



POLICY & PLANNING UNIT

Los Angeles Housing Department
LAHD

1200 West 7th Street, 9th Floor, Los Angeles, CA 90017
tel 213.808.8809 | fax 213.808.8999
lahd.lacity.org



Antonio R. Villaraigosa, Mayor
Douglas Guthrie, General Manager

February 27, 2012

Council File: 08-2620
Council District(s): All
Contact Person(s):
Helen Campbell (213) 808-8648
Claudia Monterrosa (213) 808-8650

Honorable Ed P. Reyes, Chair
Planning and Land Use Management Committee
Los Angeles City Council
200 North Spring Street, Room 410
Los Angeles, CA 90012

Attention: Sharon Gin, Legislative Assistant

**COMMITTEE TRANSMITTAL: AFFORDABLE HOUSING ADDENDUM TO REPORT
BACK RELATIVE TO THE UNIVERSITY OF SOUTHERN CALIFORNIA (USC)
DEVELOPMENT AGREEMENT NEXUS STUDY**

SUMMARY

The Los Angeles Housing Department submits the attached addendum to the USC Development Agreement Nexus Study in direct response to the Planning and Land Use Management Committee's (PLUM) request for additional information. This addendum serves to inform the overarching USC Development Plan approval process. Specifically, the LAHD submits qualitative and quantitative information to provide a more detailed picture of 1) the area's stock of affordable housing, 2) the physical state of the area's multi-family stock of housing, 3) a snapshot of the effects of ongoing foreclosures in the areas, and 4) an overview of the City's investment in the creation of affordable housing through the Affordable Housing Trust Fund.

RECOMMENDATION

LAHD recommends that the PLUM committee consider the data and discussion contained in the attached addendum.

BACKGROUND

The City is in the process of reviewing the USC Development Plan. The University of Southern California and its growth will have critical immediate and far-reaching effects on the area's physical look and feel, as well as apply pressure to the area's growing needs for services and amenities. Housing needs, in particular, and its implications on the USC area and its surrounding community, are only one in a longer list of critical discussions that must be had. More specifically, the tenure and condition of the multi-family stock in the USC area must be considered as the City moves forward in the approval of the USC Development Plan.

FISCAL IMPACT STATEMENT

There will be no impact on the General Fund.

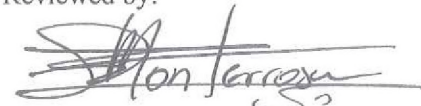
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Prepared by:



HELEN D. CAMPBELL
Management Analyst II

Reviewed by:



CLAUDIA I. MONTERROSA
Director, Policy and Planning Unit

Reviewed by:



RUSHMORE CERVANTES
Executive Officer

Approved by:



DOUGLAS GUTHRIE
General Manager

Attachment: USC Development Agreement - Nexus Study: Housing Supply Characteristics

cc: Honorable Antonio Villaraigosa, Mayor
Honorable Herb Wesson, Chair, Housing Community & Economic Development Committee
Honorable Bernard C. Parks, Councilmember, 8th District
Honorable Jan Perry, Councilmember, 9th District

USC Development Agreement - Nexus Study: Housing Supply Characteristics
Prepared by the Los Angeles Housing Department

BACKGROUND

On November 1, 2011, the Planning and Land Use Management Committee (PLUM) instructed the Department of City Planning (DCP) to work with the Los Angeles Housing Department (LAHD) regarding the shortage of affordable housing and other housing needs in the USC study area. As a result, the LAHD has put together a housing supply profile in the USC Study area using unique LAHD proprietary. Rich data regarding the substandard conditions of housing in the area is central to the analysis because of the economic effect it likely has in neighborhood property value(s) as well as in the habitability conditions for tenants in the area.

This report to the PLUM Committee is geared towards providing a basic quantitative analysis on the rental housing supply characteristics in the USC Study Area. For the purposes of this report, the USC study area includes twenty census tracts that intersect what is defined as the USC Nexus Study area, not including tract 222700, which contains the USC campus. The analysis uses a combination of publicly-available data and a variety of proprietary LAHD data to give an overview of the multi-family housing context. Specifically, this report will look at: (1) substandard housing conditions as indicated by LAHD-created data collection, (2) the at-risk affordable housing counts in the area, (3) the RSO property and unit counts in the area, (4) the impact of the prevalence and incidence of foreclosures in the area, and (5) a snapshot of the City's investment in creating affordable housing through the LAHD's Affordable Housing Trust Fund.

This analysis is intended to supplement the USC Nexus study report as well as respond to comments received at the PLUM nexus study update meeting on August 2, 2011.

Single-family and Multi-family Property and Unit Count in the USC Study Area

The universe of residential property and unit counts presented in the USC Study Analysis is a hybrid data set containing LAHD and LUPAMS data. The Land Use Planning and Management Systems (LUPAMS) data does not distinguish between uses; for some APNs the unit counts may reflect a mix of residential and commercial uses. The LAHD data housing count provides a more accurate number of multi-family properties because the LUPAMS numbers are verified by code enforcement inspectors on the ground during SCEP inspections. For this hybrid data set, when LAHD property or unit counts totaled zero, LUPAMS data was cross referenced to depict a more accurate representation of the property and unit information. In effect, a custom, hybridized data set was created and is continuously updated and analyzed to improve accuracy in calculating (multi-family) housing unit numbers in the USC Study Area. Table 1 below shows the results of the hybridized data set.

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TABLE 1: USC Study Area Housing Counts (Single and Multi-family)		
Census Tracts	Properties	Units
221600	559	1417
221710	488	1402
221810	240	1033
221820	174	1223
221900	259	1456
222100	559	1169
222200	470	1223
222600	631	1749
224020	342	695
224410	321	1189
224420	134	707
224600	487	1019
224700	220	1381
231100	341	589
231210	374	1132
231220	341	1505
231600	994	2096
231710	343	1297
231720	448	1228
231800	608	1604
Total	8,333	25,114

Figure 1 below depicts the USC 20 USC Study Area census tracts analyzed in this report, with a Council District Overlay to show jurisdictional boundaries that may be helpful when making decisions.

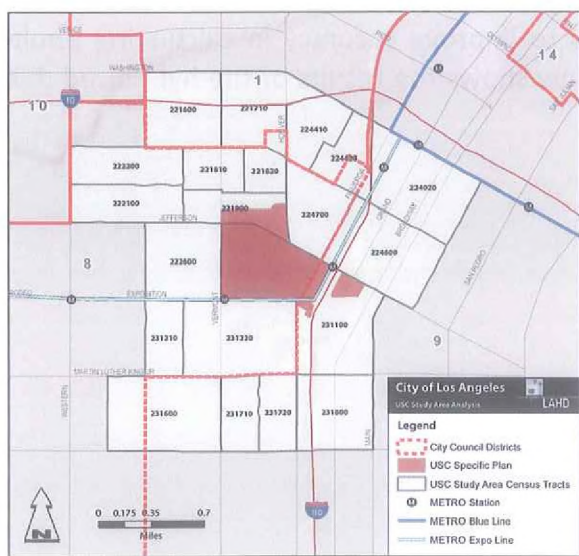


Figure 1

USC Development Agreement - Nexus Study: Housing Supply Characteristics
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1. Substandard Housing Conditions

In the Nexus Study, the non-scientific survey conducted by Enterprise Community Partners notes that students generally indicated "...the quality of private market housing available to the non-student community was generally poor, and more expensive, due to a preference by some landlords to favor students as tenants over non-students."¹

The following discussion sections present an analysis of properties in substandard conditions, as cited by the LAHD, using two different measurements. Specifically, this report reviews the number of properties that received low scores according to the Reliable Information to Score Effectively (RISE) rating system used in the Systematic Code Enforcement (SCEP) Cycle II (2006-2009), as well as data related to properties subject to the Rent Escrow Account Program (REAP).

Reliable Information to Score Effectively (RISE)

The City of Los Angeles inspects all properties containing two or more units, regardless of when they were built, to ensure that these units are in compliance with building, health and habitability codes and standards. All multi-family properties in the City of Los Angeles are inspected on a four-year cycle. The RISE score analysis below (See TABLE 3) is derived from inspection data gathered during SCEP Cycle II, which occurred between 2006 and 2009.

According to the Los Angeles Municipal Code, properties subject to SCEP must meet the following conditions, in pertinent part:

- All residential rental properties with two or more dwelling units, efficiency dwelling units, light housekeeping rooms, guest rooms and suites, as these terms are defined in Section 12.03 of this Code, where one or more of these units are rented or offered for rent on the same lot, land, buildings and structures relating to or belonging to said buildings. A unit is inspected on a four-year cycle or in response to a property violation complaint.
- Mobilehomes, condos (not for rent), single-family homes, hotels and vacant properties are NOT (emphasis added) subject to SCEP.

During the inspection process, inspectors take note of building code violations per unit. Based on the number and severity of the violations, inspectors assign each multi-family property a score between one and ten. A score on the low end of the scale indicates an inhospitable and potentially uninhabitable set of living conditions. Properties with low rise scores reflect many of the characteristics of properties in the Rent Escrow Account Program (REAP). As such, properties with low RISE scores are also highly susceptible to referral to the Rent Escrow Account Program (See discussion below). A look at the prevalence of low-scoring RISE properties/units can give a window into the concentration of low-quality housing at risk of lapsing into REAP.

¹ USC Nexus Study, pp B-15

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A RISE score is considered low when a property scores a 6 or below. Properties start with a base score of 10, where points are deducted based on the following scale:

TABLE 2: RISE Score Sheet

1. Case takes over 120 days for compliance	-1
2. Number of violations is over 5 per unit	-1
3. Case is referred to enforcement	-1
4. Property had more than 3 valid complaints	-1
5. Case required a GM hearing	-1
6. Property was issued a substandard order	-3

With this in mind, TABLE 3 below shows the number of properties (by Census Tract) in the USC Study Area with low RISE scores. Properties that received a Low RISE score in the USC Study Area for SCEP Cycle II (2006-2009).

TABLE 3: Low RISE Score By Census Tract

Census Tract	Property Count
221600	6
221710	12
221810	3
221820	3
221900	8
222100	14
222200	5
222600	19
224020	4
224410	3
224420	5
224600	19
224700	8
231100	2
231210	15
231220	14
231600	29
231710	18
231720	12
231800	17
Total	216

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As it relates to units, TABLE 4 below indicates that there are nearly 1,000 units in properties with low RISE scores in the USC Study Areas. Additionally, while there are about twice as many properties with low RISE scores that are smaller in total unit size, more of the units found in low-scoring RISE properties are in properties with five or more units. This finding indicates that efforts to address properties with low RISE scores may benefit from a targeting of resources to larger-unit properties; more units may be mitigated with a concentrated and targeted set of efforts.

TABLE 4: Low Scoring RISE properties in USC Study Area by Number of Units

	Properties	Units
Two to Four Units	145	421
Five or More Units	71	571
Total	216	992

City of Los Angeles Housing Department Rent Escrow Account Program (REAP)

The Rent Escrow Account Program is an enforcement tool to encourage landlords to maintain their properties and to bring properties that have existing violations into compliance. REAP is a voluntary tenant participation program to correct code violations that make their individual units habitable.

In order for a property to be referred to the REAP program the following is required:

1. The building or unit(s) was subject to one or more Notices to Comply, or Notice of Substandard Conditions.²
2. The elapsing of the period allowed by the Notice to Comply, including any extensions.³
3. The cited violation affects on the health and safety of the occupants as determined at the LAHD General Manager hearing (the landlord can appeal hearing officer decisions to the Rent Adjustment Commission).

As of January 31, 2012, the following tables (TABLES 5 and 6) list properties that have been referred to the REAP in the USC Study Area by property tenure and census tract, respectively.

² These notices are provided either through the regular SCEP cycle inspection of the unit/property or through a SCEP response to a complaint.

³ This period of time can vary by violation.

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While REAP status is determined on a unit-by-unit basis, TABLE 5 below indicates that roughly 75 percent of units in a property referred to REAP are in substandard condition. The trend that REAP-referred properties contain a majority of total units to be uninhabitable illustrates the need for systemic structural repairs, on a property-wide basis, to be made to help bring each unit into compliance.

TABLE 5: REAP Properties/Units in the USC Study Area, by Tenure (Data as of January 31, 2012)

	Properties	Total Units (In Property)	Units in REAP
Two to Four Units	45	157	133
Five or more units	23	126	111
Total	73	283	244

The number of REAP properties, per census tract, ranges from a low of zero to a high of 11 properties per census tract. The map depicting REAP properties in the USC Study Area shows that the census tracts with the highest concentrations of REAP properties are located immediately south of the USC Specific Plan Area.

TABLE 6: Number of REAP Properties per Census Tract in the USC Study Area

Census Tract	REAP Properties
221600	4
221710	5
221810	1
221820	0
221900	0
222100	8
222200	1
222600	7
224020	2
224410	0
224420	3
224600	6
224700	0
231100	0
231210	8
231220	3
231600	7
231710	11
231720	3
231800	4
Total	73

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Additionally, a review of the area's RISE and REAP profile showed that the average score for RISE properties in the lower end of the scoring spectrum is a score of 5. Also, the median age of REAP properties in the area is just under 100 years old (97 years).

The map below shows the scatter of REAP properties in the USC Study Area. Similarly, the map below also shows that, in the census blocks just southwest of the USC Specific Plan Area – particularly just south of the Metro Expo Line - you have the highest concentration REAP properties as well as number of properties with low RISE scores per census block. Census blocks shaded in pink, goldenrod and red have anywhere from two to five properties with a low RISE score (i.e., a score of 0 to 6). In sum, the area southwest of the USC Specific Plan Area is particularly vulnerable, with the highest concentration of housing stock that is either already in REAP, or likely to fall into REAP.

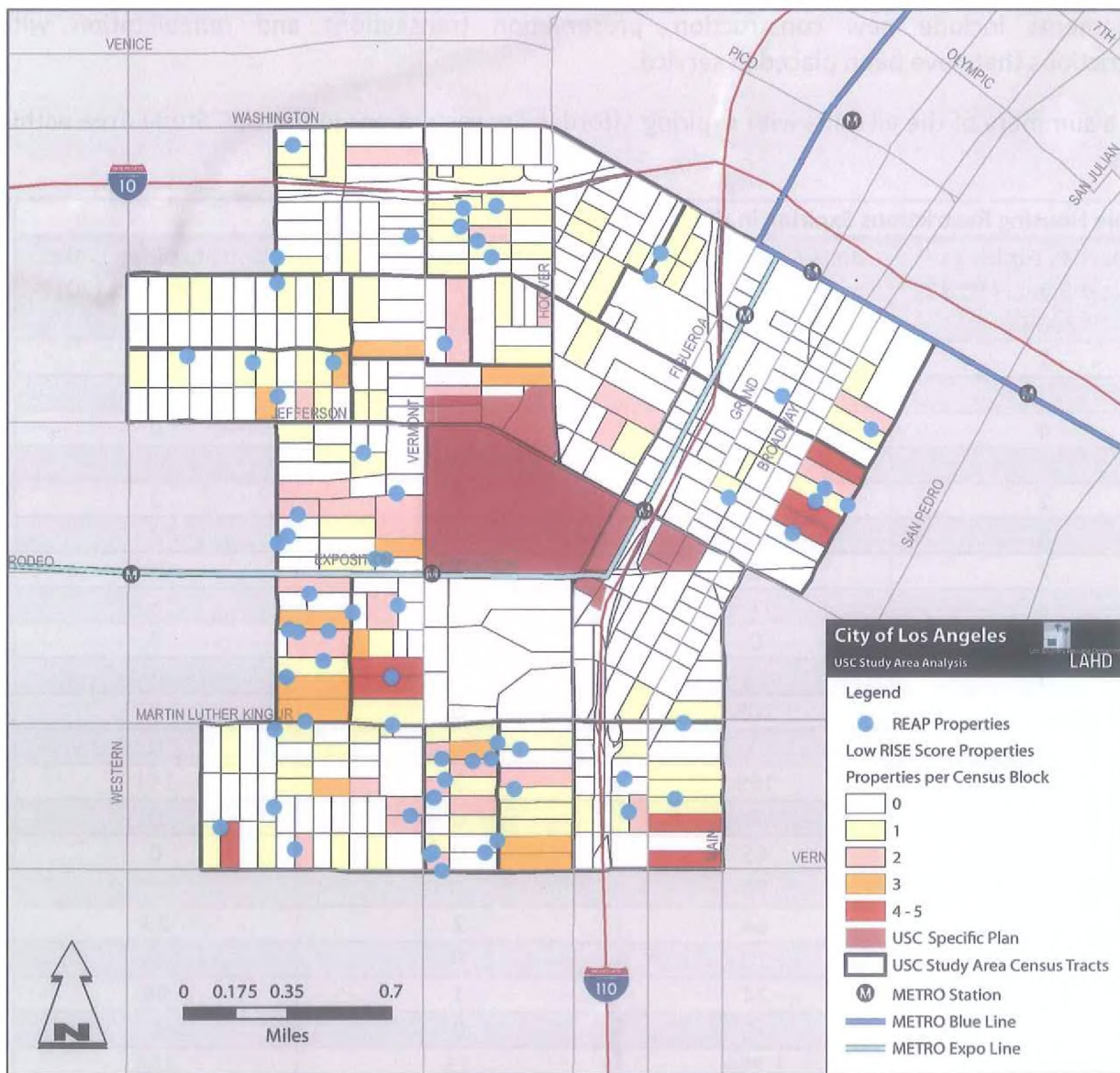


Figure 2

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2. At-Risk Affordable Housing

The Affordable Housing Database (AHD) is comprised of housing units that are assisted and or rent-restricted by various federal, state and local sources, as well as units that received non-monetary assistance, such as City land use concessions. This inventory also includes public housing sites managed/owned by the Housing Authority of the City of Los Angeles.

Similarly, the LAHD tracks a subset of its affordable housing stock that is at risk of expiring. An "at-risk" property is identified as such when its primary source of funding (often only one in an array of funding sources) is expected to expire or terminate in the ensuing 5 years. A majority of the properties tracked through this inventory have multiple sources of funding and rental subsidies (e.g. up to five varying sources). However, ONLY their primary, most restrictive source of affordability is accounted for in the at-risk count. Housing developments include new construction, preservation transactions and rehabilitation with affordability restrictions that have been placed in service.

Table 7 below is a summary of the all units with expiring affordability restrictions in the USC Study Area within the next 20 years.

TABLE 7: Affordable Housing Restrictions Expiring in the Next 20 Years in the USC Study Area				
Census Tract	Properties Expiring in the Next 5 years (2012-2016)	Units Expiring in the next 5 years (2012-2016)	Properties Expiring in the Next 6-20 years (2017-2032)	Units Expiring in the Next 6-20 years (2017-2032)
221600	1	3	0	0
221710	5	71	3	138
221810	4	115	0	0
221820	1	12	2	22
221900	1	151	0	0
222100	3	151	0	0
222200	7	124	2	18
222600	3	112	1	5
224020	0	0	0	0
224410	3	48	1	20
224420	1	105	0	0
224600	0	0	0	0
224700	3	169	2	144
231100	0	0	0	0
231210	1	45	0	0
231220	5	70	1	22
231600	2	64	2	23
231710	1	10	0	0
231720	1	24	1	96
231800	2	25	0	0
Total	44	1,299	15	488

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The at-risk affordable housing stock containing affordability restrictions that are set to expire in the next 5 years comprises 75% of the total properties expiring in the next 20 years. This at-risk stock comprises 37% of the affordable housing expiring within the next 51 years in the USC Study Area.

The 1,299 at-risk affordable housing units comprise 5% of the total housing stock (25,114 Units) in the USC Study Area. This is a significant potential loss of affordable housing in the next 5 years. Of the small inventory of affordable housing that currently exists in the USC Study Area, a majority has the potential of being lost in the next 5 years, further reducing the availability of affordable housing in the area.

The nearly 1,300 housing units with affordability restrictions set to expire in the next five years; house families and individuals with household incomes earning as little as 30 percent of the area median income to up to 80 percent of the area median income. In the ensuing 20 years almost 500 additional restricted units are set to lose their affordability restrictions.

The figure below shows a general concentration of the at-risk properties, just northwest of the USC Specific Plan. Similarly, a majority of the units expiring between six and 20 years from today are found due north and northwest of the USC Specific Plan.

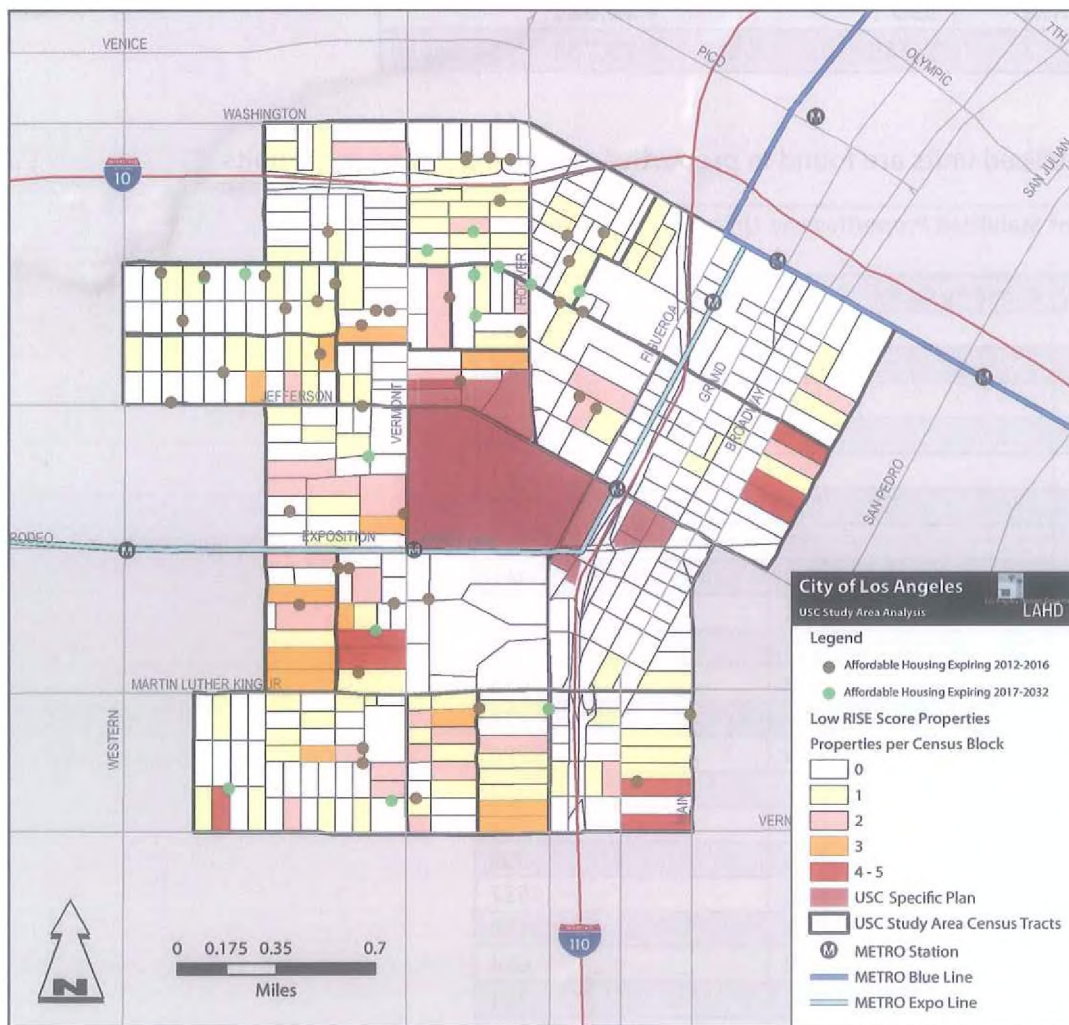


Figure 3

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3. Rent-Stabilized Units

Units subject to the City of Los Angeles Rent Stabilization Ordinance (RSO) are defined by the following minimum requirements:

1. The property must be within the City of Los Angeles
2. There must be two or more units on the lot
3. The building must have a Certificate of Occupancy issued on or before 10/1/78 (for mobile homes the permit to operate date should be 2/10/86)

Tables 8 and 9 below summarize the universe of rent-stabilized units in the USC Study Area.

TABLE 8: Rent-Stabilized Units as of 2011 in the USC Study Area		
	Properties	Units
Condominium	108	108
Two to Four Units	2,642	7,332
Five or more units	995	12,321
Total	3,745	19,761

The vast majority of rent-stabilized units are found in properties containing five or more units.

TABLE 9: Rent Stabilized Properties and Units in the USC Study Area		
Census Tract	Property Count	Unit Count
221600	250	1066
221710	247	1087
221810	116	710
221820	104	1069
221900	133	1338
222100	211	855
222200	188	930
222600	339	1447
224020	61	469
224410	164	1019
224420	73	656
224600	127	731
224700	69	1220
231100	57	519
231210	225	976
231220	166	895
231600	436	1527
231710	245	1180
231720	202	684
231800	332	1364
Total	3,745	19,742

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In the USC Study area, RSO properties comprise 45% of the total housing stock. These properties are subject to rent increase protections that stabilize the rental rates of current tenants. It is also important to note that when an RSO unit is vacated, that unit can be rented at the prevailing market rental rate for the area.

However, as described by the Department of City Planning's "USC Development Plan Nexus Study: Rental Housing Affordability in the Nexus Study Area" report to PLUM (dated February 17, 2012), there is a high concentration of extremely-low and very-low income tenants who reside in the area. This underscores the need to protect the existing RSO housing stock and the ability for existing renters to remain in the area, especially in light of development pressures that are currently taking place (e.g. METRO Expo Line).

4. Foreclosures

Another way by which to gauge the relative condition and state of the housing stock in the USC Study Area is by tracking the incidence of foreclosures in the area. Since 2007, the LAHD has been tracking foreclosure data, identifying trends and "hotspots", on a citywide basis. The basic, data-collecting and analysis function has allowed for the City to target resources in an array of efforts that ranges from preventing foreclosure to addressing the destabilizing effects on neighborhoods when foreclosures have already occurred. Table 10 below shows the number of foreclosures in the USC Study Area.

TABLE 10: Q1-Q3 2011 Foreclosures in the USC Study Area by Property Type								
	Q1 2011 Properties	Q1 2011 Units	Q2 2011 Properties	Q2 2011 Units	Q3 2011 Properties	Q3 2011 Units	Total 2011 Properties	Total 2011 Units
Condominium	10	10	18	18	10	10	38	38
Two to Four Unit/Props	19	52	15	29	12	35	46	116
Five or More Unit/Props	4	24	2	53	0	0	6	77
Total	33	86	35	100	22	45	90	231

According to TABLE 10 above, the majority of foreclosures occurred among small multi-family properties; properties with two to four units on a lot were foreclosed upon at a higher rate. On a per-census tract basis, the incidence of foreclosures in the USC Study Area occurs at a higher rate in the census tracts south of the USC Specific Plan Area.

The map below shows, visually, the scatter of foreclosures that occurred for the latest data available to the LAHD. Between Quarters 1 and 3 or last year, 90 properties, containing 231 units were foreclosed upon.

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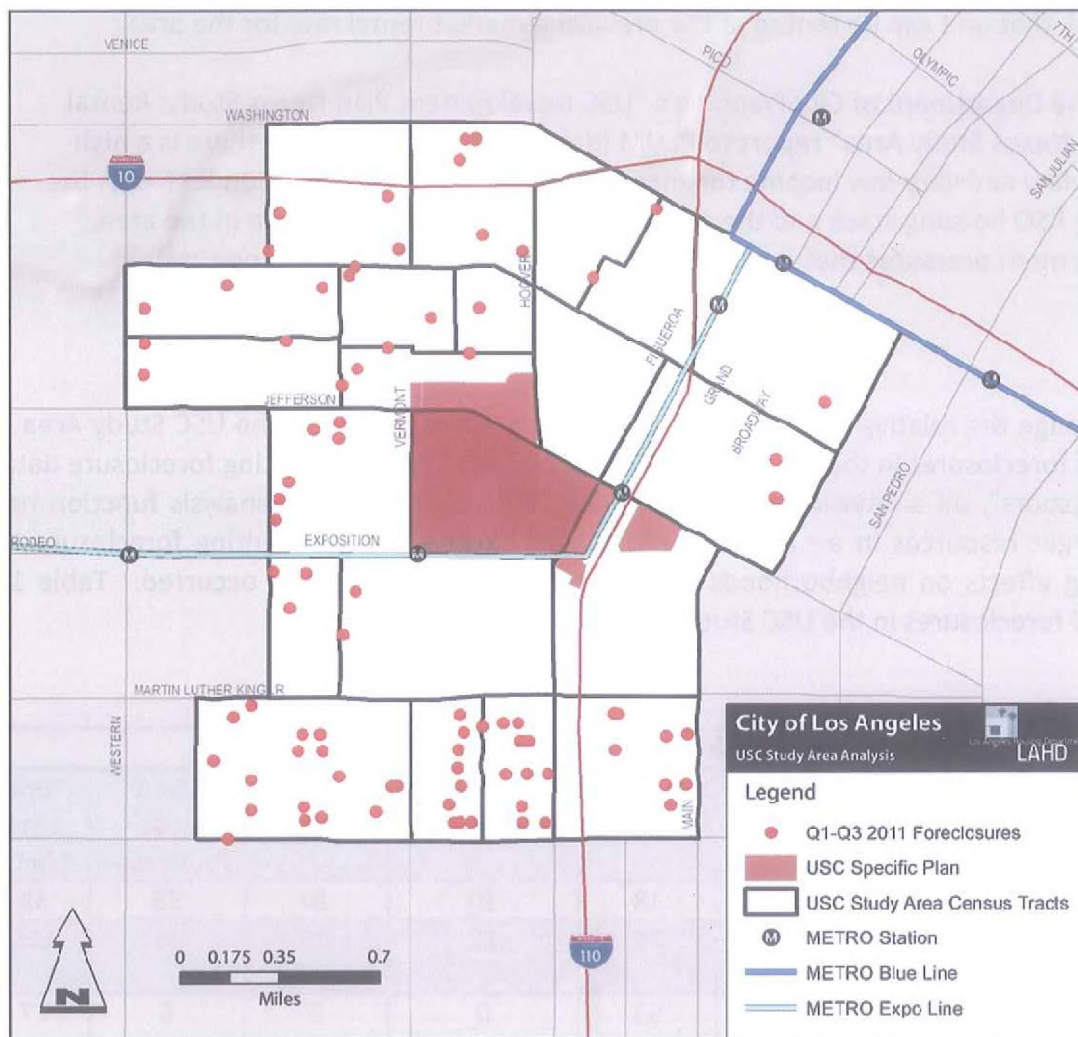


Figure 4

5. The Affordable Housing Trust Fund (AHTF)

Since 2003, the City of Los Angeles, through the AHTF, has invested over \$583 million dollars in the creation of over 10,100 units of affordable rental housing throughout the City. The AHTF is a gap-financing tool that enables affordable housing developments to be competitive while seeking other funding sources that look for local assurances and commitments to affordable housing investment.

As listed in TABLE 11 below, a total of ten developments have been sited in the the USC Study Area since 2003. The almost 450 affordable rental units created in the Study Area represent an over \$21 million City investment, leveraging other funding sources that total over \$113 million in total development costs.

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TABLE 11: AHTF In the USC Study Area, 2003 to the Present (Zip Codes: 90007 and 90037)			
DEVELOPMENT NAME	UNITS	AHTF INVESTMENT	TOTAL DEVELOPMENT COST
Alegria Apt.	15	\$ 602,062	\$ 3,745,586
Broadway Villlage II	50	\$ 1,987,378	\$ 12,004,689
Vermont Sr. I & II	140	\$ 3,600,000	\$ 25,100,872
Mansi Town Homes	21	\$ 892,500	\$ 5,547,252
Casa De Angeles	49	\$ 3,473,280	\$ 16,357,853
Mimmim Town Homes	21	\$ 945,683	\$ 6,214,330
Stovall Villas	32	\$ 4,230,942	\$ 9,099,042
Sunrise Apartments	46	\$ 2,202,568	\$ 12,829,357
Vermont Avenue Apartments	49	\$ 3,017,456	\$ 18,190,353
Figueroa Apartments	19	\$ 787,637	\$ 4,192,015
Total	442	\$ 21,739,506	\$ 113,281,349

While an impressive amount of investment in the creation of long-term affordable, rental units, the AHTF cannot compete with the potential loss of restricted units in the next five years as well as the existence of heavy concentrations of REAP and low-scoring RISE properties.

CONCLUSION

In sum, the housing profile in the USC Study area reflects a high number of multi-family housing properties, a high number of RSO properties, substandard housing conditions and foreclosed single and multi-family housing units. While the City's investment in creating affordable housing in the Study Area is noteworthy, the investment, in terms of dollars invested and units yielded, is dwarfed by the large number of vulnerable properties. The 442 units of affordable housing created in the Study Area since 2003, through the AHTF, does not backfill the potential loss of 1,299 units with affordability restrictions in the next five years. In conclusion, the rate of potential loss far outpaces any reinvestment the City can hope to accomplish in this part of the City.