ANTI- DISPLACEMENT POLICY TOOLBOX

NO NET LOSS

Los Angeles, CA

—CASE STUDY—

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Since the creation of the L.A. Central Business District (CBD) Redevelopment Plan in 1975, urban renewal projects have transformed L.A.'s downtown. The Redevelopment Plan had a $750 million cap on tax increments to finance the CBD Project Area, but when that limit was reached in 2000, the Community Redevelopment Agency amended the original plan. The 2002 amendments expanded the CBD area and raised the limit on tax increment, opening up new sources of public money to usher in new private development. A group of local residents and economic justice advocates brought forward a lawsuit challenging the amendments, arguing that the new CBD plan did not adequately address the preservation and production of affordable housing, and particularly did not address the unique challenges and vulnerabilities of residential hotels, an important source of low-income housing in Downtown L.A. In 2006, the Agency Board of Commissioners approved a settlement agreement, now known as the Wiggins Settlement Agreement, which requires the one-for-one replacement – at the same affordability levels – of any residential hotel unit proposed for conversion or demolition. The agreement also requires that the overall number of residential hotel units be maintained at a baseline level of 8,126, the number of units that existed at the time of the settlement. Although the gentrification of L.A.'s downtown continues rapidly, the Wiggins Settlement Agreement has been enormously helpful in preserving residential hotels as low-income housing.

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How the Policy Works:

The goal of the Wiggins Settlement Agreement (the Agreement) is to preserve existing affordable housing in residential hotels and ensure that any residential hotel proposed for conversion or demolition guarantees a one-for-one replacement, at the same affordability levels. Whenever building permits are submitted for a the demolition or market-rate conversion of a residential hotel within the CBD area, the agency charged with enforcing the Wiggins Settlement is notified, and the owner is required to replace all of the lost units. An exception is given for a 25% reduction in the number of units to be replaced if amenities such as in-unit kitchens and bathrooms are added. If the replacement housing is built outside of the CBD area, twice the number of units must be built, or two new units for every one unit lost.

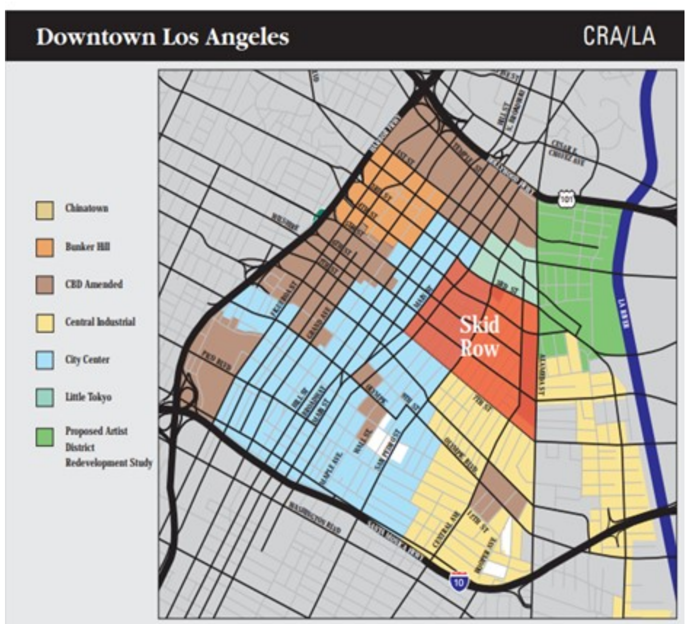
The Agreement also requires that the total number of affordable residential hotel units be maintained at a baseline level of 8,126, the number of units that existed at the time the Agreement was put into place in 2006. To keep track of progress on the Agreement's implementation, the Community Redevelopment Agency of Los Angeles (CRA/LA) is required to produce an annual report. The 2016 annual report showed that since 2006, the total affordable units in residential hotels is 818 units above the baseline level, largely due to the work of non-profit housing developers. The table below is taken from the 2016 progress report and shows the first few rows of a chart tracking changes to residential hotels.

WIGGINS SETTLEMENT AGREEMENT
OVERALL UNITS BASELINE (2007-2015)

	YEAR	SRO HOTEL	BASELINE AFFORDABLE	UNITS PRESERVED (includes anticipated)	NEW	UNITS REMOVED	REPLACEMENT UNITS	CHANGES TO BASELINE
1	2007	Van Nuys Apartments	297	297	0	0	0	0
	2007 YEAR TOTAL		**297**	**297**	**0**	**0**	**0**	**0**
2	2008	Victor Clothing Lofts	0	0	28	0	0	28
3	2008	Abbey Apartments	0	0	113	0	0	113
4	2008	Lyndon	52	52	0	0	0	0
	2008 YEAR TOTAL		52	52	141	0	0	141
	2008 CUMULATIVE		**349**	**349**	**141**	**0**	**0**	**141**
5	2009	Alexandria	461	461	0	0	0	0
6	2009	Frontier/Rosslyn Lofts	275	275	0	0	0	0
7	2009	916 James Wood	30	0	0	30	0	-30
8	2009	James Wood Apts.	0	0	52	0	0	52
9	2009	New Carver Apts.	0	0	95	0	0	95
	2009 YEAR TOTAL		766	736	147	30	0	117
	2009 CUMULATIVE		**1115**	**1085**	**288**	**30**	**0**	**258**
10	2010	Bristol Hotel	103	103	0	0	0	0
11	2010	Blackstone/Broadway	0	0	17	0	0	17
12	2010	Charles Cobb	0	0	74	0	0	74
13	2010	Leo/Renato	37	0	58	37	37	58

History of Residential Hotels in Downtown L.A.

Residential hotels, also called Single Room Occupancies or SROs, have been an integral part of L.A.'s housing stock since the early 1900s, offering short- or long-term affordable rooms with shared kitchens and bathrooms for individuals who often have been homeless or are going through some kind of transition. Residential hotels have historically been clustered in Downtown L.A., particularly around the area known as Skid Row. Often referred to as "housing of last resort," SROs offer a number of advantages that traditional rental units do not. No background checks or security deposits are required for SROs, making them more affordable and accessible for many people, especially those with a history of eviction. Because of the shared facilities, rents for a room or bed are often much lower thank in other types of housing. There is no long-term commitment required, although many people live in SROs for years. Overall while the quality of the rooms are often extremely poor and lack amenities, SROs are seen by many in L.A. as a convenient and accessible source of housing – a last resort before becoming homeless, a stepping stone to transition from one situation to the next, or an affordable housing option in an increasingly expensive city.



Nonetheless, residents in SROs have struggled for many years to have the same protections offered to other tenants in L.A. They have had to battle against the predominant view among politicians, the general public, and even some non-profits that people living in SROs are transient and therefore not legitimate tenants, despite the fact that many individuals live in SROs for years or even decades. Because of this perception, SROs often stayed off the radar of public policy, tenant organizing, and the work of housing non-profits.

For example, one of the most serious vulnerabilities of residents in SROs is what is known as the "28 Day Shuffle," in which residential hotel owners kick residents out before 30 days to avoid creating a legal tenancy, with rights and protections under city law. It wasn't until the mid-1980s that organizers and non-profits started to take notice of this issue in SROs. One of the earliest campaigns of the Los Angeles Community Action Network (LA CAN), formed in 1999, was to win legislation to prohibit the "28 Day Shuffle" tactic, ensuring recognition and protection for SRO tenants.

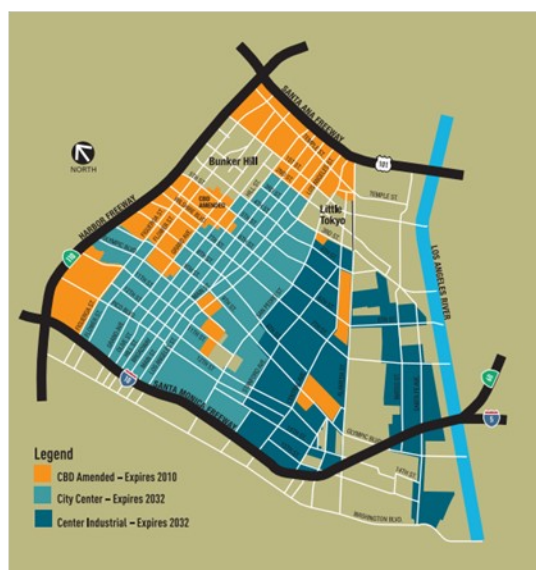
In addition to residential hotel owners skirting tenant protection laws, the biggest threat to residential hotels has been urban renewal and gentrification. An organization called the Skid Row Housing Trust has documented that between 1950 and 2000, 15,000 residential hotel apartments were destroyed, forcing thousands of people into shelters or onto the streets.[1] Increased investment in the downtown area has put pressure on residential hotel owners to convert them into market-rate apartments or condos. Many non-profit organizations have taken over SROs in order to protect them as affordable and supportive housing for homeless and vulnerable populations, which has helped to preserve the housing stock. However, many other SROs have remained vulnerable to pressure from developers, particularly the biggest hotels – with 300, 400 and even 600 units – which are usually too expensive for non-profits to purchase. Overall, the pressure on SROs to convert to market-rate housing has been significantly affected by urban renewal policies in L.A., which is discussed in the next section.

[1] "History of Skid Row and the Trust," Skid Row Housing Trust, http://skidrow.org/about/history/

Urban Renewal in Downtown L.A.

Like many other U.S. cities at that time, Downtown L.A. in the 1970s and 80s experienced an influx of renewed investment in the form of urban renewal. The Los Angeles City Council adopted the Central Business District (CBD) Redevelopment Plan for Downtown L.A. in 1975, which along with various other financing mechanisms used tax increments to subsidize the new construction of office towers. Both elected officials as well as the business community in L.A. were eager to transform the Downtown into a hub for financial and producer services and bring in a wealthier tax base. This transformation was further facilitated by an ordinance passed in 1999 called "Adaptive Reuse," which used tax incentives, relaxed zoning requirements, and an expedited approval process to facilitate the conversion of older commercial buildings into housing units – apartments, condos, live/work lofts, retail and hotels.

By 2000, the $750 million that was made available through tax increment financing in the 1975 Redevelopment Plan had run out. To continue down the same path, the Agency Board of Commissioners amended the CBD plan, adding two new redevelopment areas and extending the plan's expiration date to 2032: City Center and Central Industrial. The expansion of the CBD area is shown in the two images below. The process was done very quickly with little stakeholder input.



Implementation of the Wiggins Settlement Agreement

The agreement requires monitoring of building permit activity to ensure that the total number of SRO units is maintained at a minimum of 8,126. As of December 2016, 8,944 were recorded, a net increase of 818 units. The increase in units is largely due to non-profit rehabilitation and construction.

In terms of affordability, while there has been a decrease of 460 units at 35% of AMI, there has been an offsetting increase of 386 units at 30% of AMI, resulting in a net loss of 74 units affordable to households at or below 35% of AMI. In most cases, the reduction in affordability or in the number of units resulted from reconfiguring and increasing the size of units to improve living conditions by adding bathrooms and kitchens. For example, the Panama Hotel was converted from 228 units to 171 units (75% of the original number) after adding amenities. Even with the amenities added, the units are still required to have income restrictions; in the case of the Panama Hotel the restrictions were set at 50% of AMI and below.

Overall, the Wiggins Settlement Agreement has been successful in preserving affordable residential hotels. It is much harder to demolish and convert SROs than it was in the past, and many residential hotels are being taken over by non-profits who want to maintain them as affordable housing. The area is still gentrifying, but certainly at a slower rate than it would have without the Wiggins Settlement Agreement.

"A Battle over Space": Limits of the Wiggins Agreement

While the Wiggins Settlement Agreement has had a significant impact in preserving residential hotels and their affordability in Downtown L.A., there are unfortunately a few loopholes that have been exploited by residential hotel owners to increase the potential value of their properties. One of the most pervasive tactics has been to allow the hotels to sit vacant by refusing to rent the rooms, holding out for some change in policy that would allow them to sell the buildings or flip them into condos. Because SROs are exempted from the Ellis Act, a

California state law that allows owners to issue no-cause evictions to their tenants if they are removing the rental unit from the market, owners of residential hotels cannot legally evict their tenants. Buildings that are occupied by tenants are usually not desirable purchases by developers. However because residents of SROs are often extremely low-income and vulnerable populations, owners often evict them with a method known as "enhanced attrition," using intimidation and cash incentives to get residents to give up their units. Once the buildings are empty, the Wiggins Act prohibits owners from demolishing or converting them without the one-to-one replacement. However developers often have so much money that they can buy up the empty buildings and just leave them vacant, hoping for a golden opportunity that would allow them to redevelop without the current restrictions.

Another strategy developers have found is to carry out unit by unit small, cosmetic renovations in the building without permits and gradually hike up the rent. Because the trigger in the Wiggins Settlement Agreement is the permit process, if building owners make changes without applying for a building permit the city is not alerted, and therefore does not intervene. These small renovations are extremely difficult to monitor, and they contribute significantly to the displacement of long-term, low-income residents of SROs.

Lastly, despite the success of the Wiggins Settlement, the battle to preserve affordability in the downtown area is by no means over. Gentrification, affecting both commercial and residential tenants, is rampant and the downtown area has been dramatically transformed in the last decade. Interspersed between the residential hotels are new office buildings and luxury condos with astronomical rents. These new higher-income tenants often don't want to live next to SROs, and contribute to the political pressure to push them out. The area known as Skid Row where SROs have historically been clustered is particularly vulnerable. Sandwiched between the rapidly gentrifying Arts District to the east and the financial district in central downtown to the west, the market pressure is affecting that area.

Wiggins may protect the physical buildings and residents of SROs, but there is little the settlement can do in terms of preserving the character of the area as welcoming and accessible to low-income populations, people of color, LGBTQ communities and other marginalized groups. Since the expansion of the redevelopment act in 2002, there has been an increase in policing. Long-term residents of the downtown no longer feel welcome, and even if they can afford a room it is becoming increasingly difficult to afford basic necessities like food, as higher end shops replace Mom & Pop convenience stores. Success in preserving a particular type of affordable housing has not prevented broader gentrification of the area, which in turn presents challenges for low-income residents who remain.