

DRAFT INTRODUCTION

The Construction of a Permanent Incurable Housing Crisis in the Golden State

California, which now has a population of 35 million, is a land of American dreams - a magnificent coast line, beautiful mountains, exotic deserts, the marvels of San Francisco, a dry warm climate, great movie stars, and a free life style.

It also the land with a permanent housing crisis. While average house prices in the U.S. and California were about the same up to the early 1970's, from the 1970's to 2007 California house prices soared to double to quadruple the national average. Since 2007 (the onset of the current economic recession), California has been the site of the biggest plunge in housing prices and the highest rate of foreclosures. In fact, in California there are three types of housing crises: 1) rising house values and rents, 2) stagnant house values and rents, and 3) declining house values and rents. In other words, there is always a housing crisis, with no end.

The condition is a crisis condition in several senses. The high housing prices and rents severely diminish the wealth of a substantial portion of California citizens, mainly the under 40 homeowner population and impose a severe burden on moderate and low income households. At the same time, homeowners depend on high home values prices in order to maintain their wealth and to have the necessary assets to provide acceptable security for cheap sources of capital. Concurrently, the banking system depends on the high house prices and in order to maintain security for its loans.

The perpetual housing crisis outcomes are not the results of the laws of nature or free markets or restrictions on the profitability of investments in housing. Instead, they are the outcomes of a special brew of law and economics, which includes: low density land use regulations, capital

surpluses in the economy, property tax and income tax laws which help drive up house prices, and public views that are unfavorable to housing policies that would increase affordability. This brew is not about to change, because the foregoing ingredients of the brew are pillars of our social, economic, and legal systems.