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## **Is L.A. Ripe for Another Riot?**

**By Richard Stanley**

As I write this column, L.A. is marking the 40<sup>th</sup> anniversary of the Watts Riots of 1965. I wasn't in L.A. then, but I remember vividly watching the riots of 1993 from the parapets of the Griffith Park Observatory. It was a sparkling Spring day until columns of white smoke erupted one after another. Each quickly turned a roiling black. This smoke, pushed inland by the onshore flow into a smear thicker than smog, hid everything from about Beverly Boulevard south, including even the downtown skyline.

When Hollywood went up in flames, too, the park rangers chivied us off the hill. I returned to my Atwater Village condo, a converted apartment and my first real estate investment, to huddle by the TV. Vast areas of the city rescinded their consent to be governed—people in the streets attacked not only the police black-and-whites, but also fire and paramedic trucks. I felt ashamed to be an Angeleno that day. Holed up, I had time to reflect.

Psychic toll aside, the riot scarred much of L.A.—but, more important, most of the city was untouched. Most of the physical damage was confined to low-income areas, but some lower-income areas were unaffected. East L.A., for example, was calm. What made the difference?

Here's the difference: people don't burn down neighborhoods they own. Conversely, areas most likely to burn in riots are areas with concentrations of low-income renters. To rent involuntarily is to suffer a kind of disenfranchisement in L.A. Is it surprising that, given the right spark, people with little to lose and with commonly held anger, will riot?

Our Founding Fathers recognized that what set this country apart from others was the availability of land that could be owned by ordinary people. They also recognized that citizens who owned land cared for their land, were more willing to be organized into militias to protect their land and were generally easier to govern. Owning a "homestead" meant that your enfranchisement was complete—your future was hopeful.

Consequently, home ownership has long been held sacrosanct. No politician who would advocate repeal of the mortgage interest or property tax deductions would last long in office. A government that neglects the interests of property owners risks the imposition by referendum of stringent measures such as Prop 13.

The above said, we find ourselves at a curious moment in the history of L.A.: a mere 15 percent of households in our city can purchase the median home. (Nationwide, this figure is 50 percent.) Stated simply, a household in L.A. needs to earn almost \$120,000 a year **or more** to qualify to purchase the median-priced, \$510,000 house with a 20 percent (\$102,000) downpayment and a loan at current interest rates. The monthly payment (PITI—principal, interest, taxes and insurance) on this median-priced L.A. house would total almost \$3,000 per month. Fewer and fewer households can afford this chimerical, median-priced house, because prices locally are increasing at a rate of about 16 percent over last year—and interest rates are rising. Few people have

incomes that can keep up with the current appreciation of residential real estate. Locally, almost no residential real estate can be bought for less than \$400,000.

What then to do? Short of moving to a lower-priced locale or getting a big raise, owning your own home is virtually impossible for most Angelenos. What is needed is a shift in public policy that gives more than lip service to “affordable housing”. Years ago, L.A. city effectively stopped the conversion of older apartment buildings to condominiums by imposing unrealistic restrictions on the number of parking spaces required per unit. Today, the city waives these onerous parking requirements for big developers of new housing units—but not for condo conversions. What if the city allowed more condo conversions? More supply would inevitably drive prices down. What if the prices for condos, the “starter home” of many urban dwellers, began no higher than about \$200,000—a price that would fit within the budget of the median, \$53,000 per year, Angeleno household? What if the city supervised condo associations to protect the investments of owners? What if our glorious pre-war apartment buildings were owned by their residents and were lovingly restored to their former glory instead of being torn down or neglected by landlords squeezed by rent control? What if the average Angeleno could get a toehold in real estate, enjoy the tax benefits of home ownership and maybe even build home equity? What if these new owners could eventually step up to a single-family house if they so chose? What if all L.A. neighborhoods were primarily “owner-occupied”? What then would be the chance of a future riot?

And finally, what if I had kept that cute, two-bedroom, Atwater Village condo I owned during the '93 riots, instead of selling it at the bottom of the market for \$95,000? It would be worth almost the median-priced L.A. house today!