

Q&A: California's Housing Crisis, Failed Policies and Obtainable Solutions



Has housing become unattainable for many Californians?

According to analysts, government imposed regulations and fees are leading contributors to why California is the most expensive place to live in the U.S. An average California home (\$440,000) costs two-and-half times the average national home price (\$180,000), and the average monthly rent is \$1,240, 50% higher than the rest of the country. This is not news for those who see a big portion of their paycheck going to housing each month.

Are political leaders addressing the real problem?

Instead of addressing the root cause of the housing crisis, needless and costly regulations and fees, some policymakers are championing rent control, despite the fact that it has never effectively preserved or expanded affordable housing stocks. One of their favorite targets is manufactured housing communities or mobilehome parks, as if private property owners are responsible for the housing crisis. When manufactured homes offer all the quality and comfort of a stick-built house, at prices 30% less, a compelling case can be made that they are part of the solution and not the problem.

Does rent control work?

The view of nearly every economist and housing expert is that rent control has never led to more affordable housing stock. In reality, it discourages builders from building more apartments and mobilehome parks, and in fact, it has incentivized property owners to leave the rental market. If rent control was effective, California would not be facing a housing crisis and rent control communities would have the lowest rents, when in fact, they have the highest – and sometimes, the highest in the state or nation.

Does rent control improve a mobilehome park's services and quality of life?

The application of rent control poses many challenges (i.e. unintended consequences) when applied to manufactured home communities, creating a tradeoff between lower rents and the capital investments parkowners must make to protect a park's viability, quality of life and the value of the privately-owned homes located in the community.

Why is rent control particularly problematic for mobilehome parks?

To understand how it has truly failed, one must also understand how parks operate. Unlike traditional rental property such as apartments, mobilehome parks operate like small villages or cities. They provide all the benefits of a traditional neighborhood (i.e. security, social interaction, open space, and close proximity to needed goods and services) and they appeal to all income levels. The only real difference is the park's residents own the manufactured home, and the parkowner generally owns the land beneath it.

Rather than collect taxes like cities, parkowners collect rent to cover property taxes and fund essential neighborhood services, such as park management, roads, lighting and landscaping. In some cases, rents also cover all utilities, including cable. Some parks include clubhouses, fitness rooms, pools and golf courses. Consequently, when the government imposes a rent control ordinance that reduces or freezes rents at below market rates, it threatens a community's quality of life. Just like cities, when revenue does not exceed expenses, essential services are reduced or eliminated altogether, and as the maintenance of neighborhoods decline, so do property values as blight takes root.

Do rent control policies specifically target those in need?

Government subsidies for traditional housing and apartments require means-testing; however, mobilehome parks are the exception. As a consequence, parkowners who are under rent control are required to personally subsidize the housing of residents regardless of income or need, forcing these small business owners to close parks when rents no longer support the balance between affordability and sustainability.

What's more, the notion that all mobilehome community residents are poor and in need of financial assistance is wholly inaccurate. Many mobilehome community residents are quite capable of paying fair, market-rate rents. Housing subsidies should be reserved for those residents truly in need.

Do taxpayers subsidize rent control?

Yes, in most cities and counties with rent control, taxpayers do fund rent control through the general fund of the city or county in order to pay for the administration of rent control. Rent control can be a very expensive proposition for cities and counties because it is a very costly program to enforce and to legally defend. Extra city and county employees are needed to administer the program. Rent control takes away badly needed funds for police and fire and other vital government services. A means-tested rental assistance program would be much more effective for local governments.

Are there alternatives to rent control that can make housing more affordable?

State and local government regulators should abandon the current course of driving up the cost of housing with costly, unneeded regulations, only to hastily impose price controls that don't work once homeownership becomes unattainable. It is time for real and meaningful solutions. Making housing construction less expensive and more plentiful so that the savings can be passed on to all prospective homeowners is a good place to start. WMA and our members look forward to fully participating in this important public policy discussion.

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