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12 November 2019

The Honorable Gil Cedillo
Chair, Los Angeles City Council Housing Committee
200 N. Spring Street
Los Angeles, CA 90012

SUBMITTED VIA EMAIL

RE: Council File #19-1127, Right of First Refusal, Ellis Act

Chairman Cedillo & Councilmembers:

The Crenshaw Subway Coalition is writing to express its strong support for the Wesson-Cedillo-Harris Dawson-Koretz's motion with amendments.

We believe the motion should be amended to include the following two changes:

- 1. Expanding the right-of-refusal to nonprofit affordable housing entities and tenants; and**
- 2. Expanding the scope of the units to include all rental units, not just those in which the Ellis Act is invoked.**

This motion with our recommended amendments may prove to be the most important housing policy that can be advanced to break the tide of displacement and gentrification sweeping the city and communities like South Central, and the Crenshaw community specifically.

According to the Census 2018 American Community Survey, of the 1.38 million households in the City of Los Angeles: 25.3% of all Angelinos live in households that make under \$30,000 per year (over 349K units), and 41.2% of all Angelinos live in households that make under \$50,000 per year (over 569K units). As our region is flooded with an influx of higher income residents, our city faces a serious question: where will the existing and future poor and working class live? Preserving existing affordable housing is critical to ensuring there are housing units for the over 60% of Angelinos who live in households that are eligible for affordable housing, especially the most vulnerable (those at the extremely low-income and very low-income levels).

For those who are able to pay \$4,000 a month for an apartment there is no shortage of places to live in our city. The challenge, the houselessness crisis and the reason L.A. has the nation's worst housing affordability crisis is that there are not enough places for households who make less than \$4,000 a month. The sales of current rental units is one of the critical reasons that the motion with our recommended amendments will address.

Of affordable housing's "three Ps" strategy (Protection of the tenants, Production of affordable housing, and Preservation of current affordable housing) to date, preservation has not received policy makers necessary attention even though it is potentially the most impactful for cities like ours undergoing substantial changes from an influx of higher income residents. On protection, major gains have been made in advancing rent stabilization, anti-rent gouging and just cause eviction. However, in a vacancy decontrol environment due to Costa-Hawkins there are limits. On production, more resources have been added in the wake of the dissolution of the community redevelopment agencies, but our city's geography, rising land costs, along with other construction limitations (including time and labor) preclude our city from building ourselves out of this housing crisis. And even if that was possible, by allowing affordable

units to be lost through the Ellis Act, below-market-rate tenant vacancies, and other means, the massive hole for the number of required affordable units is being dug even deeper. Preservation has largely gone unaddressed, while entire communities with apartments that fall under the L.A. Rent Stabilization Ordinance, like Baldwin Village and Leimert Park, that were previously affordable to poor and working class residents are becoming unaffordable overnight to residents that meet the economic profile of the existing residents – a process known as exclusionary displacement. Vacancy decontrol is a major driver, but so too are ownership changes and a lack of an opportunity for entities that lack a profit-first motive to purchase the units.

Multiple studies show that that when there is a change in ownership, especially in rapidly gentrifying communities like Crenshaw, where mom-and-pop landlords have been replaced with corporate landlords and investors, tenants in below market-rate units are harassed and otherwise pressured to leave by the new landlord. In some cases, investment/loan filings show that the goal of these investors is quite blatant, stating that rent-controlled units with long-term tenants paying below market rate are “rent growth opportunities” that they will meet their return/repayment goals by “retenanting.” When that below-market-rate unit is lost it is lost forever.

The housing affordability crisis is already considered the worst in the nation and we need solutions that address preservation directly. We have found through our study of the Crenshaw community (a 2-mile radius from the intersection of Crenshaw-King) that a significant percentage of the units occupied by households that make under \$50,000 per year are severely rent-burdened (spending over 50% of their income on rent). In the case of the renters, these are households where an eviction or even a 4% rent increase leads to homelessness, missed meals and rationed prescriptions. Leaving these households in the Crenshaw community, and others across the city susceptible to changes in ownership will impede the city’s goal of stabilizing communities, reducing displacement, and eliminating houselessness.

The Wesson motion with our recommended amendments provides the City Council with the opportunity to make significant strides in all of these policy objectives. By providing the city, nonprofit affordable housing entities and the tenants the opportunity to match offers on rental unit purchases, our city would be able to replace exploitative for-profit enterprises with owners dedicated to preserving housing unit affordability. Passing the motion with our recommended amendments would preserve the number of affordable units for poor and working-class Angelinos, and spare tenants of the traumatic process of eviction and harassment.

The motion with our recommended amendments also provides the opportunity to explore many elements currently unavailable. It allows the city to explore creative financing options to establish permanent affordability for the units. In addition to stability, it provides long-time tenants with the ability to earn a small amount of equity through limited-equity cooperative structures, while preserving affordability: a true win-win that addresses structural economic inequality in our city. The Wesson’s motion with our recommended amendments allows the City of Los Angeles to be a leader in a policy conversation sweeping the nation for social housing, and builds on the West Coast momentum created by the Community Opportunity to Purchase Act in San Francisco earlier this year.

We stand ready to work with the community, City Council, and the City Attorney to see this much needed policy amended, passed and quickly implemented.

Sincerely,
/S/ DAMIEN GOODMON
Damien Goodman
Executive Director