



# Affordability Matters:

A Look at Housing Construction & Affordability in Los Angeles

When it comes to housing and development, there isn't just one LA story. Over the last building boom, some neighborhoods were transformed and others experienced very little development. Some areas lost large numbers of affordable homes while others gained. Some were the resting place for many people without roofs over their heads while others were not. This brief is an attempt to tell the housing stories of the diverse communities that make up the City of Los Angeles to inform the discussions around new plans to build and preserve more affordable homes across the city.



# Affordability Matters:

A Look at Housing Construction & Affordability in Los Angeles

By Beth Steckler and Adam Garcia

Affordability Matters is a project of Livable Places and UCLA Law Professor Jonathan Zasloff funded by the UCLA Partnerships for a Greater Los Angeles. The purpose of Affordability Matters is to analyze and document affordable housing construction and demolition between 1998 and 2005 in the city of Los Angeles for the purposes of increasing public understanding of and participation in the Housing Element updates and other local planning efforts.

Livable Places  
634 So. Spring Street, #727  
Los Angeles, CA 90014  
(213) 622-5980  
[www.livableplaces.org](http://www.livableplaces.org)

March 2008

## Executive Summary

Since 1998, Los Angeles has experienced a boom in residential construction with over 65,000 new homes built in the city. With these new homes, the City nearly reached its official housing target to meet the needs of a growing population. Regrettably, most of the new apartments and condominiums were out of reach of most of the people who live and work in Los Angeles. In addition, one rent-controlled apartment was lost for every two new affordable apartments.

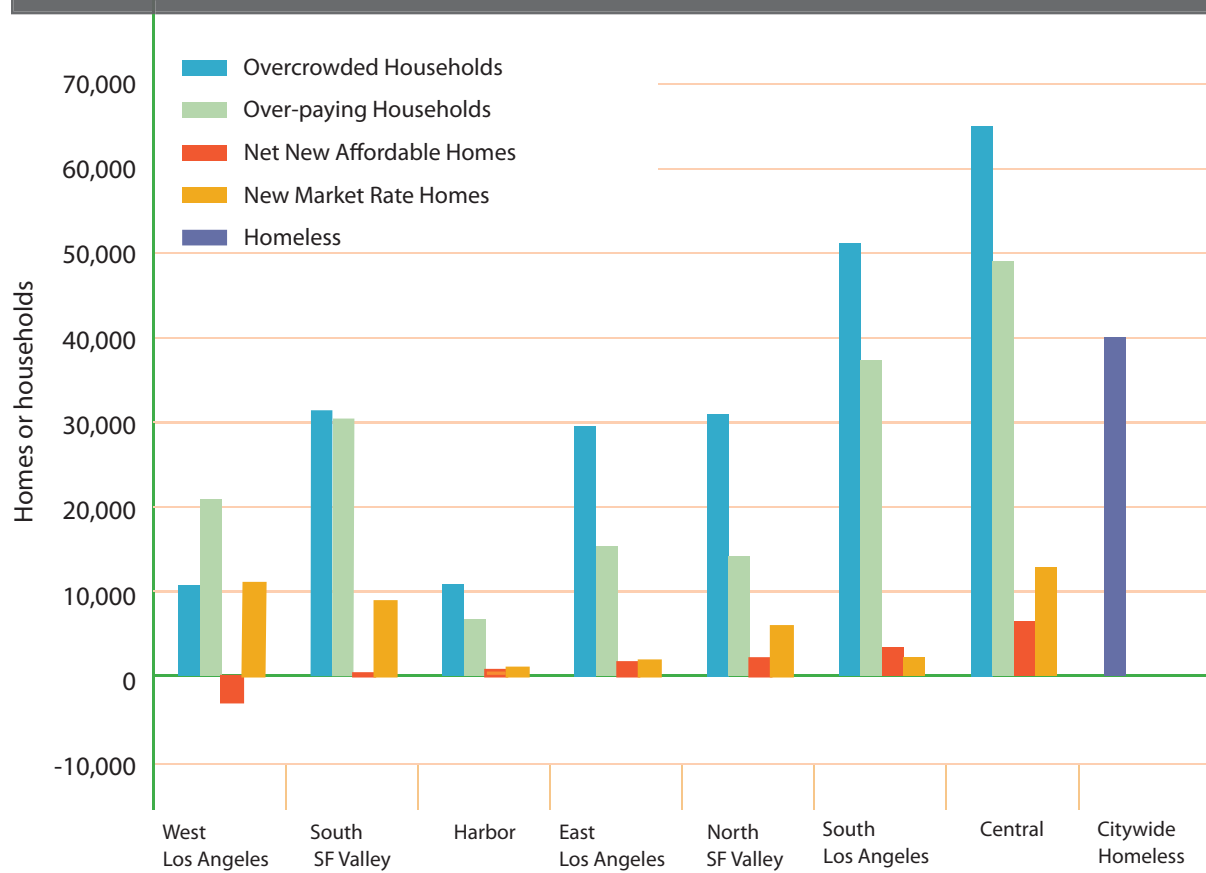
This unbalanced development took place against the backdrop of a city deeply divided along geographic and economic lines. Despite the city's suburban image, six in ten Angelenos rent. In nearly all the city outside the northern and western San Fernando Valley the majority is renters. There are great disparities in incomes between the lower income core around downtown and the more affluent Westside and San Fernando Valley. Large numbers of Angelenos, especially in the lower income areas, cope with high rents by doubling up with relatives and roommates or paying more than half their incomes in rent.

An estimated 40,000 people have no place to call home. The wages of many local jobs are low relative to rents, putting both a decent apartment and the possibility of home ownership beyond reach of full-time workers.

Over the last building boom neither new affordable nor new market-rate residential construction was evenly distributed across the city. But new construction is only a part of the story. Over 13,000 older rent-controlled apartments were lost to condominium conversions or demolished to make way for new schools. Losses were highest in the Westside and South San Fernando Valley where very few new homes were affordable. The Westside had a net loss of over 3,000 affordable homes.

The City has a blueprint for both saving existing homes and building new ones for the growing population. It's called the Housing Element and will be updated in spring 2008. This Housing Element update is an opportunity to make a plan to move the City out of the affordable housing crisis. But to do so will require an honest assessment of the enormous need for affordable apartments for the people who are overcrowded, overpaying or homeless. It will require an open dialogue about what has worked and not worked over the last building boom. The Housing Element is an opportunity to create more effective policies for guiding development so that it does not deepen the economic disparities in the city. It is a chance to bring more housing opportunity for the good people who live and work in Los Angeles.

## Summary of Housing Needs and Construction (1998-2005)





# Community Plan Areas







Since 1998, Los Angeles has experienced a boom in residential construction with over 65,000 new homes built in the city by 2005. With these new homes, the City surpassed its official housing target to meet the needs of a growing population. Regrettably, most of the new apartments and condominiums were out of reach of most of the people who live and work in Los Angeles. In addition, one rent-controlled apartment was lost for every two new affordable apartments.

## I. A City Divided Economically & Geographically

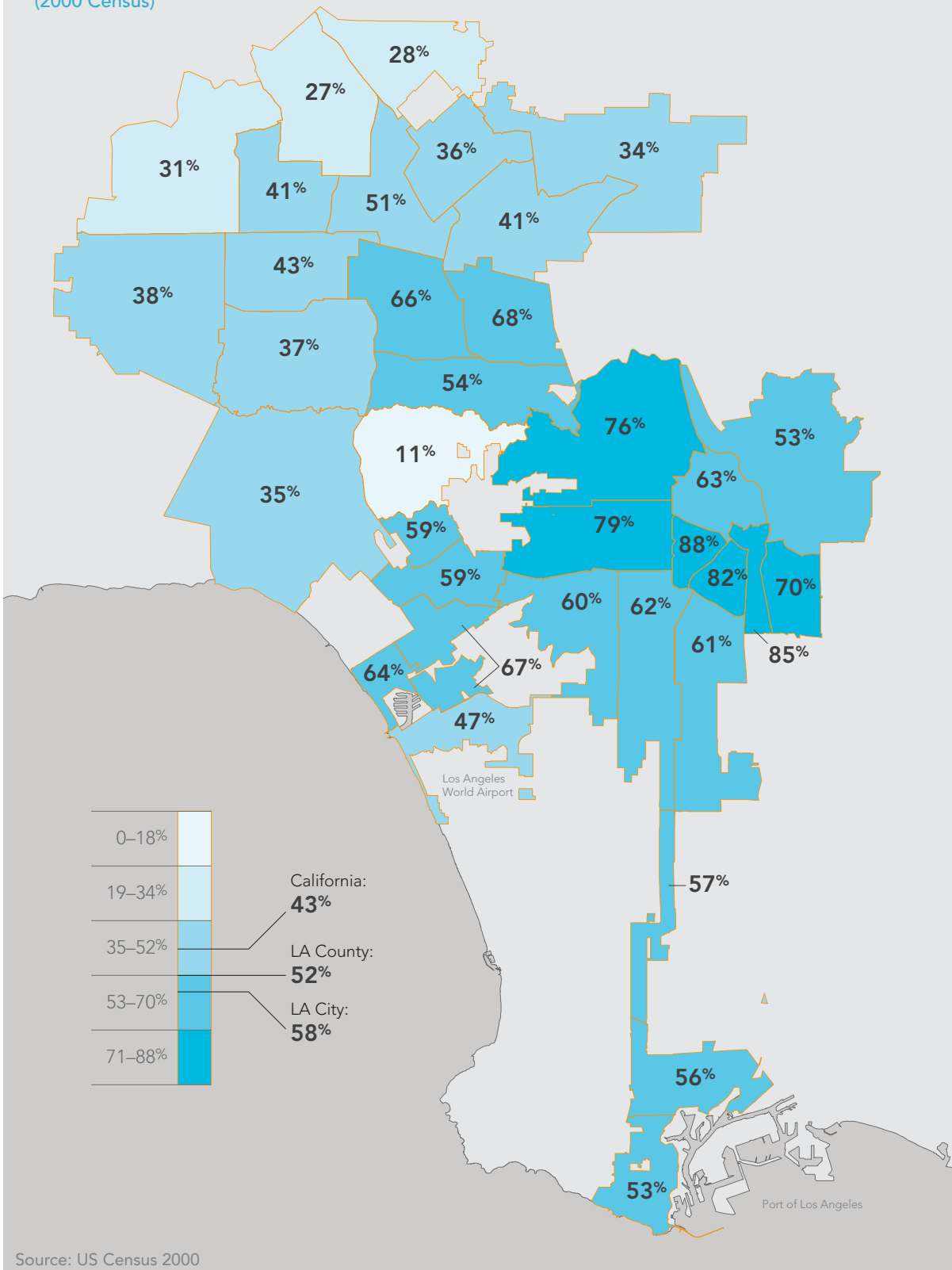
### A City of Renters with Deep Economic Divisions

Despite the suburban image of tract homes with backyard swimming pools, six out of ten Angelenos rent. The map in Figure 1 shows the percent of renters in each of the City's 35 Community Plan Areas. The neighborhoods closer to downtown, are overwhelmingly renters. Even in the San Fernando Valley renters are a majority in Sherman Oaks/Studio City, North Hollywood, Van Nuys and Mission Hills/Panorama City.

Much has been written about the deep social and economic divides in Los Angeles. According to the 2000 Census, the median household income citywide was \$36,700. The median income is the point at which half the population has higher incomes and half has lower. The map in Figure 2 shows the median income in the 35 Community Plan Areas. Three areas—Westlake, Downtown and Southeast Los Angeles—had median incomes below \$23,000/year. While four areas—Chatsworth, Encino, Brentwood/Pacific Palisades, and Bel Air/Beverly Crest—had median incomes over three times the poorest areas. The map in Figure 2 largely confirms how many think of the city with wealthy neighborhoods on the Westside, Hollywood Hills, and western San Fernando Valley, and low income neighborhoods around downtown and south LA.

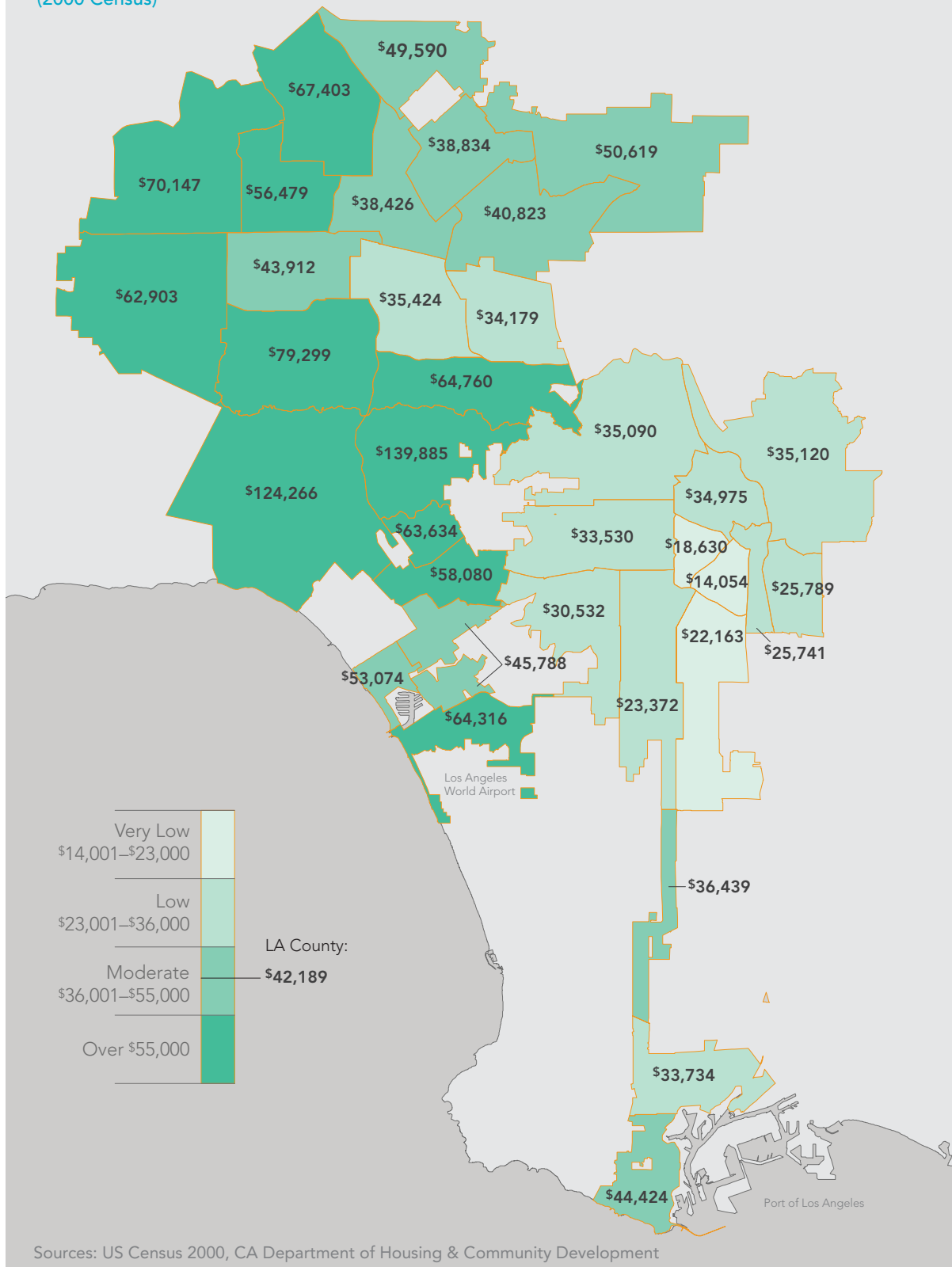
**Figure 1: Percent of Renters by Community Plan Area**

(2000 Census)



## Figure 2: Median Household Income by Community Plan Area

(2000 Census)



Sources: US Census 2000, CA Department of Housing & Community Development

### Doubling Up to Make Ends Meet

When people can't afford the rent or mortgage, a common strategy is to double up with relatives, friends or roommates. This can lead to unacceptably high levels of overcrowding and a lower standard of living. Overcrowding is a major problem in Los Angeles.

The U.S. Census standard of "severe overcrowding" is 1.5 people/room, counting bedrooms, living rooms, kitchens and dining rooms. Under this definition, severe overcrowding means: two people living in a studio; five people in a one-bedroom; six people in a two-bedroom. Most apartments in Los Angeles are either one or two bedrooms.

Over a quarter of a million households in the city are severely overcrowded.<sup>1</sup> At 18%, the rate of severe overcrowding in the city is twice the statewide rate. Not surprisingly, the map in Figure 4 shows that the lowest income neighborhoods in the city have the highest rates of severe overcrowding. In Westlake, where 88% of residents are renters and the median income is \$18,630/year, 44% of households are severely overcrowded. Figure 3 shows the percent and number of overcrowded households in areas where overcrowding exceeds 20%.

The map in Figure 4 shows the number of severely overcrowded households in each Community Plan Area.

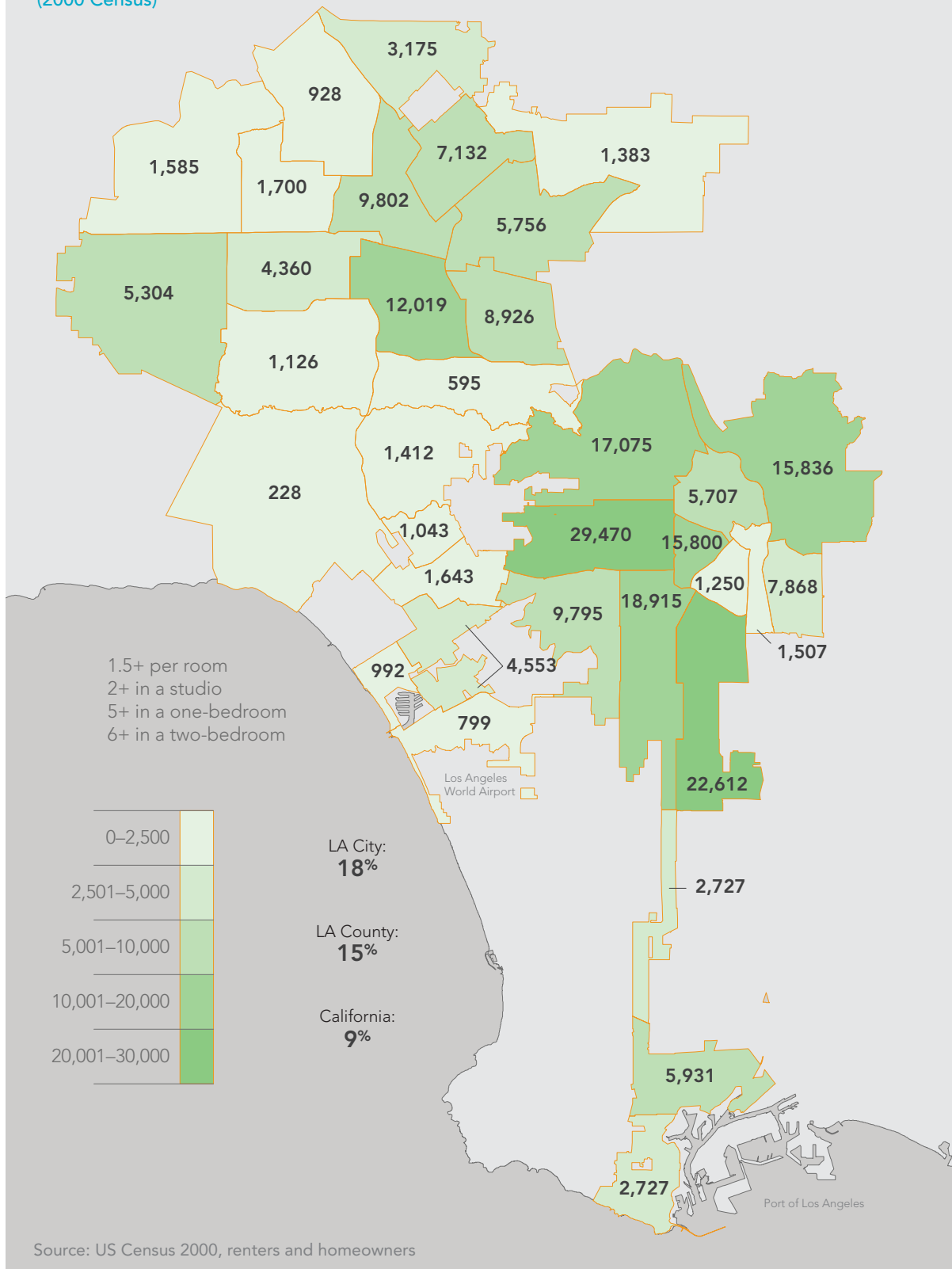
Figure 3: Areas with Over 20% of Households Severely Overcrowded

| Percent | Community Plan Area          | Number |
|---------|------------------------------|--------|
| 44%     | Westlake                     | 15,800 |
| 34%     | South East Los Angeles       | 22,612 |
|         | Boyle Heights                | 7,868  |
| 25-30 % | Arleta/Pacoima               | 7,132  |
|         | Central City North/Chinatown | 1,507  |
|         | Wilmington                   | 5,931  |
|         | Mission Hills/Panorama City  | 9,802  |
|         | Sun Valley/La Tuna Canyon    | 5,756  |
|         | Wilshire                     | 29,470 |
|         | South Los Angeles            | 18,915 |
| 20-24%  | Harbor Gateway               | 2,727  |
|         | North East Los Angeles       | 15,836 |
|         | Silver Lake/Echo Park        | 5,707  |
|         | Van Nuys/North Sherman Oaks  | 12,019 |

Source: US Census 2000

**Figure 4: 231,681 Severely Crowded Homes by Community Plan Area**

(2000 Census)



### Paying too much rent

Another way to gauge the shortage of affordable housing is to consider the number of people paying rents that are too high given their incomes. The U.S. Census Bureau considers a household “severely rent-burdened” if 50% or more of monthly income is for rent and utilities.<sup>2</sup> When one spends more than half of his income to pay rent, any unforeseen expense such as medical bills or car repairs could lead to not having enough money to cover other necessities. In practice, most landlords require prospective tenants to have an income that is two to three times the monthly rent.

Over 175,000 renters in the city spend more than half their income on rent. At 23%, the rate of severe overpayment is higher than the statewide average of 20%. The areas where more than one in four renters severely overpays are: Westwood, South LA, Southeast LA, West Adams/Baldwin Hills.

The map in Figure 5 shows the number of severely rent-burdened households in each Community Plan Area.

### Having a place to call home

The most heart-wrenching evidence of the shortage of affordable housing is the large number of people living on the sidewalks, in parks, under bridges, in cars and in shelters. Los Angeles has been labeled the homeless capital of the nation, a title carried with great shame. With the most urgent housing needs, this is a population that has been the most difficult to count. It is beyond the scope of this brief to either explain the variations in estimates or to analyze whether homelessness has increased or decreased. Instead, we will rely on the 2007 homeless count by the Los Angeles Homeless Services Authority which found about 40,000 homeless people living in Los Angeles.<sup>3</sup>

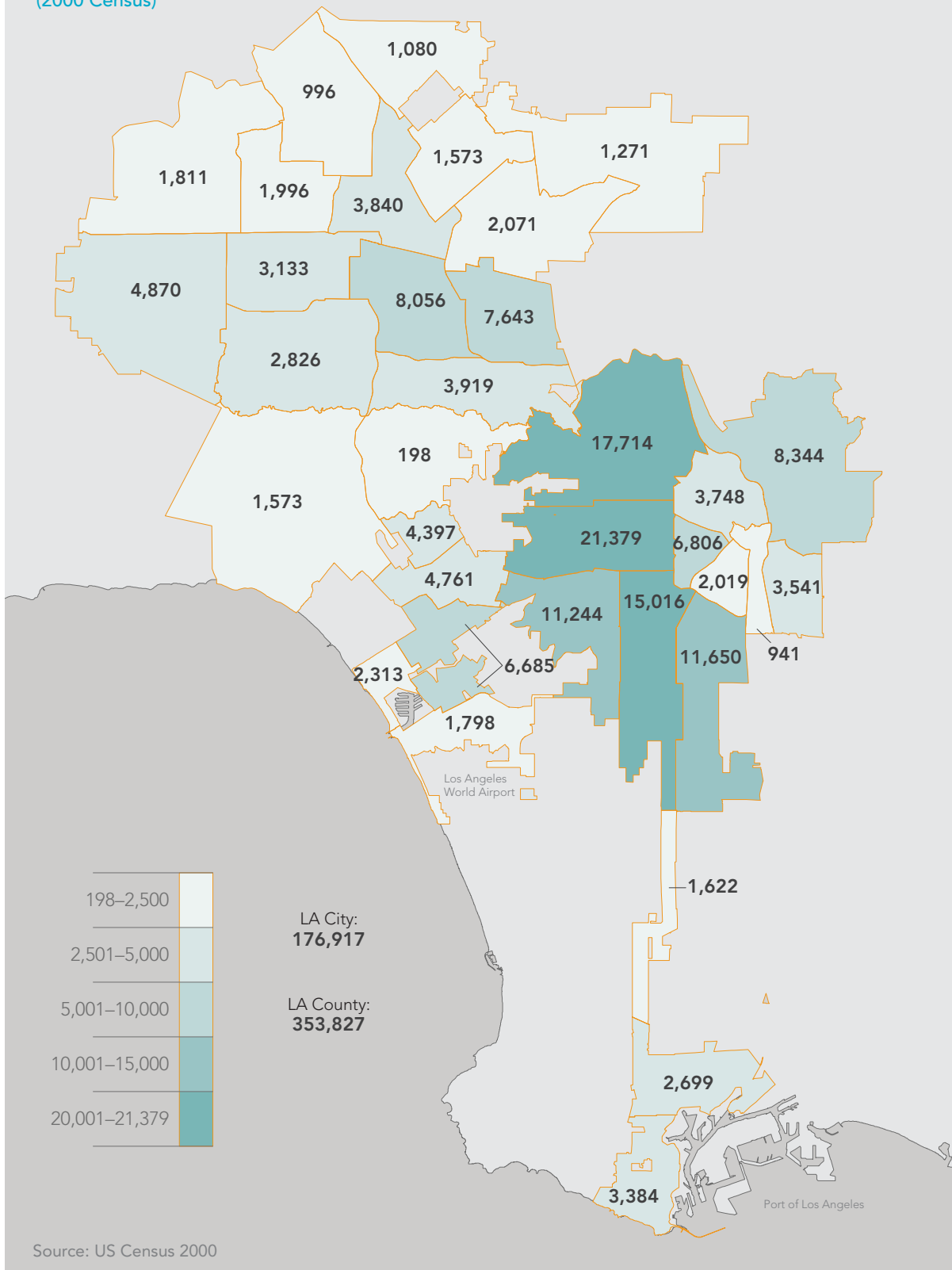
Figure 6: Tents pitched on sidewalk in downtown LA.



Photo: Beth Steckler

**Figure 5: 176,917 Renters Paying Half or More of Monthly Income for Rent**

(2000 Census)



### What Do You Mean by Affordable? Income, Rents and Home Prices

It is impossible to talk intelligently about affordable housing without considering income. For example, an apartment renting for \$1,000/month is affordable to someone earning \$48,000/year. But that same apartment is clearly out of reach for someone earning \$12,000/year.

So, the jargon used by policy makers links housing expenses and income. First, housing is considered affordable if a household spends 30% or less of their monthly income on rent (or mortgage).

Second, incomes are typically broken down by percent of median income in a specific area, called Area Median Income or AMI.<sup>4</sup> The area median incomes are calculated for different family sizes and updated each year. The median income in Los Angeles County in 2007 was \$40,000/year for one person, \$45,000 for a couple, \$51,000 for a family of three and \$56,000 for a family of four. The average family size in Los Angeles is about three people, but often the median incomes used are for families of four. The map in Figure 2 shows the median incomes in 1999 in the different Community Plans across the city.

Third, using the Area Median Income, income brackets are calculated for different family sizes. These brackets are referred to by percent of area median and also by names such as “low income” and “extremely low income.” Figure 7 contains the income limits for each income bracket by family size.

Figure 7: Area Median Income (AMI) in Los Angeles County (2007)

| Income Bracket | % of AMI | Annual Income Limit (Rounded to nearest \$1,000) |            |            |            |
|----------------|----------|--|------------|------------|------------|
|                |          | 1 person   | 2 people   | 3 people   | 4 people   |
| Extremely Low  | < 30%    | \$15,000   | \$18,000   | \$20,000   | \$22,000   |
| Very Low       | 31–50%   | \$26,000   | \$30,000   | \$33,000   | \$37,000   |
| Low            | 51–80%   | \$41,000   | \$47,000   | \$53,000   | \$59,000   |
| Moderate       | 81–120%  | \$47,000   | \$54,000   | \$61,000   | \$68,000   |
| Above Moderate | > 121%   | > \$47,000                                       | > \$54,000 | > \$61,000 | > \$68,000 |

The chart in Figure 8 contains a list of occupations and average earnings in the local economy. The chart also contains a range of affordable rents and home prices for households at these different income levels. People usually talk about rents as being affordable below 30%, 50% or 80% AMI. People usually talk about home prices being affordable below 80% or 120% AMI.



Figure 8: Affordable Rents and Home Prices for Various Occupations (2007)

| Occupation                                  | Annual Salary <sup>5</sup> | Affordable Rent <sup>6</sup><br>(per month) | Affordable Home Price <sup>7</sup> | % of AMI <sup>8</sup> |
|---|----------------------------|---|------------------------------------|-----------------------|
| Disabled, receiving General Relief          | \$2,652                    |   |                                    |                       |
| Mother and two children, receiving CalWorks | \$8,676                    | \$66 to \$330                               | \$??? to \$45,000                  | Extremely Low < 30%   |
| Senior/disabled, receiving SSI              | \$10,272                   |   |                                    |                       |
| Minimum wage worker (32 hrs/wk)             | \$13,312                   |   |                                    |                       |
| Minimum wage worker (full-time)             | \$16,640                   |   |                                    |                       |
| Parking lot attendant                       | \$18,100                   |   |                                    |                       |
| Senior couple, receiving SSI                | \$18,240                   |   |                                    |                       |
| Sewing machine operator                     | \$19,000                   | \$420 to \$610                              | \$55,000 to \$79,000               | Very Low 31 to 50%    |
| Hotel housekeeper                           | \$20,700                   |   |                                    |                       |
| Cashier                                     | \$20,900                   |   |                                    |                       |
| Home health aide                            | \$22,600                   |   |                                    |                       |
| City living wage (full time)                | \$20,800                   |   |                                    |                       |
| Janitor                                     | \$22,800                   |   |                                    |                       |
| Security guard                              | \$24,400                   |   |                                    |                       |
| Telemarketer                                | \$26,800                   |   |                                    |                       |
| Emergency medical technician                | \$28,600                   |   |                                    |                       |
| Secretary                                   | \$32,800                   | \$670 to \$1,010                            | \$87,000 to \$129,000              | Low 51 to 80%         |
| Bus driver                                  | \$34,700                   |   |                                    |                       |
| Truck driver                                | \$37,900                   |   |                                    |                       |
| Computer repairer                           | \$39,000                   |   |                                    |                       |
| Retail manager                              | \$40,500                   |   |                                    |                       |
| Property manager                            | \$42,900                   |   |                                    |                       |
| Interpreter                                 | \$43,300                   |   |                                    |                       |
| Licensed vocational nurse                   | \$45,500                   | \$1,070 to \$1,490                          | \$137,000 to \$167,000             | Moderate 81 to 120%   |
| Paralegal                                   | \$53,000                   |   |                                    |                       |
| Vocational education teacher                | \$54,800                   |   |                                    |                       |
| Respiratory therapist                       | \$59,400                   |   |                                    |                       |
| Set designer                                | \$64,000                   |   |                                    |                       |
| Accountant                                  | \$66,400                   |   |                                    |                       |
| Architect                                   | \$74,400                   | \$1,550 to \$3,600                          | \$170,000 to \$333,000             | Above Moderate > 120% |
| Firefighter                                 | \$74,800                   |   |                                    |                       |
| Registered nurse                            | \$74,800                   |   |                                    |                       |
| Computer software engineer                  | \$91,900                   |   |                                    |                       |
| Dentist                                     | \$127,400                  |   |                                    |                       |
| Attorney                                    | \$143,700                  |   |                                    |                       |

### Rents & Home Prices

While wages have inched up in Los Angeles, housing costs have soared. In 1998 HUD's Fair Market Rent for a two bedroom apartment was \$737/month rent.<sup>9</sup> This rent was affordable to someone with an annual income of about \$30,000. By 2005, the Fair Market Rent had risen to \$1,124, and was only affordable to someone earning \$45,000.

In 1998, the median price of a home in Los Angeles County was \$183,000.<sup>10</sup> This was affordable to someone in the 81%–120% AMI bracket. By 2005, the median price had more than doubled to \$440,000.<sup>11</sup> The income needed to afford the median price home rose to \$105,000/year, well over the 120% AMI bracket.

The depth of the housing crisis in Los Angeles is evidenced by the extent to which rents and home prices are out of reach for numerous occupations.

{blank page}



## II. Our Pattern of Development Is Increasing the Divide

### Housing Element Targets for New Construction

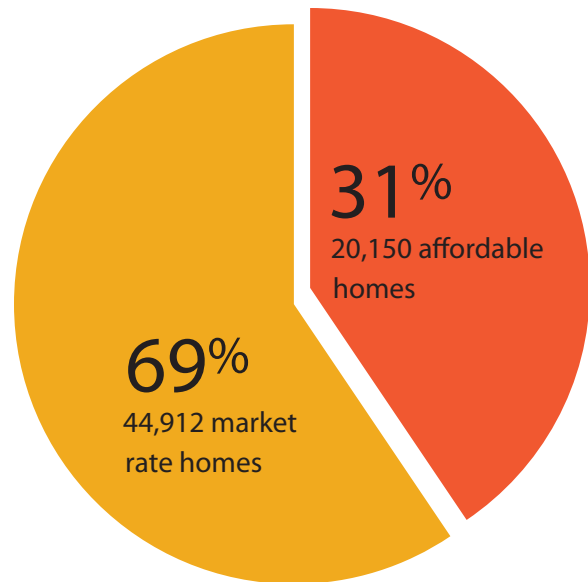
The City of Los Angeles is in the process of creating a new blueprint for both saving and building housing to meet the needs of a growing population. This blueprint, called the Housing Element, is part of the City's General Plan. State law requires the Housing Element to be updated every five to eight years.

Starting with the State Department of Finance's projections for population growth for the region, the Southern California Association of Governments assigned the City of Los Angeles targets for building new homes. These targets are broken down into income brackets. The chart in Figure 9 shows the targets for the Housing Element for 1998-2005.<sup>12</sup>

Figure 9: Housing Element Targets for New Construction<sup>12</sup>  
City of Los Angeles (1998–2005)

| Income Bracket<br>(% AMI) | New Construction Targets<br>(1998–2005) | % of Total<br>Construction Target |
|---------------------------|---|-----------------------------------|
| Very Low (< 50%)          | 17,999 units                            | 30%                               |
| Low (51–80%)              | 10,416 units                            | 17%                               |
| Moderate (81–120%)        | 11,314 units                            | 19%                               |
| Above Moderate (> 120%)   | 20,560 units                            | 34%                               |
| Total new homes           | 60,280 units                            | 100%                              |

Figure 10: New Affordable & Market Rate Homes Constructed (1998–2005)



Los Angeles' population grew since the City last updated the Housing Element. In 1998, there were over 3.75 million people in the City of Los Angeles, living in about 1.3 million apartments, houses and condominiums.<sup>13</sup> Last year, the City's population passed the four million mark—a 6.2% increase since 1998, or an 8.9% increase since 1997.

To better understand where this development occurred, we compiled an inventory of market-rate housing production through a review of the building permits issued by the City of Los Angeles from January 1998 to June 2005. Residential projects were included for permits listed as new building construction for a single-family residence, duplex, apartment and condominium. The total units were tabulated for each property and allotted to the appropriate community planning area according to its census tract. This data was cross-checked against new affordable housing construction to remove duplicate entries and include market-rate units in mixed-income properties not listed in the City's permit database. Adaptive reuse projects were added from the City's website NavigateLA.

A second inventory of new affordable housing produced in the City of Los Angeles from 1998 to 2005 was developed by integrating the following seven databases: LA Housing Department's Database, U.S. Department of Housing and Urban Development's (HUD) Low-Income Housing Tax Credit database, list of Adaptive Reuse Housing Projects, California Tax Credit Allocation Committee's Low-Income Housing Tax Credit database, California Debt Limit Allocation Committee's database, HUD – Rental Housing Booklet, and Cali-

Figure 11: Housing Production Compared to Targets  
for 1998–2005 Los Angeles Housing Element

| Income Bracket<br>(% AMI) | New Construction<br>Targets<br>1998–2005 | Estimated<br>Constructed <sup>16</sup> | Estimated % of<br>Target Met |
|---------------------------|--|--|------------------------------|
| Very Low (< 50%)          | 17,990 units                             | 4,043 units                            | 23%                          |
| Low (51–80%)              | 10,416 units                             | 16,107 units                           | 155%                         |
| Moderate (81–120%)        | 11,314 units                             | 0 units                                | 0%                           |
| Above Moderate (> 120%)   | 20,560 units                             | 44,912 units                           | 218%                         |
| Total new homes           | 60,280 units                             | 65,062 units                           | 108%                         |

for California Housing Finance Agency’s database.<sup>14</sup> All developments were identified by address to avoid duplicate counting when multiple funding sources were used on the same apartment complex.

The target for new home construction from 1998 to 2005 was 60,280. Initially, it appeared that the City would fall far short of the goal, but a surge in development in 2004–2005 boosted total housing construction to 65,397 new units.<sup>15</sup> As a result, the total estimated target for new housing was exceeded.

However, roughly half of this new housing, or 28,406 units, should have been affordable for very low-income (50% Area Median Income) and low-income (80% AMI) households. The city fell short of the affordable target by 8,256 homes.

### Too many luxury homes, too few affordable homes

In the last building boom, Los Angeles fell far short of its targets for new affordable homes and far exceeded the targets for luxury homes. The amount of affordable housing built is probably overstated in Figure 11, because about one third of the units in the affordable were attributed to the 80% AMI category even though the affordability levels could not be determined.<sup>16</sup>

### Growth across the city

There was new residential construction in every Community Plan Area of the city, but the amount and affordability of new units constructed varied widely by area. All Community Plan Areas had at least 290 new residences, and 21 community plan areas had more than 1,000 new homes. However, the eight highest-producing community plan areas accounted for 49% of all new residential construction: Central City, Westlake, Wilshire, Palms/Del Rey/Mar Vista, Hollywood, Southeast Los Angeles, South Los Angeles and Westchester. The rest of the new development was spread across the city. In each of the other Community Plan Area, the growth rate was below the citywide average of 4.9%.

Figure 12a: New Units of Market Rate Homes (Jan. 1998–June 2005)

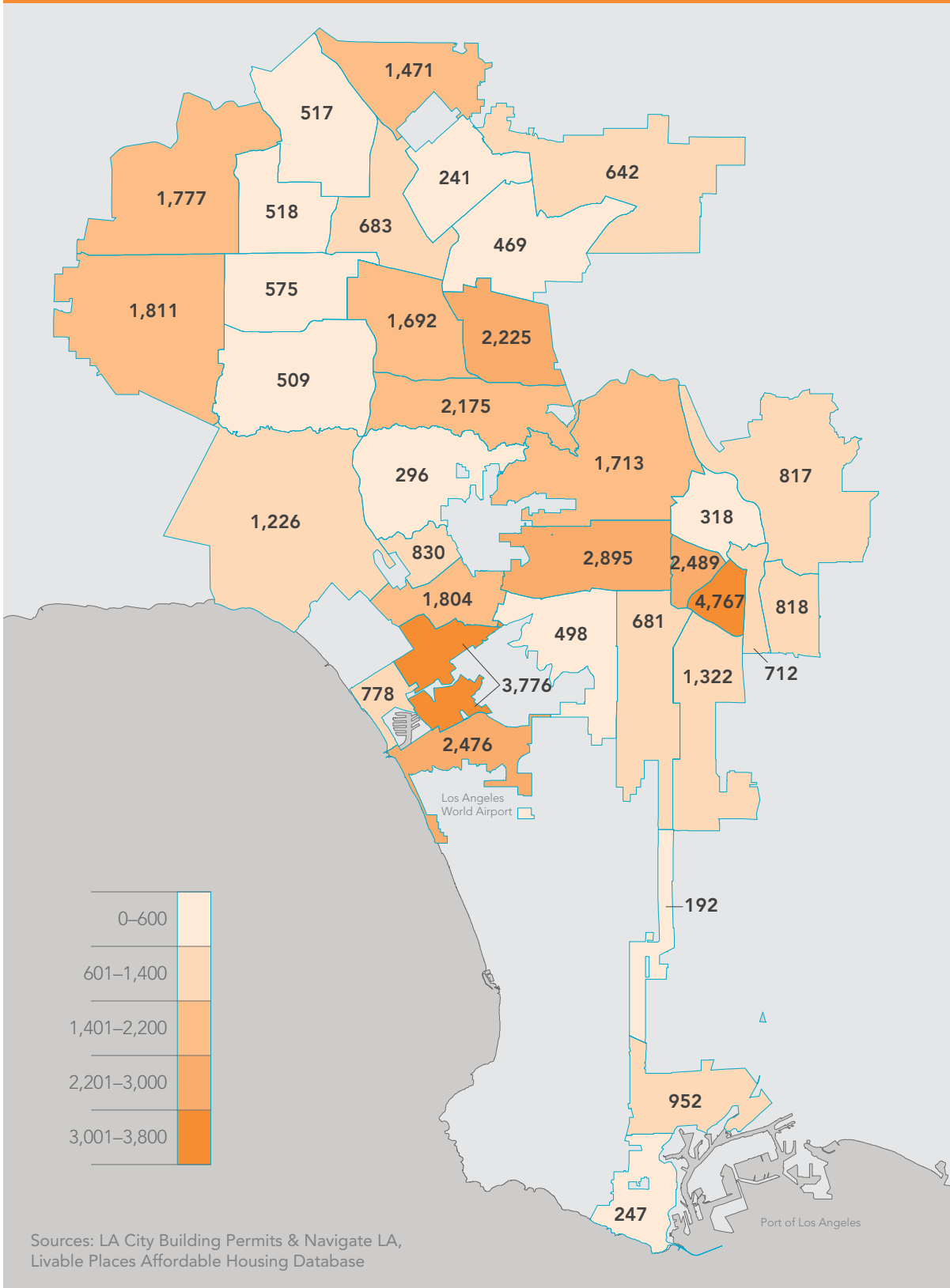




Figure 12b: New Units of Affordable Homes (Jan. 1998–June 2005)

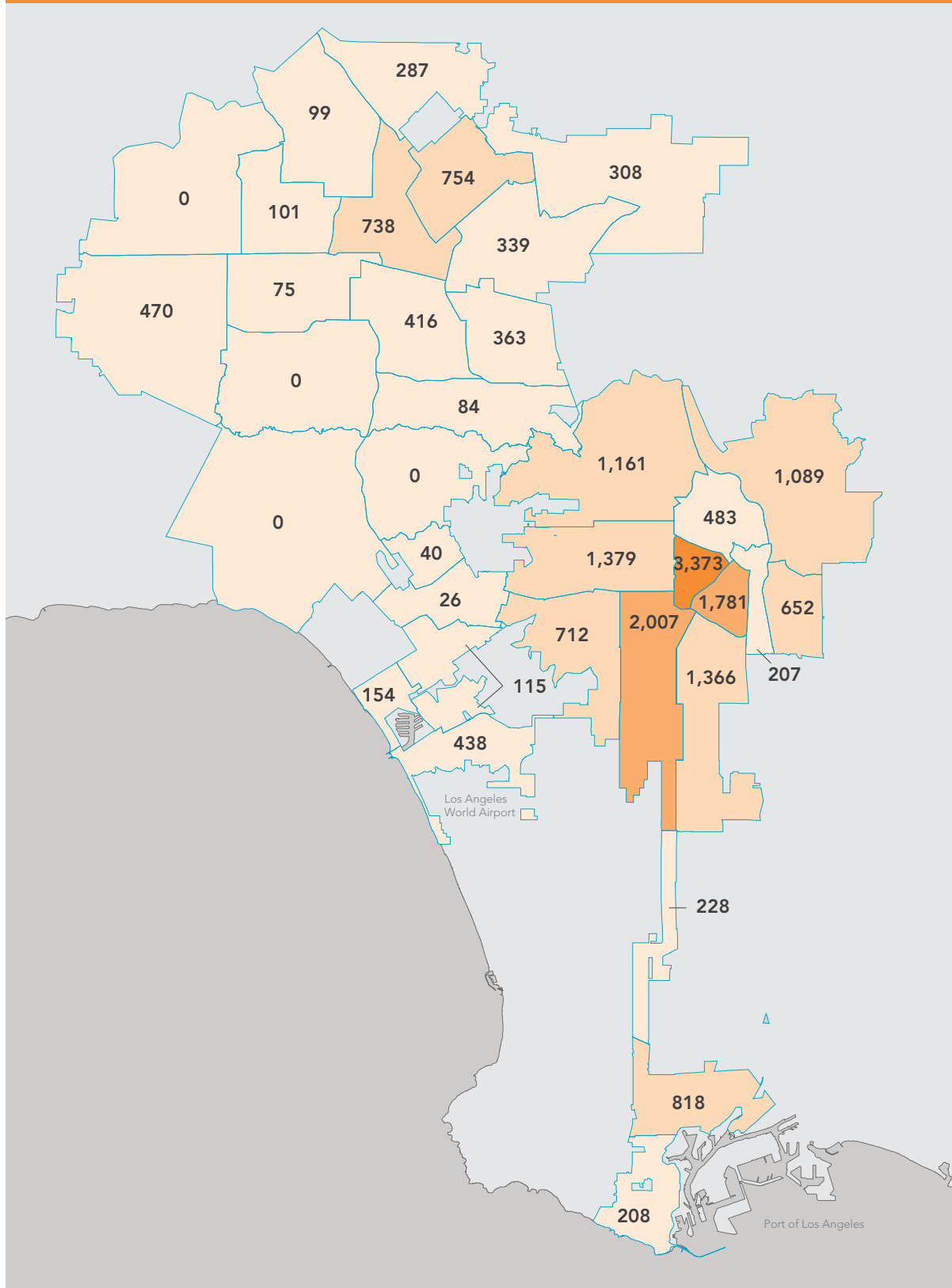
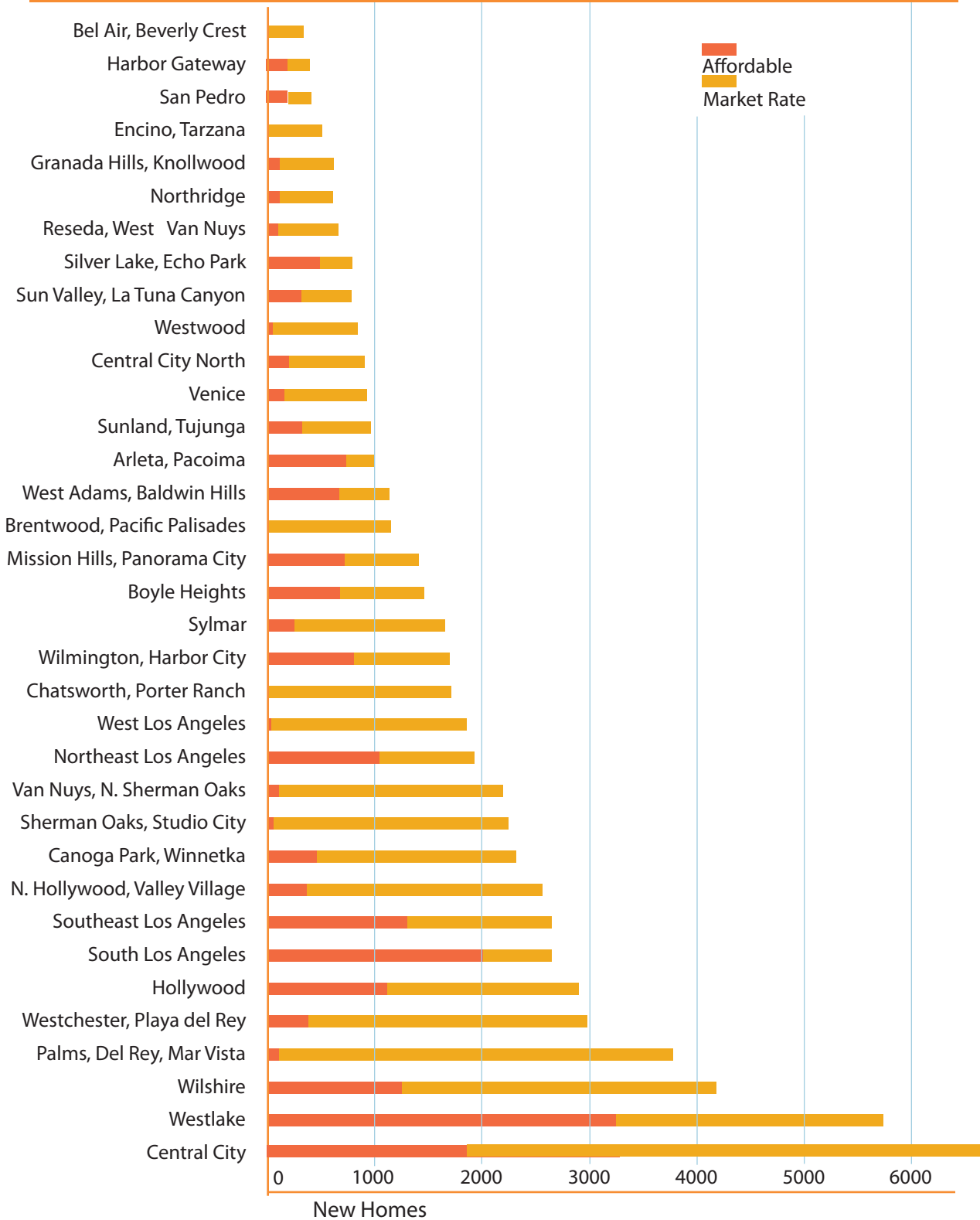


Figure 13: Affordable and Market Rate Housing Construction  
In the City of Los Angeles (1998–2005)



### Market rate and affordable development unevenly distributed

To meet the City's Housing Element goals in terms of affordability, new residential development has to offer a range of rents and home prices. About half of the new residential development should have been affordable to low and very-low income people—one-fifth for moderate and one-third for high income. See Figure 9. Instead, development in some areas was mostly or all market rate development. The maps in Figure 12a, 12b and the graph in Figure 13 show the breakdown between market rate and affordable housing construction in each Community Plan Area.

- No affordable homes were built in four community plan areas—Chatsworth/Porter Ranch, Brentwood/Pacific Palisades, Encino/Tarzana and Bel Air/Beverly Crest—even though almost 3,800 market rate homes were built in those areas.
- In the eight areas with the least number of new affordable homes—West Los Angeles, Westwood, Reseda/West Van Nuys and Sherman Oaks/Studio City plus the four with none-- over 9,400 market rate homes were constructed, but only 225 affordable homes.
- In the eight areas with the largest number of new affordable homes—Westlake, South Los Angeles, Central City, Southeast LA, Wilshire, Hollywood, Northeast LA and Wilmington—about 12,800 new homes were affordable and about 16,000 were market rate.
- 10% of all new affordable homes were built in South LA.

But, new construction tells only part of the story. Los Angeles also demolished older affordable rent controlled apartments in large numbers.

### Two steps forward, one step back

With a focus on constructing new homes, the Housing Element does not include a specific goal for preserving older rent controlled apartments which are home to a large number of low-income renters. Over 600,000 apartments in Los Angeles are rent controlled, falling under the LA City Rent Stabilization Ordinance. Tenants who live in rent controlled apartments are protected from large rent increases. Generally, only apartments built before 1979 are covered by rent control.<sup>17</sup>

Between 1998 and 2005, over 9,000 rent controlled apartments were either demolished or converted to condominiums.<sup>18</sup> Since there were about 20,000 new affordable apartments built, about one rent-controlled apartment was lost for every two new affordable apartments built. Figure 14 shows the breakdown of rent controlled apartments lost from 1998-2005 and 2006-2007.

**Figure 14: 13,524 Apartments Covered by LA City's Rent Stabilization Ordinance Lost By Council Districts (2001–June 2007)**

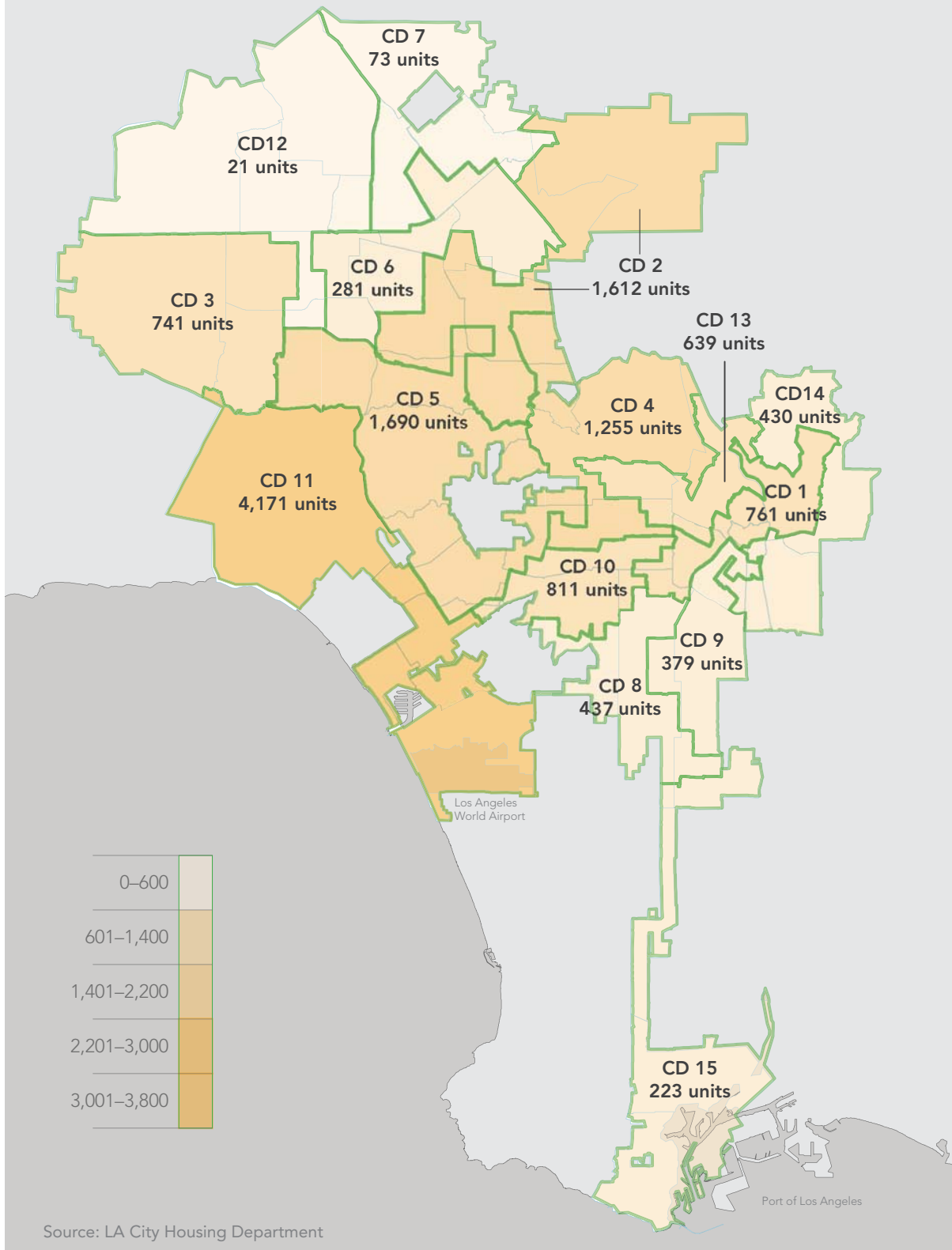
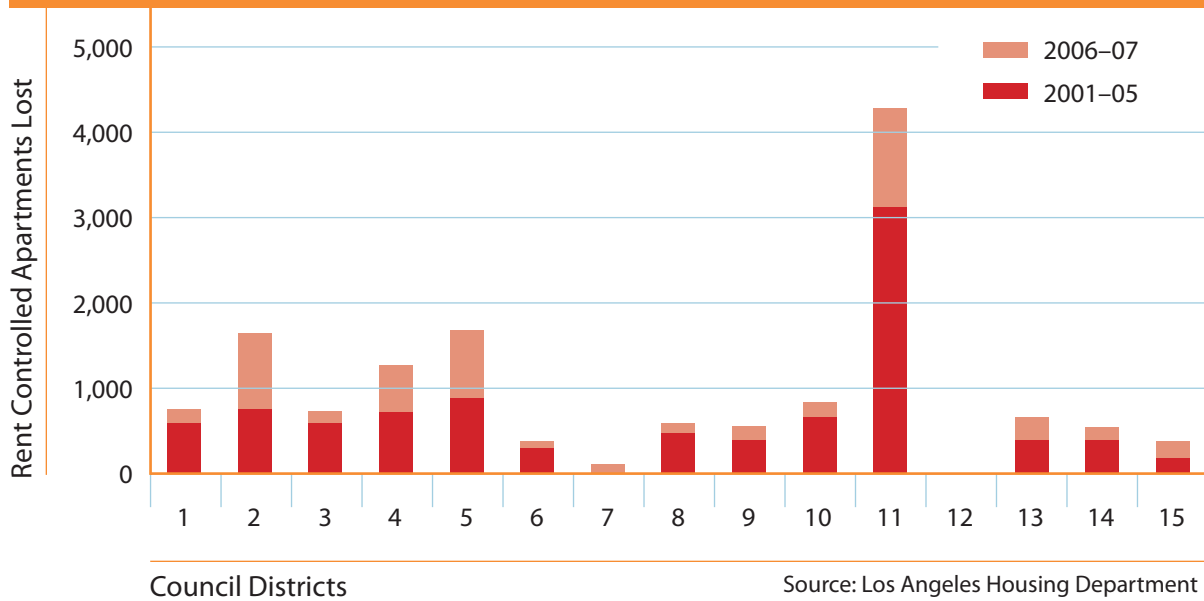


Figure 15: LA Rent Stabilization Ordinance Units Lost to Ellis Evictions<sup>18</sup>



However, the loss of rent controlled apartments was not evenly distributed across the city. Figure 14 is a map showing the loss of rent controlled apartments was much heavier in western part of the city. In Council District 11 alone, where very few new affordable apartments were built, there was an estimated net loss of over 3,000 affordable housing from 2001-2005. See Figure 15. Loss of rent controlled apartments was a significant factor in the South San Fernando Valley.

Additional rent controlled apartments were lost in the subsequent two years as condominium conversions continued beyond 2005. A study by the Southern California Association of Non-Profit Housing looked at a slightly different time period coinciding with high production years of the housing construction boom. That study concluded that between 2001 and 2006 there was a net loss of affordable housing in City Council Districts 2, 3, 4, 5, 10 & 11. The loss of affordable housing was due to demolition or conversion of rent controlled apartments to condominiums.<sup>19</sup>

### Area Planning Commission Regions

A clearer picture of the relationship between new construction and loss of rent controlled apartments emerges when we look at the housing activity in the regions covered by the City’s seven Area Planning Commissions. Figure 16 shows the Community Plan Areas that make up each Area Planning Commission region.

Figure 16: 35 Community Plan Areas  
According to Area Planning Commission Region

| Central            | West Los Angeles | South San Fernando Valley | North San Fernando Valley | South Los Angeles     | East Los Angeles  | Harbor            |
|--------------------|------------------|---------------------------|---------------------------|-----------------------|-------------------|-------------------|
| Central City       | Bel Air,         | Canoga                    | Arleta,                   | South                 | Boyle             | Harbor            |
| Central City North | Beverly Crest    | Park, Winnetka            | Pacoima Chatsworth,       | Los Angeles Southeast | Heights Northeast | Gateway San Pedro |
| Hollywood          | Brentwood,       | Encino,                   | Porter Ranch              | Los Angeles           | Los Angeles       | Wilmington,       |
| Westlake           | Pacific          | Tarzana                   | Granada                   | West                  | Silver Lake,      | Harbor City       |
| Wilshire           | Palisades        | North                     | Hills,                    | Adams,                | Echo Park         |                   |
|                    | Palms,           | Hollywood,                | Knollwood                 | Baldwin Hills,        |                   |                   |
|                    | Del Rey,         | Valley                    | Mission Hills,            | Leimert               |                   |                   |
|                    | Mar Vista        | Village                   | Panorama                  |                       |                   |                   |
|                    | Venice           | Reseda,                   | City,                     |                       |                   |                   |
|                    | West             | West                      | North Hills               |                       |                   |                   |
|                    | Los Angeles      | Van Nuys                  | Northridge                |                       |                   |                   |
|                    | Westchester,     | Sherman                   | Sun Valley, La            |                       |                   |                   |
|                    | Playa del Rey    | Oaks,                     | Tuna Canyon               |                       |                   |                   |
|                    | Westwood         | Studio City,              | Sunland,                  |                       |                   |                   |
|                    |                  | Toluca Lake,              | Tujunga,                  |                       |                   |                   |
|                    |                  | Cahuenga                  | Shadow Hills,             |                       |                   |                   |
|                    |                  | Pass                      | Lake-view                 |                       |                   |                   |
|                    |                  | Van Nuys,                 | Terrace, East             |                       |                   |                   |
|                    |                  | N. Sherman                | La Tuna                   |                       |                   |                   |
|                    |                  | Oaks                      | Canyon                    |                       |                   |                   |
|                    |                  |                           | Sylmar                    |                       |                   |                   |

Figure 18 shows new affordable in red and new market rate in gold. In the four areas where the most building occurred—Central, West LA, South San Fernando Valley and North San Fernando Valley - market rate far outstripped affordable. The Central area—downtown (Central City), Central City North, Westlake, Wilshire and Hollywood—came closest to meeting the goal of half the new units being affordable. West LA and the San Fernando Valley had the most unbalanced growth in terms of affordability. In the three regions where the least building occurred—South LA, East LA and Harbor—more than half the new units were affordable. Because data on loss of rent controlled apartments was only available by City Council Districts, we made some assumptions to allow us to estimate the losses in each Area Planning Commission region.<sup>20</sup> Figure 17 shows that West LA had a net loss of 3,181 affordable apartments and South San Fernando Valley had a slight net gain of 268 apartments.

Figure 17: Estimated Number of Net Affordable Homes (1998–2005)

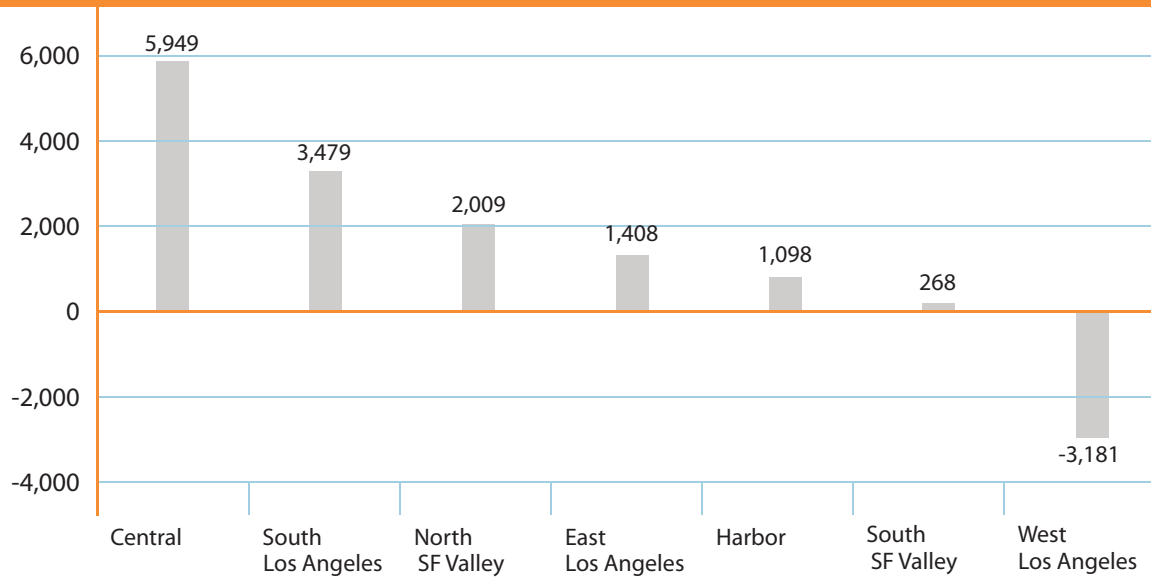
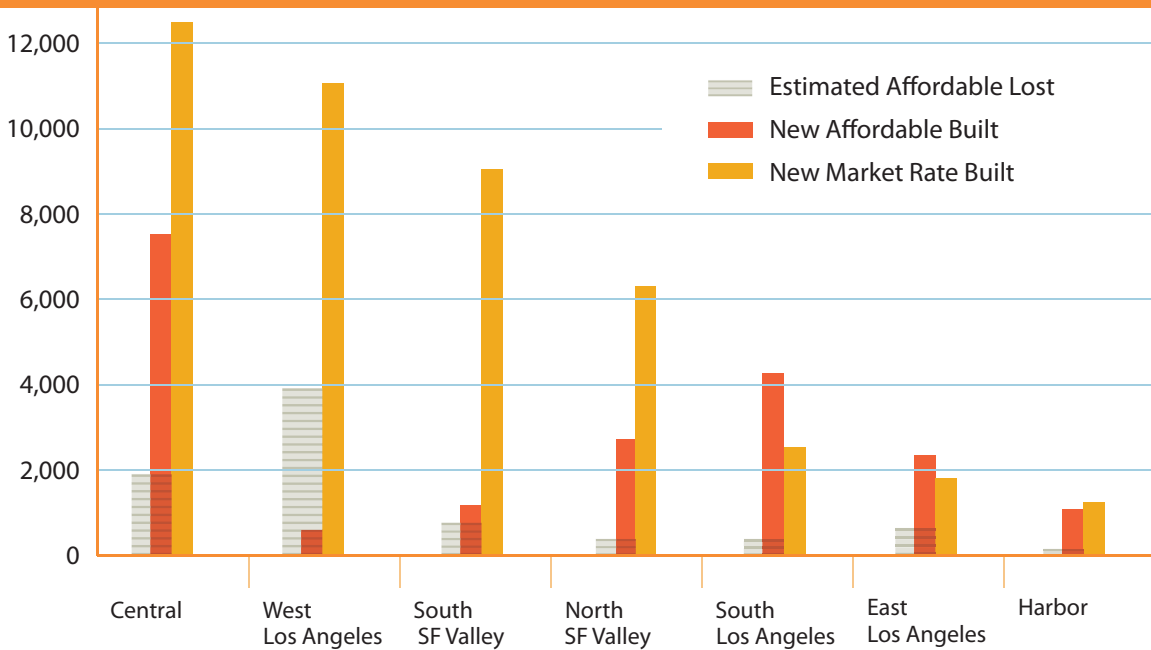


Figure 18: Housing Built and Estimated Housing Lost by Los Angeles Area Planning Commission Region (1998–2005)







### III. Housing Element is an Opportunity to do Better

The first step in updating the City's Housing Element is to review the results of the previous plan, in this case the Housing Element for 1998-2005.

In 1998, at the outset of the last Housing Element, Southern California was still recovering from a recession in which Los Angeles County lost over 200,000 good-paying jobs, many in the aerospace industry.<sup>21</sup> The population was growing and vacancy rates were still at a healthy level, but falling. Rents and home prices were rising, but were still within reach of many working people. Most low-income people lived in overcrowded conditions and paid too much for rent. There were an estimated 41,000 homeless people in the city on any given night.<sup>22</sup>

Since 1998, Los Angeles has experienced a boom in residential construction. As already described, most of the new apartments and condominiums are out of reach of the people who live and work in Los Angeles. The City fell far short of its target for new affordable homes, gaining only 20,000 new affordable apartments. Affordable housing supply was further eroded by the loss of over 9,000 older apartments protected by local rent control laws. See Figure 19.

#### Setting the Bar Too Low

Los Angeles, like most cities and counties in the state, began its Housing Element planning with the State's estimate of the number of new homes that will be needed to meet the projected population growth. The theory that building 60,280 new homes between 1998-2005 would meet Los Angeles' housing needs did not hold.

By 2005, despite a boom in residential construction during which about 65,000 homes were built, the affordable housing situation had deteriorated considerably. The rental housing market had tightened with vacancy rates across the city stabilizing at an unhealthy level, below 4%.<sup>23</sup> Rents and home prices had soared beyond the reach of nearly all working people. Condominium conversions uprooted low and middle-income tenants, particularly on the Westside and in the San Fernando Valley. On any given night, an estimated 40,000 people were homeless.<sup>3</sup>

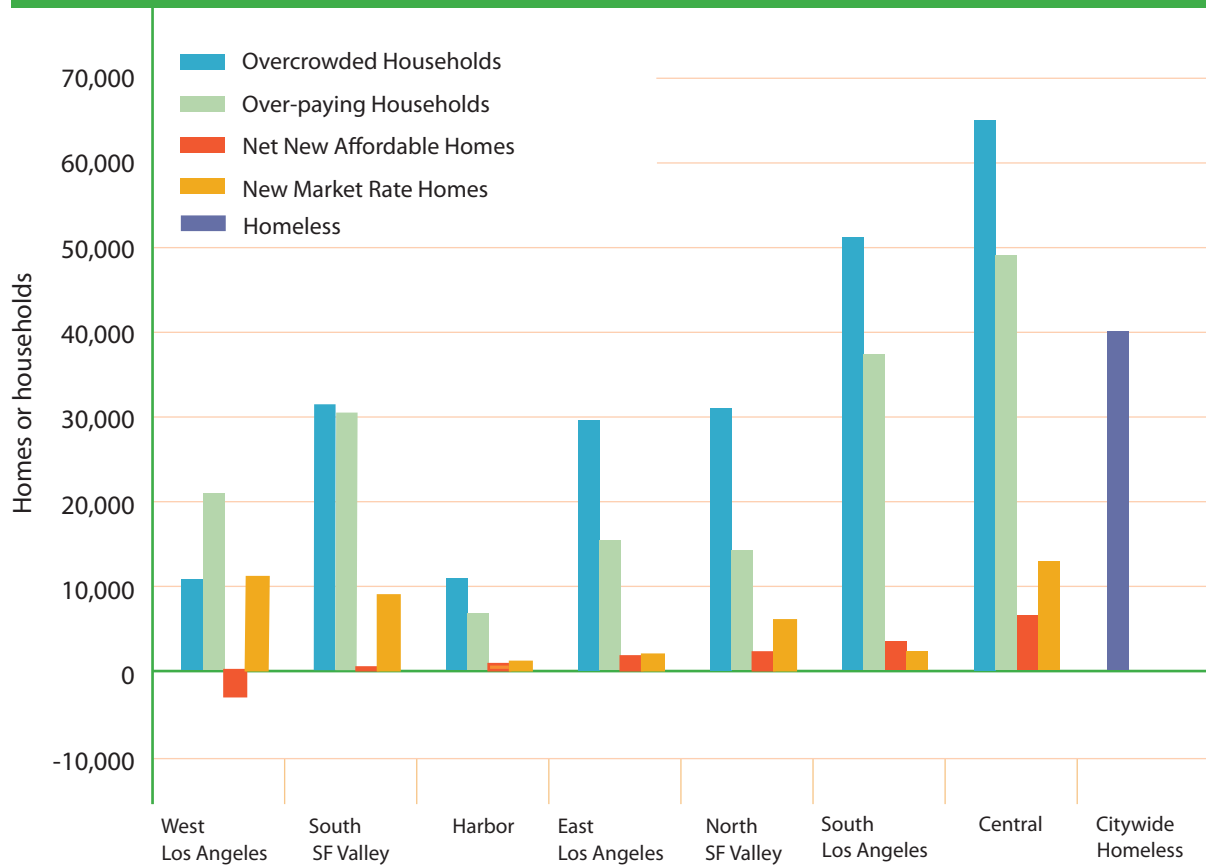
Housing development is a complicated affair. The City controls land use, issues building permits, and even pays for some construction. However, there are a number of factors over which the City has no control including: building costs, interest rates, construction costs, availability of home mortgages, insurance rates and availability, etc. Yet, it is still the City that “sets the table” for development. As such, it is important for the City to set goals in the Housing Element that reflect the housing needs of the people who live and work in Los Angeles.

There are three problems with the City using only state’s estimate, or Regional Housing Needs Assessment (RHNA), as the housing production target in the Housing Element:

- 1. RHNA ignores the housing needs of current residents.** The RHNA, in focusing on what housing is needed for future population growth, does not take into account the current housing needs of Angelenos, Los Angeles has high rates of overcrowding and overpaying among renters, and a large number of people without homes. Although these needs were duly documented in the housing needs section of the 1998-2005 Housing Element, the production and preservation goals were not set high enough to actually address those needs.
- 2. RHNA masks the importance of preserving older more affordable apartments.** With a focus on constructing new homes, the RHNA does not include a goal for preserving older rent controlled apartments which provide stable homes to a large number of low-income and working class people. With significant losses of rent controlled apartments, the lack of strong conservation policies reduced the net gain from construction citywide.
- 3. RHNA affordability targets disregarded.** Affordability matters. The RHNA called for almost half of the new apartments and condominiums to be affordable to individuals and families at the lower end of the economic spectrum. Less than a third of new construction was affordable homes, falling far short of the City’s admittedly inadequate affordability target by about 8,000 homes.

The City lacks strong policies to build affordable housing throughout the city. As a result, market forces pushed new affordable housing construction out of the Westside, and eventually out of downtown as well. The City also lacks strong policies to protect rent-controlled apartments. Consequently, one affordable rent controlled apartment was lost for every two new affordable apartments built. Worst of all, the greatest concentration of rent controlled apartments was lost in precisely the same areas of the city where very few

Figure 19: Summary of Housing Needs and Construction



affordable apartments were built. By driving up the price of land in higher income areas, market forces are deepening the economic divisions and gentrification in the city.

Tenants’ fears of displacement are fueled by these development patterns. They accurately see new apartments and condominiums in their neighborhoods as far beyond the reach of their pocketbooks. Particularly on the Westside, Wilshire, Westlake and downtown tenants see their neighbors being pushed out of stable rent-controlled apartments to make way for new schools, luxury condominiums and lofts. The update of the City’s Housing Element is an opportunity to set goals and new policies that will ensure that affordable housing opportunities are available across the City.



## Endnotes

<sup>1</sup> US Census 2000.

<sup>2</sup> The Census data on rent-burdened is overlapping with the data on overcrowding. In other words we don't know what portion of the renters who overpay are also overcrowded, so the two figures cannot be added without resulting in an undetermined amount of double-counting.

<sup>3</sup> Los Angeles Homeless Services Authority, 2007 Homeless Count. [www.lahsa.org/homelesscount2007](http://www.lahsa.org/homelesscount2007).

<sup>4</sup> There is more than one "Area Median Income." HUD determines the AMI for an area and updates it annually. For a variety of reasons, different agencies adjust the AMI and issue their own annual updates. So the AMI used for the Housing Element is different from the AMI used for the Low Income Housing Tax Credit program. All references to AMI here are to the AMI issued by the California Housing & Community Development Department for purposes of the Housing Element.

<sup>5</sup> California Employment Development Department, Labor Market Information, Los Angeles-Long Beach-Glendale Metro, High Wage Occupations. [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov).

<sup>6</sup> Affordable rent is 30% of monthly income.

<sup>7</sup> Assumes 5.5% interest, no homebuyer debt, down payment which is the lower of \$5,000 or 3% of home purchase price. Used mortgage calculator at <http://finance.move.com>.

<sup>8</sup> AMI limits are for a family of three.

<sup>9</sup> HUD 2005 Fair Market Rents found at [www.huduser.org/datasets/fmr/fmrs/histsummary.odb?inputname=4480.0\\*](http://www.huduser.org/datasets/fmr/fmrs/histsummary.odb?inputname=4480.0*) Los+Angeles--Long+Beach%2C+CA+PMSA; 1998 Fair Market Rents found at [www.huduser.org/Datasets/IL/fmr98/allstate.txt](http://www.huduser.org/Datasets/IL/fmr98/allstate.txt).

<sup>10</sup> DQ News, Southland Price Jump, John Karevoll, June, 1998. [www.dqnews.com/AA1998SCA06.shtm](http://www.dqnews.com/AA1998SCA06.shtm).

<sup>11</sup> Dataquick as printed in 6/13/2005 LA Times.

<sup>12</sup> City of Los Angeles Housing Element (1998-2005), adopted December 2001, Council File No 00-0257. p. 3-33.

<sup>13</sup> Ibid, p 2–1, 2-3.

<sup>14</sup> This inventory of new affordable housing was taken from the report entitled “An Affordable Rental Housing Inventory and Assessment for the City of Los Angeles,” produced for Livable Places by graduate students Jackie Koenig, Tomohiro Kamiya, Quinn Ryan of the University of Southern California School of Policy, Planning and Development in May 2006.

<sup>15</sup> SCAG, 2007 State of the Region, p 47. [http://www.scag.ca.gov/publications/pdf/2007/SOTR07/SOTR07\\_FullReport\\_lores.pdf](http://www.scag.ca.gov/publications/pdf/2007/SOTR07/SOTR07_FullReport_lores.pdf).

<sup>16</sup> The income limits for 6,957 units were not available.

<sup>17</sup> There is an important feature of Los Angeles’ rent control is vacancy decontrol where rents are not regulated on vacant apartments. In other words, landlords are allowed to raise rents when tenants move out.

<sup>18</sup> Los Angeles Housing Department, Los Angeles RSO Units Lost to Ellis Evictions. Landlords who want to go out of the residential rental business file “Ellis” declarations with LAHD. Another 4,000 were lost in 2006 and the first half of 2007.

<sup>19</sup> SCANPH Policy Advisor, Sept. 7, 2006, Los Angeles Affordable Housing Study.

<sup>20</sup> We allocated units to Area Planning Commission regions as follows: Central (100% of CDs 4 ; 50% of CDs 1, 8, 9, 10, 13); East LA (100% of CD 14; 50% of CDs 1, 13); North SF Valley (100% of CDs 7, 12; 50% of CDs 2, 6); South SF Valley (100% of CD 3; 50% of CDs 2, 6); West LA (100% of CDs 5, 11); South LA (50% of CDs 8, 9, 10); Harbor (100% of CD 15).

<sup>21</sup> Drayse, Mark and Daniel Flaming, Economic Roundtable, “The Gateway Cities Economy: Impacts of Aerospace Restructuring, 1998. <http://www.economicrt.org>.

<sup>22</sup> Shelter Partnership, “The Number of Homeless People in Los Angeles City and County, July 1993 to June 1994,” as quoted in the City of Los Angeles Housing Element 1998-2005.

<sup>23</sup> Vacancy rates for apartments city wide in the month of January ranged from 4.3% in 2000 to 3.8% in 2005. Los Angeles Department of Water & Power, Report 90.7, posted at [www.lacity.org/lahd/v907.htm](http://www.lacity.org/lahd/v907.htm).



