



# Policy Briefing Paper

June 2018

## Land Use Planning in Skid Row: Strategies to Prevent Displacement and Build Affordable Housing

Skid Row is the epicenter of homelessness in America and the highest concentration of unsheltered individuals anywhere in the nation. On any given night, nearly 4,300 people are homeless within this 54-block area of Los Angeles.<sup>1</sup> Despite its severe poverty, Skid Row is surrounded by a downtown area booming with new development. Over the past two decades, high-rise apartments and luxury condos have risen just a short distance to its north and west. Developers are now investing heavily in a former industrial area to its south and east as well. Thousands of well-off newcomers have moved into these buildings, triggering a wave of land speculation, higher rents, and gentrification. A new zoning proposal by the Department of City Planning would extend this redevelopment into the heart of Skid Row.

At first glance, the city's plan to bring market-rate housing to Skid Row seems implausible. The area is hardly an up-and-coming neighborhood by any standard. Skid Row is notorious for its destitution and frequently compared to the slums of developing countries. A UN Special Rapporteur on extreme poverty and disaster zones was struck by the magnitude of human suffering when he visited last year. "I think it's on a scale I hadn't anticipated, block after block of people. When you see how concentrated it is, it's more shocking."<sup>2</sup>

Practically every street in Skid Row is lined with tarps and tents, providing meager protection for roughly 2,100 people who sleep on the sidewalks each night. Neighbors look out for one another within these encampments, although exploitation and human trafficking are also widespread. Nonprofit agencies and missions provide refuge to another 2,100 residents in emergency shelters and short-term programs, while 4,800 people occupy Permanent Supportive Housing, private apartment buildings, and Single Room Occupancy (SRO) hotels.<sup>3</sup>



While these factors make Skid Row an unlikely choice for private investment, its proximity to downtown and a lucrative real estate market promises to overwhelm all other considerations. The city's new zoning proposal is intended to connect upscale development that is already occurring on opposite

sides of Skid Row, placing thousands of residents in the middle at risk of displacement.

Skid Row is usually thought of as a place for those with no fixed address, but the majority of its residents live in low-rent apartments and SROs. Much of this present housing stock is occupied by tenants who are formerly homeless. Their ability to find stability in a neighborhood of transition has been true of Skid Row since its earliest days. Well over a century ago, the area was

settled by travelers drawn to its cheap housing near the jobs and railways that brought them to Los Angeles in search of a better life. Today, Skid Row remains a rare pocket of affordability that may no longer exist if high-end housing sweeps across the neighborhood like the rest of downtown.

This Policy Brief examines the city’s zoning plan from the standpoint of Skid Row’s current housing needs, what the Department of City Planning has proposed, and what residents want for their own community.

### CURRENT HOUSING NEEDS IN SKID ROW

From a land use perspective, Skid Row’s most pressing need is affordable housing. Many residents also require social services or medical care, but this assistance cannot be delivered effectively without stable housing. It is virtually impossible to pull one’s life back together, recover from a chronic illness, or find a job while living on the streets.

While the shortage of affordable housing exists nationwide, its scarcity is especially acute in Skid Row because of deliberate choices by public officials. For decades, Skid Row was administered as a “containment zone” for homeless people.<sup>4</sup> This policy was not officially rescinded by the Los Angeles City Council until 2016. When it was adopted in the mid-1970s, the

containment strategy intended to steer people without housing to several longstanding missions in Skid Row.

As homelessness worsened, more organizations were founded in Skid Row to serve this population: Downtown Women’s Center (1978), Inner City Law Center (1980), SRO Housing Corporation (1984), Los Angeles Men’s Place (1985), Skid Row Housing Trust (1989), and many others. The containment policy made it easier for these groups to locate in Skid Row—often blocking facilities in other parts of Los Angeles—while using various methods to keep homeless people in the same area. Some arrived by coercion or force, such as indigent patients dumped by hospitals. Others came of their own volition but would have preferred to receive assistance in a less impacted area of the city.

Just as the concentration of homelessness in Skid Row was not accidental, bad policymaking also failed to protect the neighborhood’s dwindling supply of housing. Residential hotels have been a major source of low-cost housing in Skid Row for decades, but many of these SROs fell into disrepair over time. Los Angeles lost half of its SROs between 1970 and 1985 due to demolition and conversion to other uses. Despite the enormous scale of dislocation caused by this loss, Los Angeles did not enact a permanent ordinance to preserve its SRO hotels until 2008.<sup>5</sup>

### Where Exactly Is Skid Row?

Skid Row is located in the heart of downtown Los Angeles but shares little in common with the surrounding area. Its traditional boundaries are Main Street to the west, 3rd Street to the north, Alameda Street to the east, and Seventh Street to the south. These borders were reaffirmed in the Jones v. City of Los Angeles settlement, although the Main Street corridor has since been gentrified.

**Residential “DTLA”**  
Median Condo Price: \$620,000  
Median Monthly Rent: \$2,500

**Skid Row**

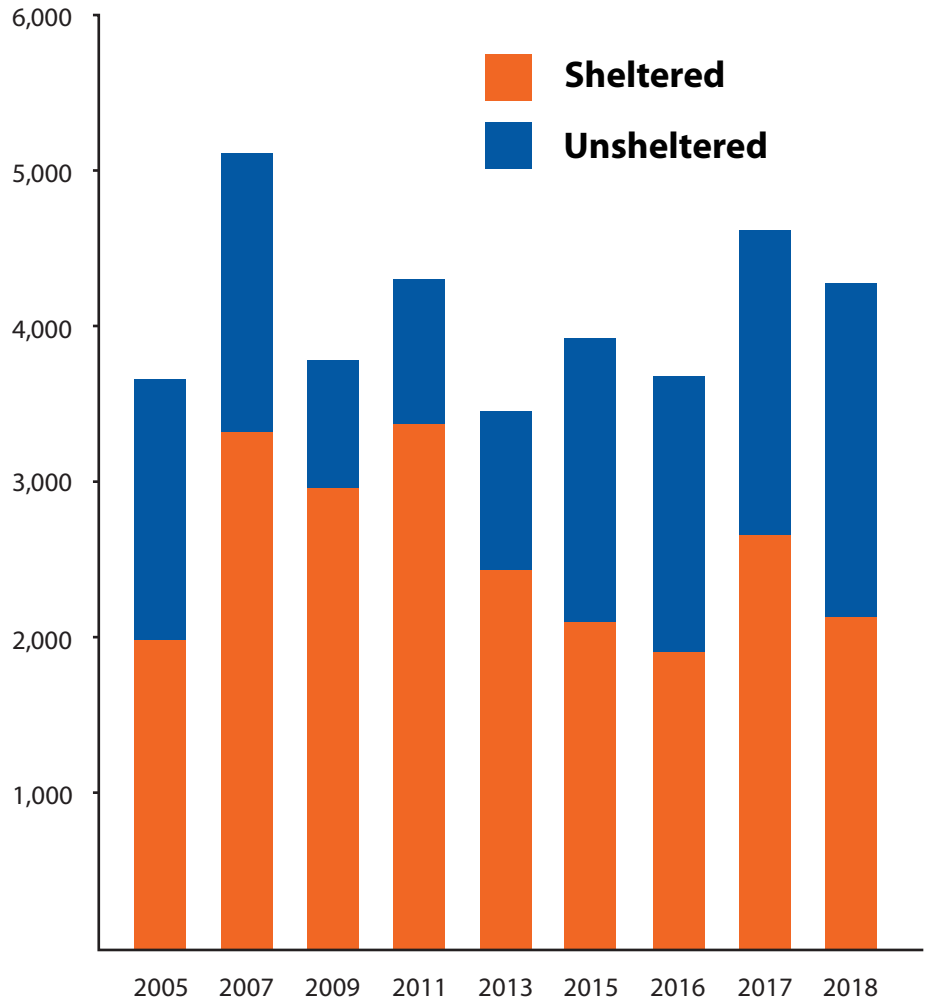
Sources: Douglas Elliman as of October 2017 (Median Condo), Zumper as of 4Q2017 (Median Rent)

The containment policy was flawed on many levels, chiefly by assuming that the current crisis was the same kind of destitution that Skid Row had known many years ago. Prior to the era of modern homelessness, people living on the streets were generally a smaller group of white, single alcoholic men. This was the population originally served by Skid Row's missions. As federal budget cuts impacted the housing market during the 1980s, the causes of homelessness changed. So too did its demography. Skid Row today is a predominantly Black neighborhood. Reductions in housing assistance and safety net programs destabilized many urban communities that were already struggling with the loss of good paying jobs—South Los Angeles in particular. Poverty is pervasive in America, but it discriminates. In Los Angeles, the probability of experiencing homelessness is *nine times* higher for Black residents than everyone else.<sup>6</sup> Federal budget cuts and other policy decisions, as well as systemic injustices like racism and mass incarceration, have driven more people of color into homelessness and consequently into Skid Row.

The number of people on the streets fluctuates over time, with visible changes in the proliferation of tents from month to month. The most accurate measurement of homelessness occurs in the annual Point-in-Time count, which attempts to enumerate every person without housing on a typical night across the entire country.

Participation in the Point-in-Time count is required by HUD as a condition for local jurisdictions to receive federal homeless assistance. HUD schedules the nationwide count in January when homeless people in cold weather cities are more likely to be in shelters

## Skid Row Point-in-Time Count



Source: Los Angeles Homeless Services Authority

and easier to count. Teams of volunteers conduct the unsheltered portion of the survey by searching areas unintended for human habitation. Head counts from shelter providers are added to complete the count.

Since 2005, Skid Row's Point-in-Time count has ranged from 3,668 to 4,294 persons. Over the course of an entire year, more people experience homelessness than would be identified on a single night. While exceedingly high for the geographic area, homelessness in Skid Row has not risen nearly as fast as the overall homeless population in Los Angeles County. This uneven growth suggests that sidewalk space in Skid Row may be saturated in relation to the willingness of new arrivals to remain in the neighborhood.

The implications of so many people without housing in one place are predictable. Sleeping on the sidewalks

of a major city is dangerous under almost any circumstances. Skid Row's high level of social distress adds to this risk, with violence often caused by people outside the community preying on vulnerable residents. Eleven murders occurred in Skid Row last year.<sup>7</sup> Homelessness is especially dangerous for women who are forced to live outdoors in public space. The *2016 Downtown Women's Needs Assessment* found that 40 percent of unhoused women in the Skid Row area experienced some form of violence during the prior 12 months.<sup>8</sup>

People also die on the streets from preventable diseases and exposure to the elements. A disproportionate number of Skid Row's residents were among the 831 persons in Los Angeles County who died while homeless in 2017.<sup>9</sup> Lack of housing kills people, a reality that is too often ignored.

### Existing Zoning in Skid Row



Source: Department of City Planning

- Community Commercial**
- High Medium Residential**
- Light Manufacturing**

In spite of these deplorable conditions, Skid Row residents are some of the most resilient and determined people found anywhere in Los Angeles. They not only survive in the face of adversity, but many have become passionate advocates for their community and mobilize others to take action as well. These grassroots leaders have expressed deep skepticism about the rezoning plan for Skid Row put forth by the Department of City Planning.

### WHAT'S IN THE NEW ZONING PROPOSAL?

The city's new zoning proposal for Skid Row is associated with two planning initiatives, re:code LA and DTLA 2040:

- re:code LA is a comprehensive revision to the citywide zoning code. The process is not intended to change zoning designations for specific districts, but aims to create new categories of zoning and establish the rules for those new categories. It will modernize a zoning code that has been in place since 1946 when Los Angeles had less than half of its current population size.
- DTLA 2040 is a process to update two community plans in the downtown area, Central City and Central City North. DTLA 2040 will change zoning designations in particular places using new categories created by re:code LA. The city has 35 community plans that make up its official land use element. Skid Row falls within the Central City community plan, which was last updated in 2003.

Both initiatives intend to revamp land use practices for a rapidly growing city. DTLA 2040 is tasked with adding 70,000 housing units downtown to make room for 125,000 additional residents by 2040.<sup>10</sup> The zoning system being designed to meet this goal would radically alter Skid Row.

Currently, the eastern half of Skid Row is zoned as light manufacturing (blue areas of the map). While some manufacturing still occurs in this area, most of the structures are now used for warehouses, seafood wholesalers, and storage facilities that coexist with street-level homeless encampments.

The western half of Skid Row is zoned as community commercial and high medium residential. These

zoning districts allow for traditional housing. Currently, most of this area is occupied by SROs, low-rent apartment buildings, shelters, and homeless service facilities. Like the eastern half of Skid Row, its streets are crowded with homeless encampments.

The majority of downtown Los Angeles is zoned similarly to Skid Row's eastern section allowing for commercial and residential use. The map on page 2 shows the downtown area where traditional housing can be found beyond Skid Row.

The Department of City Planning would extend zoning for traditional housing (at all levels of affordability) across Skid Row, creating corridors that link the downtown skyline with a new fashion and arts district beyond Skid Row's eastern boundary. Refurbished lofts and artists-in-residence studios are now under development in this area to the east, making use of old factories and other existing structures.

The new zoning map for Skid Row would look very different as a consequence. Market rate housing would be allowed along Skid Row's major corridors, i.e. 5th, 6th, and 7th Streets (yellow area on the map), while social services would be targeted to interior sections of each block (teal area on the map).

According to city planners, these changes will result in a vibrant downtown with modern transit and greater economic opportunities. "DTLA 2040 will help shape the future of Downtown Los Angeles, by reinforcing its jobs orientation; supporting a transit and pedestrian environment; growing and supporting its residential community; strengthening the unique character of each neighborhood; and creating linkages between Downtown's many distinct districts."<sup>11</sup>

This rosy description ignores the presence of the largest homeless encampment in the United States, sitting squarely in the middle of DTLA 2040's planning area with such squalor and overcrowded conditions that it falls below the minimum standards of a UN refugee camp.<sup>12</sup> No account is given by the Department of City Planning for what will happen to thousands of homeless people once Skid Row is redeveloped. By lumping Skid Row into DTLA 2040, the city fails to distinguish between land use policies that might address this humanitarian crisis zone and the very different planning needs of affluent commercial districts surrounding it.

## Zoning Proposal by City Planners



Source: Department of City Planning

- Traditional Housing**
- Fashion Hybrid Industrial**
- Hybrid Industrial**
- Social Service Hybrid Industrial**
- Adaptive Reuse**
- Limited Hybrid Industrial**

With a rapidly gentrifying downtown to the west and an emerging fashion and arts district to the east, Skid Row is sandwiched between two red-hot real estate markets. Many residents believe the corridors of traditional housing that are proposed for Skid Row will function instead like floodgates, bringing high-end development and widespread displacement.

The timeline for implementing these changes begins with an environmental review this year. Final approval of the new community plan would require action by the City Planning Commission, City Council, and the Mayor.

## HOW DTLA BECAME GENTRIFIED

In the absence of affordability requirements and strong anti-displacement protections, what kind of housing will be built in Skid Row under the new plan? To answer that question, one needs to look no further than recent development in downtown Los Angeles. Today's prosperous DTLA looked very different just two decades ago. Prior to the towering condo residences and modern high-rises, the area was a quiet, 9-to-5 commercial district with relatively few residents.

At the time, downtown Los Angeles was typical of many central city neighborhoods. Far from their heyday as population centers in the 1940s and 1950s, business districts steadily lost residents during the final decades of the last century. During the 1980s, nearly a fifth of the population left downtown Los Angeles.<sup>13</sup>

Apartment living simply couldn't compete with low-density neighborhoods offering many of the conveniences that were in demand at the time. Central cities lacked easy access to the shopping plazas and supermarkets of other communities. As the suburbs expanded, many renters with access to credit found they could buy single family homes for a comparable cost to staying downtown.

Those who could afford to move did so. Many residents who remained during these years were elderly, particularly residents of apartment buildings in the business district between Hill Street and the Harbor Freeway.<sup>14</sup> Others who relied on subsidized housing had little say in choosing their neighborhood. By the end of the 1990s, affordable housing comprised nearly three-quarters of downtown's residential stock (see chart).

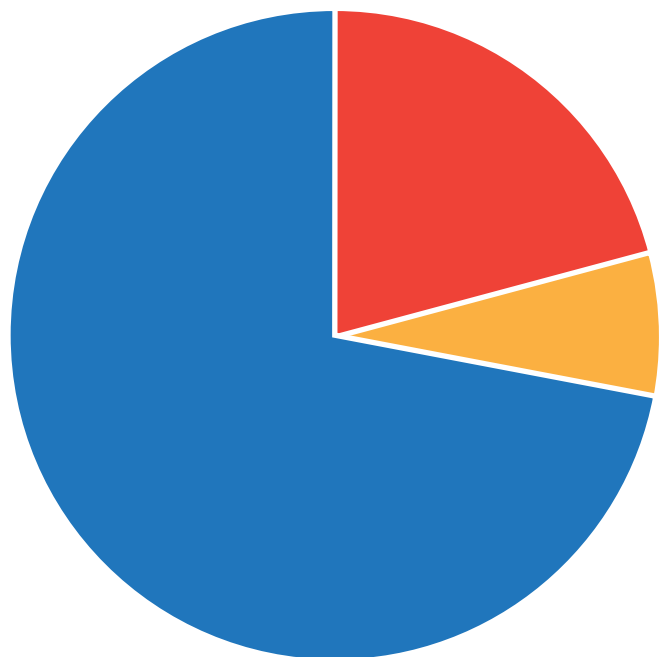
The area was far less affluent than it is today. In 1999, median household incomes ranged from \$6,250 to \$25,721 (roughly \$9,531 to \$39,223 in current dollars) in downtown census tracts west of Skid Row.<sup>15</sup>

When the Department of City Planning drafted an update to the Central City community plan in 2003, it described downtown as "overwhelmingly a governmental, commercial and manufacturing center. Residential zoned land accounts for less than 5% of the total land area." The population of down-

town Los Angeles was sparse at the time. "According to the 2000 census, there are 11,713 households in the area (dwelling units only). The majority live in the periphery, in mostly low income, overcrowded neighborhoods."<sup>16</sup>

All of this began to change with a national demographic shift known as the urban revival. Starting in the late 1990s, millions of people began to reject suburban life in favor of cities. This preference for "compact, amenity-rich, transit-accessible neighborhoods," as described by the Brookings Institution, drew thousands of young professionals to downtown areas.<sup>17</sup> The trend was reinforced by aging baby boomers who began to downsize from their suburban homes, as well as middle-class renters who found themselves locked out of the homeownership market after the Great Recession.

## Downtown Housing Before 1999



**Affordable Housing**



**Market Rate Rental**



**Condos**



Source: Downtown Center Business Improvement District

Richard Florida was an early proponent of urban revival, arguing that this migration could save America's cities. He later reversed his opinion in light of gentrification's harsh reality, describing it as "winner-take-all urbanism, in which the talented and the advantaged cluster and colonize a small, select group of superstar cities."<sup>18</sup>

Downtown Los Angeles changed profoundly as a result. The commercial district which had struggled to attract any residential investment beyond affordable housing rapidly became one of the most sought after places to live. The downtown population west of Skid Row grew substantially.<sup>19</sup> Incomes rose as well, with median household incomes in most census tracts ranging from \$38,176 to \$71,801 in 2016.<sup>20</sup>

Predictably, the real estate market responded to this increased demand with a surge of new construction. Downtown housing patterns since 1999 have reversed the ratio of affordable housing to market-rate housing. Sixty-nine percent of residential units completed since the 1990s have been market-rate. Another 18% are condos, compared to only a 13% share of construction for affordable housing (see chart).

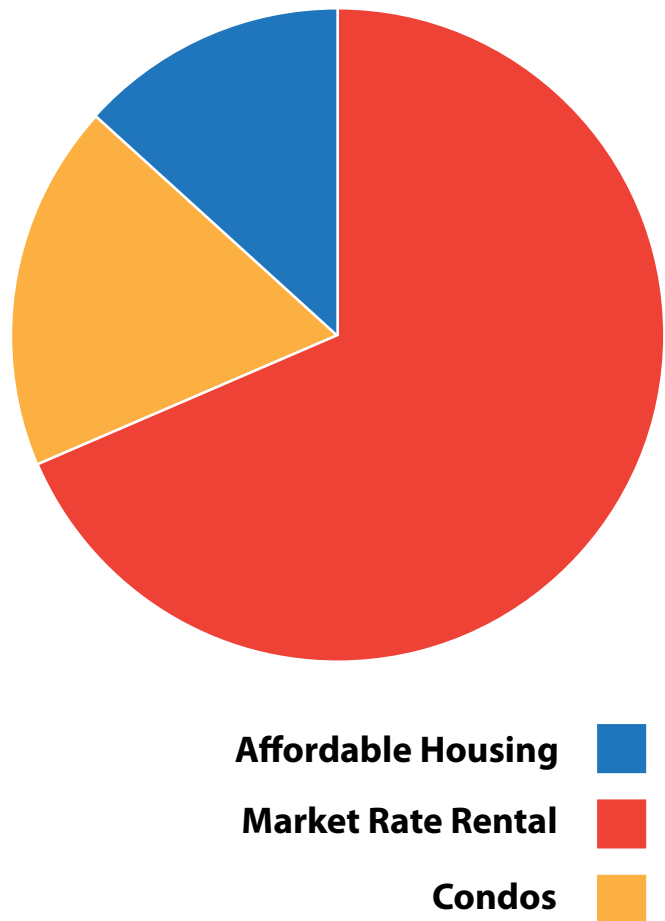
Urban revival not only repopulated downtown Los Angeles but is fueling luxury construction across the city. The enormous potential of windfall profits is changing landlord behavior in the city. Old buildings are being torn down or converted into high-rent properties. Tenants of rent-stabilized apartments are being encouraged to move out through cash bonuses, so that new tenants can take their place at inflated rents. Tenants who resist often face harassment or eviction.

Unless some form of government assistance is provided, virtually none of newly constructed housing is aimed at low or moderate income renters. These subsidized units are in exceedingly short supply.

While Los Angeles has many neighborhoods in high demand, DTLA is ground zero for redevelopment. A recent survey by RentCafe ranks the 90014 zip code in downtown Los Angeles as the most gentrified area nationwide.<sup>21</sup>

This influx of expensive housing is already encroaching on Skid Row. Earlier this year, a century-old apartment building on its western boundary sold for \$70 million

## Housing Construction Since 1999



Source: Downtown Center Business Improvement District

to be refurbished into luxury lofts.<sup>22</sup> On the southern boundary at Maple and Seventh Street, a 33-story high-rise is making its way through the planning process. Further down Seventh Street, a sprawling old factory has been converted into retail and office space. Developers are using its Skid Row identity as a rebranding opportunity by calling the multi-million dollar project "Row DTLA."<sup>23</sup>

Downtown's Main Street corridor is now considered DTLA proper, with little evidence it was ever part of Skid Row. Upscale restaurants and bars share the same blocks as Permanent Supportive Housing, representing a transition zone that is gradually moving eastward into homeless encampments. A Starbucks coffee shop recently opened near Skid Row's northern boundary just a few blocks from Downtown Women's Center.

The building boom that transformed downtown Los Angeles into trendy DTLA has created thousands of housing units. Nearly half of the area’s market-rate rental stock was constructed during the past 12 years. Roughly a quarter were built during the past four years alone (see graph below).

Construction slowed during the Great Recession, but quickly regained momentum. More than 7,500 apartments have been built downtown as the housing market recovered.

One realtor described DTLA’s appeal as due to a preference for renting and the high cost of homeownership elsewhere. “It’s really a combination of home prices being high and people not wanting the responsibility of a house. They’re okay with renting. Meanwhile, home prices are going up.”<sup>24</sup> The high costs of breaking into the homeownership market have trapped many people in the rental market who should be able to afford their own home, driving up rents for everyone else.

Downtown’s appeal has also driven up the condo market. Median condo prices for DTLA are now \$620,000, well beyond the reach of most residents.

This post-recession construction boom coincided with a general shift toward overbuilding luxury housing in major cities. Last year, the *Wall Street Journal* reported that luxury housing made up 84% of all rental units built in US cities between the fourth financial quarter of 2015 and third quarter of 2016.<sup>25</sup> Downtown Los Angeles currently has a glut of luxury apartments, leading to a vacancy rate three times higher than the rest of the city.<sup>26</sup>

High-end housing has represented an outsized share of recent construction due to widespread market dysfunction. Los Angeles has so much unmet housing demand that developers can choose which part of the market they want to serve. Invariably, many gravitate to higher profits at the upper end.

High-end housing is also incentivized when developers find themselves competing on amenities rather than lower rents. True price competition would mean bringing units to the market at a lower cost than the next builder. Yet developers find it difficult to underbid rivals when they are paying similar labor and building material costs in a crowded market. Unable to squeeze these expenses, an easier model to boost revenue is by adding amenities which justify higher rents.

## Downtown Production of Market Rate Rental Units



Source: CoStar Market Analytics as of 2Q2017



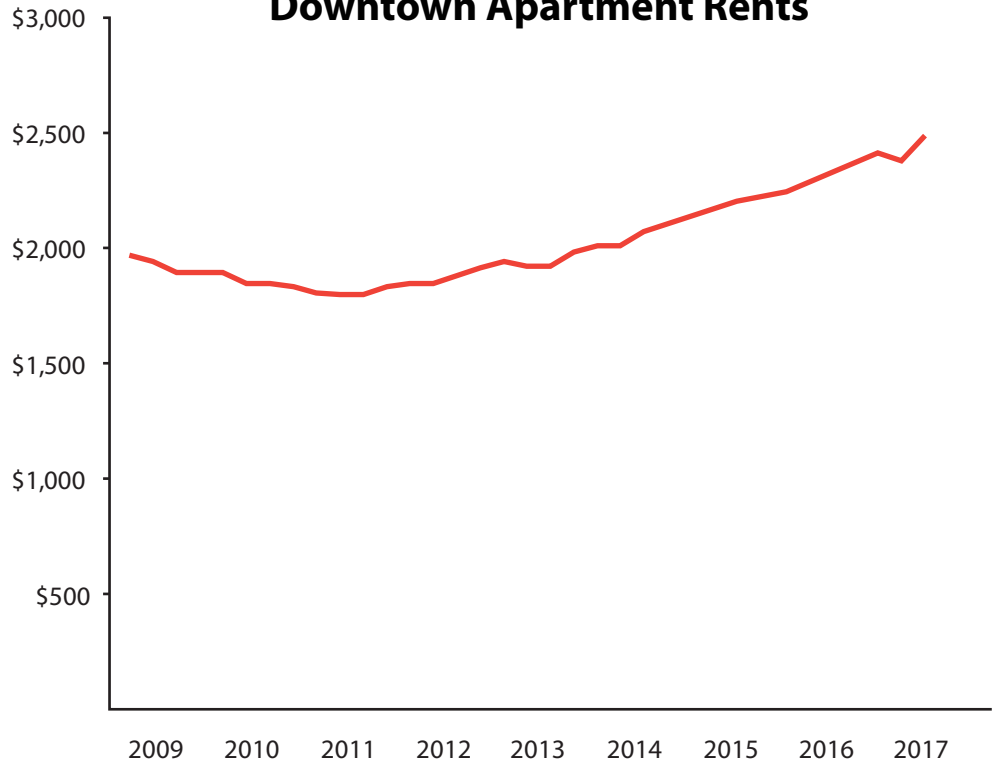
Not only are luxury units out of reach for most city residents, but they drive up housing prices for everyone in the surrounding area. Downtown rents have climbed roughly 20 percent over the past eight years (see graph).

This upward red line shows that for-profit developers have done a poor job of meeting the housing needs of average Angelenos. Despite the heavy pace of new construction in recent years, supply has not met demand. Instead, downtown Los Angeles has experienced a glut of overpriced units built for the wealthy. Apartments are increasingly unaffordable while the city's central district has been transformed into a place of privilege and exclusion.

Los Angeles can do better for its people. City Hall has tremendous power to influence what gets built in local neighborhoods through zoning and land use rules. A combination of rewards and penalties is needed to steer the real estate industry away from harmful behavior and toward community priorities. City Hall has the leverage to stop unwanted activities, such as the unbridled redevelopment of Skid Row. It can also promote positive policies like inclusionary zoning that lead to more affordable housing.

Community plan updates are the right vehicle to make these changes, but they need to be rooted in the needs and priorities of the actual community. Just a few miles from Skid Row in a different part of Los Angeles, gentrification pressures also threaten the historic South-Central neighborhood. Newcomers have been drawn to the area's proximity to downtown, as well as the the University of Southern California's sprawling campus and the museums of Exposition Park. Land values are going up and longtime residents are being priced out. In the midst of this

## Downtown Apartment Rents



Sources: REIS as of 3Q2017

transformation, the Department of City Planning began a process to update the South and Southeast Los Angeles community plans.

Neighbors, grassroots organizations, local businesses, and community institutions knew these plans would shape the future of their neighborhood. They came together to form United Neighbors in Defense Against Displacement (UNIDAD). This grassroots coalition held workshops about the planning process and identified priorities that mattered most to local residents. They spent thousands of hours developing a set of positions, not only opposing gentrification but advancing a platform of proactive strategies that promoted affordable housing, economic development, employment opportunities, and environmental and health protections for their neighborhood.

UNIDAD named its platform the People's Plan. They succeeded in incorporating these positions into the South and Southeast Los Angeles community plans, then rallied support for the adoption of these community plans at City Hall. UNIDAD is an example of the positive results that can happen when the Department of City Planning works in partnership with residents to shape the future of their neighborhoods.

This collaborative process was not a focus during the 2003 update to the Central City community plan, in part because the city viewed downtown as a business district rather than a residential neighborhood. Residents were on the “periphery” according to the document itself. The resulting land use policies helped jump-start housing production in an underutilized part of the city, but policymakers failed to guide this development responsibly. Without adequate oversight, real estate investors have steadily driven rents higher through the overproduction of luxury housing.

The trend toward high-priced housing will worsen in future years, given the type of housing currently under construction in downtown Los Angeles. Based on fourth quarter 2017 data from the Downtown

Center Business Improvement District, market-rate housing represents 77% of current construction and condos represent another 22%. Less than one percent (0.7%) of this construction is affordable housing.<sup>27</sup>

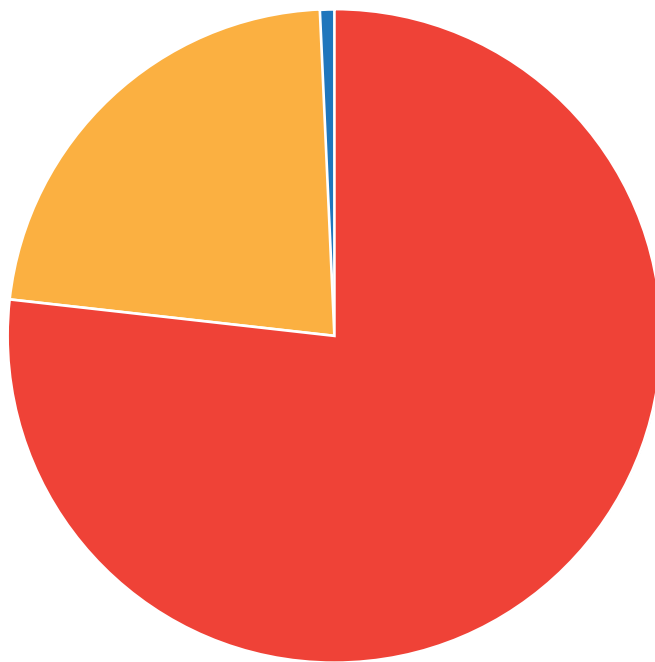
These figures aren’t a statistical aberration based on slow activity. The same report lists almost 10,000 units nearing completion, the fastest pace yet for residential construction. Over the next few years, DTLA is on track to produce as many apartments and condos as the previous 12 years combined. Yet virtually nothing is being built for poor people in the center of the city.

These construction reports suggest a downtown that is seriously off-track. In a city with severe housing needs and a county with more than 53,000 homeless people on a nightly basis, the real estate market cannot be entrusted to close this housing gap on its own. Lacking incentives to build units that are targeted below current rent levels, developers simply do not compete with one another on the price of their product in any traditional sense. Instead, they are riding a wave of urban revival that shows no sign of slowing down.

Any observer of DTLA would recognize the lopsided emphasis on market-rate housing in recent years. Yet only by looking at what type of buildings are currently under construction does the magnitude of the problem become fully apparent.

Everything except 0.7% represented in the chart to the left is likely to be priced above the citywide median rent level rather than lowering it. Without affordability requirements and anti-displacement protections, even more high-end housing will be built in Skid Row under the Department of City Planning’s zoning proposal. The community plan update must not allow that to happen.

## Downtown Housing Currently Under Construction



- Affordable Housing
- Market Rate Rental
- Condos

Source: Downtown Center Business Improvement District

### A NEIGHBORHOOD VISION FOR SKID ROW

In June 2017, the Department of City Planning held a workshop in Skid Row about its new zoning proposal. Recognizing the implications of these changes, residents responded by organizing a series of neighborhood meetings. Inner City Law Center and other homeless service providers also participated in these discussions.

Following this grassroots outreach, three community organizations—Los Angeles Community Action Network, Los Angeles Poverty Department, and Los Angeles Catholic Worker—helped launch the “Skid Row Now and 2040” coalition. These three organizations have published a set of principles to guide the Central City community plan update:<sup>28</sup>

- 1) *Investing and prioritizing current residents and organizations*
- 2) *No displacement of extremely low-income residents*
- 3) *Local hiring and jobs for extremely low-income residents*
- 4) *Housing is a human right*
- 5) *Promoting the overall wellness of Skid Row residents*
- 6) *Intentional and meaningful input from both housed and unhoused low-income residents*

Specifically, the Skid Row Now and 2040 coalition has said, “All existing units must be protected with the inclusion of a No Net Loss policy to ensure baselines of affordable housing units remain in DTLA.” In addition, for market-rate development, the coalition calls for “a percentage of units for extremely low and low income households. The percentage for extremely low income units should be no less than 25%.” New funding for affordable housing is also proposed for Skid Row through the existing TFAR program and a new 1% impact bond on any development that “changes the current land use of a property.” To discourage land speculation, the coalition calls for a 1% vacancy tax that increases by one percentage point each year the property is held unused.<sup>29</sup>

Affordable housing advocates recognize that Los Angeles will never solve its regional housing shortage without a significant expansion of the overall supply. However, city planners must also acknowledge that building new housing in high-poverty neighborhoods invariably makes homelessness worse in those places unless this construction is combined with affordability requirements and safeguards against displacement.

### *No Net Loss*

Given the dire shortage of affordable housing in Skid Row, the city must establish a strong No Net Loss policy to ensure preservation of what currently exists. Many of these affordable buildings are publicly subsidized and protected by long-term covenants, but others are not. A No Net Loss policy would establish a neighborhood-wide baseline of units that must be maintained as affordable in the future.

Due to the area’s blighted condition, rooms and apartments can be found in Skid Row with monthly rents as low as \$500-\$800. These prices are a fraction of average rents downtown, allowing extremely poor households to avoid homelessness. As market-rate housing is built in Skid Row, landlords will invariably raise rents and attempt to upgrade or demolish their buildings—a pattern that has occurred in practically every neighborhood of Los Angeles. The mere proximity of market-rate housing triggers rent increases in other apartments nearby.

Data has already been collected through the Los Angeles Rent Registry to measure current affordability. The Registry tracks rent levels for all apartments covered by the Rent Stabilization Ordinance. Affordability is generally defined as 30% of tenant income. This information should be used to set a baseline for affordability that must be maintained as we move forward.

No Net Loss is a common mechanism found in other policy areas related to community planning and environmental conservation. For example, state law requires No Net Loss in the density of housing that exists within each jurisdiction’s housing element in California.<sup>30</sup> Under this law, housing density must be held constant even if a locality’s future development plans change. A similar No Net Loss policy should be applied to preserve affordability in Skid Row.

### *Inclusionary Zoning*

While a No Net Loss policy would create a floor to maintain Skid Row’s existing supply of low-rent stock, additional resources are needed to build 7,000 units for homeless residents who lack housing entirely.

One way to do so is through inclusionary zoning. The essence of inclusionary zoning is straightforward: developers receive zoning changes and other land use benefits in exchange for affordable units. Nearly 500 cities and counties have adopted inclusionary zoning laws. By requiring set-asides of affordable apartments within market-rate developments, this policy creates mixed income housing where low-income tenants live alongside other residents paying full rent. A primary advantage of inclusionary zoning is that it uses market-rate development to pay for affordability.

Changing Skid Row's light manufacturing zone into a traditional housing zone represents an enormous advantage to developers that will boost land values in the area. Rather than giving away this value to the private sector, the city should use mandatory inclusionary zoning to capture a portion of the added value for below-market rents. In the absence of these set-asides, extra profit from increased land values will simply flow into the construction sector and subsidize market-rate housing—a windfall certain to spur even more luxury development. Los Angeles homeowners voluntarily taxed themselves through Proposition HHH to create housing for people experiencing homelessness. If the city is going to increase land values by billions of dollars, it is unconscionable to not dedicate some of this increase to creating affordable housing for people who are homeless.

Inclusionary zoning is an effective policy in expensive housing markets, since land costs are one of the most variable elements in multifamily construction. By contrast, labor costs and building materials are fairly predictable in a given market and harder for developers to adjust. Many cities have found that boosting land values through inclusionary zoning can be a powerful incentive to help the real estate industry serve the people that it ought to be able to serve.

In San Francisco, the inclusionary zoning requirement is 25% of larger residential projects. The District of Columbia has an 8% to 10% set-aside depending on the building's height. Santa Monica requires a 30% set-aside in new multifamily projects, as approved by voters in Proposition R. New York and Chicago also require inclusionary zoning for new development.

Seven thousand units of affordable housing can be created through the 25% set-aside that the Los Angeles

Community Action Network, Los Angeles Poverty Department, and Los Angeles Catholic Worker have recommended. Since most of downtown Los Angeles already includes the type of zoning that the city wants to bring to Skid Row, it is reasonable to expect that 40% of the housing goal of 70,000 additional units by 2014 would occur in the area previously zoned as light manufacturing. That would mean 28,000 new units of housing on Skid Row. A 25% set-aside would generate 7,000 units.

Most inclusionary zoning laws offer developers the option to pay a fee in-lieu of affordable housing rather than actually building on-site units. However, these fees are less efficient and often fail to capture the full cost of building a unit someplace else. With inclusionary zoning, the developer completes the project and affordable units are available when the building opens. In-lieu fees go into a fund that requires a re-granting process and involve the usual difficulties of gaining neighborhood approval for affordable housing.

The main drawback of inclusionary zoning is that it doesn't lower rents enough to help those in greatest need. Income thresholds for inclusionary zoning set-asides are usually targeted to very low-income (less than 50% of AMI), low-income (less than 80% of AMI), and moderate-income (less than 100-120% of AMI) renters. Building managers tend to lease set-aside units as close to the income limit as possible to maximize rents. For example, a requirement to rent an apartment to a low-income tenant could also be satisfied by renting that unit to an extremely low income tenant, yet private management companies seldom do so. Inclusionary zoning policies in most cities tend to benefit public service employees and the working poor, rather than those struggling in deep poverty. Additional resources are needed to make these units affordable to tenants with little or no income, such as Skid Row's homeless population.

#### *Developer Fees*

Mandatory inclusionary zoning in Skid Row will require another layer of subsidy to bridge the gap between rents established for set-aside units and the depth of affordability needed for Skid Row residents. Many Skid Row residents have little income beyond general relief or SSI payments. Some have zero income.

While it is possible to use inclusionary zoning alone to attain that level of affordability, each building could only support a small percentage of units with little or no rental income.

For example, the area median income used by HUD for Los Angeles is \$69,300.<sup>31</sup> Affordable rent (30% of tenant income) for an extremely low-income individual (30% of AMI) would be roughly \$520/month.<sup>32</sup> While this rent may seem exceptionally low, it is higher than many people living on the sidewalks of Skid Row can afford.

To reach a 25% set-aside of housing units that benefit current Skid Row residents, rental subsidies will also be needed in these instances. Given the enormous gains that would be bestowed on developers through the new zoning plan, developer fees should be raised to pay for these subsidies.

The Skid Row Now and 2040 Coalition has suggested two funding sources for affordable housing, the existing TFAR program and a new 1% impact bond applying to development that changes the use of a property. Either of these options would be appropriate.

Developer fees that are raised for rental assistance should be managed by a public entity which can monitor and ensure that formerly homeless tenants receive these subsidies. Without additional funds from fees, housing created through inclusionary zoning may help extremely poor people in Skid Row but will not necessarily benefit the most impoverished residents now living in the neighborhood.

### *Vacancy Tax*

One of the hallmarks of an area with changing property values is the tendency of speculators to purchase buildings and keep them empty, often waiting years to turn a profit. Nationwide, there are two vacant investor-owned properties for every homeless American.<sup>33</sup> These boarded-up structures not only worsen neighborhood blight, but stand as an affront to every person forced to sleep on the sidewalk without a home.

In 2010, the city created a Foreclosure Registry to track abandoned properties during the Great Recession. This ordinance was primarily aimed at maintaining vacant

properties in homeownership areas, with stiff penalties for noncompliance. The foreclosing lender must register the property within 30 days or face a penalty of \$250 for each day of noncompliance, listing the management company responsible for maintenance and security. Addresses on the Foreclosure Registry are monitored by the Housing and Community Investment Department for code violations.

Los Angeles needs to go beyond the Foreclosure Registry in dealing with vacant properties. Empty buildings can be havens for dangerous activity, with a 15% higher rate of violent crimes occurring within 250 feet of such properties.<sup>34</sup> Blighted, empty buildings also yield less property tax revenue. In the case of Skid Row, many investors are currently holding vacant properties while awaiting changes in land use policies with the hope of future profits. DTLA 2040 may inadvertently create even greater incentives to purchase and hold vacant properties.

To counter this type of land speculation, the city should impose a vacancy tax that increases for a given property the longer it remains unused. Many cities such as Dallas, Detroit and Cleveland have land banks to seize and repurpose abandoned properties. While land banks have mixed results in residential neighborhoods where the owner may be a displaced resident of the home, land bank seizures of investor-owned properties held for speculation are entirely appropriate. Revenues generated by a vacancy tax or land bank seizures should be used for rental subsidies and nonprofit housing development.

### *Anti-Displacement Protections*

Even with a strong No Net Loss policy and various strategies to create affordable housing through inclusionary zoning, developer fees, and a new vacancy tax, the introduction of market-rate construction in Skid Row will place tenants at risk of displacement. Existing laws in Los Angeles do not give renters enough protection against landlords who want to kick them out in order to rent at higher rates.

Additional housing takes years to build. The market demand for a gentrifying neighborhood can catch fire within a few months, affecting rents and influencing landlord behavior almost immediately.

If the city proceeds with a new zoning plan for Skid Row, special safeguards must be in place for tenants at risk of eviction. These rules reflect good housing policy citywide, but at a minimum must be established within the boundaries of Skid Row:

- 1) *Provide legal representation to every tenant fighting an eviction*

A typical year brings more than 50,000 unlawful detainer actions (i.e. evictions) in Los Angeles County. Only a fraction of these tenants are represented by an attorney. While cases may be filed in court as a failure to pay, in many instances tenants are attempting to demand repairs by withholding rent. Even when evictions don't lead directly to homelessness, they can throw lives into chaos and ruin a person's credit, often over disputes involving a few hundred dollars. A policy to guarantee the right to counsel would not only save families from these hardships but pay for itself through savings to other social service systems.

- 2) *Extend just-cause eviction protections*

The City of Los Angeles requires a good cause for evictions from housing covered by the Rent Stabilization Ordinance, such as violating the lease, failure to pay rent, and so forth. However, these legal requirements for eviction do not apply to most units built after October 1, 1978. Los Angeles should seek to extend these protections as much as possible. This will become easier if voters choose to repeal Costa Hawkins.

- 3) *End discrimination by landlords against housing voucher recipients*

While the Fair Housing Act prohibits discrimination on the basis of federally protected classes (race, gender, disability, familial status, etc.), landlords are still allowed to reject tenants solely because they are using a government subsidy such as a Section 8 or VASH voucher. Many cities are outlawing this practice. Los Angeles should do so as well.

- 4) *End abuse of the Ellis Act*

Last year, Los Angeles took long overdue action to tighten the rules for evictions under the Ellis Act,

a state law intended for landlords of family-owned real estate who want to retire. The Ellis Act has been used to take thousands of apartments off the rental market by new landlords who purchase and clear entire buildings of tenants. The city should end this abuse by placing a moratorium on Ellis Act evictions and demolitions, while the city studies how to minimize Ellis Act evictions and ensure that they only occur when appropriate.

- 5) *Enact anti-harassment laws that impose penalties on landlords who attempt to illegally evict tenants*

Motivated by the possibility of raising rents dramatically if they can force rent-controlled tenants to leave, some landlords engage in unscrupulous behavior that violates the legal process for evictions. Cities like San Francisco, Oakland, Santa Monica and West Hollywood have enacted laws to increase civil penalties for tenant harassment. Los Angeles should do the same.

These anti-displacement protections will help preserve the right of existing tenants to remain in Skid Row. Those who have lived through the neighborhood's most difficult times deserve the right to benefit from its revitalization.

## **OUR SKID ROW**

Just three years ago, residents of Skid Row were asked to engage in a community planning exercise that encompassed many of the land use decisions now being considered by DTLA 2040. This effort combined nonprofit developers, advocacy organizations, and extensive outreach to residents through a community survey. Skid Row's unhoused neighbors were the primary focus of this input. "During more than 15 intensive design workshops, homeless community members sketched, drew, created models, and imagined solutions to improve the area and enhance the community in which they would like to continue to live."<sup>35</sup> The result was Our Skid Row, a comprehensive map that captures the unmet priorities of Skid Row residents for their neighborhood.

One would think that this prior work might feature in some of DTLA 2040's analysis. While the map has been included in public comment submissions, its substance is missing from the new rezoning plan.

## Our Skid Row

A resident-driven neighborhood vision for a vibrant and equitable Skid Row



In 2015, Skid Row residents and local organizations completed a comprehensive, multi-year planning process for their community. The results were captured in a map outlining 20 neighborhood strategies, land use priorities, and street-level amenities. Here are selected icons from the map along with descriptions created by the “Our Skid Row” working group.



**Safety zones**—in conjunction a community group for programming and support 24/7. No drug or alcohol use allowed. Spaces include Youth-centered area, women safe havens, and a LGBTQ haven. On-site public art installation and green space for open usage.



**Rest Stops**—provide 24/7 hygiene services of showers and bathrooms, along with storage lockers and cold water drinking stations. Social service outreach areas will be on-site. Green space and areas of respite available.



**Open Spaces**—vacant lots will be turned into parks and urban agriculture gardens. Improve Gladys Park and San Julian Park with more seating, performance space, shade and restrooms. Include opportunities for green alleys and rooftop gardens on existing and new construction buildings.



**Low-income Housing**—develop and rehab buildings into more supportive housing and low-income housing to provide permanent homes for those living on the streets. Allow for greater density, mixed use and residential uses in industrial zones.



**Bus Stops**—with benches, shade structure, trashcans, bike racks, schedule updates, and cell phone charging stations.



**Slow Zones**—car speeds are reduced. Extend sidewalks and narrow streets, and install speed bumps to ensure slower travel. Cross walks with longer timers and safety lights will reinforce the pedestrian-centric area.



**Planters/Trees**—will be planted and maintained throughout all sidewalks.



**Trashcans and benches**—will be on every street corner along with cleaning supplies and daily trash pick up.



**Public art installations and murals**—will be distributed throughout the community. Local artists living in the neighborhood will be given priority to installation.

Through projects like Our Skid Row, many residents have worked hard to champion a healthy, stable community that outside resources could finally bring into reality. They deserve to be regarded as partners in the DTLA 2040 process.

## CONCLUSION

Skid Row has severe challenges that DTLA 2040 should set about to remedy. For decades, the city has failed to help this area. An ambitious plan has now been proposed for Skid Row that will mainly advantage people who currently live elsewhere and are anticipated to move into the neighborhood at some point in the future.

Some of DTLA 2040's rationale is good planning, such as the goal of creating higher density for the mass transit that radiates from downtown. Too much of the calculation seems political, however. Tall buildings already exist there, so more tall buildings won't be controversial. Yet DTLA 2040 isn't principally focused on the high-density district, but rather low-rise areas like Skid Row. In that regard, the city seems to have chosen to take on a predominantly Black, high-poverty area rather than face neighborhood opposition in similar low-rise districts in other parts of Los Angeles.

Of course, no area of the city is immune to change. Skid Row is a community desperately in need of revitalization—projects like Our Skid Row show the eagerness of its residents to seek positive changes in their community. They are the ones who have experienced the deficiencies of Skid Row first-hand. They are the ones who will bear the consequences of its future growth.

Land use planning should focus on serving the needs of existing residents. Those who live in Skid Row today are legitimate members of their own neighborhood. They should be the primary beneficiaries of any redevelopment plans for their community, a principle no less valid in Skid Row than Brentwood or Bel-Air.

## END NOTES

- 1 Los Angeles Homeless Services Authority. *2018 Greater Los Angeles Homeless Count*.
- 2 Holland, Gale. "U.N. monitor on extreme poverty tours skid row in LA," *Los Angeles Times*, December 11, 2017.
- 3 Sheltered and unsheltered homeless figures from 2018 Point-in-Time count. Housing figures from *American Community Survey* five-year estimate (2011-2016).
- 4 Los Angeles Community Design Center. *Skid Row: Recommendations to Citizens Advisory Committee on the Central Business District Plan for the City of Los Angeles*, (Part 4: Physical Containment), 1976.
- 5 Garrison, Jessica and Cara Mia DiMassa. "Rules limit home size, hotel conversion in LA," *Los Angeles Times*, May 7, 2008.
- 6 Office of Councilmember Marqueece Harris-Dawson. "Homelessness in South Los Angeles" (position paper), February 2016.
- 7 "The Homicide Report," *Los Angeles Times*, <http://homicide.latimes.com/neighborhood/downtown/year/2017>
- 8 Downtown Women's Action Coalition. *2016 Downtown Women's Needs Assessment*, 2016.
- 9 Sherin, Jonathan E. memorandum to the Los Angeles County Board of Supervisors. "Assessment of Grave Disability," January 10, 2018.
- 10 Los Angeles Department of City Planning. "DTLA 2040 Project Introduction & Background Information" ([www.dtla2040.org/](http://www.dtla2040.org/)), accessed March 30, 2018.
- 11 DTLA 20140. "Core Principles" ([www.dtla2040.org/core-principles.html](http://www.dtla2040.org/core-principles.html)), accessed March 30, 2018.
- 12 United Nations High Commissioner for Refugees. *UNHCR Emergency Handbook* (4th edition), June 12, 2015.
- 13 "Economic and demographic shifts in Central City as well as the Los Angeles region have played a part in a 18.6% decline in Central City's population during the 1980s." (Central City Community Plan, III-1)
- 14 US Census Bureau. *Census 2000*, age 62 and over for census tracts 2075 and 2077.10.
- 15 Ibid. Census 2000 household mean income for 2073, 2074, 2075, 2077.10 and 2079; *CPI Inflation Calculator*.
- 16 Central City Community Plan, III-1
- 17 Christopher B. Leinberger and Mariela Alfonzo. *Walk this Way: The Economic Promise of Walkable Places in Metropolitan Washington, DC*, Brookings Institution, May 2012.
- 18 Florida, Richard. *The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation, and Failing the Middle Class—and What We Can Do About It* (Basic Books: 2017).
- 19 US Census Bureau. *American Community Survey* five-year estimate (2011-2016).
- 20 Ibid. Census 2000 and *American Community Survey* five-year estimate (2011-2016). As a basis for comparison, Census 2000 tracts 2073, 2074, 2075, 2077.10 and 2079 match the same geographic area as current census tracts 2073.01, 2073.02, 2074, 2075.01, 2075.02, 2077.10 and 2079.
- 21 Hoberman, Natalie. "Gentrification Nation: Downtown LA is fastest gentrifying area in the US, report says," *The Real Deal*, March 5, 2018.
- 22 Vincent, Roger. "Historic high-rise sold as downtown L.A.'s former business district thrives," *Los Angeles Times*, March 31, 2018.
- 23 Stone, Abigail. "ROW DTLA: The Vast Complex of Historic Structures Is Transformed Into a Downtown Destination," *Los Angeles Times*, October 1, 2017.
- 24 Smith, Kevin. "Downtown LA gained 7,551 new apartments between 2010-2016," *San Gabriel Valley Tribune*, June 5, 2017.
- 25 Kusisto, Laura. "Luxury Apartment Boom Looks Set to Fizzle in 2017," *Wall Street Journal*, January 2, 2017.
- 26 Lloyd, Annie. "Downtown L.A. Vacancy Rate Highest In 17 Years," *LAist*, September 17, 2017.
- 27 Downtown Center Business Improvement District. "Downtown LA Market Report," Fourth Quarter, 2017.
- 28 Los Angeles Community Action Network, Los Angeles Catholic Worker, and Los Angeles Poverty Department. "Skid Row Now & 2040" (position paper), April 13, 2018.
- 29 Ibid.
- 30 California Senate Bill 166, signed into law on September 29, 2017.
- 31 Department of Housing and Urban Development. *FY 2018 Income Limits Summary*, accessible at HUDUser.
- 32 The math isn't quite this straightforward. Subsidized rents account for family size and adjusted income (rather than gross income), allowing for certain deductions.
- 33 "Harper's Index." *Harper's Magazine*, April 2018.
- 34 Cui, Lin. "Foreclosure, Vacancy and Crime," *Journal of Economics*, July 20, 2015.
- 35 Gilmartin, Wendy. "Skid Row Residents Re-Imagine the Streets They Call Home," KCET.org, May 8, 2016.

*Inner City Law Center is the only provider of legal services headquartered in Skid Row, combating evictions and slum housing while developing strategies to end homelessness.*