeveloped land near the defense companies and produce new housing at affordable prices. Local governments saw opportunities and smoothed the path for new residential projects that would bring stable, tax-paying residents to their jurisdictions.

One of the most frequently-cited examples in Los Angeles County was the City of Lakewood, featuring one of the nation's largest planned-unit developments springing up in the early 1950s near the expanding defense industry in and around the City of Long Beach. Proud of its reputation as "the city they built in six months," Lakewood was transformed at breakneck speed from sugar beet and lima bean farms into a thriving community of 17,500 new homes. Construction methods compared to assembly lines in factories enabled the Lakewood Park Company (led by Louis Boyar, S. Mark Taper, and Ben Weingart, three luminaries



FIGURE 2. Aerial photo, 1952, of Lakewood, California. 8,000 homes had been completed in the development by the start of 1951. By the end of 1952, Lakewood had 14,000 homes, with another 3,500 planned for 1953.



FIGURE 3. Lakewood under construction. Mass production, using assembly line methods and specially designed power equipment for replicated tasks by division-of-labor crews—this was truly a “housing machine.” *Both images courtesy of the City of Lakewood’s collection.*

of Southern California postwar real estate and philanthropy) to build and complete fifty homes daily.⁵

The federal government also played a key role in making postwar homebuying possible. Before President Roosevelt’s New Deal, the typical mortgage required a 50 percent down payment, interest-only payments, and repayment in full after five to seven years, thus putting the cost of a home out of reach for most working-class and middle-class families. In 1933, the creation of the Home Owners Loan Corporation (HOLC) enabled the purchase of mortgages that were in imminent danger of foreclosure, offering fifteen years for repayment and low interest rates, making mortgages possible for one million new

5. Phillip Zonkel, “Lakewood History Comes Alive on City Website,” *Long Beach Press Telegram*, January 28, 2015. <https://www.presstelegram.com/2015/01/28/lakewood-history-comes-alive-on-city-website/>; Los Angeles County Public Library, “Lakewood Community History.” (No date.) <https://lacountylibrary.org/lakewood-local-history/> The standard account of Lakewood is D. J. Waldie, *Holy Land: A Suburban Memoir* (New York: W. W. Norton, 1996). See also, Tom Hogen-Esch, “Consolidation, Fragmentation, and New Fiscal Federalism,” in *A Companion to Los Angeles*, eds. William Deverell and Greg Hise (Chichester, UK: Wiley-Blackwell, 2010), 233–49.

homeowners. The creation of the Federal Housing Administration (FHA) in 1934 addressed the needs of renters who needed insurance in order to afford a mortgage. The FHA insured bank mortgages to cover 80 percent of the cost of the home, allowed twenty years for repayment, and were fully amortized. The cover of an undated FHA brochure proclaimed, "Own a Modern Livable Home. Build-Buy, Refinance and Modernize with a Government Insured Loan. Easy Monthly Payments. Ask any Approved Bank or Builder."⁶ After the end of World War II, the G.I. Bill of Rights program enabled returning veterans to buy a home with little or no down payment and to finance a mortgage with a low-interest thirty-year loan.

The metaphor of a machine has been used before (most notably by the sociologist Harvey Molotch's concept of an "urban growth machine") to describe the convergence of local political and economic forces empowering local and state governments to compete with each other for the spoils of economic development.⁷ The concept of a housing machine is used here in a less ideologically-charged way to describe the convergence of political, economic, demographic, and geographic forces that boosted the production of workforce housing in Southern California during the postwar years. It was machine-like in the sense that it was efficient, fast, and well-coordinated to produce housing affordable to workers. The success of the housing machine was indispensable to the expansion of aerospace and other manufacturing, entertainment, tourism, and international trade sectors that propelled the regional economy after the war.

Southern California's "housing machine" of that era was very productive. But the machine was very flawed or incomplete in the sense that it didn't serve Blacks or other nonwhites. While whites in the 1930s–50s benefitted a great deal from the Federal Housing Administration (FHA) support of single-family residence developments such as Lakewood, Panorama City, and Westchester, the federal policy of redlining, plus the local legacy of racial covenants, proved to be barriers to home ownership by people of color. Public housing projects, the federal government's main tool to serve the

6. Pictured in Yanelle Santana, "Federal Housing Administration," at <https://www.sutori.com/story/federal-housing-administration—2793igA2dhwVXqjDp1UTv4FD>.

7. Harvey Molotch, "The City as a Growth Machine: Towards a Political Economy of Place," *American Journal of Sociology* 82, no. 2 (September 1976): 309–32; Andrew E. G. Jonas, eds., *The Urban Growth Machine: Critical Perspectives, Two Decades Later* (Albany, NY: SUNY Press, 1999).

housing needs of racial minorities, started out with strong political support in L.A. but came crashing down in the Red Scare atmosphere of the early 1950s.

THE HOUSING MACHINE STARTS TO SPUTTER

A machine doesn't last forever. After a couple of decades of brisk production, the housing machine slowed down and eventually started to sputter. Los Angeles County could point proudly to more than 2 million new housing units built between 1950 and 1989. During the 1950s, the municipalities that led the way in housing production were Long Beach with 24,000, Torrance with 21,000, and Lakewood, Norwalk, and Downey producing about 14,000–15,000 each.

But from the historic peak of 724,477 new housing units built during the 1950s, housing production in Los Angeles County gradually declined to 223,495 new units during the 1990s. During that span of time, the county population more than doubled, from 4.1 million in 1950 to 8.9 million in 1990.⁸ Based upon its clear failure to produce sufficient housing for the county's growing population, the housing machine was indisputably broken.

In addition to the overall downward trend, the geographical footprint of the new housing production also shifted. During the peak decades of the 1950s and 1960s, the major production of new housing units was concentrated around Long Beach and other areas in the southern part of Los Angeles County and in the San Fernando Valley in the north near the growing defense industry. By the 1970s, Long Beach was still the leading municipality for new housing production, but the number of new units in Long Beach was down to 10,000, followed by Cerritos at 8,500, significantly below the peak numbers in the 1950s. Then by the 1980s, new housing production shifted to the exurban areas in northern Los Angeles County, with Palmdale leading the way in the 1980s with more than 10,000 units and Santa Clarita leading in the 1990s with 5,312 units.⁹

The production numbers also have dropped in infill areas of the county, even in the supposedly hot real estate markets such as Hollywood. In the 1980s, Hollywood produced about 4,500 new units

8. "Historical General Population City & County of Los Angeles, 1850 to 2010," Los Angeles County Almanac (no date). <http://www.laalmanac.com/population/p002.php>.

9. Sabau, "How L.A. Keeps Coming Back."

during the decade but the number declined to about 2,600 units during the 2010s.¹⁰

Despite the continuing robust demand for more housing and the availability of tenants and buyers willing to pay high prices, there are multiple reasons for the slowdown in production.

- Running out of greenfields. Southern California's inventory of lima bean and sugar beet fields or other farmlands that could be rapidly converted to tract houses in Lakewood and other planned unit developments has largely been depleted, thus raising the cost of land to be developed for new housing.
- Reduced zoning capacity. Responding to political pressure from current residents objecting to the density of recent development, local governments downzoned areas that could have sustained additional housing units.
- Urban sprawl falling out of favor. Some of the grandchildren of the postwar generation that benefited from the housing boom of the 1950s and 1960s have different housing preferences and are more open to considering infill alternatives that enable them to live closer to their jobs, minimizing their commuting time.

The outcome is a colossal shortage of housing in the Los Angeles area that has a particularly grueling impact upon those who are least able to afford the rising cost of housing. A 2019 study by the non-profit California Housing Partnership estimates that Los Angeles County is 517,000 housing units short of the number that would be necessary to serve renters at or below 50 percent of Area Median Income.¹¹ The longer-term trend is even more disturbing. A 2020 study by Professor Dowell Myers and Dr. Jungho Park of the USC Population Dynamics Research Group found that during the twelve years of the pre-pandemic recovery after the economic downturn that began in 2007, the housing sector in Los Angeles and California overall was conspicuously out of sync with other sectors of the economy that rebounded more vigorously. "On a wide range of housing indicators," Myers and Park write, "there is evidence of a much weaker and incomplete recovery, including housing prices and rents,

10. Sabau, "How L.A. Keeps Coming Back."

11. California Housing Partnership, "Los Angeles County Affordable Housing Outcomes Report," April 30, 2019, 3.

rental and homeownership affordability, overcrowding, and homeownership rates.”¹²

Beyond the renters and homebuyers who were able to pay high prices in an increasingly competitive market, the sputtering of the Southern California housing machine represented a worsening calamity for the growing number who were not able to afford the high prices. The housing machine, even at its peak of production, had imperfections, flaws, and outright breaches of social justice that put decent housing out of reach for many.

PUBLIC AND PRIVATE COMPLICITY IN RACIAL BARRIERS

Even before the federal programs of the 1930s and postwar period such as HOLC, FHA, and GI loans excluded most nonwhites by design, the private practice of restrictive covenants put homebuying out of reach for many.¹³ In this pernicious practice, which became popular in the 1920s, real estate brokers encouraged property owners to attach covenants to their deeds that excluded certain specific racial and nationality groups from eligibility to purchase their property. The National Association of Real Estate Boards adopted a code of ethics in 1922 advising that “a realtor should never be instrumental in introducing into a neighborhood . . . a member of a race or nationality . . . whose presence will clearly be detrimental to property values in the neighborhood.”¹⁴ The rationale justifying the restrictive covenants was that they would protect and maximize the value of the property to the seller.

The wording of the actual restrictive covenant provision (no longer enforceable since 1948) in the deed for the South Gate home of former California Assembly Member Hector De La Torre, is typical:

Until January 1, 1989, no lot in said tract shall at any time be lived upon by a person whose blood is not entirely that of the Caucasian Race, and for the purpose of this paragraph, no Japanese, Chinese, Mexican, Hindu, or any person of the Ethiopian, Indian, or Mongolian Races shall be deemed

12. Dowell Myers and Jungho Park, “End of Housing and Economic Recovery from the Great Recession: How Good Did It Get by 2019?” Population Dynamics Research Group, Sol Price School of Public Affairs, University of Southern California (October 2020), 1. https://cpb-us-e1.wpmucdn.com/sites.usc.edu/dist/6/210/files/2020/10/USC_End_Recovery_Report.pdf.

13. Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (Liveright, 2017), Chapter 4 (“Own Your Own Home”), 59–75.

14. Rothstein, *The Color of Law*, 52.

to be a Caucasian, but if persons not of the Caucasian Race be kept thereon by a Caucasian occupant strictly in the capacity of servants or employees of such occupant, such circumstances shall not constitute a violation of this condition.¹⁵

More than 100 lawsuits were filed in Los Angeles County between 1937 and 1948 (when enforcement of racial covenants was declared unconstitutional) to force the eviction of Black homeowners on the grounds that they were violating restrictive covenants.¹⁶

The federal government's complicity in discrimination is clearly shown in the 1939 Home Owners Loan Corporation map of Los Angeles, figure 4. The colors on the map represent HOLC's assessment of the risk involving in home lending in specific areas of Los Angeles County, corresponding with the racial characteristics of the local population. The color green meant "best investment"; the color blue indicated "still desirable"; the color yellow meant "in decline"; the color red warned "hazardous."¹⁷

Los Angeles was one of about 239 urban areas across the country for which population data was gathered for localized ratings systems that formed the basis for the discriminatory practices that later became known as "redlining"—the metaphorical red lines drawn on a map to mark the neighborhoods of a city to be systematically denied public or private services, benefits, or resources that are routinely provided to the white majority population. Nationally, the percentage of FHA-backed mortgages between 1934 and 1968 going to nonwhite homebuyers was only 2 percent.¹⁸

Institutionalized racism in the form of restrictive covenants and redlining exemplified the decades of malign cooperation between public and private sectors to keep Blacks and other minorities out of predominantly white neighborhoods. Beyond the quieter, more subtle, officially-sanctioned forms of racism, violence also was a tool used to keep nonwhites in their place. Between 1950 and 1965, there were

15. Ryan Reft, "How Prop 13 Shaped California's Racial Covenants." KCET website (September 20, 2017). <https://www.kcet.org/shows/lost-la/segregation-in-the-city-of-angels-a-1939-map-of-housing-inequality-in-la>

16. *Shelley v. Kraemer*, 1948.

17. Ryan Reft, "Segregation in the City of Angels: A 1939 Map of Housing Inequality in L.A.," KCET website (November 14, 2017). <https://www.kcet.org/shows/lost-la/segregation-in-the-city-of-angels-a-1939-map-of-housing-inequality-in-la>.

18. Esi Hutchful, "The Racial Wealth Gap: What California Can Do about a Long-Standing Obstacle to Shared Prosperity," California Budget & Policy Center (December 2018).



FIGURE 5. A threatening note found at the William Bailey house at 2130 South Dunsmuir Avenue after it was bombed. It reads, “Negros [sic] move off Dunsmuir north of Adams[.] We will bomb all negros off.” Photographed March 17, 1952. *Herald Examiner Photo Collection, Los Angeles Public Library, 00033899.*

more than 100 incidents in Los Angeles involving bombings or vandalism directed against African Americans moving into a predominantly white neighborhood. Only one incident resulted in an arrest and prosecution—and that was only after local police and prosecutors gave up the case after concluding that they could not find anyone to charge, leaving the case to the California Attorney General to take a more aggressive approach.¹⁹

LANDMARKS OF DISPLACEMENT

In addition to the racial barriers of restrictive covenants, red-lining, and violence, policies of displacement further reduced the pool of affordable housing. Los Angeles history has been marked by large-scale displacement of minorities and low-income residents spurred by major development or public works projects, especially in the 1950s and 1960s when the city was undergoing a fundamental transition from a regional metropolis to a “world city.”

19. Rothstein, *The Color of Law*, 147.

One of the earliest cases of large-scale displacement due to freeway construction in Los Angeles dates back to 1944, when 200 homes in Boyle Heights were destroyed for construction of the Santa Ana Freeway between Soto Street and Eastman Avenue.²⁰ The California Division of Highways argued that the new freeway construction would improve commuting times for the Boyle Heights residents losing their homes, but in reality, the residents were being dispersed to less central locations.²¹



FIGURE 6. Forcible eviction of one of the last residents of Chavez Ravine, Aurora Vargas, in 1959. *Herald Examiner Photo Collection, Los Angeles Public Library, 00081522.*

Chavez Ravine was a predominantly Mexican American community dating back to the early 1900s. Despite its proximity to downtown Los Angeles, it retained a semi-rural character for decades. In the 1930s, local authorities declared Chavez Ravine to be “blighted,”

20. Gilbert Estrada, “If You Build It, They Will Move: The Los Angeles Freeway System and the Displacement of Mexican East Los Angeles, 1944–1972,” *Southern California Quarterly* 86, no. 3 (Fall 2004): 276.

21. Jovanni Perez, “The Los Angeles Freeway and the History of Community Displacement,” *The Toro Historical Review*, September 29, 2017.

the term of art used to describe slums in Eastern cities that were considered suitable for “slum clearance” and “urban renewal” projects. In the case of Chavez Ravine, formal plans for redevelopment did not materialize until 1949 when Congress approved the National Housing Act that provided funding for cities to develop public housing for the poor. The City of Los Angeles started to study eleven potential public housing sites, of which Chavez Ravine was one of the most prominent.

The noted modernist architect Richard Neutra and his colleague Robert Alexander designed the Elysian Park Heights project that would have provided 3,364 housing units for 17,000 people in Chavez



FIGURE 7. The formerly upscale neighborhood of Bunker Hill had declined by 1955. Victorian mansions had been converted into cheap apartments; mom and pop stores catered to the low-income residents. The Community Redevelopment Agency/Los Angeles photographed, then demolished the neighborhood as blighted, to be replaced by the skyscrapers and arts venues of urban renewal. In this 1962 CRA/LA photo of the corner of Bunker Hill Avenue and Third Street, we see the remains of a mansion-turned-cheap apartments behind small stores on the eve of their demolition. M. Ovnick, *Bunker Hill Collection* 0107.

Ravine.²² Local authorities used the power of eminent domain to force Chavez Ravine residents to sell their homes, with about 1,000 families (about 3,000 residents) forced out by 1953. Local residents were promised the right to return as residents of the new public housing. But in the heated postwar political atmosphere in which anti-communism blended with McCarthyism and led to “red-baiting” the advocates of progressive reforms such as public housing, local sentiment turned against public housing. The Elysian Park Heights project was never built.²³ In the meantime, Chavez Ravine became a pawn in Los Angeles efforts to attract a Major League Baseball team. In 1958, city voters approved the sale of Chavez Ravine land to the Dodgers organization, and in 1959, construction of Dodger Stadium began.

The Bunker Hill section of downtown Los Angeles used to be a thriving area of stores, hotels, apartment buildings, and two- and



FIGURE 8. Detail of the multi-level interchange of the eastbound Century Freeway (I-105) and the Harbor Freeway (I-110), located near the community of Watts. *Anthony Friedkin, photographer. Los Angeles Neighborhoods Collection, Los Angeles Public Library, 00068112.*

22. Don Parson, *Making a Better World: Public Housing, the Red Scare, and the Direction of Modern Los Angeles* (Minneapolis: University of Minnesota Press, 2005), 167.

23. Thomas S. Hines, “The Battle of Chavez Ravine,” *Los Angeles Times*, April 20, 1997. <https://www.oatimes.com/archives/la-xpm-1997-04-20-op-50558-story.html>.

three-story Victorian mansions. At its peak in the late 1800s, the population of Bunker Hill reached about 50,000. As the city sprawled outward from downtown in all directions, Bunker Hill gradually lost its central role in the life of the city. Its more affluent residents moved away to the suburbs, leaving behind their neighbors who lacked the money to move out of an area that the authorities considered blighted. Bunker Hill was officially declared a slum in 1955, with slum clearance commencing in 1959 to make way for redevelopment. By the early 1960s, approximately 7,310 homes that were designated as “slum buildings” had been demolished, with thousands of residents forced to move.²⁴

Freeway construction wiped out other housing. The last major highway built in Los Angeles, and the most expensive freeway project in the nation’s history (at a cost of \$100 million per mile), was the Century Freeway.²⁵ Originally envisioned in the late 1950s as a more ambitious regional project, the Century Freeway encountered some fierce local opposition to the eminent-domain removal of homes along the proposed route and the walling-off of residential areas that used to be coherent, adjacent neighborhoods. The freeway became the focus of a historic lawsuit that delayed construction for decades. Ultimately, the Century Freeway was forced to reduce its scale and concentrate primarily on hastening automobile access between the central city and Los Angeles International Airport.²⁶ The Century Freeway finally opened for drivers in 1993. But that was only after 25,500 local residents (mostly nonwhite) lost their homes to clear the path for the new freeway.²⁷

“THE PAST IS NEVER DEAD. IT’S NOT EVEN PAST.”

William Faulkner’s oft-quoted words (from his *Requiem for a Nun*) were written in reference to the American South and its haunted

24. Mara A. Marks, “Shifting Ground: The Rise and Fall of the Los Angeles Community Redevelopment Agency,” *Southern California Quarterly* 86, no. 3 (Fall 2004): 276; See also, Christina Rice and Emma Roberts, eds., *Bunker Hill in the Rearview Mirror: The Rise, Fall, and Rise Again of an Urban Neighborhood* (Los Angeles: Photo Friends of the Los Angeles Public Library, 2015).

25. Mary Guthrie “A Century of Emotions: Photos Document Effects of 105 Freeway on Displaced Residents,” *Los Angeles Times*, March 16, 1995.

26. Joseph, DiMento, Drusilla Van Hengel, and Sherry Ryan, “The Century Freeway: Design by Court Decree,” *Access Magazine* 9 (Fall 1996).

27. Robert Reinhold, “Opening New Freeway, Los Angeles Ends Era,” *New York Times*, October 14, 1993.

legacy of race, violence, and loss. The preceding part of this essay explores more than a hundred years of the history of Los Angeles housing, recalling the halcyon period of the housing machine as well as noting the housing machine's utter failure to give equal treatment to minorities or to expand the quantity of affordable housing for the poor.

The reason why the past matters is that it isn't past. Antecedents of today's homelessness date back to late nineteenth-century complaints about thousands of unemployed homeless men—variously described as hobos, tramps, or vagrants—whose arrival in Los Angeles was blamed on the ease of hitching a ride on the transcontinental railroad that reached its western terminus in Los Angeles in 1876. By the 1880s, the junction of First and Los Angeles Streets became known as “Hobo Corner” and the surrounding area (slightly more than a mile away from the Southern Pacific rail yard) was called “Hell's Half Acre.”²⁸

Now Skid Row is located only a few blocks away from the old Hell's Half Acre. The story of Timothy Wynn, until recently a homeless man on Skid Row, personifies the connection between the sins of the past and the challenges of the present. Wynn's family moved to Los Angeles in the 1950s. Encountering redlining as African Americans, the family had trouble buying a house, but he grew up with his family living in a single-family home like many other families in Southern California. Wynn went to college and held jobs in retail and banking. But he had problems with mental illness and drug addiction, ending up with a criminal conviction. By the time he was in his late fifties, Wynn was homeless and living on Skid Row. “I never thought that I'd end up on Skid Row,” Wynn said. “Never thought that in a hundred years.”²⁹

Sixty thousand Black Angelenos experienced homelessness in 2019. Blacks comprise 43 percent of the L.A. homeless population even though they are only 7.9 percent of the L.A. population. Out of

28. Hadley Meares, “The Early Days of Skid Row.” Curbed Los Angeles website (December 14, 2017). <https://la.curbed.com/2017/12/14/16756190/skid-row-homeless-history>. Kelly Lytle Hernandez discusses this in her book *City of Inmates: Conquest, Rebellion, and the Rise of Human Caging in Los Angeles, 1771–1965* (Chapel Hill: University of North Carolina Press, 2020).

29. Jugal K. Patel, Tim Arango, Anjali Singhovi, and Jon Huang, “Black, Homeless and Burdened by L.A.'s Legacy of Racism,” *New York Times*, December 22, 2019. <https://www.nytimes.com/interactive/2019/12/22/us/los-angeles-homeless-black-residents.html>.

every 200 Blacks in L.A., fifteen will experience homelessness this year, compared to two out of every 200 non-Blacks in L.A.³⁰

There is definitely something going on here. Timothy Wynn's story combines the intertwined threads of redlining and institutional racism, drug use, mental illness, incarceration, the hollowing out of the community, the shredding of the traditional social safety net, and the shift in the regional economy from manufacturing to service sector jobs.

The same confluence of factors is reflected in the unequal outcomes in homeownership rates. While the overall homeownership rates have risen since the early 1900s for all four racial groups, the rates for Hispanics and Blacks, 1900–2015, consistently run below the rate for whites and, since 1960, also below Asians.³¹

This is significant because a home is the most valuable asset owned by most Americans. Because it appreciates in value over time, owning a home is an essential building block that makes it possible for families to grow their wealth further. Homeownership enables family members to save money to start a new business, pay for college, help a relative or friend who runs into an unexpected crisis, support a church or a community organization, transfer wealth from one generation to another, or contribute to a cause that is important to the community's future. Unequal access to homeownership means that some Americans (especially African Americans and Hispanics) are being held back while other Americans prosper.

The challenge of our time is to figure out how to re-engineer the Southern California housing machine that used to be so productive and efficient so that it can again produce the new housing needed by our growing population. But it is equally important to recognize and surmount the historic fact that the housing machine treated whites and nonwhites differently, with long-term effects that persist to this day.

FOUR MODEST PROPOSALS

1. "*Normalize*" – *simplify and shorten – the process of producing housing.* Looking back at the historical periods of maximum levels of new housing production in Southern California, the process was simpler, shorter, less complicated, and less expensive. There are many reasons

30. Ibid.

31. Urban Institute Analysis of U.S. Census Bureau, Decennial Census and American Community Survey, 1990–2015, made available by IPUMS-USA, University of Minnesota, www.jpurn.org.

for the evolution of the process. Some of the factors cannot be replicated, such as the availability of cheap undeveloped land close to urban centers and employment hubs and the less critical public attitudes towards real estate development. But to the extent that there is political will to produce more housing, local governments need to turn away from their growing reliance on discretionary approvals and addition of ancillary conditions and requirements that have the effect of slowing the process and raising the cost of new housing. The real-world average cost of \$531,000 per unit of new housing for the homeless in the city of Los Angeles (with some projects costing as much as \$746,000 per unit) is far higher than the \$350,000 cost per unit originally promised to voters when they were asked to support city Proposition HHH.³² The cost is not only absurdly expensive but also threatens to undermine public support for continuing efforts to build permanent affordable housing.

Neighborhood opposition can be the decisive factor in determining the size and scale of new housing. During the heat of a highly politicized public hearing process, it can be very difficult to distinguish between legitimate concerns about density or neighborhood compatibility and fear-mongering about living near the poor or members of a specific racial group. It is difficult to ask a politician to ignore angry voters, especially if the angry voters opposing a project appear to outnumber the project's supporters. But at some point, leaders have to face up to their responsibility to provide for basic needs such as affordable housing, even if it is unpopular.

Like all of the eighty-eight cities that comprise Los Angeles County, the City of Los Angeles is subject to a state law that calculates the overall number of new housing units and a subset of affordable housing units that need to be built within its jurisdiction, based upon analysis of population trends and other factors influencing demand for housing. Based upon the analysis, the City of Los Angeles is obligated to accommodate 455,000 new housing units (of which 185,000 are to be affordable to low-income residents) by 2029.³³

32. Gale Holland, "Housing Costs for the Homeless Rose to \$531,000 a Unit, L.A. Controller's Report Says," *Los Angeles Times* (September 9, 2020). <https://www.latimes.com/california/story/2020-09-09/high-of-746-000-for-homeless-housing-audit-says-try-rehabbing-motels-instead>

33. Los Angeles Times Editorial Board, "Editorial: Make Hollywood a Model for How L.A. Can Grow Equitably," *Los Angeles Times* (March 17, 2021). <https://www.latimes.com/opinion/story/2021-03-17/hollywood-community-plan>

Attaining these housing targets will not be easy, especially in the face of the routine finger-pointing and scapegoating among city officials and their constituents. But good planning will require a careful balance of incentives to boost housing production and ensure that a fair share of the new units can be afforded by those who can't survive in the city's hyper-competitive housing market.

Living up to the old saying about local government being the level "closest to the people," the city halls and the neighborhood councils are the main arenas for fighting over the future of housing. But there is also a major role for state government in normalizing the housing process. The California Environmental Quality Act (CEQA) was originally enacted to require a higher degree of accountability for negative environmental consequences of a wide range of governmental decisions. But CEQA became a tool for anti-development activists to threaten lawsuits to stop or slow down legitimate affordable housing projects.³⁴ The state legislature needs to reform CEQA to remove it as an obstacle to affordable housing while retaining the legal tools to hinder or halt policies or projects that would damage the environment.

2. Open the doors for women, minorities, smaller entrepreneurs, and nonprofits to play a larger part in building the housing we need.

Normalizing the housing production process would have the side-effect of creating openings for women, minorities, and small entrepreneurs to diversify Southern California's construction and real estate sector, historically a bellwether of the regional economy but dominated by white males.

For the obvious reason—wanting to maximize profit while incurring the lowest possible risk—most for-profit developers gravitate towards the parts of town where demand for market-rate housing is more robust or where lower land costs or a less invasive entitlement

34. Los Angeles Times Editorial Board, "Editorial: NIMBYs Beware: California Could Make It Harder to Block Homeless and Affordable Housing," *Los Angeles Times* (January 19, 2020). <https://www.latimes.com/opinion/story/2020-01-19/ceqa-exemption-affordable-housing>; Jennifer Hernandez, "New CEQA Study Reveals Widespread Abuse of Legal Process of 'Non-Environmentalists,'" *The Planning Report* (December 21, 2015). <https://www.planningreport.com/2015/12/21/new-ceqa-study-reveals-widespread-abuse-legal-process-non-environmentalists>; Alastair Bland, "Some See CEQA as a NIMBY Tool; But Environmentalists Want Landmark Law Strengthened," KQED website (May 15, 2019), <https://www.kqed.org/science/1941665/ceqa-some-call-landmark-environmental-law-a-nimby-tool-others-want-it-strengthened>.

process makes the developer's life easier. But in other parts of town, where the demand is weaker, there may be less attraction for the for-profit developer unless the lower cost of entry (possibly resulting from decades of redlining or disinvestment from the financial sector) to a "transitional neighborhood" increases the chance of later profit. The paradox is that new investment capital coming into the transitional neighborhoods may cause the neighborhood to become less affordable to the current residents.

A strategy of encouraging more Blacks and Latinos to become developers, contractors, architects, or other participants in development might make it more possible to break the tragic cycle of neglect or exploitation in underserved communities. Black and Latino professionals might be motivated to tackle challenging residential projects in neighborhoods with the highest rates of housing insecurity or households paying a disproportionately large percentage of their monthly income on housing.³⁵ They might be more likely to hire young Blacks and Latinos and to delineate career paths that could plant seeds in the minds of minority high school students to imagine themselves in careers that would build up their neighborhoods.

It may be uncommon for women and minorities to go directly into a career as a developer. But women and minorities are increasingly entering the ranks of contractors and subcontractors, construction managers, engineers, architects, finance partners, and the building trades. They may aspire to someday head their own companies.³⁶

To build momentum for diversifying the housing sector, both the public and private sectors need to do more to create opportunities:

35. Michael Volpe, "Latinos Aren't Just Home Buyers, But Also Real Estate Investors and Builders," *Al Dia* (September 27, 2020). <https://aldianews.com/articles/leaders/business/latinos-arent-just-home-buyers-real-estate-investors-and-builders/60649>.

36. Amanda Abrams, "Black Developers Call for Reckoning in Real Estate," *Washington Post* (April 1, 2021). <https://www.washingtonpost.com/business/2021/04/01/black-developers-call-reckoning-real-estate/>; David Roeder, "Real Estate Pros Aim to Diversify Ranks of Developers," *Chicago Sun-Times* (January 4, 2021). <https://chicago.suntimes.com/2021/1/4/22208521/real-estate-diversity-developers-leon-walker-dl3-realty>; Elizabeth Fazzare, "15 Architects on Being Black in Architecture," *Cultured* (August 6, 2020), <https://www.culturedmag.com/15-architects-on-being-black-in-architecture/>. Kim Slowey, "How to Encourage Latino Participation amid the Construction Labor Shortage," *Construction Dive* (March 30, 2017). <https://www.constructiondive.com/news/how-to-encourage-hispanic-participation-amid-the-construction-labor-shortag/439281/>; Julie Negovan, "The Age of the Dinosaurs Is Over: Why Construction Needs Workforce Diversity," *New Jersey Law Journal* (October 21, 2020) <https://www.law.com/njlawjournal/2020/10/21/the-age-of-the-dinosaurs-is-over-why-construction-needs-workforce-diversity/>?slreturn=20210121160523.

- Government agencies awarding contracts for affordable housing projects should prioritize female and minority contractors and subcontractors.
- Minority contractors and subcontractors need help recruiting, training, and retaining Black and Latino workers.
- Black and Latino role models in architecture, construction, engineering, and the building trades need to go into the public schools (as early as the seventh grade) to plant the seeds for young people to imagine themselves in future careers.
- To retain young Black, Latino, and women trailblazers in the housing sector, there needs to be more mentors available (including white male mentors) to fortify them, especially during the cyclical downturns and other tough times that periodically constrict the housing sector workforce.

Another route for diversifying the pool of developers is to reinvigorate the nonprofit affordable housing sector. The first generations of nonprofit community development corporations (CDCs) embodied the logic of using physical development to improve low-income communities, especially with affordable housing projects. Nonprofit development organizations could, in theory, be able to efficiently and creatively produce affordable housing that did not generate the profit that a for-profit developer would rely upon. But because the typical nonprofit developer does not have access to the same private financing that a for-profit developer would use, the nonprofit developer has to depend upon the good will and the generosity of charitable foundations and regulated financial institutions to generate the “creative financing” that makes nonprofit development deals feasible.

Whether they operate in the for-profit or the nonprofit arenas, diversifying the affordable housing stakeholders and workforce will be an important ingredient for revitalizing the Southern California housing machine.

3. Promote innovation in housing.

Southern California’s version of the American Dream has been mired in a twentieth-century time warp for a long time. But changes in economics, technology, and consumer attitudes may point towards new housing options that were not feasible before.

Local leaders can support innovative technologies such as pre-fab construction³⁷ or the recycling of existing structures and materials such as shipping containers that can be retrofitted for human habitation.³⁸

To use urban land more efficiently, owners of low-rise structures such as supermarkets, big-box retail stores, and parking lots and parking structures should be introduced to the concept of building new housing on top of their existing structures.³⁹



FIGURE 9. In Los Angeles, the conversion of historic office buildings to dwelling units is not new, but pandemic-era home-based work and e-shopping may hasten the trend at various price levels. Here, the 1906 Pacific Electric building at Main and Sixth Streets, now lofts. *M. Ovnick photo, June 2021.*

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37. Nick Bertram, Steffan Fuchs, Jan Mischke, Robert Palter, Gernot Strube, Jonathan Woetzel, "Modular Construction: From Projects to Products," McKinsey & Company, (June 2019).
38. Dennis Lynch, "South LA's Latest Affordable Rental Project Would Use Recycled Shipping Containers," *The Real Deal: Los Angeles Real Estate News*, January 4, 2019.
39. SPUR, "Housing above Retail," *Housing Strategy for San Francisco*, Chapter 4. San Francisco Planning and Urban Renewal Association (SPUR), (June 1, 2006).

Assuming that pandemic-era home-based work and e-shopping trends continue, some existing retail and office spaces may become obsolete and therefore ripe for conversion to new workforce housing.⁴⁰

The current condition of widespread housing insecurity, especially among renters, has led to many personal compromises that hint at solutions that were not previously considered realistic. While

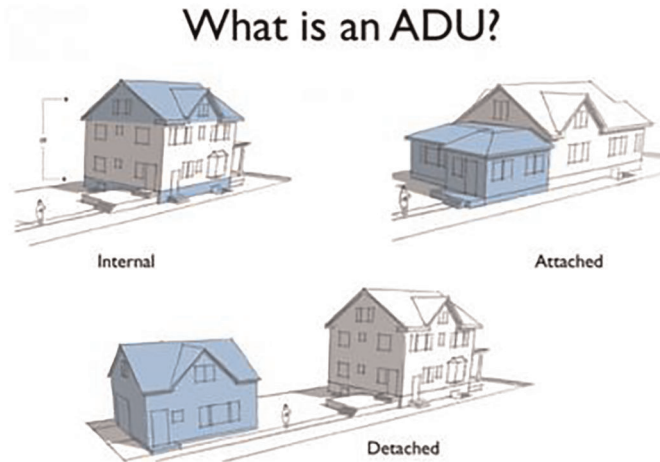


FIGURE 10. Permitting Accessory Dwelling Units (ADUs) in single-family residence zones could expand accessible housing units. *Courtesy ADU Architectural Designs, <https://www.aduarchitecturaldesigns.com>.*

some of the personal compromises have resulted in overcrowding or other housing conditions that should not be tolerated, there may be a greater willingness by consumers to consider “micro-units” (generally defined as rental units smaller than 350 square feet),⁴¹ “tiny houses” (owner-occupied units smaller than 500 square feet),⁴² or

40. Michael Neibauer, “Massive Office-to-Residential Conversion Planned for Alexandria’s Hoffman Town Center,” *Washington Business Journal*, May 19, 2017. https://www.bizjournals.com/washington/news/2017/05/19/massive-office-to-residential-conversion-planned.html?ana=RSS%26s=article_search.

41. Urban Land Institute, “The Macro View on Micro Units” (2014). http://uli.org/wp-content/uploads/ULL-Documents/MicroUnit_full_rev_2015.pdf; Central City Association, “CCA White Paper: Micro-Units in DTLA: New Housing Choices for LA’s Fastest Growing Neighborhood” (March 2018). https://www.ccala.org/clientuploads/directory/whitepapers/CCA_Micro_Unit_White_Paper_-_March_2018.pdf

42. Patrick Sisson, “Tiny Houses: Big Future, or Big Hype?” *Curbed* website (July 18, 2017). <https://archive.curbed.com/2020/3/10/21168519/homes-for-sale-american-home-suburbs>; Patrick Sisson, “Why We Can’t Build Small Houses Anymore,” *Curbed* website (March 10, 2020) <https://archive.curbed.com/2020/3/10/21168519/homes-for-sale-american-home-suburbs>

“co-living” in “urban dormitories”⁴³ with communal or shared kitchens, bathrooms, and gathering spaces.

The growing public acceptance of Accessory Dwelling Units (ADUs), previously known as “granny flats,” could mean that traditional attitudes towards single-family house zoning could become more flexible to allow duplexes, four-plexes, or other low-rise examples of multifamily housing to co-exist with single-family houses where the lots are large enough.⁴⁴

These are just a few of the creative housing ideas that are being talked about. But ideas in the air do not produce housing on the ground without consistent political leadership at the local level—leaders who have vision, tenacity, and sufficient backbone to withstand the criticism that inevitably is drawn to any positive moves to create housing.

4. *Show commitment to housing justice by finding money to address the legacy of institutionalized, systemic racism.*

When Governor Jerry Brown was looking for ways to close California’s budget gap in 2011, he seized upon the idea of terminating local redevelopment agencies and using their tax-increment funds to reduce painful spending cuts at the state level. The problem is that redevelopment funds were the largest single source of financing for affordable housing in California, generating about \$1 billion annually to support affordable housing projects.⁴⁵ That translates to about 4,500–6,000 affordable housing units per year that are not being built. Los Angeles is producing more new housing than any other city in California, at more than 88,000 units since 2010. But only about 9 percent of the city’s newly-built housing are affordable to households that earn less than the area median income.⁴⁶

43. Will Coldwell, “‘Co-Living’: The End of Urban Loneliness – or Cynical Corporate Dormitories?” *The Guardian* (September 3, 2019). <https://archive.curbed.com/2020/3/10/21168519/homes-for-sale-american-home-suburbs>; Paul Burke, “A 2021 Guide to Co-Living in Los Angeles,” *Medium* (March 21, 2020). <https://medium.com/colivingcircle/a-2020-guide-to-co-living-in-los-angeles-a2188435c947>; Arielle Pardes, “1 House, 40 Roommates? During Covid, Co-Living Adds Up,” *Wired* (October 2, 2020). <https://www.wired.com/story/coliving-treehouse-common-open-door-startups-covid/>

44. Dan Bertolet and Gabobe Nisma, “LA ADU Story: How a State Law Sent Granny Flatts Off the Charts,” Sightline Institute website, April 5, 2019.

45. Dan Carrigg, “Reassembling Redevelopment,” *Western City*, May 7, 2018.

46. Jonathan Woetzel, Shannon Peloquin, Steve Kling, Tim Ward, Sucheta Arora, “Affordable Housing in Los Angeles: Delivering More—and Doing It Faster,” McKinsey Global Institute (November 21, 2019).

Local governments do not have options to replace the housing revenues lost when the redevelopment agencies were shut down. Governor Newsom should support efforts by the state legislature to bring back some version of the local redevelopment agency role in subsidizing affordable housing.⁴⁷

In order to enable Southern California's nonprofit affordable-housing developers to fulfill their unique role—building projects that become economically feasible because the developer does not need to generate a profit—they will need more financial resources. This means that charitable foundations and the financial institutions need to step up to enable the nonprofit developers to secure land for projects and pay for essential pre-development expenses that are easier for for-profit developers to finance.

At the national level, nine large national foundations have agreed to work together to pool their funding resources to address the shortage of rental housing. In 2018, the new Funders for Housing and Opportunity collaborative was initiated by the Melville Charitable Trust and the Annie E. Casey Foundation and joined by the Gates, Hilton, Ford, MacArthur, JPG, Kresge, and Oak foundations.⁴⁸ Before the collaborative was organized, the participating foundations collectively spent more than \$65 million on domestic housing grants in 2017. Now the collaborative is seeking to improve coordination among the national foundations to maximize their collective impact. However, to date there has not been a comparable initiative on the part of Southern California charitable foundations or corporate employers whose current and future employees will feel the constraining impacts of the region's housing shortage.

The preceding section of this paper has argued that the slowing of Southern California's housing machine has had a disproportionately regressive effect on Blacks, Latinos, and other excluded groups. The Southern California housing machine was part of a systematic, institutionalized racism which was built upon a legacy of restrictive covenants, redlining, overt discrimination, racial violence, and reduced opportunities for Blacks and other minorities. Today, the heavy

47. Los Angeles Times Editorial Board, "Editorial: Jerry Brown Killed Redevelopment in California; Gavin Newsom Should Bring It Back to Life," *Los Angeles Times*, August 29, 2019.

48. "Funding Collaborative for Affordable Housing Launched," *Philanthropy News Digest* (February 21, 2018). <https://philanthropynewsdigest.org/news/funding-collaborative-for-affordable-housing-launched>

burden of housing costs in Southern California not only takes a larger share out of their household incomes but also puts them at a significant disadvantage in homeownership, asset and wealth accumulation, and private resources available to support future generations, strengthen their communities, and make them more resilient in the future.

Raphael Bostic, President and CEO of the Federal Reserve Bank of Atlanta (the first African American to lead a branch of the Federal Reserve System and a former USC professor based in Los Angeles who researched inequalities in homeownership and housing finance), has been particularly outspoken on the relationship between institutional racism and unequal outcomes in the economy. “By limiting economic and educational opportunities for a large number of Americans,” Bostic has written,

institutionalized racism constrains this country’s economic potential. The economic contributions of these Americans, in the form of work product and innovation, will be less than they otherwise could have been. Systemic racism is a yoke that drags on the American economy. This country has both a moral and economic imperative to end these unjust and destructive practices.⁴⁹

While Southern California has a deep history of racism and inequality in housing, the underlying problem is really national in scope and, to be serious, deserves to be addressed at the federal level.

One strategy worth considering to deter the legacy of institutionalized, systemic racism in housing at the national level would be to expand and strengthen the Community Reinvestment Act (CRA), originally enacted in 1977 to force banks to stop redlining and do better at serving low- and moderate-income borrowers. The law has had a signal effect on lending to the poor and the communities in which they live, despite years of effort by the banking industry and its administrative, regulatory, and congressional allies to weaken its enforcement. Banks have made almost \$2 trillion in small business and community development loans in low- and moderate-income communities since 1996.⁵⁰ But non-bank lending institutions such as independent mortgage companies (which now issue the majority of home loans) and mainstream credit unions

49. Raphael Bostic, “A Moral and Economic Imperative to End Racism,” Federal Reserve Bank of Atlanta (June 12, 2020). <https://www.frbatlanta.org/about/feature/2020/06/12/bostic-a-moral-and-economic-imperative-to-end-racism>.

50. Josh Silver, “Warren Housing Bill Presents a Clear Choice on CRA,” National Community Reinvestment Coalition (October 12, 2018). <https://nrcr.org/warren-housing-bill-presents-a-clear-choice-on-cra/>.

and other financial services companies such as insurance and securities firms are not covered by the current provisions of the CRA and therefore are not held accountable to the same standards.

Since CRA became law in 1977, the financial services sector has undergone massive change. Bank consolidation and the rise of nationwide banks and internet banks have transformed the landscape of the industry. The financial assets not covered by CRA represent breathtaking wealth. In 2019, the net value of premiums written by the U.S. insurance industry added up to \$1.32 trillion.⁵¹ The U.S. mutual fund industry held \$21.3 trillion in total net assets at the end of 2019.⁵²

But the regulations implementing CRA have been seriously reviewed and rewritten only once, in 1995, despite the profound changes in the world of financial services. As financial resources continue to shift from banks covered by CRA to other segments of the financial services industry, the power of CRA to influence investment decisions will gradually be diluted. Expanding the Community Reinvestment Act may seem to be a tall order, but it represents a substantive step that would infuse underserved communities with ongoing financial resources to erase the legacy of institutionalized racism and unequal outcomes in Southern California and beyond.

* * *

The causes of Southern California's current housing emergency did not appear overnight. Nor will they be vanquished overnight. Achieving real progress will require more financial resources from multiple sources, a willingness to try new ideas, and sustained leadership (and sometimes courage) from both the public sector and the private sector. In its time, the twentieth-century version of the Southern California housing machine succeeded at producing a sufficient supply of housing to shelter the workers and their families who enabled the region to become an economic juggernaut. But the machine was flawed by racial bias that excluded nonwhites, resulting in tangible inequities that persist today. To fundamentally reverse the trendline of the current housing emergency, the housing machine must be reinvented to not only build more housing, but also to fulfill a moral obligation to enable people from all backgrounds to live in a decent home.

51. Insurance Information Institute, "Facts + Statistics: Industry Overview." <https://www.iii.org/fact-statistic/facts-statistics-industry-overview>.

52. Investment Company Institute, "Investment Company Fact Book (60th Edition)," (2021) https://www.ici.org/pdf/2020_factbook.pdf.