For Immediate Release
October 3, 2012

Contact: Randy James
randy@sugermangroup.com | (310) 974-6680

LA'S WIDENING HOUSING AFFORDABILITY GAP THREATENS REGION'S LONG-TERM COMPETITIVENESS

High-density workforce housing near transit corridors provides unique opportunity to bridge the gap and create more livable communities

LOS ANGELES (October 3, 2012) – Rising rents, a shortage of new residential development and home prices that remain well beyond the reach of middle-income residents in Los Angeles County are causing a widening affordability gap for Southern California residents, according to a new UCLA study commissioned by the Los Angeles Business Council that will be featured at the LABC's 2012 Mayoral Housing, Transportation and Jobs Summit taking place tomorrow.

Building Livable Communities: Enhancing Economic Competitiveness in Los Angeles finds that failing to adequately address the problem will cause the region to become far less attractive to current and future employers, and less competitive against other metropolitan areas where quality workforce housing is in far greater supply.

Only New York and San Francisco have lower levels of housing affordability than Los Angeles. Dallas, Seattle, Washington, D.C. and other cities enjoy better workforce housing affordability and are exceeding Los Angeles in employment growth and other economic metrics.

In Los Angeles, average rents of $1,797 per month are approximately one-third higher than the average household can afford. Similarly, the median income earner can only afford a house worth $200,000, well below the median home price in L.A. County.

Aggravating the affordability crisis is a shortage of new housing development. The Southern California Association of Governments (SCAG) projects that the County requires 22,500 new units of housing each year through 2021, though only 13,100 units are being developed this year.

"The vast majority of housing units in the County are unaffordable to the typical worker. With housing production 40 percent below target levels, the problem will only grow when you factor in the laws of supply and demand," said Paul Habibi, the lead author of the LABC-commissioned report and a professor of real estate at the UCLA Anderson School of Management.

The shortage of workforce housing is especially acute for middle-income earners with household incomes between $42,400 and $63,600, or 80-120 percent of Area Median Income (AMI). These households fall into a housing "donut hole" by earning too much to qualify for subsidized affordable housing, but too little to afford the high-end market-rate housing preferred by developers.

"We commissioned this study to determine what incentives must be put in place to attract investment in new workforce housing and maximize our transit investments to attract new business and jobs to LA," said LABC President Mary Leslie. "Our study provides a very clear pathway toward those goals."

–more–

Researchers mapped out lower-cost areas ripe for workforce housing development along the region's transit corridors. The areas near the Exposition Line have significant potential. Once completed, this line will connect two key employment centers – downtown Los Angeles and Santa Monica – and create new access to affordable land in several neighborhoods in L.A. and Culver City south of the 10 freeway that are ideal for workforce housing. Similarly, residential areas along the Blue Line south of Downtown are also ripe for cost-effective workforce housing development.

"Encouraging housing development along transit corridors is critically important to enhancing our economic competitiveness, but we can do even more," said Brad Cox, LABC Institute Chairman and Senior Managing Director of Trammell Crow Company. "To take full advantage of our public investment in transit, we must also develop local connections from transit stops to homes and workplaces. This would go a long way to bridging our transit gap and dramatically increasing both affordability and ridership."

These local connections would include such options as streetcars, clean-fuel shuttle services, bus circulators and flat-rate taxis. They could also include "mobility hubs" with options such as bicycles, scooters and shared cars.

In November, the potential passage of Measure J – a proposed 30-year extension of the half-cent county sales tax for transportation projects – could support long-term bond funding for these local "first mile/last mile" connections, creating a potential spike in transit ridership. Data in the study clearly indicate the upside of this investment: approximately 200,000 people live within a quarter-mile of a rail stop in Los Angeles County, but six times that number – 1.24 million – live within one mile.

"Metro has put Los Angeles on track to have a fully integrated public transit system that reaches every major employment center in the county," said Metro CEO Arthur Leahy. "We have recently spurred the planning and ultimate development of 30 Measure R projects and countless other regional and local improvement projects, investing billions of dollars in a transit backbone for the region. Looking to the future, we are committed to playing a leadership role in completing these and other projects that will improve the quality of life for the County's residents."

UCLA's researchers believe Metro should expand its involvement in real estate development to more directly influence the supply of workforce housing and its connection to employment centers around the County. The agency can do so by devoting resources to the Affordable Housing Trust Fund or to other private funds dedicated to the development of workforce housing, or by acquiring parcels not used explicitly for transportation infrastructure.

Cities can also play a pivotal role in capitalizing on workforce housing opportunities by providing density bonuses for by-right projects along transit corridors. In addition, the entitlement process could be streamlined in these targeted areas, and steps could be taken to reduce the burden of complying with the California Environmental Quality Act (CEQA).

"The time has come for meaningful reforms to CEQA to facilitate the development projects this city needs," said Jacob Lipa, LABC Chairman and President, Psomas. "Allowing more categorical exemptions or introducing an alternative legal review process for mixed-use, mixed-income infill projects would go a long way toward catalyzing workforce housing and helping our region compete on a national scale."

Especially given the demise of redevelopment agencies, public agencies such as the L.A. Housing Department or the Housing Authority of the City of Los Angeles should be empowered to act as development agencies, helping with land assembly and to shoulder development risk, especially for predevelopment expenses.

The UCLA research team recommends that local agencies collaborate to develop new programs that focus on easing workforce housing development by the private sector. These programs could be based on public-private partnerships similar to the California Community Foundation, which provides loans to affordable housing developers to purchase, entitle and lease land. Such funding sources could be expanded to include supporting workforce housing.

"Los Angeles is making unprecedented investments in its public transportation network to build the 21st century transit system that Angelenos want and deserve," said Mayor Antonio Villaraigosa. "Our transportation goals are inextricably linked to our housing, environmental and economic goals. Now is the time to ensure that we use smart planning to maximize the benefits of our new transportation corridors."

About the Los Angeles Business Council

The Los Angeles Business Council is one of the most effective and influential advocacy and educational organizations in California. For over 70 years, the LABC has had a major impact on public policy by harnessing the power of business and government to promote environmental and economic sustainability in the Los Angeles region.

# # #