

towards a diverse & healthy

# DOWNTOWN L.A.

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ACORN

Little Tokyo Service Center CDC

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Los Angeles Community Action Network

Skid Row Housing Trust

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Strategic Actions for a Just Economy

Urban & Environmental Policy Institute



**Envision** a diverse, vibrant, and interesting downtown where people of all income levels live, work, and play. Where 50,000 new residences have been built, many in high-rise buildings. Where neighbors share parks, schools, and playgrounds. Where residential hotels like the Rosslyn, Cecil, Frontier, Alexandria and Huntington meet building codes and are affordable to very low-income people. Where no one sleeps on the street because they have an affordable place to live. Where janitors, security guards, and hotel workers live in high-quality affordable housing. Where secretaries, paralegals, and city workers can afford to rent and sometimes buy an apartment rather than commuting from far-flung suburbs...

## RICH DOWNTOWN, POOR DOWNTOWN...

**Downtown is the only community in Los Angeles where the City's least and most affluent people (and others in-between) share space. We need to keep this diversity, while improving conditions for people at the bottom.**

Recently, a downtown population that typically earns less than \$14,000 per year has been joined by new arrivals who earn an average of \$90,000.

As a result, Downtown has become L.A.'s most economically diverse neighborhood. This could be a very good thing.

The problem, however, is inequality. Slum conditions and homelessness for the poor exist alongside new, well-appointed lofts, condominiums and apartments. People who have well-paid jobs work next to the unemployed, underemployed, and underpaid.

A booming real estate market and the dominance of absentee owners in the area have created conditions of extreme instability for those on the lower end of the income scale. Illegal evictions and further disinvestment in buildings that are on the market to the highest bidder have become the norm.

The solution to this problem is to address poverty conditions with better housing and jobs; to provide amenities that are lacking to rich and poor alike -- such as parks, supermarkets, and neighborhood services; and to reestablish the current mixed-income community as a viable model for the rest of the City.

To realize this vision we cannot rely on the market to produce housing for the full economic range of people who live and work downtown. A sustained municipal program is needed to invest public resources and to guide the enormous amount of private capital that is flowing into downtown.



## \$15 BILLION OPPORTUNITY

The private investment in downtown Los Angeles offers a great opportunity to create a diverse and interesting community. Plans exist for over 50 new high-rise developments and it is estimated that another 20,000 apartments and condominiums will be built over the coming decade.

This represents a private investment of about \$15 billion. However, only 5% of the new residences are expected to be affordable to low-income people.

Since 2000, about 3,500 new apartments and condominiums have been built downtown -- 95% at high market rates. This is a sharp departure from the previous development of 7,000 apartments and condominiums, where over 50% were affordable.

## LIVING DOWNTOWN

- 3,000 street-dwelling homeless people.
- over 3,300 homeless living in emergency and transitional housing facilities.
- 6,000 people precariously housed in blighted hotels and who are often forced to move back and forth between homelessness and housing.

## WORKING DOWNTOWN

(number of employees)

- L.A. County: 15,000 employees
- L.A. City: 10,000 employees
- MTA: 2,000 employees
- Bank of America: 2,000
- L.A. Times: 2,000
- DeLoitte & Touche: 1,000
- Sanwa Bank: 1,000

All employ a range of professional, office, and other workers. Other significant sectors typically pay low wages and include the hotel, garment, restaurant and retail industries.

a 5%  
problem

Despite downtown's diverse population, only **5%** of new housing is affordable to low-income people, many of whom are low-wage downtown workers.

a 50%  
solution

To maintain diversity, serve current residents and workers, **50%** of new housing should serve lower-income people and lower-wage workers.

## L.A.'s 50% PROMISE

There are good reasons and good examples for L.A. to adopt a 50% solution for downtown housing. Because so much new housing is not affordable to the majority of L.A. residents, the **City of Los Angeles Housing Element** already calls for at least 47% of new units to be affordable to people who earn less than 80% of L.A.'s median income.

## LONDON: A 50% CITY

London, is a large city which is experiencing a similar real estate boom and with it, a housing crisis that mirror's L.A.'s. To address this problem the "Spatial Development Strategy of the **London Plan**, includes a recommendation for a "50% affordable target for all new housing developments. Of this 35% should be social rented housing affordable to people on low incomes, and 15% intermediate housing affordable to people on moderate incomes. The Mayor's office also takes action to ensure that these goals are met or exceeded. For example, the Mayor uses his planning powers to approve or amend borough plans and to intervene in major planing applications in order to increase the provision of affordable housing. In his review of the 2003 development proposal for the former Millennium Dome site -- a major downtown project not unlike those currently online in L.A. -- the Mayor of London succeeded in raising the percentage of affordable housing from 35% to 41%. (*more in Attachment 1*)

## 50% DEVELOPERS

Private developers have a big role to play in producing mixed-income developments and neighborhoods. Crawford Square is a successful 18.5 acre development in up-town Pittsburgh that is 50% affordable to people who earn 50% and 60% of median incomes, and 50% market rate. According to the developer, **McCormack Baron**, "Some members of the community were concerned that the project would exclude minorities and low-income residents, while others were concerned that the development might provide housing exclusively for low-income residents." The successful 50% solution has been a catalyst for other mixed-income neighborhoods.

# GOALS

## 1. End Homelessness

There are about 6,300 homeless people in shelters or sleeping on the street downtown. The City's goal for the next 10 years should be to build 6,300 units that are affordable to people with incomes below \$13,000 per year (30% AMI). Some people of the people who live on incomes at this level are minimum wage workers who work for 35 hours per week, disabled people receiving SSI, and disabled people receiving General Relief.

## 2. Repair Residential Hotels

The success of the downtown lofts has put into motion market forces that are threatening the existence of residential hotels, "the housing of last resort" for the lowest income Angelinos.

**Maintaining affordability** while upgrading the conditions in slum hotels is the right thing to do for both humanitarian and revitalization purposes. There are about 5,800 substandard apartments and residential hotel rooms that should be upgraded while maintaining affordability to current residents.

The first step is to make all of these units unattractive to developers looking to convert them into luxury lofts, condominiums, or tourist hotels. This needs to happen immediately. The City should approve the proposed Interim Control Ordinance (ICO) and Residential Hotel Preservation Ordinance.

## 3. Build new housing for downtown workers

From street sweepers to stockbrokers, the downtown workforce earns a wide range of incomes. Only the highest income downtown workers can afford the new loft apartments and condominiums. Rents on lofts created through Adaptive Reuse range from \$950 for a studio to \$7,000 for a large penthouse apartment with typical rents running \$1200 to \$3,000 per month. For-sale lofts and new condominiums range from \$296,000 to \$3.7 million.

*(more about goals in Attachment 2)*

# Who Works Downtown and What Housing Can They Afford?

OCCUPATION	ANNUAL INCOME	AFFORDABLE RENT	AFFORDABLE CONDOMINIUM
BID Street Cleaner	\$12,000	\$300	\$55,000
Restaurant worker	\$17,000	\$425	\$61,000
Parking lot attendant	\$18,000	\$450	\$63,000
Sewing machine operator	\$18,000	\$450	\$64,000
Hotel housekeeper	\$19,000	\$475	\$68,000
Cashier	\$20,000	\$500	\$73,000
Janitor	\$22,000	\$550	\$78,000
Security Guard	\$23,000	\$575	\$80,000
Secretary	\$32,000	\$800	\$114,000
Bus Driver	\$33,000	\$825	\$117,000
School teacher	\$54,000	\$1,350	\$191,000
Accountant	\$61,000	\$1,525	\$217,000
Police	\$66,000	\$1,650	\$235,000
Fire Fighter	\$68,000	\$1,675	\$240,000
Architect	\$74,900	\$1,875	\$265,000
Attorney	\$136,000	\$3,400	\$482,000

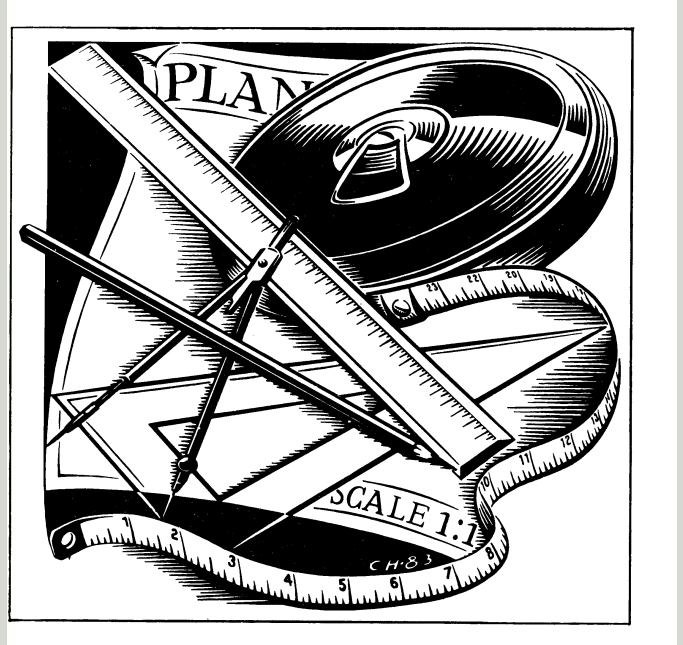
# AFFORDABILITY

## I. PERMANENT AFFORDABILITY

Make new housing permanently affordable. Most funding sources and inclusionary programs have a limited term of affordability, usually 30 to 55 years. Ensure permanent affordability on all projects that receive City subsidies or zoning concessions. Support community-based land trusts.

## II. WORK WITH NON-PROFITS

Work with and adopt policies that strengthen non-profit developers that have a demonstrated commitment to maintaining affordable housing over the long term



# FINANCING TOOLS

## I. HOUSING TRUST FUND

Create a permanent source for the housing trust fund and use proceeds from the \$1 billion bond.

## II. LEVERAGE RESOURCES

Use Proposition 63 mental health money for housing and supportive services, bond money for 20%/80% deals, and Mortgage Credit Certificates and Mortgage Revenue Bonds for home ownership.

## III. REDEVELOPMENT

Require that 50% of tax increment derived from any future redevelopment areas downtown be set aside for affordable housing.

## III. SELL AIR RIGHTS

Sell air rights on historic buildings, public buildings, affordable housing, parks, and schools and use the money for affordable housing.

# LAND USE STRATEGIES

## I. REPLACE AFFORDABLE HOUSING

Require the replacement of housing up-front, on a one-to-one basis at affordable levels for any apartments, especially residential hotels, that are converted to luxury rentals or for-sale housing that is out of reach for current residents. The City Council has approved Councilmember Perry's motion to draft an Interim Control Ordinance and a permanent ordinance to preserve residential hotels.

## II. MIXED INCOME HOUSING INCENTIVES

Require developers to set aside a percentage of all new apartments or condominiums at rents and sales prices that are affordable to the full range of working people who earn 30% to 120% of the City's median income. This will accommodate janitors, security officers, clerks, hotel housekeepers, restaurant workers, retail workers, fire fighters, and police alike. *(for recent examples, see Attachment 3)*

# ATTACHMENT 1

## The London Plan: A Summary Mayor of London

the Mayor  
has adopted  
a strategic  
target that  
half of all  
additional  
housing  
should be  
affordable...

A strategy for London's housing is not simply a matter of providing adequate accommodation, vital though that is. It is also about ensuring that London's richly diverse population has access to key public services and local amenities within vibrant and better balanced communities which minimise social exclusion and polarisation. Future residential development needs to be located so as to maximise the use of scarce land, to conserve energy and to be within easy access of jobs, schools, shops, and public transport. The provision of new housing should also help support economic growth and offer a range of choices for new households, including affordable housing – both homes for social renting and intermediate housing.

The growth of London's population alone means that homes need to be provided for 22,000 additional households a year over the next 15 years. In addition, the Mayor's Housing Commission estimated that 11,000 additional dwellings a year are needed in order to achieve the government's objective of eliminating sub-standard housing within 10 years. The London Plan sets the policy framework for distributing housing capacity among the boroughs and for realising and monitoring that development. This will involve making better use of existing housing – there are still many vacant properties, particularly in the private sector which could be brought back into active use – new residential developments, and improving housing choice to reflect the different demands which flow from changing lifestyles.

An adequate supply of affordable housing is crucial to meet the needs of households who cannot afford decent and appropriate housing in their borough. It is also strategically important to London in order to promote mixed and balanced communities and to redress the trend towards social polarisation in housing choices and opportunities. The shortage of affordable housing has led to increasing numbers of households in priority need being forced to live for long periods in temporary housing, overcrowded conditions and in bed and breakfast accommodation. Many others are being squeezed out of living in London and are either traveling long distances to work or are leaving the capital altogether.

These problems have to be addressed: the Mayor has adopted a strategic target that half of all additional housing should be affordable, and is making the case to government for additional housing investment in London to achieve it. All new housing will be built to 'Lifetime Homes' standards, providing homes that are adaptable, flexible, convenient and appropriate to changing needs. A partnership approach is essential; borough housing and planning departments need to work more closely together, and house builders, boroughs and registered social landlords need to take a more pro-active approach. Vulnerable, disadvantaged and minority groups have special needs which must also be met, not just for housing but also for community services, healthcare and education.

Planning for community services, healthcare and education to meet the needs of a growing population is just as vital as planning additional homes.”

# ATTACHMENT 2

## Housing Production Goals for a Mixed-Income Downtown

AFFORDABILITY (% of median income)	% OF TOTAL HOUSING (from housing element)	10-YEAR GOAL (units)	ANNUAL GOAL (units)
<b>HOMELESS &amp; LOW-WAGE WORKERS</b>			
<b>below 30% of median</b>	<b>20%</b>	<b>10,000</b>	<b>1,000</b>
<b>WORKFORCE</b>			
<b>30%-50% of median</b>	<b>20%</b>	<b>10,000</b>	<b>1,000</b>
<b>50%-80% of median</b>	<b>10%</b>	<b>5,000</b>	<b>500</b>
<b>80%-120% of median</b>	<b>20%</b>	<b>10,000</b>	<b>1,000</b>
<b>LUXURY</b>			
<b>above 120% of median</b>	<b>30%</b>	<b>15,000</b>	<b>1,500</b>
<b>TOTAL</b>	<b>100%</b>	<b>50,000</b>	<b>5,000</b>

There is no silver bullet to achieving these ambitious goals. The City needs to recognize where the market is working which is in building new rentals for people over 100% of median income. The City needs to adopt policies to promote and finance construction where the market is not working which is in producing rentals for people below 100% of the median. For people in the 80%-120% income range, affordable homes can be built using a combination of market-rate rental, density bonus, and mixed-income housing, rather than government subsidies. However, for lower-income categories, government subsidies from a variety of sources will need to be tapped. For condominiums and other homes for sale, the tools are mixed-income housing programs, mortgage revenue bonds, and mortgage credit certificates.

# ATTACHMENT 3

## Existing Market-Rate Developments with On-Site Affordable Units

### Downtown

#### 1. Block 8 Little Tokyo project

Affordable Component: Developer will make as many units available at cost as CRA can subsidize with its soft second mortgage program for first time home-buyers.

Project Size: 880 units

Building Type: Mixed – largest = 22 stories

Location: Little Tokyo

Construction: New

Rent/own: Condos

Incentives: None

**2. Grand Avenue Phase I** – NOTE: currently in negotiations over community benefits package; terms below are what developer has publicly committed.

Affordable Component: 88 Very Low Income Units On-Site

Project Size: 238 units

Building Type: Hi-Rise

Location: Bunker Hill

Construction: New

Rent/own: market = condos, Affordable = Rental

Incentives: Tax credit financing, CRA subsidy

### Coastal Zone

#### 1. Alexan Marina

Affordable Component: 24 Very Low Income On-Site Units if Rental, 27 if Condo.

Project Size: 298 units.

Building Type: Wood Frame

Location: Venice

Construction: New (demolition + construction)

Rent/own: Either

Incentives/Concessions: NONE

Extra Costs: \$5m access road

### Coastal Zone (con't)

#### 2. Pioneer Bakery

Affordable Component: 7 Very Low Income Units On-Site

Project Size: 75 units

Building Type: Wood Frame

Location: Venice

Construction: New

Rent/own: Condos

Incentives/Concessions: Density Bonus

#### 3. 17325 Castellamare Drive

Affordable Component: 2 Very Low Income Units On-Site

Project Size: 27 units

Building Type: Wood Frame

Location: Westwood

Construction: New

Rent/own: Condos

Incentives: 25% Density Bonus

#### 4. Landmark Tramonto Drive

Affordable Component: 8 Very Low Income or 16 Low Income Units Off-Site (within CD11)

Project Size: 82 units

Building Type: Wood Frame

Location: Pacific Palisades

Construction: New (demolition and construction)

Rent/own: Condos

Incentives/Concessions: None

Extra Costs: Landslide repair and stabilization

#### 5. Princeton Drive

Affordable Component: 3 Very Low Income Units On-Site

Project Size: 30 units

Building Type: Wood Frame

Location: Venice

Construction: Adaptive Reuse

Rent/own: Condos

Incentives: None