

Share the Wealth:

A Policy Strategy for Fair Redevelopment in L.A.'s City Center

A policy paper submitted to
the Community Redevelopment Agency
and the Los Angeles City Council
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Figueroa Corridor Coalition for Economic Justice
Los Angeles Coalition to End Hunger & Homelessness

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Introduction

Downtown Los Angeles has had a redevelopment plan since 1975. After 27 years of redevelopment experience, the City Center redevelopment effort presents an opportunity to start anew with an equitable and forward-thinking strategy that places people first and which uses public resources to benefit those who are in most need of resources.

Although the City Center Redevelopment Plan, adopted by City Council in May 2002, was developed in record time, the process unfortunately missed crucial opportunities to learn from almost three decades of past successes and failures.

We believe that redevelopment can help build a diverse downtown that benefits residents of all incomes. We are also aware that the accomplishment of this goal will involve a challenging process requiring both effort and innovation. This policy report, jointly prepared by *LA Coalition to End Hunger & Homelessness* and *Figeroa Corridor Coalition for Economic Justice*, reflects this optimism and concern. We offer here our concrete recommendations on how the City Center Redevelopment Plan could be altered to creatively and practically address the needs of current downtown residents.

The Center City plan area is home to thousands of low-wage workers, children and elderly in need, and the nation's largest homeless population. Forty-two percent of residents are Latino, 25% are African-American, and 16% are Asian. Residents earn only 37% of the City's median income. A full 95% of residents are renters. All of these people need and deserve to benefit from development. This report is grounded in the experiences of these families and individuals, in the reality of Los Angeles.

The paper also borrows from the best practices in California and around the United States to provide solutions to what often seem like intractable problems associated with redevelopment. Many of these practices and solutions are the result of considerable conflict or protracted litigation in other

places. We can avoid this conflict by developing equitable policies now.

We are asking the City of LA Community Redevelopment Agency and the Los Angeles City Council to amend the City Center Redevelopment Plan and to implement other policies in order to ensure that current residents are protected from the pain of displacement; are provided with affordable housing and green space; and are offered a clear pipeline to training, good jobs, and ownership opportunities within the City Center Project Area.

Central to this report are the **Policy Strategies for Fair Redevelopment in LA's City Center**, which lay out our platform in five sections:

- 1) *No Displacement*
- 2) *Affordable Housing for Area Residents, Workers and Homeless People*
- 3) *Provide Training and Jobs to Local Residents*
- 4) *Build Wealth and Assets for Local Residents*
- 5) *Establish Parks.*

Each of these sections includes a statement of the problem, a survey of objective conditions in the Project Area, examples of best practices, and our recommendations. The report concludes with a **Policy Maker's Guide to Implementation**, which proposes specific plan amendments and other policies which are designed to address the problems, goals, and objectives discussed herein.

We strongly believe that all current residents of downtown Los Angeles need and deserve to benefit from development. How the City Center Redevelopment Plan addresses their needs — as well as the needs of office workers, businesses and others who also have a stake in downtown development — will have an enormous impact on the entire City, now and over the next 30 years.

Policy Strategies for Fair Redevelopment in L.A.'s City Center

1. No Displacement

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A. How to Address Demolitions, Conversions and Relocation

The City Center Redevelopment Plan includes plans for demolition and conversion of housing units. State law requires replacement housing to be built within four years for units housing persons of low or moderate-income that are destroyed or removed from the low or moderate-income market. Replacement housing built within four years will not meet the immediate needs of displaced low-income project area residents due to the extremely inadequate supply of affordable housing in the area and in the entire city.

Objective Conditions in the Project Area
Los Angeles is in the midst of a severe affordable housing crisis, well-documented by the Los Angeles Housing Crisis Task Force and other research. According to the Task Force, a minimum wage worker has to work over 100 hours per week to afford housing. The waiting list for Section 8 rental assistance in the city is as long as ten years and the lease up rate is currently only about 50 percent due to the lack of units available at Fair Market Rent.

The City Center Project Area contains a large, concentrated supply of affordable rental housing, although much of it is in poor condition. The demand for all types of safe, adequate affordable housing far exceeds the supply. The high demand for SRO housing in the area has forced the two largest SRO housing developers, Skid Row Housing Trust and SRO Housing Corporation, to close the application process due to the length of waiting lists.

The 2000 Census figures show that 95 percent of area residents are renters. While 2000 census data on income is not yet available, it is commonly known that the City Markets and Historic Downtown sub-regions are home to almost 11,000 extremely low-income people who are either homeless or living in SRO and residential hotels. In addition, the Project Area includes a concentration of low-wage industries such as the garment and service industries. Many workers in these industries also live in the Project Area.

The CRA estimates that over 4,000 affordable housing units in the City Center Project Area will be destroyed and almost 3,000 people will be displaced. However, since the average household size in the central city area is 1.94 people per unit, it is more likely that about 8,000 people will be displaced.

The City Center Redevelopment Plan and Method for Relocation Plan provide mechanisms for relocation of displaced residents. However, due to the extreme poverty of those most likely to be displaced and the severe affordable housing crisis, relocation to equivalent affordable housing will likely not be feasible.

Examples of Neighborhood-Sensitive Demolition Policies

Below are two examples, from California and New Jersey, where the issue of displacement was successfully addressed. The results of litigation and a policy initiative respectively, these examples illustrate how redevelopment can work for both residents and developers.

Build Replacement Housing First:

Solana Beach Redevelopment

As a settlement to a lawsuit between the Solana Beach Redevelopment Agency and residents of the Project Area, the Agency agreed to:

- Build **all** replacement units up front before units were lost to demolition or conversion.
- Replace **all** units last occupied by a low- or moderate-income tenant that are lost inside the Project Area, whether lost through Agency involvement or otherwise.
- Keep these replacement units affordable to very low-, low-, and moderate- income households for no less than 55 years.

“We built some buildings first and we took people from the [old] buildings and put them in new units. And then we knocked the buildings down. We built first before we knocked them down.”

Harold Lucas, former Executive Director of the Newark Housing Authority and HUD’s Assistant Secretary for Public and Indian Housing under President Clinton

Build Replacement Housing First:

Newark Housing Authority

Home to one of the worst public housing systems on the East Coast; Newark, New Jersey was one of the first sites to receive HOPE VI funds for the transformation of public housing. The grant helped the Housing Authority to tear down 3,000 units, but only after building 2,400 new low-rise complexes. They implemented the most straightforward strategy of preventing displacement from the community by **building replacement housing units first.**

Recommendations

Building from the experience of existing programs, we recommend that the following policies be incorporated into the City Center Redevelopment Plan:

- Replacement housing for all units last occupied by a low or moderate-income tenant should be built **up front** on a one-for-one basis. This policy should apply to units lost within the Project Area whether or not through Agency involvement.
- The household income in the Project Area is 37% of Area Median Income (AMI), which is substantially below the three income categories (not exceeding 50%, 80%, and 120% AMI) specified by the Plan. The Plan should build replacement housing affordable to persons **of the same or lower income level** (not of category) as those displaced. As required by California Redevelopment law, these units must first be offered to those living in buildings planned for demolition.
- In the case where replacement housing will be built over the site of demolished housing, residents should be provided relocation assistance. Due to past difficulties in ensuring adequate compliance, the City should adopt **case management** of each individual household to guarantee that they are adequately informed of their relocation opportunities, with accommodations for both language and literacy levels. The goal of case management is to ensure that people will ultimately be relocated in housing that will be affordable for the long-term.
- Relocation should be to units with rents **not exceeding 30%** of the relocated family’s or individual’s income.
- If such units are not available, rents should be **subsidized** for more expensive units (pursuant to Title 1, Division 7, Chapter 16 of the Government Code) **until long-term units are available at rents not exceeding 30%** of the relocated family’s or individual’s income. This should apply beyond the designated 42 months if the household has not been provided with such units.
- Pursuant to section 33411.3 of the California Community Redevelopment Code, relocated residents should be given **priority** in occupying all replacement housing.

B. The Special Case of Residential Hotels

There is a prevalence of privately-owned SRO and residential hotels, providing at least 3,427 relatively low-cost housing units, in the City Center Project Area. Many area residents consider the residential hotels to be permanent housing, in which they have lived for many years. However, many residential hotel owners, in order to prevent their residents from establishing tenancy along with the rights and remedies of the State's unlawful detainer statute and the City's Rent Stabilization Ordinance, systematically displace most of their tenants every 28 days.

Objective Conditions in the Project Area

Residential hotel units in the Project Area currently house very low-income individuals and families, people receiving public assistance, people with disabilities, and other residents in great need of permanent, affordable housing. Most, if not all, of the blighted housing units in the Historic Core and City Markets sub-areas are in residential hotels, making them targets for renovation or conversion through redevelopment activities.

As a result, people who live in residential hotels are extremely vulnerable to displacement resulting from City Center redevelopment. At minimum, the people who reside in the 1,785 units of four hotels – the Alexandria, Hayward, Barclay, and Cecil – all of which were specifically cited for adaptive reuse projects in an April 23, 2002 CRA report to the City Council -- will be displaced.

Residential hotel occupants face a unique and challenging situation due to the unlawful practice of many property owners in the area that prevents the establishment of legal tenancy. Under California law, once a person has established 30 days of continuous residency in a residential establishment, including non-commercial hotels and motels, he or she becomes a legal tenant. In order to avoid legal tenancy, management of several residential hotels in Downtown Los Angeles allow people to pay rent for only 28 consecutive days, usually requiring residents to vacate for a day or two before returning for another 28 days, a process known as the "28-day shuffle."

Although commonly practiced, the 28-day shuffle is against the law. Section 1940 of the California Civil

Code states that owners and management of residential hotels violate the law if their implied or stated purpose is to deny tenants their legal rights by requiring them to move out and reregister before the end of 30 days. An informal study of ten privately-owned residential hotels showed that 62 percent of residents were subject to the 28-day shuffle.

Under the City of Los Angeles Rent Stabilization Ordinance, residents of residential hotels are not recognized as tenants until they have 60 days of continuous residency. If residential hotel units are converted from permanent housing for very low-income households to market rate housing, it is unclear under current policies and procedures whether the CRA will be required to replace them on a one-for-one basis. Residents in these units also may not be eligible for relocation assistance, which is required when displacement occurs due to City Center redevelopment activities. Neither the City Center Development Project Plan nor the Method of Relocation specifies eligibility requirements for relocation assistance or replacement housing in the case of residential hotels.

Example Strategies and Solutions to Meeting the Needs of Residential Hotel Tenants

The following examples demonstrate a range of strategies already employed in Los Angeles and other parts of California to provide various protections for those who live in residential hotels.

Stop the 28-Day Shuffle

Section 1940 of the California Civil Code **declares the 28-day shuffle illegal** and needs to be aggressively enforced at the local level. Regulatory agencies must be accessible to assist occupants of residential hotels in exercising their rights and holding property owners and managers accountable for their actions.

Protect the Rights of Tenants:

Los Angeles Rent Stabilization Ordinance

The Rent Stabilization Ordinance includes specific tenancy requirements for residential hotels and provides for **appropriate renters' rights**, including rent control and just cause eviction protections. However, it fails to account for the extremely common practice of the 28-day shuffle.

Provide Replacement Housing to Tenants of Residential Hotels:

San Remo Hotel v. City and County of San Francisco
The California Supreme Court recently ruled that it was legal for the City and County of San Francisco to require property owners who want to convert residential hotels to hotels for tourists to **provide replacement housing** for the poor or pay for the housing to be replaced. The court majority said the law affected 500 residential hotels in the city and was intended to ensure a continuing supply of low-income housing.

Replacement Housing and Rights for SRO Residents:

Price v. City of Stockton

In the recent case of Price v. the City of Stockton regarding the disposition of SRO housing in redevelopment situations, the court ordered the City to: 1) provide **replacement housing**; 2) provide tenants with adequate **relocation** benefits; 3) provide **temporary housing to persons previously displaced by code enforcement** activities; and 4) adopt a **replacement housing plan for similar situations in the future**.

The lawsuit claimed that several city agencies and officials “unlawfully intend to greatly reduce the number of disabled persons and persons who rely on General Relief, Social Security or SSI disability benefits residing within the downtown area, because they believe that their redevelopment project will fail as long as these individuals live in the downtown area.”

Recommendations

Building from the experience of other cities as well as state and local tenant protection statutes, we recommend the following actions.

- Amend the City Center Redevelopment Plan and Method for Relocation Plan to explicitly recognize residential hotels as permanent, affordable housing to which all tenant rights and replacement housing requirements apply.
- Increase the penalty for violation of Section 1940 of the California Civil Code, which declares the 28-day shuffle illegal, and aggressively enforce the code locally.
- Amend the Rent Stabilization Ordinance to establish tenancy for occupants of residential hotels based on total length of stay, as opposed to length of continuous stay.

C. The Special Case of Homeless People

The City Center Project Area is unique in that it is home for a large homeless population, generally concentrated in Central City East (commonly known as Skid Row and contained within the City Markets and Historic Downtown sub-regions). Long-term solutions to homelessness are limited by the inadequate supply of affordable housing units in the Project Area and the City. Homeless people are often disregarded in policy decisions directly affecting them. However, people without homes are entitled to the same rights and benefits as other Project Area residents, including the right to not be displaced by redevelopment activities.

Objective Conditions

Within the City Center Project Area there are an estimated 3,000 street-dwelling homeless people, over 1,800 homeless people in emergency and transitional housing facilities, and over 3,000 people precariously housed in blighted hotels who are often forced to move back and forth between homelessness and housing. While the population predominately consists of single men, the numbers of homeless women and families with children have drastically increased in recent years. There are an estimated 150 homeless families in the area at any

given time in addition to the approximately 200 families with children who live in the area's residential hotels.

The income levels for homeless people in the Project Area are extremely low, with the large majority of people receiving General Relief (7% of L.A. median income), CalWORKs (15-20% of L.A. median income), Supplemental Security Income (22% of L.A. median income) or having no income at all.

The Project Area also includes at least 16 non-profit owned permanent housing projects with over 1,000 affordable units that house formerly homeless people. Most of these projects employ some version of the supportive housing model – a model which has demonstrated consistent success in helping people maintain permanent housing as well as being cost effective for municipalities.

Examples of the Rights of Homeless People

Right to Vote Laws Recognize Homeless People as Community Residents in Forty-One States

Homeless people have the right to vote, whether they live in a shelter or on the streets. Forty-one states have verbal or written policies ensuring that a homeless person can register to vote. In the Pitts v. Black lawsuit, plaintiffs challenged a New York State Election Law provision allowing persons living in shelters to register, but not allowing those living on the streets to do so. The District Court held that **people need only have a specific location which they consider their "home base"** – the place where one returns regularly, manifests an intent to remain, and can receive messages and be contacted. The District Court found that the New York City Board of Election's application of the residency requirement disenfranchised an entire group of people, a practice forbidden by the Equal Protection Clause of the Fourteenth Amendment.

Public Service Act Recognizes Homeless People as Community Residents

Under the McKinney-Vento Homeless Children and Youths Program, State educational agencies must ensure that homeless children and youth have equal access to the same free public education, including a public preschool education, as is provided to other children and youth. States must review and undertake steps to revise any laws, regulations, practices, or policies that may act as barriers to the enrollment, attendance, or success in school of homeless children and youth. School districts and schools **may not separate homeless students in the community from the mainstream school environment on the basis of their homelessness.**

Homeless students must also have access to the education and other services that they need to have

The District Court held that a person's "residence" is the place at the center of the individual's life and the place where he/she presently intends to remain.

an opportunity to meet the same challenging State academic achievement standards to which all students are held.

Recommendations

Building on the above examples that establish local residency for homeless people and subsequently basic rights, we recommend that the City Center Redevelopment Plan follow suit by:

- Amending the City Center Redevelopment Plan and the Method for Relocation Plan to explicitly recognize homeless people as area residents who are eligible for benefits associated with redevelopment, including eligibility for relocation benefits if displaced.
- Developing a sufficient number of housing units that meet affordability levels of homeless people (see Section B. Affordable Housing for Area Residents, Workers, and Homeless People.)

2. Affordable Housing for Area Residents, Workers and Homeless People

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The City of Los Angeles is experiencing a housing crisis evidenced by rising rents, home prices, vacancy rates and homelessness citywide. The Center City Redevelopment Area presents a great opportunity to build housing on a significant scale to create a vibrant mixed-income downtown that supports the needs of current residents and workers. Key to this strategy is using proven housing and social service strategies for the thousands of people who reside on the streets and in the shelters located in the Project Area.

Objective Conditions in the Project Area and Housing Availability Citywide

Project Area

Much of the City's housing of last resort -- run down residential hotels -- is located in the Project Area. There are over 3,400 rooms in 15 blighted residential and SRO hotels in the Historic Downtown and City Markets areas. There are also about 800 dilapidated units in South Park occupied by low-wage workers. About 3,000 additional people are homeless each night in Skid Row, which is located within the borders the Project Area. Due to the City's severe housing crisis, there is no place else for people who live on the street or in last resort housing to go.

Ambitious plans to create a vibrant downtown -- by making it a viable place to live for people of all economic means -- have come in conflict with the realities of Skid Row. The success of the lofts is putting into motion market forces that are threatening the existence of both the housing and streets of last resort. Likewise, the presence of homeless people is threatening the success of the lofts. In this case, building permanent housing for homeless people is the right thing to do for both humanitarian purposes and for revitalizing downtown. Also, rehabilitating slum hotels and apartment buildings into quality affordable housing before they are destroyed or upgraded is essential to prevent revitalization efforts from increasing homelessness.

Housing Crisis Citywide

Angelenos experience Los Angeles' housing crisis in terms of few vacancies, rising rents and rising home prices. With growing populations and not enough housing under construction, Los Angeles' housing market grows tighter every month. Our population is growing, with an anticipated 35% increase by 2030 -- mostly due to births rather than to people moving here. The City's Housing Element forecasts the need for 60,000 new residences between 1998 and 2005 -- about 8,000 homes per year. Although we are more than halfway through this period, building permits have been issued for less than a quarter of the needed units.

"the highest priority shall be a comprehensive solution to the Skid Row problem . . . the human dimension in the redevelopment of Skid Row strongly suggests that the first step should be that of providing decent housing."

—1976 Citizens Advisory Committee Report on the Central Business District Redevelopment Project (CRA FY 2002 Work Program Narratives).

In the Central City area alone, the Housing Element calls for about 13,000 units by 2005 -- the first three years in the life of the City Center Project Area. Until this citywide shortage of affordable housing is addressed, homeless and low-income people who will be displaced by market-driven downtown development activities will have nowhere to go. In order to help alleviate the shortage of housing for all income groups across the City, the CRA has to set a goal to build or rehab at least 30,000 units within the Project Area. About half of these units should be affordable to homeless people or low-income working people.

Examples of Strategies for Building Affordable Housing

Building Affordable Housing:

CRA Partnership with Nonprofit Housing Developers
 The Los Angeles CRA has been a prime force in funding the conversion of run-down residential hotels in Skid Row into quality housing that is affordable to homeless people. In addition, until the mid-1990's the CRA was a major funder of affordable family and senior housing across the City. This track record is a strong foundation upon which to address the challenges facing the Center City Redevelopment Area.

Breaking the Cycles of Homelessness:

San Francisco's Health, Housing & Integrated Services
 A recent study by the Corporation for Supportive Housing tracked residents of two housing developments in San Francisco – two-thirds of whom came directly from the streets and 95% who were struggling with mental illness or chemical addictions. The study found the supportive housing model is **effective in breaking the cycle between the streets, the jail and the emergency room**. Within one year of living in supportive housing, emergency room use fell by 58%, hospitalization fell by 57%, and the need for residential mental health care was virtually eliminated. The cost comparisons are dramatic: a San Francisco County psychiatric bed costs \$570/day, mental health facility bed costs \$125/day while supportive housing can be provided at a fraction of the cost -- \$23/day.

Setting Housing Production Goals:

City of Los Angeles Housing Element

By state law, the housing targets set out in the City's Housing Element are broken down by family income, expressed as a percentage of the area's median. Median Income in Los Angeles for a family of four is \$55,100/year or about \$4,500/month. The income of residents of the Project Area is 37% AMI – \$20,400 for a family of four or about \$1,700 per month. At this income level, a family's entire monthly income is not enough to cover even half the rent of a newly rehabbed downtown loft.

Los Angeles' Housing Element calls for 47% of units to be affordable for people with incomes less than 80% of the City's median income.

Because so much new market-rate housing is not affordable, the City's Housing Element calls for 30% of new construction to be affordable for people with incomes below 50% of L.A.'s median. The City's Housing Element also calls for another 17% of new construction to be affordable to people with incomes between 51% and 80% of L.A.'s median income. **Thus, the City's Housing Element already proposes that 47% of new housing construction to be affordable to low-income people.**

| Who Is Low Income? | |
|------------------------------|--|
| 50% of Area Median Income | A single person working full-time at \$9.27/hour |
| | A receptionist with one child earning \$18.40/hour |
| | A bookkeeper supporting two children on \$24,800/year |
| 51-80% of Area Median Income | A single person working full-time earning \$15/hour |
| | A legal secretary with one child earning \$2,900/month |
| | A County sheriff earning \$44,000/year whose wife works full-time taking care of their child |

Recommendations

We recommend that the CRA adopt the policies to set housing production goals that result in enough housing being built at rents and prices affordable to the people who live and work in the Project Area, including homeless people; to make a significant contribution to the Citywide housing production targets; and to be more consistent with the City’s Housing Element.

- Amend the City Center Redevelopment Plan to require that 50% of housing produced in the Project Area be affordable to people who earn less than 80% of the City’s median income, bringing the plan in closer alignment with the City’s Housing Element.
 - At least 20% of the units should be affordable to people with incomes below 30% AMI.
 - At least 20% of the units should be affordable to people with incomes between 31% and 50% AMI.
 - At least 10% should be affordable to people with incomes between 51% and 80% AMI.

- Amend the 5-year work plan to prioritize rehabilitation of existing units into quality affordable housing to meet the needs of current residents, including non-profit owned supportive housing for homeless people.

- Increase the total number of housing units for the Project Area to a total of 30,000 over 30 years, and create a healthy mix of income levels. Amend the 5-year work plan to include 5-year and annual unit goals as follows:

Proposed Housing Production Goals

for City Center CRA Project Area

| Affordability % Median Income | 30-year Goal (units) | 5-Year Goal (units) | Annual Goal (units) | Percent of Total Housing |
|----------------------------------|----------------------------|---------------------------|---------------------------|--------------------------------|
| Homeless | | | | |
| Below 30% of median | 6,000 | 1,000 | 200 | 20% |
| Workforce | | | | |
| 30% - 50% of median | 6,000 | 1,000 | 200 | 20% |
| 50% - 80% of median | 3,000 | 500 | 100 | 10% |
| 80% - 120% of median | 6,000 | 1,000 | 200 | 20% |
| Luxury | | | | |
| Above 120% of median | 9,000 | 1,500 | 300 | 30% |
| Total | 30,000 | 5,000 | 1,000 | 100% |

3. Provide Training and Jobs to Local Residents

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Unemployment, underemployment, and low wages contribute to homelessness and the lack of housing affordability in the City Center Project Area. A low income limits economic choices, creating a market for slumlords and the blighted conditions upon which redevelopment is based. Increasing wage and employment opportunities will help remove enormous pressures from the over-burdened affordable housing resources described above. Thus, raising the income of local residents by providing job training and job placement in living wage jobs must therefore be one of the primary objectives of redevelopment.

Objective Conditions in the Project Area

Since the initiation of downtown redevelopment in 1975, poverty in Los Angeles has actually increased, particularly during the last decade. While overall employment in Los Angeles increased by only 2 percent during the 1990s, the number of working poor, increased by 34 percent.

Unemployment, underemployment, and low wages are inexorably linked with the affordable housing crisis, particularly in the Project Area. The 1995 ratio of low-income renters to available low-rent housing was 4:1 in Los Angeles County – the highest rate in the nation and twice that of New York City. This ratio is much higher in the Project Area where the median income is only 37% of the overall median in the City.

Of the residents who were relocated to make way for the Staples Center parking lots located in the Project Area, virtually all received at least the relocation benefits required by state law. However, because most of them continue to work in low-wage occupations – as garment workers, janitors, and domestic workers – when the relocation benefits were exhausted, many could no longer afford their housing. Policies that improve wages and income in the Project Area will help prevent these circumstances from occurring in the future.

Examples of Strategies that Provide Training and Jobs to Local Residents

Permanent Jobs:

The Community Benefits Program of the Los Angeles Sports and Entertainment District

A nationally acclaimed model for connecting local residents to training and good jobs through a development project already exists in the Project Area, and can serve as a template for redevelopment policy in the City Center. The model is the result of an agreement between the Figueroa Corridor Coalition for Economic Justice and the L.A. Arena Company and establishes the following standards for the projected 5,500 permanent jobs that will result from the Los Angeles Sports and Entertainment District Project:

- 50% of the jobs will be made available to local residents according to the following hierarchy of priority:
 - residents who were displaced to accommodate the development
 - residents who live within a three mile radius of the project
 - residents of low-income census tracts in Los Angeles
- At least 70% of the projected jobs will be living wage or union
- The project will abide by the standards of the City's worker retention, responsible contractor, and living wage ordinances.
- \$100,000 in seed funding has been committed by the developer for employment and pre-employment training of area residents.

Through the efforts of the Figueroa Corridor Coalition, local residents are currently involved in planning an implementation strategy for the jobs program. For example, a class offered at Trade Technical College has been designed as a forum for community leaders to plan the Figueroa Corridor Jobs Program. Several of these leaders also participated in a study tour of effective employment programs around the country.

Construction Jobs:

Alameda Corridor Jobs Coalition

Focusing entirely on construction jobs that are resulting from the nation's largest public works project, the Alameda Corridor Jobs Coalition negotiated a contract with the Alameda Corridor Transportation Authority which includes:

- 30% of all work hours of new workers¹ will be performed by local residents.
- 1,000 local residents will be enrolled in job training programs associated with the project over a three year period. Of these:
 - 650 will graduate from Pre-Apprenticeship Programs and enroll in Union Apprenticeship Programs in the occupations from which the Contractor and its Subcontractor will hire New Workers.
 - 350 will complete training programs in non-trade services provided by local organizations and public agencies for the non-trade positions for which the Contractor and Subcontractor will hire New Workers.

First Source Hiring:

Berkeley's First Source Program

The City of Berkeley's First Source program leverages contracts with businesses generated through redevelopment and other economic development activities to help job-seeking residents gain local employment. When City staff makes contact with employers, they encourage or require participation in First Source in four specific ways:

- As a condition of discretionary permit approvals (new construction, change of use or rehabilitation of over 7,500 square feet, or residential projects over \$100,000 or tenant businesses with more than 5 employees),
- As a condition of financing (industrial development bonds, local lending programs, development agreements, facade improvement grants),

- As a condition of public works/redevelopment construction contracts, or
- Voluntarily (utilizing the program's free services).

First Source agreements between the City and the developer of a project commits both construction jobs and jobs in businesses that have five or more employees that will occupy the completed project to local hiring. Although non-compliance penalties exist, the City works to avoid using such negative reinforcement and instead "sells" First Source as a service that employers want.

To help local residents raise their skills and ensure job-readiness for high-quality, good paying jobs, First Source convened a consortia of over 20 local community based and educational organizations called JobStart.

Other cities in the Bay Area have since followed Berkeley's example. In 1993, the City of Richmond established a First Source Agreement and the City of Oakland established a Local Construction Employment Referral Program along with their own First Source Program. In 1996, the City of San Francisco established a Local Hiring Ordinance for all city construction contracts and is currently developing a First Source Ordinance specifically targeted for CalWORKs recipients.

As a result of positive incentives, companies like Bayer, which added 300,000 square feet and 350 new jobs to its Berkeley plant hired 87% of its non-technical new hires through the First Source program.

¹ any worker necessary for the Project who has not been on the Contractor or Subcontractor's payroll for sixty(60) days prior to the time of the worker's employment on the Project

Recommendations

Building from the experience of existing programs (including those in the City Center Project Area) we recommend that the following policies be incorporated into the City Center Redevelopment Plan:

- 50% of **permanent jobs** should be provided to local residents, according to a hierarchy of preferences appropriate for the Project Area.
- 30% of all new worker hours on **construction jobs** related to redevelopment should be performed by local residents.
- All jobs generated by the redevelopment project should be **living wage and/or union**. All employers in the Project Area should abide by the **City's Worker Retention and Responsible Contractor ordinances**.
- The City and/or the Community Redevelopment Agency should **fund a consortia of existing employment development and employment training programs** to provide intensive services to residents and employers in the Project Area to ensure that the above policies will be effective. Funding should be for at least **\$10 million dollars over a ten year period**.
- **Specialized services that meet the needs of homeless, immigrant, ex-offenders, and welfare-to-work participants as well as other special groups** should be incorporated into employment programs
- **Financial sanctions should be imposed upon non-compliant employers.**
- Employment program results should be reported to the **City Council's Economic Development and Employment Committee** to facilitate program evaluation and improvement.
- Employment training and placement services and referrals should be centrally accessible through a **Job Training and Entrepreneurial Center** that shall be developed in the Project Area.

4. Build Wealth and Assets for Local Residents

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Most of the people who live in the Center City Project Area are poor, with a median income that is 37% of the City's. Center City residents are not only income-poor, they are also **asset poor** – that is, they do not own any wealth. Ninety-five percent are tenants, most do not own automobiles or businesses, and most do not have any savings. Many do not even have a bank account.

Having no assets limits the future options of poor individuals and families. Without wealth, people cannot take advantage of economic opportunities. They cannot respond to crises like a rent increase or job loss without severe consequences -- such as homelessness.

Unless specific strategies for building wealth and assets for local residents are incorporated into the redevelopment plan, wealth will leave the Project Area, and low-income residents of the area will benefit the least.

Objective Conditions

There are specific conditions unique to redevelopment that can increase rather than reduce inequities.

Economic Displacement

Tax increment financing, redevelopment's economic engine, requires property values and property tax rolls to increase in order to build the revenue necessary to pay off redevelopment bonds. As property values increase, the pressure to raise rents and displace current residents in the private market also increases. Without stabilizing mechanisms that take property off the speculative market (such as housing cooperatives, land trusts, and non-profit ownership), successful redevelopment always results in "gentrification" and displacement.

Consolidation of Wealth

Most of the Project Area's assets – real estate, enterprises, and housing – are owned by people who do not live in the area. Owner-participation agreements, the primary development relationship fostered by redevelopment, are constructed only with people who own assets. Eminent domain,

another redevelopment tool, typically helps large developers acquire property from smaller land-holders in order to assemble land for large projects – again enhancing the assets of the wealthy.

As a result of these practices, absentee owners, particularly those who own the most wealth, stand to benefit the most from the asset and wealth-building consequences of redevelopment. Without concrete strategies for increasing the wealth and assets of local residents (through individual development accounts, home-ownership, worker ownership, cooperative ownership, and ceding eminent domain to the community) redevelopment will serve to consolidate and increase the assets of people who already are wealthy at the expense of those who have little or no wealth.

Survey of Solutions

Individual Development Accounts:

400 Initiatives in United States

There are about 400 **Individual Development Account** initiatives operating through nonprofit groups nationwide, including efforts in Los Angeles at organizations like CHARO and CD-Tech. Individual Development Accounts (IDA's) are special savings accounts which match the savings of low-income people so that they may achieve specific goals such as **paying for an education, job training, buying a home, or starting a small business**. Participants typically state their savings goal--both in dollar amount and the intended purpose for the savings--before opening an account. A nonprofit which sponsors the account handles paperwork, provides financial literacy training and sends regular statements showing the balance. A typical program may match participants' savings at rates ranging from one to seven dollars of match for every dollar saved using a combination of public and private sources of funds. Programs also require participants to save a minimum amount, such as \$10 or \$20 each month.

*Build Assets Through Cooperatives:
Springfield, Massachusetts*

The Anti-Displacement Project in Springfield, Massachusetts helps tenants take over their buildings and turn them into **limited-equity housing cooperatives**. The organization has also created a **worker cooperative** of tenants to take care of the landscaping and maintenance of eight buildings that are now tenant-owned and managed.

*Build Assets Through Cooperatives:
SweatX in Los Angeles*

In Los Angeles, not far from the City Center Project Area, a **unionized and worker-owned garment factory** called TeamX is producing SweatX – a new line of fashionable and competitively priced clothing for consumers who do not want to buy clothing that is made in the sweatshops which dominate the manufacturing landscape of LA’s garment industry.

*Using Powers of Eminent Domain to Build
a Community Land Trust:*

*Dudley Street Neighborhood Initiative, Roxbury,
Massachusetts*

The Dudley Street neighborhood was the scene of disinvestment and devastation until the community came together and **won the power of eminent domain** from the City. Over the past decade, through this effort, the Dudley Street Neighborhood Initiative has purchased land to build affordable housing, playgrounds and gardens. The community sustains these community uses and the affordability of housing by holding the land in a **community land trust**.

Recommendations

Building from the experience of existing programs from around the country and in Los Angeles, we recommend that the following policies be incorporated into the City Center Redevelopment Plan:

- The Community Redevelopment Agency should cede the power of **eminent domain** to non-profit community based organizations in situations where existing property owners show a flagrant pattern of slumlord activities or do not meet the requirements of owner-participation agreements for extended period of time. *(Dudley Street Initiative)*
- The Community Redevelopment Agency should engage in a planning and development process with local non-profit community organizations and residents with the goal of creating **at least two Community Land Trusts** within the Project Area in the first five years of implementation. *(Dudley Street Initiative)*
- The Community Redevelopment Agency should organize and fund a consortia of existing economic development resource organizations for the first ten years of the redevelopment plan with **\$10 million to provide asset-building assistance and resources** to residents and community-based organizations in the Project Area, including:
 - Individual Development Accounts
 - Financial literacy training and assistance in developing bank accounts and other mainstream financial relationships
 - Technical assistance for the establishment of land trusts, worker cooperatives, and limited-equity housing cooperatives
- If existing organizations are not available to provide the above asset-building strategies and services, the Agency should create this new capacity in the Project Area within the first five years of the Plan.
- Asset and wealth building technical assistance, training, and services should be centrally accessible through the **Job Training and Entrepreneurial Center** discussed in Section C above.

5. Establish Parks

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A major goal of the City Center Plan is to create livable neighborhoods in large parts of the Project Area by combining residential, office and neighborhood serving retail. Parks and diverse public open spaces, however, are also critical to the future livability of the area. Current and future residents, business owners and workers, visitors and tourists will all benefit from the development of parks and open space in the Project Area.

Objective Conditions in the Project Area

Los Angeles ranks last among major cities in open space with just over one acre of parks for every 1000 residents – just 25% of the national standard of four acres per 1000 residents. Examples of other major cities are: Philadelphia with 6.8 acres per 1000 residents, San Francisco with 4.5 acres per 1000 residents, and Chicago with 4.1 acres per 1000 residents.

The circumstances in the Project Area are even worse. Within a three mile radius of the Staples Sports and Entertainment District there is a scarcity of parks - only 0.455 acres per 1000 people. The Project Area is located in Council District 9 which has just 86 acres of neighborhood and community park space, the third lowest in the City, and less than one sixth of the City's own standard. Moreover, there are no regional parks in the District to balance out this lack of community space, making it the second worst in the City.

Without new park and open space policy in the City Center Redevelopment Plan, this situation will go from bad to worse. The City Center plan proposes to add about 30,000 new residents to the area. If this population is added without the addition of new park space, the 9th District will end up ranking last in terms of parks. Moreover, most residents in the Project Area do not own their own property, and therefore cannot make up for their need for open space with private back yards.

Examples of Strategies for Parks and Public Open Space

Building Public Open Space:

CRA Efforts in the Central Business District

The CRA has a track record in facilitating the development of public open spaces such as Bunker Hill steps, California Plaza, and Grand Hope Park. This is a good foundation upon which to build a park program and open space program that can address the needs of the City's most underserved community.

Building Parks:

LA Sports and Entertainment District

Included in the Los Angeles Sports and Entertainment District Community Benefits Program is \$1 million for new parks or park upgrades to serve the local community. The program, negotiated by the Figueroa Corridor Coalition for Economic Justice, includes separate funding to support involvement of the area's low-income and minority residents in planning and locating the parks. This effort is also collecting relevant data about the community, including the availability of vacant lots within a three mile radius of the Staples Center (including the City Center Project Area).

Establishing Urban Land Trusts:

Planning for Los Angeles

A number of cities including Chicago, Atlanta, Boston and Philadelphia use some form of urban land trust to develop and maintain neighborhood parks and public space. The City of Los Angeles is currently studying possible models for implementation here. A report prepared by a city-wide task force, including community members, government agency officials and elected official representatives, will be released in August 2002 summarizing their findings on this issue.

Recommendations

To address the tremendous demand for park space that will be created as the population of the City Center Project Area grows, we recommend that the City:

- Amend the 5-year work plan to include specific steps, including site identification, acquisition, and funding for park development, to ensure the creation of at least four acres of park space per 1000 residents.
- Include park programs in all future 5-year work plans until the goal of at least four acres of park space per 1000 residents is achieved.



A Policy-Maker's Guide to Implementation

Amend the Plan

No Displacement

- Amend Sections 405.1, 405.3, and 409.3 of the City Center Redevelopment Plan and Section I of the Plan and Method for Relocation to explicitly recognize residential hotels as permanent, affordable housing to which all tenant rights and replacement housing requirements apply.
- Amend Sections 405.1 and 405.3 of the City Center Redevelopment Plan and Section I of the Plan and Method for Relocation to explicitly recognize homeless people as area residents who are eligible for benefits associated with redevelopment including eligibility for relocation benefits if displaced.
- Build replacement housing up front on a one-for-one basis for all units last occupied by a low- or moderate-income tenant that are lost inside the Project Area, whether lost through Agency involvement or otherwise. (Section 409.3)
- Manage the cases of each household receiving relocation assistance to ensure:
 - Relocation to units with rents not exceeding 30% of the relocated family's or individual's income. (Section 405.3)
 - Assistance until long-term units are available at rents not exceeding 30% of the household's income. (Section 405.2)
 - Right of first refusal for those displaced. (Section 405.4)

Affordable Housing

- Amend Section 409 of the City Center Redevelopment Plan to require that 50% of housing produced in the Project Area be affordable to people who earn less than 80% of the City's median income, bringing the plan in closer alignment with the City's Housing Element.
 - At least 20% of the units should be affordable to people with incomes below 30% AMI.
 - At least 20% of the units should be affordable to people with incomes between 31% and 50% AMI.
 - At least 10% should be affordable to people with incomes between 51% and 80% AMI.

Training and Jobs

- Amend Section 401 of the City Center Redevelopment Plan to ensure that 50% of **permanent jobs** will be provided to local residents, according to a hierarchy of preferences appropriate for the Project Area.
- Amend Section 401 of the City Center Redevelopment Plan to ensure that 30% of all new worker hours on **construction jobs** related to redevelopment will be performed by local residents.

- Amend section 401 of the City Center Redevelopment Plan to ensure that all jobs generated by the redevelopment project will be **living wage and/or union**.
- Amend Section 401 of the City Center Redevelopment Plan to ensure that all employers in the Project Area will abide by the **City's worker retention and responsible contractor ordinances**.
- Amend the City Center Redevelopment Plan to require that the results of the above employment programs be reported to the City Council's Economic Development and Employment Committee on an annual basis to facilitate program evaluation and improvement.
- Amend the City Center Redevelopment Plan to impose financial sanctions on employers who fail to meet the above requirements.

Adjust the Five Year Implementation Plan

Affordable Housing

- Amend the 5-year work plan to prioritize rehabilitation of existing units into quality affordable housing to meet the needs of current residents, including homeless people.
- Increase the total number of housing units for the Project Area to a total of 30,000 over 30 years, and create a healthy mix of income levels. Amend the 5-year work plan to include 5-year and annual unit goals as follows:

Proposed Housing Production Goals

for City Center CRA Project Area

| Affordability % Median Income | 30-year Goal (units) | 5-Year Goal (units) | Annual Goal (units) | Percent of Total Housing |
|----------------------------------|----------------------------|---------------------------|---------------------------|--------------------------------|
| Homeless | | | | |
| Below 30% of median | 6,000 | 1,000 | 200 | 20% |
| Workforce | | | | |
| 30% - 50% of median | 6,000 | 1,000 | 200 | 20% |
| 50% - 80% of median | 3,000 | 500 | 100 | 10% |
| 80% - 120% of median | 6,000 | 1,000 | 200 | 20% |
| Luxury | | | | |
| Above 120% of median | 9,000 | 1,500 | 300 | 30% |
| Total | 30,000 | 5,000 | 1,000 | 100% |

Assets and Wealth

The CRA's Report to the City Council on the City Center Plan references an economic development strategy that would promote "... a multi-purpose center which would house entrepreneurial development training and job training services for Area residents." We recommend that this proposal be immediately implemented by including \$10 million in funding each five years for a total of ten years and \$20 million to support the establishment of a the **Job Training and Entrepreneurial Center** that will provide a home and central access point for:

- The services of a consortia of existing employment development and employment training programs to be established by the CRA with community input. The purpose of the consortia will be to provide training and employment development services to residents and employers in the Project Area. Services should also address the special needs of homeless, immigrant, welfare-to-work, and ex-offender populations who live in the area, and if needed services are not already available, the Center will use some of the above funding resources to establish them in the City Center.
- The services of a consortia of existing economic development programs that can help people build assets. Services should include individual development accounts; financial literacy and access to bank accounts; and technical assistance towards the establishment of housing and worker cooperatives, community land trusts, and the community use of eminent domain. If existing organizations are not available to provide the above asset-building strategies and services, the Agency should create this new capacity in the Project Area within the first five years of the Plan.

Parks

Amend the 5-year work plan to include specific steps (site identification, acquisition, park development) to ensure the creation of at least four acres of park space per 1000 new residents.

Amend the Rent Stabilization Ordinance

Amend the Section 151.02 of the Rent Stabilization Ordinance to establish tenancy for occupants of residential hotels based on total length of stay, as opposed to length of continuous stay. This would allow tenants of residential hotels to obtain full relocation benefits if displaced by any developer.

Enforce the California Civil Code

Increase the penalty for violation of Section 1940 of the California Civil Code, which makes it illegal to move people prior to 30 consecutive days in a unit for the sole purpose of avoiding tenancy, and aggressively enforce the code locally. This would eliminate the commonly practiced "28-day shuffle" in Los Angeles' residential hotels and allow tenants to exercise their right to safe, habitable housing.

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Appendix

- A. Income, Rent and Housing Element Goals
- B. Community Benefits Program; Attachment A to the Development Agreement between the City of Los Angeles and the L.A. Arena Land Company regarding the L.A. Sports and Entertainment District. 2001.
- C. Executive Summary; *Sharing the Wealth: Resident Ownership Mechanisms*; A Policy Link Report. 2001.
- D. Job Development and Training Program; Appendix 12; Mid-Corridor Design-Build Project; Alameda Corridor Transportation Authority. April 1, 1998.

Appendix A:

Income, Rent and Housing Element Goals

| Percent of Area Median Income | Annual Income | Monthly Wage | Affordable Monthly Rent | Percent of LA's Housing Element Goal |
|--------------------------------------|----------------------|---------------------|--------------------------------|---|
| Very low income Less than 50% | one \$19,000/yr | one \$1,600 | one \$480 | 30% |
| | two \$22,000/yr | two \$1,800 | two \$540 | |
| | three \$24,000/yr | three \$2,000 | three \$600 | |
| Low income 50% - 80% | one \$30,000/yr | one \$2,500 | one \$750 | 17% |
| | two \$35,000/yr | two \$2,900 | two \$870 | |
| | three \$39,000/yr | three \$3,300 | three \$990 | |
| Moderate income 80%-120% | one \$46,000/yr | one \$3,800 | one \$1,140 | 19% |
| | two \$52,000/yr | two \$4,400 | two \$1,320 | |
| | three \$54,000/yr | three \$4,900 | three \$1,470 | |
| Above Moderate income over120% | | | | 34% |