LA WEEKLY

L.A's Hidden Housing Disaster

Massive rebuilding and the ownership bubble quietly wiped out 13,713 cheap rentals

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Los Angeles

January 15, 2009

From the beginning, the Los Angeles Housing Department was charged with citywide housing policy and preservation of “affordable housing.” The department has only been around for 18 years — a speck of time compared with other bureaucracies — yet enough, perhaps, to declare this mission unaccomplished.

While most headlines are focused on the nationwide foreclosure disaster and plummeting home values, L.A. is spawning its own, hidden housing crisis, or so the numbers suggest:

Minus 78 percent (yes, -78%): That’s the latest massive drop in the city’s Affordable Housing Trust Fund, slashed from $45 million in last year’s city budget to just $10 million this year.

49: That’s L.A.’s bottom-of-the-barrel “housing affordability” rank out of 50 big American cities, with San Francisco ranked last, according to a 2008 survey by San Francisco nonprofit SustainLane.com.

$962: Last year’s average cost of renting in Los Angeles, 43 percent higher than in 2000.

10,000 to 14,000: The dwellings built in each year of L.A.’s just-ended boom, mostly in dense, multistory, “luxury” complexes.

330: The number of “affordable units” constructed each year, on average, during the same period, from 2003 to 2006.

7,369: The number of affordable units lost during the same period, mostly through conversions to luxury units but also demolitions related to new housing.

13,713: The net number of rent-controlled apartments and houses lost between 2001 and 2007 to demolition sparked by new construction and, even more often, to condo conversions sparked by the housing bubble’s rush to home ownership.

If the city's numbers are accurate, Los Angeles has been losing a massive supply of affordable housing, while city leaders repeatedly take credit for approving 10,000 to 14,000 new units during each boom year — one of the busiest construction periods since the end of World War II. In the face of widespread neighborhood resistance to this most recent boom, city planners approved often-sprawling luxury complexes in Hollywood, along Wilshire, on the Westside, in the Valley and downtown — while the city was hemorrhaging its existing cheap rental stock.

City Controller Laura Chick says 90 percent of the units built during the construction frenzy were for those earning at least $135,000.

Now, the same planners and leaders are trying again. A mayoral advisory group of developers and advocates was set to meet January 15 to devise ways to create "mixed-income" housing. In hopes of influencing the plan, landowners and developers at a press conference last Thursday suggested the government single out specific L.A. neighborhoods where zoning limits and Local Plans would be ignored, allowing taller and bigger apartment complexes, as well as less parking. To mollify neighbors, Carol Schatz, of the Central City Association, said developers could fix up local sidewalks or create green areas.

Schatz's was the latest in a flurry of similar pronouncements. In late September, Mayor Antonio Villaraigosa surprised key City Council members, business and housing groups by unveiling a vague, $5 billion housing plan purportedly to build another 20,000 apartments and condos in neighborhoods near bus, subway and rail stops. His plan would allow taller and bigger structures while requiring that developers cut their profit margins and rent out a fixed portion of units at below-market rates — in line with City Hall's idea of encouraging buildings that contain "mixed-income" residents.

Last month, the City Council's housing committee also floated a plan to promote mixed-income housing, especially by building big, multistory complexes along bus and rail routes citywide.

Despite this plethora of activity, there's a very good chance none of it will matter. The mayor's unexplained and possibly unfunded $5 billion plan could be stillborn, and the council's vision — of a day when Angelenos of dramatically different incomes will live happily together in new buildings — seems more elusive than ever.

A recent report by Chick is replete with bad news about how the city pursues housing policies.

For example, the city's $45-million-a-year Housing Department did not track the loss of rent-stabilized units to demolition or condo conversion until 2005. For years, Chick says, City Hall was in the dark about whether its policies preserve — or destroy — affordable housing.

"They weren't necessarily keeping track of buildings being destroyed, [so] there was no way of talking about net change," Chick admits. "The whole city lacks a strategic plan."

"That's not how to do it — that's for sure!" Henry Pollakowski, an MIT economist and editor of the *Journal of Housing Economics*, says of the city's failure to track how housing was lost.

In one example Chick cited, the Housing Department spent three years studying hundreds of city-owned land parcels on which to build affordable rental housing, then it selected "only two sites" — yet somehow spent $2 million "to administer the program."

City Council District 11, containing Brentwood, Mar Vista, Marina del Rey, Pacific Palisades, Palms, Playa Vista, Venice, West L.A. and Westchester, illustrates the city government's almost nonexistent, if not negative, effect on housing affordability. Between 2001 and 2007, developers converted to condos or demolished about 4,000 affordable rentals. Yet in the six-year period ending in 2006, fewer than 80 affordable housing units were built in that desirable district, says the Southern California Association of Nonprofit Housing. That's a net loss of 3,920 low-rent dwellings.

"We've been losing affordable housing every day," District 11 Councilman Bill Rosendahl tells *L.A. Weekly*. "I've been saying this since I came into office, that I wanted a moratorium on [condo] conversions. I couldn't even get heard in committee!"

Chick argues that, "You cannot leave it to market forces. The reason I say that is experience." But L.A. housing is far from a perfectly functioning free market. Apartments built before 1979 are rent-stabilized, allowing property owners to charge new tenants at market rate but restricting rent increases on existing tenants. Countless city, county, state and federal regulations must be followed, permits acquired, lobbyists hired, and politicians wooed.

"You have almost too many agendas to accomplish any one thing successfully," says a wistful Jack Kyser, chief economist of the L.A. County Economic Development Corporation.

Now, Chick, Rosendahl, Villaraigosa and other downtown players tout the latest trend: "mixed-income" housing mandates that force landowners and developers to subsidize cheap apartment units at well below the going rental rates in a building. Owners make up for the lost revenue by taking less profit, or raising rents for other tenants.

Rosendahl openly uses the fiefdom-like power of the 15 council members to extract concessions from developers, requiring them to include a smattering of cheap rental units in desirable complexes. "One developer came to me with 5 percent" — in other words, offering to build a complex in which the rental price for 5 percent of the units is subsidized. Recalls Rosendahl, "I said, 'Come back to me with 30 percent.' He did. But it's an uphill battle."

Even if such efforts don't work, L.A.'s elected leaders aren't short on vision. In the late '80s under Tom Bradley, City Hall clamored for "major" housing reforms, and by 1999 Richard Riordan had convened a task force to "consider the profound crisis of housing affordability" and "propose action."

Some efforts involved thousands of person-hours, used up millions of dollars, and required months of study, soaking up time that could not be spent on more achievable improvements in an increasingly tattered L.A. Has any of it made a statistically noticeable dent in U.S. urban areas using "mixed-income" mandates? MIT's Pollakowski responded with an almost uncomfortable pause. "No. Not really," he said finally. Some areas saw "mixed results in some neighborhoods."

How about the mayor's $5 billion housing plan? Villaraigosa has not produced any documents proving that lenders or other sources are even offering such funds. But if they were, would it make a difference? Pollakowski says $5 billion is enough to spark change — with one caveat that might bedevil L.A.: "It depends how the city chooses to spend it."