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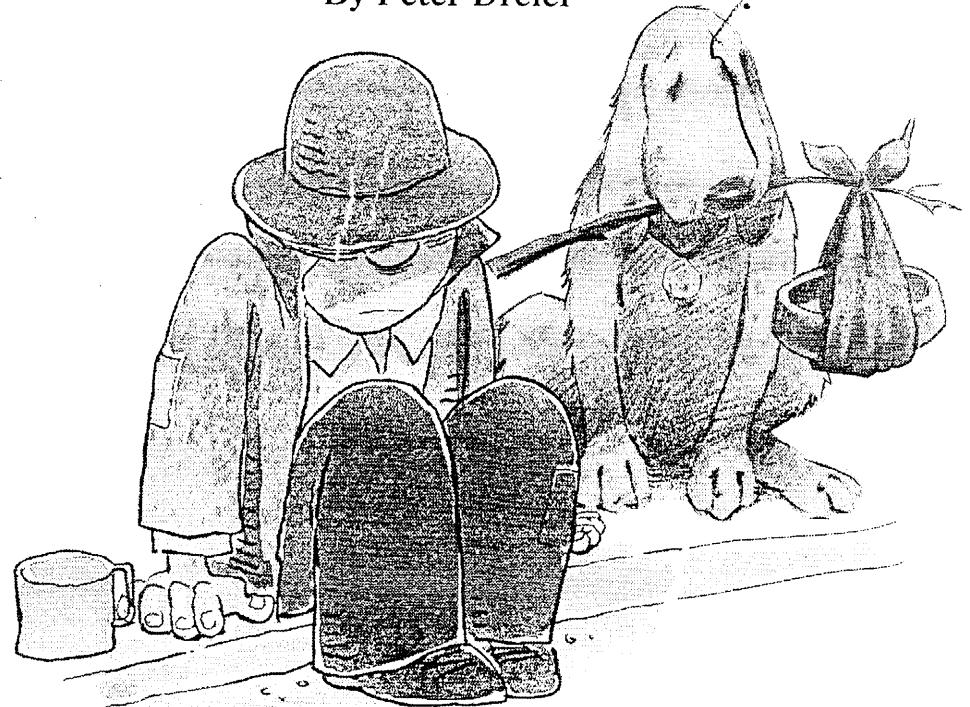
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Separate and unequal



*Nowhere in California is the gap
between rich and poor greater
than in Pasadena*

By Peter Dreier



Would it surprise you to learn that Pasadena is the most unequal city in California? That's one of the interesting facts now available from the recent release of 2006 data by the US Census Bureau.

A standard way to measure inequality is to consider the gap between the rich and poor. To do this, we compared the income of households near the top (those at the 95th percentile, where only five percent of households have more money) with those near the bottom (those at the 20th percentile, where only 20 percent of households have less money). This way, we avoid measuring the distance between the extremes — the very richest and the very poorest — which may distort the reality.

In Pasadena, the income of households near the top (\$255,106) is 12 times greater than the income of those near the bottom (\$21,277). This is the widest gap among the 36 California cities with more than 140,000 people. Only four other cities have a rich-poor gap in double digits: Oakland (11.82), San Francisco (11.3), Los Angeles (10.85) and Glendale (10.16). In 26 cities, the rich-poor gap is below 8.

Another way to measure inequality is to look at the concentration of income among the rich, or how the economic pie is divided. In Pasadena, the richest one-fifth of Pasadena households — those with incomes over \$123,641 — has over half (54.2 percent) of the income earned by city residents. The wealthiest 5 percent — those with household incomes above \$255,106 — have over one-quarter (25.1 percent) of the income. Pasadena has a higher concentration of income among the richest five percent than the United States and California (both 22.1 percent) and Los Angeles County (23.6 percent). Among the 36 largest California cities, only Los Angeles (26.1 percent) has a greater concentration of income among the richest households.

In contrast, the poorest one-fifth of Pasadena households — those with incomes below \$21,277 — combined have only 2.8 percent of residents' income. Those in the next poorest one-fifth — those with household incomes between \$21,277 and \$46,375 — bring home only 7.6 percent of Pasadena's incomes.

If we looked at wealth (stocks, bonds and other holdings) instead of income, the concentration at the top of the economic pyramid would be even more skewed. (Also, the Census data is based on a sample of households in each city, so there is some margin for error regarding the income statistics.)

In many respects, Pasadena is a tale of two cities, and gentrification is exacerbating the gap between rich and poor. Pasadena's median household income increased from \$51,233 in 2005 to \$59,301 in 2006 — a dramatic 15.7 percent boost in just one year. But this jump in income is not because Pasadena's existing residents got big pay raises from generous employers. It is because the

people moving to Pasadena are increasingly those with high incomes, while those with low incomes are being pushed out of the city. In other words, the city's prosperity is not being widely shared, but pitting the affluent against the poor and working class for the city's scarce housing.

Between 2005 and 2006, Pasadena added 1,637 households. In that single year, the number of households with incomes below \$50,000 declined by 2,811 — 1,545 of those households with incomes below \$10,000. Meanwhile, the number of households with incomes above \$50,000 increased by 4,448 — 1,251 of them households with incomes over \$200,000.

This evidence of gentrification is not a one-year fluke, but part of an ongoing trend. Since 1999, Pasadena has lost 4,655 households with incomes below \$50,000; 1,586 of them were the poorest households, those with incomes below \$10,000. During that same period, the city added 7,093 households with incomes over \$50,000; 5,483 of them were households with incomes over \$100,000, and 1,540 of them over \$200,000.

None of this should be surprising in light of spiraling rents and house prices, the accelerating conversion of affordable apartments to expensive condominiums, the predominance of new luxury units among the condos approved by city officials and the paucity of affordable housing in Pasadena's development pipeline.

Pasadena's poverty rate declined from 14.1 percent of residents in 2005 to 13.3 percent in 2006. It would be nice to think that this is because a significant number of the city's poor were able to lift themselves out of poverty. But this isn't the case. The reality is that the poor are being pushed out of the city by rising housing costs. This is a major reason for the decline in enrollment in Pasadena Unified School District (PUSD) schools. A recent report by Davis Demographics, a consultant used by PUSD to examine population changes, found that most of the students who have

left the district are those who live in areas with many low-income families and mostly rental housing. PUSD's declining enrollment and budget woes are due in large part to the displacement of the poor, not the flight of the middle class.

Gentrification may be good for a handful of developers, but it isn't good for most residents or for the city's business climate. As the new census data suggest, Pasadena housing costs are skyrocketing beyond what most working families — including schoolteachers, nurses and nurses' aides, bus drivers, security guards, secretaries, janitors, child care providers, retail clerks, computer programmers, lab-assistants and others — can afford.

Rising rents and home prices are undermining our city's economic, social and civic fabric. Our public schools are losing children. Many religious congregations are losing members. Youth soccer and baseball leagues, and other community initiatives, are losing volunteers.

When working families spend almost half their incomes for rent or mortgages, they have little left over to spend in the Pasadena economy, hurting local businesses. Moreover, local employers are having difficulty finding employees who live in the city. Long commutes into Pasadena exacerbate traffic congestion and pollution.

City officials have been promising for several years to unveil a comprehensive housing policy, but so far there is little to show for it. The goal of a city housing agenda must

recognize the importance of maintaining a diverse, vibrant city where people of all incomes can live, work and play.

We need to dramatically increase the city's housing supply to meet current and projected population growth. But the Census data indicate that, contrary to those who argue that simply adding more high-end housing relieves market pressures (a theory called "filtering"), it has the opposite ripple effect of pushing up rents and home prices for the existing housing stock. Instead, we need more emphasis on protecting the existing stock of affordable housing, while focusing new construction on affordable units within mixed-income developments.

What can the city government do to adopt a responsible, balanced housing and anti-poverty policy for Pasadena's future? City officials could consider the following 10 policy initiatives:

1. Limit the conversion of affordable rental apartments to expensive condominiums until the local rental vacancy rate is high enough (say, 5 percent) to provide renters with places to move within the city. When that threshold is met, allow condo conversions, but require that half of the units be targeted for low-income and moderate-income households.
2. Help nonprofit community groups, religious congregations and tenant groups to purchase existing rental apartment buildings and preserve them permanently as affordable rentals or resident-owned cooperative housing. Set a target of preserving 500 units a year for 10 years.
3. Revise the Inclusionary Housing law in three ways. First, require all new housing development along major transit corridors to be truly mixed-income, with one-third at market rate, one-third for "workforce" housing and one-third for low-income families. Second, in other areas, require that at least 20 percent of units be targeted for low-income and moderate-income families. Third, either eliminate the use of in-lieu fees (which now allow developers to avoid creating mixed-income housing) or significantly raise the in-lieu fees on each so that they are sufficient for the city to subsidize an apartment for low- and moderate-income families.
4. Encourage mixed-use development that combines first-floor office and retail space with housing above and guarantee that the housing component is mixed-income.
5. Put a stop to the creeping down-zoning occurring throughout the city that allows developers to build large single-family houses (often called "McMansions") where two, three or more units had existed.

6. Establish a "land bank" program to identify parcels owned by public agencies (the city, PUSD, Caltrans and others), as well as privately owned underutilized parcels and buildings that the city can purchase for future housing development.

7. Adopt a "linked deposit" policy by requiring the city to do a "report card" on the lending practices of banks and mortgage companies that do business in Pasadena. This city should only deposit its funds in (and do business with) lenders that invest in affordable housing. The city should withdraw its funds from banks that practice redlining and engage in predatory lending.

8. Enact a "just cause" eviction law to allow landlords to evict problem tenants quickly while protecting responsible tenants from arbitrary evictions.

9. To boost incomes and help lift Pasadena's working poor out of poverty, collaborate with employers, social service agencies, unions, and churches to guarantee that all Pasadena families eligible for the federal Earned Income Tax Credit (an income supplement for families earning up to \$37,000) sign up to receive it. This will put an additional \$500 to \$4,000 in families' pockets, most of which will be spent in our local economy.

10. Strengthen Pasadena's living wage law, now limited to firms that receive municipal service contracts, to include employees who work for firms that receive economic development and other city subsidies.

One city on its own can't solve all the problems of widening inequality, poverty and housing shortages. But cities like Pasadena have a responsibility to use the tools at their disposal to address these serious issues. Pasadenans are justly proud of many aspects of this wonderful community. But being the most unequal city in California is something that should cause great concern — and action — on the part of Pasadena residents and its leaders. □

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TABLE 1: THE RICH-POOR GAP

Income inequality among California's 36 largest cities (with populations over 140,000)
(ratio of household incomes at 20th and 95th percentiles)

SOURCE: US CENSUS BUREAU, AMERICAN COMMUNITY SURVEY, 2006

City	Income at 20th percentile	Income at 95th percentile	Ratio of Incomes at 95th/20th percent
Anaheim	\$24,629	\$179,649	7.29
Bakersfield	22,375	175,702	7.85
Chula Vista	25,139	157,350	6.26
Corona	36,438	184,913	5.07
Fontana	30,607	165,026	5.39
Fremont	41,236	221,265	5.36
Fresno	15,502	148,708	9.59
Garden Grove	24,089	170,207	7.06
Glendale	20,802	211,380	10.16
Hayward	23,049	162,209	7.03
Huntington Beach	36,604	232,066	6.33
Irvine	36,233	253,301	6.99
Lancaster	16,260	148,487	9.13
Long Beach	18,956	164,210	8.66
Los Angeles	18,038	195,727	10.85
Modesto	21,310	169,049	7.93
Moreno Valley	25,652	144,677	5.63
Oakland	16,268	192,444	11.82
Oceanside	27,660	165,275	5.97
Ontario	25,858	151,981	5.87
Oxnard	23,616	174,517	7.38
Pasadena	21,277	255,106	11.99
Pomona	21,250	129,008	6.07
Rancho Cucamonga	40,085	200,746	5.00
Riverside	24,557	165,802	8.21
Sacramento	20,196	154,006	7.62
Salinas	24,089	153,736	6.38
San Bernardino	16,510	112,869	6.83
San Diego	25,362	205,879	8.11
San Francisco	22,640	255,951	11.30
San Jose	29,673	229,110	7.72
Santa Ana	26,429	158,644	6.00
Santa Clarita	35,813	217,570	6.07
Santa Rosa	24,157	181,505	7.51
Stockton	20,404	139,249	6.82
Torrance	32,120	190,390	5.92

TABLE 2: MOVING IN/MOVING OUT

Changes in the number of Pasadena households at various income levels, 2005 to 2006

Source: US Census, American Community Survey, 2005 and 2006

Income	#Households:2005	#Households: 2006	+/-	% change
Under \$10,000	5,273	3,728	-1,545	-29.3
\$10,000-14,999	3,087	3,004	- 83	-2.6
\$15,000-24,999	6,407	6,183	-224	-3.5
\$25,000-34,999	3,957	3,882	-75	-1.9
\$35,000-49,999	6,947	6,063	-884	-12.7
\$50,000-74,999	7,519	9,200	+1,681	+22.3
\$75,000-99,999	4,727	6,559	+1,832	+38.7
\$100,000-149,999	6,891	7,491	+600	+8.7
\$150,000-199,999	4,680	3,764	-916	-19.7
Over \$200,000	3,122	4,373	+1,251	+40.1
Total	52,610	54,247	+1,637	+3.1

TABLE 3: MOVING IN/MOVING OUT

Changes in the number of Pasadena households at various income levels, 1999 and 2006

Source: US Census

Income	#Households:1999	#Households: 2006	+/-	% change
Under \$10,000	5,314	3,728	-1,586	-29.8
\$10,000-14,999	3,140	3,004	-136	-4.3
\$15,000-24,999	5,649	6,183	+534	+9.4
\$25,000-34,999	5,966	3,882	-2,084	-34.9
\$35,000-49,999	7,446	6,063	-1,383	-18.5
\$50,000-74,999	8,648	9,200	+552	+6.3
\$75,000-99,999	5,501	6,559	+1,058	+19.2
\$100,000-149,999	5,379	7,491	+2,112	+39.2
\$150,000-199,999	1,933	3,764	+1,831	+94.7
Over \$200,000	2,833	4,373	+1,540	+54.3
Total	51,809	54,247	+2,438	+4.7