As renters struggle to pay the bills, landlords and speculators cash in

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Renita Barbee, 52, has begun packing up the belongings in her rented South Los Angeles home. She was trying hard to hold her composure as she told her story the other day. But at times, her eyes filled.

"When I found this place, I fell in love," said Barbee, who moved into the three-bedroom, two-bath brown stucco home four years ago with her husband, daughter and mother.

But the latest monthly rent increase will take her to roughly $500 more than she paid when she moved in, and the L.A. city dispatcher said she can't handle that despite a decent annual salary of about $78,000.

"We just don't have the money to pay it," said Barbee, who's not sure where the family will find something affordable. Her husband, a plumber, has had two strokes and her mother, whose Social Security check helped pay the bills, just died.

Barbee and her family are among the thousands of losers in California's real estate economy, as rents rise way faster than wages, displacing low- and middle-income families and transforming neighborhoods in a way that one observer called "white flight reversal."

But not everyone is losing.

When neighborhoods gentrify and rents and property values spike, landlords, developers and speculators cash in.

In City Terrace, Carolina Rodriguez has a sign in her window telling neighbors the landlord is trying to kick her family of eight out of a two-bedroom, one-bath house, with a rent increase from $1,250 a month to $2,000. She's staying put for now, pending the outcome of a lawsuit against her landlords.

Thanks to the financial opportunities created by the epic housing crash several years ago, profits continue to pour in for corporations that bought distressed and foreclosed homes.

Steve Schwarzman, chief executive of the mammoth Wall Street equity firm Blackstone, has been called "America's landlord" because of the company's vast multibillion-dollar commercial and residential real estate holdings. Blackstone subsidiaries own tens of thousands of single-family rentals, which have helped drive the firm's multi-billion dollar growth.

Including the home Renita Barbee lives in.

"Single-family rentals are a hot asset class," said Amy Schur of the Alliance of Californians for Community Empowerment.

Schur said Blackstone companies control more than 14,000 rental properties in California, many of them in working-class neighborhoods with a high percentage of minority residents. She said several other corporations are in the market, too, and that investors can buy stakes in those companies.

"You're talking about a shift from mom-and-pop landlords to the financialization of housing," said Schur, and one impact is that individual homebuyers are crowded out of the market by corporate buyers. That leaves them scrambling to cover ever-rising rents.

To be fair, when it comes to landlords, there are good ones and bad ones, and that includes the mom and pops. For that matter, there are good and bad tenants, too.

But a hookup this summer between Blackstone's Invitation Homes and Starwood Waypoint, which had just married another residential company, created a massive conglomerate. Investors naturally want a return on their money, and one obvious way to keep them happy is to raise the rent.

On Oct. 18, Schur's organization sent a letter to Schwarzman asking for a meeting to discuss "historic displacement" of "working-class communities of color." Included in the letter were details of steep rent increases for several Blackstone tenants, including Willie Brister of South Los Angeles.

Brister, a 64-year-old administrative assistant for the Department of Veterans Affairs, told me she paid $1,850 a month for her house four years ago, got a $500 monthly increase at one point, pays $2,700 now and will have to pay $2,890 in December. Brister said she was told by her property manager that the rent increase is consistent with market trends.

Blackstone, as you might have guessed, sees itself as a positive force rather than a profiteer. A spokesman told me the pace of corporate buying has slowed dramatically and constitutes a tiny fraction of single-family rental ownership in the U.S. That's true, although the recent mergers make it a bigger force.

The Blackstone spokesman said Invitation Homes, a Blackstone subsidiary, has invested an average of $25,000 per house in renovations.

"Those investments not only benefit residents by providing high-quality homes near good schools and good jobs, but also played a critical role in stabilizing local housing markets, and spurring local economic growth and job creation," said the Blackstone spokesman.

The way I look at it, the problem for renters is not what landlords — corporate or individual — are doing. It's what lawmakers are not doing. Legislators took a small step to alleviate the affordable housing crisis this year with a package of modest bills, but they don't offer much relief to people who need it in a hurry.

Carolina Rodriguez's rent went from $1,250 to $2,000 because there's no limit on how much of an increase her landlord can charge. Barbee's and Brister's rents are going up and will continue to do so because there's nothing they or anyone else can do about it.

Developers, landlords and investors have a right to make money, but a virtually unregulated free market has helped saddle California with the nation's highest poverty rate when cost of living is factored in.

"I'm in the camp that says we need dramatic intervention to protect low- and moderate-income people so they can maintain a space in our city," said Scott Cummings, a UCLA law professor.

Cummings said he favors repeal of a state law known as Costa-Hawkins, which restricts local power to regulate rent increases in certain cases and on certain buildings, such as single-family homes.

The real estate lobby has always beaten back such efforts, arguing that rent control would result in less housing and higher prices. But higher and higher and higher is what we've got now, and Schur's group is pushing a ballot measure to repeal Costa-Hawkins. The state also needs to tinker with the Ellis Act, which allows owners to remove rental units from the market, despite the critical shortage.

We can't build enough new housing to relieve the problem entirely, so protecting current renters is all the more important, especially with corporate behemoths monetizing misery.

Renita Barbee told me her rent was $1,850 four years ago, and she showed me a recent note from her landlord telling her the monthly cost would move from the current $2,120 to more than $3,000 in December.

A nearly $800-a-month increase, just a few months after her mother died.

"I panicked," Barbee said, telling me she called the property manager listed on her notice but did not hear back then, nor after a second attempt.

That's when she hooked up with Alliance of Californians for Community Empowerment, which was compiling its letter of complaint to Blackstone.

Invitation Homes contacted Barbee last week to say the $3,000 notice was a mistake. As Barbee recalls, she was told the new rent would be closer to $2,330.

Makes you wonder how many such mistakes are made, and how many times the renter begrudgingly coughs up the increase.

Barbee said that even at $2,330, that's nearly a 10% increase and it probably won't be the last one. On Friday, after my conversations with Blackstone, Barbee said the landlord offered her an extra six months at her current rate.

She may stay a while longer, but still intends to leave. At least temporarily, she said, her daughter and husband will move in with relatives and she will either rent a room from a co-worker or sleep on a friend's couch while saving money for her next real estate adventure.

"If this keeps happening," Barbee said, "we're all going to end up on the street."

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