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Los Angeles' one weird trick to build affordable housing at no public cost

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A view of Downtown Los Angeles from Mount Hollywood. Photo: Gantavya Bhatt via Unsplash

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By Ben Christopher, originally published by [CalMatters](#) with funding from A-Mark Foundation.

The seven-story apartment building planned for West Court Street on the south side of Los Angeles's Echo Park neighborhood doesn't make sense, not if you know anything about affordable housing in California.

All 190 of the proposed units will be reserved for people making under \$100,000, which in Los Angeles makes this an "affordable housing" project.

But unlike the vast majority of affordable developments that have been proposed in California in recent memory, no taxpayer dollars are allotted to build the thing. Especially in the state's expensive coastal cities, the term "unsubsidized 100% affordable project" is an oxymoron, but Los Angeles is now approving them by the hundreds.

That's thanks to an [executive order](#) Los Angeles Mayor Karen Bass, signed in December 2022, shortly after being sworn into office. In the year and change since, the city's planning department has received plans for more than 13,770 affordable units, according to data provided by the city's planning department. That's just shy of the total number of approved affordable units in Los Angeles in 2020, 2021 and 2022 combined.

The city has also been the subject of at least two lawsuits and a multi-front political battle over whether and how to turn the mayoral decree — which is only in effect as long as Bass wants it to be and barring a court's decision to end it — into a permanent fixture of Los Angeles housing policy.

The policy was designed to fast-track the approval process for 100% affordable projects. What it perhaps was not designed to do — but has done at a scale that few anticipated — is allow private developers, who rarely dabble in affordable housing and simply look to make as much money as humanly possible from building new homes, to take a second look at a set of state laws that give added benefits to entirely affordable projects.

Throw those two policies together and building new apartments for working class Angelenos is suddenly a booming business.

A 'monumental shift' in affordable housing policy

Andrew Slocum and Terry Harris, the developer pair behind the seven-story project on West Court Street, represent the type of developer suddenly wading into Los Angeles' affordable housing market. They aren't leading nonprofits or charities. They don't run websites with feel-good mission statements. Both come from the proudly profit-seeking world of "luxury" housing development.

"We are mission driven in the sense that we want to provide housing," said Slocum. But he's pursuing this affordable project, along with two others, because it "made more financial sense."

Harris, a former college basketball player pursuing a post-athletic career in Southern California real estate, put it more bluntly.

"I'm just trying to be as greedy as possible," he said.

Though publicly available data on financing is sparse, an [early analysis](#) of the program by the pro-housing advocacy group Abundant Housing LA estimated that roughly three-fourths of affordable units proposed through the policy are doing so without any public

money. In some cases, developers, including Harris, are opting to scrap proposed “luxury” apartment projects entirely, re-submitting those plans as 100% affordable.

It's hard to overstate just how weird all of this is.

“I don't think anybody saw this coming,” said Scott Epstein, policy director at Abundant Housing LA and one of the authors of that analysis. “When it comes to 100% privately invested projects...I don't think we've ever seen anything close to the magnitude that that has been unleashed.”

“I'm just trying to be as greedy as possible.” -Terry Harris, Developer

Between the extraordinary cost of building new apartment buildings in coastal California and the money that a developer can recoup through legally capped rents, traditional affordable housing projects almost inevitably run a sizable financing gap. That gap is almost always filled by public subsidy. A large project might require half a dozen loans, grants and tax bill write-offs from local, state and federal housing agencies. Most of these sources of public finance come with strings attached, which can saddle projects with yet higher costs and further delays.

Los Angeles' new breed of affordable housing circumvents all of that — at least on paper. None of these units have actually been built yet. But talk to supportive policy advocates and industry players in Los Angeles and you quickly run out of new synonyms for “unprecedented.”

“This is clearly a monumental shift in how affordable housing is developed in the state,” said Mahdi Manji, policy director at Inner City Law Center, a legal service provider and affordable housing advocacy group in Los Angeles' Skid Row. “We just haven't seen this before.”

Building affordable housing in two steps

Privately funded developers hoping to crack Los Angeles' affordable housing market tend to follow a familiar pattern.

First, they evoke Bass' order — “Executive Directive 1” — to guarantee and speed up the process.

The order sets a shot-clock of 60 days for the city's planning department to approve or reject a submitted project. As long as that project meets a basic set of criteria, it must be approved. That means no city council hearings, no neighborhood outreach meetings and no environmental impact studies required.

It also means less time getting a project green-lit.

“To go from acquiring a lot to putting a shovel in the ground in less than a year is kind of unheard of,” said Steven Scheibe, a small-scale developer working on his first entirely affordable project through Executive Directive 1.

Less time spent paying off debt, making payroll and ensuring skittish investors that the project is a sure thing saves projects on the front end.

Another key detail: Unlike most recent statewide laws aimed at speeding up the approval of new housing, the Los Angeles law doesn't require developers to pay construction workers heightened “prevailing wages” — roughly equal to what unionized construction workers earn on a public infrastructure projects. Muhammad Alameldin, a researcher at UC Berkeley's Turner Center for Housing Innovation, said that makes Executive Directive 1 a kind of alternate reality for housing policy in California.

“It shows what is the minimum that could be built in California, without (environmental review) and prevailing wage, like a real world example of that,” he said. “I don't think any other big city in the country has taken this sort of initiative to build housing.”

Then comes the next step. Most so-called “ED1 projects” also make use of a hodgepodge of statewide “density bonus” laws that allow developers of 100% affordable housing projects to pack far more units and floors onto a given lot than would otherwise be allowed under local zoning rules. These laws also let affordable developers pick and choose from a wide range of goodies and freebies that cut costs further and allow for yet denser development. That means no parking spots, limited open space, smaller rooms and fewer trees.

All those added units mean developers can set the rents lower and still pay themselves back for the cost of construction and then some.

Together the executive directive and the density bonus form a necessary “one-two punch” to make these projects work, said Charly Ligety, a director of research and development at Housing On Merit, a nonprofit that invests in affordable housing projects. “It's, one, ‘Oh, I can put 80 units on a single family plot...’ and then, two, ‘...and I can get it approved quickly.”

“To go from acquiring a lot to putting a shovel in the ground in less than a year is kind of unheard of.” – Steven Scheibe, Developer

And while Bass' order and the state's density bonus laws are pulling privately funded developers into the suddenly profitable world of affordable housing development, other economic forces are pushing them out of the high-end luxury market: High interest rates have made waiting around on municipal approvals that may never come an especially costly proposition. Los Angeles' recently enacted tax on multimillion-dollar real estate transactions, the so-called mansion tax, has also slowed the fancy apartment building business, said Ligety.

As a result, he said, “market rate developers are discovering affordable housing for the first time.”

How affordable is affordable housing?

Just because something is “affordable” in Los Angeles doesn't mean it's cheap.

To qualify as a 100% affordable housing project under the city of Los Angeles' streamlined treatment, a studio can go for roughly \$1,800. Compare that to a traditional publicly subsidized project which could charge as little as \$650 for the same unit.

And you can bet this studio doesn't have a parking spot.

Developers flocking to the city's new program are essentially "making a bet," said Gary Benjamin, a land-use consultant who advises developers on how to navigate the city's planning and permitting bureaucracies. The bet is that housing costs are so astronomically out of reach in Los Angeles that even someone making north of \$70,000 per year would jump at the chance to rent "a more bare bones product without all the bells and whistles" for what could amount to a modest rent reduction.

That bet is still very much in play. It will be months before the first of the apartments approved under Executive Directive 1 are tenant-ready.

"This is just a whole new product specifically catering to the middle-lower end of the market. That just wasn't a thing that people were doing before," said Benjamin.

In the meantime, the rush of planned development has promised the demolition of existing buildings across the city. In many cases, those are commercial buildings or unoccupied single family homes and both city and state law require developers to pay displaced tenants' relocation costs and to offer them a right to return to the new building. Even so, the planning blitz has at least some low-income Angelenos worried that they will be evicted to make way for "affordable" units that they themselves might not be able to easily afford.

All those added units mean developers can set the rents lower and still pay themselves back for the cost of construction and then some.

In many parts of the country — and even once upon a time in Los Angeles — the mere fact that a developer could successfully build an apartment building within the price range of someone earning just under the area's typical income would not be cause for celebration — and wouldn't need an emergency declaration to bring about.

"It shouldn't be odd" that a developer might choose to build an \$1,800 per month studio without taxpayer support, said Manji with the Inner City Law Center. "It's only odd because we've made it odd."

Though his organization principally advocates for unhoused Angelenos, Manji said he supports the policy, even if units being proposed are "not housing for homeless folks."

Allowing private developers to serve lower- to middle-income renters frees up scant financial subsidies and rental vouchers for people who most desperately need the help, he said. That's especially important this year when the governor is proposing cuts in state affordable housing funding.

Affordable housing incentives

Los Angeles' city council is currently mulling a permanent ordinance that would codify the mayor's signature affordable housing policy and put it on a firmer legal footing. The council's Planning and Land Use Management Committee is expected to take it up in the coming weeks.

Timing may be of the essence.

Bass' order is the target of two lawsuits from Fix The City, a local nonprofit that has regularly contested the city's land use decisions going on two decades. In both suits, the group disputes the legal validity of a sweeping 13-month-long housing policy passed by mayoral edict.

"To give emergency powers reserved for earthquakes and horrible storms and true catastrophic emergencies to apply that to housing to override community plans and zoning for an indefinite period of time — it's just not good government and it decimates due process," said Michael Everoff, one of the group's co-founders.

Translating the mayor's order into permanent city law and ending the emergency declaration could weaken Fix The City's legal challenge, at least as it applies to future projects, though Everoff disputed that point. But whether a majority on the city's council will agree to do so — and how much of the mayor's original policy they will opt to rewrite, soften or jettison in the process — is an open question.

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Still up for debate: Just how many incentives and waivers the city is willing to grant 100% affordable developers as they make use of the state's density bonus program. So far that decision has been left to the planning department's discretion. That unlimited economizing and supersizing has resulted in projects that are "substantially out of scale" with their surrounding neighborhoods, according to a planning department assessment. The most recent version of the ordinance caps the number of developer freebies at five.

Slocum, the developer of the proposed Echo Park apartment building, said most of his projects would "no longer work" if subject to such a cap. He said he needs eleven or twelve.

'A declaration of war on single family neighborhoods'

But the biggest debate over the breadth of the city policy may have already come and gone. Though the first version of the executive order seemed to apply to all housing sites in the city, Bass later came back with an amended order to exempt all of the city's single family neighborhoods. That clarification cut out more than 70% of the city's residentially zoned land and the lion's share of its well-to-do

family neighborhoods. That clarification cut out more than 70% of the city's residentially zoned land and the lion's share of its well-to-do neighborhoods, but not before a handful of projects were approved.

The city has since tried to revoke the approvals of some of those projects. Their fate is now the subject of yet another series of lawsuits, these brought by the pro-housing development legal group YIMBY Law, who argue that the city has to let those developments go ahead. In its first suit on behalf of a proposed 7-story project in the west San Fernando Valley, the group denounced the city for having "buckled to political pressure from 'Not In My Back Yard' constituents."

Councilmember Bob Blumenfield, whose district includes the southwest San Fernando Valley and who opposed approving these under-the-wire affordable projects in single family areas said there's virtually no chance that the council will decide to re-expand the policy to every part of the city. Doing so might have a limited effect anyway: The number of single family parcels that can be turbo-developed under the state's density bonus law is limited.

"While that may be something for the future, right now we're piloting (Executive Directive 1) the way it is," he said. "And as it is, it's a major step forward. To go that extra step...would be a declaration of war with our single family neighborhoods."

That war may be coming to Los Angeles before long. Just as cities across the San Francisco Bay Area were required by state law to redraw their zoning maps to accommodate a massive increase in allowable housing development, the City of Los Angeles has until mid-October to plan for 250,000 new homes.

Data about the number of affordable units that Los Angeles has received plans for was updated to reflect the most current numbers from the city's planning department.

This story was made possible in part by a grant from the [A-Mark Foundation](#).

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