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# **INVESTIGATIVE COMMITTEE REPORTS**

# AFFORDABLE HOUSING



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# AFFORDABLE HOUSING

This investigative report is responsive to the County of Los Angeles Board of Supervisors' Strategic Plan Goal I: "Make Investments that Transform Lives"

## I SUMMARY

Within the County of Los Angeles (the County) there are an estimated 1.6 million people without affordable housing. Housing costs for both home purchases and rentals are high and rising. Average income in the county is stagnant or rising slowly. High housing costs combine with stagnant incomes to consume too high a portion of incomes for housing. Quality of life and the ability to fully realize potentials are compromised. The local overall economy is negatively affected.

More than 60% of County residents are hurt by the housing cost squeeze. Approximately 550,000 additional housing units (single family and rentals) are needed to stabilize housing costs.

The conversion of affordable rental units to ones with higher rents, fueled by high rental costs, contributes to the affordable housing shortage.

Without public subsidies the private housing market has failed to provide the required new housing. Current government sponsored and/or assisted housing programs for lower-cost housing are insufficient to deal with the shortage.

The time has come to declare the County housing shortage a crisis requiring crisis-appropriate actions. These actions must include rapid expansion of housing stock emphasizing the more affordable segments. The Los Angeles County Civil Grand Jury (CGJ) explores the characteristics that are would be optimum for this expansion.

The CGJ has examined a number of alternative housing concepts that promise to reduce new housing development costs. Many of these could be pilot programs to gain experience applicable to the attack on the housing shortage. "Out-of-the-box" solutions such as a design competition for an affordable community may be appropriate.

A variety of interests oppose large scale housing expansion. Some of these are local residents who are concerned with the impacts of changes in their area, housing investors, and people benefitting from short term rentals (i.e. AIRBnB™.) These contrary interests must be effectively addressed in dealing with the affordable housing crisis.

## II BACKGROUND

In this section the CGJ describes the issues that were investigated.

### **The County of Los Angeles Housing Crisis by the Numbers**

The County faces a human and economic crisis because affordable housing is grossly mismatched with the need. One estimate is that the total unmet housing demand in Los Angeles

County is 550,000 housing units (houses and apartments).<sup>4</sup> With an average household size of 2.9 persons, this means that there are 1.6 million persons that lack appropriate housing. This is over 15% of the County's current total population. Much of the unmet demand for housing affects lower income families who now spend as much as 71% of the family income on rent.<sup>5</sup>

This crisis is defined by four significant factors<sup>6</sup>:

1. The quantity of available housing stock has not kept up with the increases in population creating an housing shortage.
2. The housing shortage has increased competition for available housing.
3. Competition for the available housing drives up prices.
4. Most people are required to spend >30% of their incomes, which have been stagnant or increasing slowly, to pay the higher housing prices.

The lack of affordable housing has developed over the last 27 years. Through the 1980's supply kept up with the population increase, but from 1990 through 2010 there was a significant slowdown in construction. From 2010 to the present housing construction has increased; however, the rate of construction still lags behind the rise in population and has not replenished the unit shortages from the prior 20 years. Also contributing to slow building are overly complicated local regulations, downzoning,<sup>7</sup> and a sharp reduction in subsidized housing funding programs. The latter significantly affects housing for lower income households.<sup>8</sup>

For aspiring homeowners, home values in the County rose by 40% from 2000 to 2014 (the largest increase of any major area in the United States) as the median household income decreased by 9% (adjusted for inflation). Similarly, median rents increased by 28% while the median income of renters declined by 8% over the same period.<sup>9</sup>

Because of high housing costs many County residents must spend less on necessities like food, transportation, and health. This effect is not felt equally across income levels; the lower the income the greater the effect.<sup>10</sup>

One of the most visible and most extreme results of the Los Angeles housing market is the growing number of homeless people found in the County. The number of homeless people is currently estimated to be 47,000.<sup>11</sup>

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<sup>4</sup> <http://chpc.net/wp-content/uploads/2016/05/Los-Angeles-County.pdf>

<sup>5</sup> Public Policy Institute of California-“Confronting Los Angeles County’s Rent and Poverty Crisis: A Call for Reinvestment in Affordable Homes”.

<sup>6</sup> “The Cost of Not Housing”, Seminar, Southern California Association of Governments, October, 2016.

<sup>7</sup> Downzoning is the process of reducing the allowed occupant density in an area by changes in zoning. Example: R3 (=> apartments) to R1 (=> single family residences).

<sup>8</sup> Mission Impossible: Meeting California’s Housing Challenge, Southern California Association of Governments (SCAG), October 2016-Foreword-Illustration2.

<sup>9</sup> Housing in the Los Angeles Sustainability Plan. Bloomberg Associates, August 13, 2014, p.7-8.

<sup>10</sup> Mission Impossible: Meeting California’s Housing Challenge, SCAG, October 2016-Foreword-Illustration2.

<sup>11</sup> <https://www.lahsa.org/homeless-count/reports>

## Current Provisions for Housing in Los Angeles County

### The Southern California Housing Marketplace

The most significant factor for the lack of sufficient housing is the lack of private investment in affordable housing.<sup>12</sup>

The majority of County housing has been provided by private, for-profit investments. The housing shortage causes the market price of housing to rise. As the market price rises, it sends a signal to investors/developers that there is an attractive profit to be made in producing more housing.<sup>13</sup> To some extent this has happened. However, most of the new housing has targeted the highest price part of the housing market where profits are more assured.<sup>14</sup> The market mechanism has failed to produce affordable housing in the quantity required. If the lower priced end of the housing market cannot generate competing profits in comparison to the higher priced end, the market system should not be expected to correct the affordable housing shortage.

The above analysis is supported by recently published investor oriented market research.<sup>15</sup> The expectation is that rents and, therefore, rental property valuations which are based on rental cash flows, will continue to rise in the near future. As an example, the year-to-year prices for homes has risen year-to-year by 7.9% as of February 2017.<sup>16</sup>

The current housing shortage has caused the following: high housing prices and high rents. This “pumps” more wealth from rent payers, typically the less wealthy, to investors, typically the more wealthy, in a reverse trickle-down effect.

An increased housing supply would mitigate this effect. Renters would have more expendable money which they are likely to spend on other, non-housing necessities.<sup>17</sup> And, in that spending, renters are likely to increase non-housing business revenues.

### Public Housing Programs

Given the County’s affordable housing shortage and the inability of the private housing marketplace to correct the situation, the CGJ examined public programs intended to increase the affordable housing supply. There are an assortment of such programs. For example, the City of Los Angeles has passed Measure HHH which will sell \$1.2B in bonds to finance housing for homeless people.<sup>18</sup> This is estimated to produce 10,000 units over a 5-year period. So called

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<sup>12</sup> [www.scanph.org/node/3863](http://www.scanph.org/node/3863)

<sup>13</sup> [www.noradarealestate.com/blog/how-real-estate-markets-work/](http://www.noradarealestate.com/blog/how-real-estate-markets-work/)

<sup>14</sup> [losangeles.cbslocal.com/.../social-may-buck-trend-of-more-affordable-luxury-apartme...](http://losangeles.cbslocal.com/.../social-may-buck-trend-of-more-affordable-luxury-apartme...)

<sup>15</sup> *ibid*

<sup>16</sup> <http://www.latimes.com/business/la-fi-home-prices-20170321-story.html>

<sup>17</sup> Note: Lower income families, by necessity, will spend income freed from rent on other necessities. The money freed and spent will generate increased economic activity.

<sup>18</sup> [www.laweekly.com/.../la-passes-ballot-measures-to-build-transit-and-fight-homelessne...](http://www.laweekly.com/.../la-passes-ballot-measures-to-build-transit-and-fight-homelessne...)

“wraparound services”<sup>19</sup> are to be paid for by an increase in sales tax in Los Angeles County from passage of Measure H in March 2017.<sup>20</sup>

The County of Los Angeles has affordable housing programs, administered by the Community Development Commission/Housing Authority. Generally, the programs offer a public subsidy for housing construction which is leveraged by a developer to produce units. The selection of developers is by a competitive bidding process which is always oversubscribed.<sup>21</sup> In return for the subsidy, the developer is required to maintain “affordable” rents on the resulting units for up to 55 years (55 years is the current requirement; earlier programs were commonly set at 30 years).

The County near-term subsidy programs are basically planned to continue at about the same level as the recent past.<sup>22</sup> While these programs are to be applauded, they have been insufficient to correct the affordable housing shortage.

### Loss of Affordable Housing Stock

Almost every large municipality in the United States faces the situation of a persistent affordable housing shortage; there is a simultaneous loss of existing affordable housing.<sup>23</sup> Units that were rent restricted or that had rented at affordable rates, are converted to market rate properties or redeveloped out of existence. This applies to the County of Los Angeles.

The chief defense against market rate conversions is the contractual commitment, currently for 55 years, to restrict rents on subsidized affordable housing. After this period, conversions to current market rate rents may occur. Beside the increased income from raised rents there is typically a large increase in market value for converted properties. These are powerful motivations to private owners to convert.<sup>24</sup>

For redevelopments there are legal constraints that mitigate the impact to displaced residents.<sup>25</sup> Generally, they may require that displaced people be compensated for vacating their residences.

### Unrepresented Housing Compression

The statistics used to evaluate housing stock sufficiency leave out a common occurrence in Los Angeles County housing. People who cannot afford “normal” housing situations compress into units not designed for that purpose.<sup>26</sup> Because this is often forbidden by regulations, official records are not kept. Therefore, the statistics under represent the actual housing need.

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<sup>19</sup> Note: “Wraparound Services” are the set of medical and social services prescribed for treating a previously homeless person. This definition was supplied by an official of the County’s Department of Health Services during a presentation to the CGJ.

<sup>20</sup> [votersedge.org/ca/en/ballot/election/area/48/measures/measure/2959?election...](http://votersedge.org/ca/en/ballot/election/area/48/measures/measure/2959?election...)

<sup>21</sup> Interview with Community Housing Development Commission

<sup>22</sup> Interview with Community Housing Development Commission

<sup>23</sup> [www.latimes.com/local/california/la-me-apartments-demolished-20160402-story.html](http://www.latimes.com/local/california/la-me-apartments-demolished-20160402-story.html)

<sup>24</sup> Note: Some subsidized housing is owned by “mission-driven organizations” who tend to maintain low rents as a part of their “mission”.

<sup>25</sup> <https://www.hud.gov/offices/cpd/affordablehousing/library/tenadisp.pdf>

<sup>26</sup> <https://planning.lacity.org/HousingInitiatives/HousingElement/Text/Ch1.pdf>

## **The Housing Shortage Crisis**

The CGJ has evidence that supports the conclusion that the affordable housing shortfall is a crisis for the County.

Many authorities have pointed out that the affordable housing shortfall compromises economic performance in the County.<sup>27</sup> A large portion of the citizens of the County are experiencing negative effects from the housing affordability crisis.<sup>28</sup>

### **The Homeless Housing Shortfall**

The homeless are at the extreme edge of the unaffordable housing spectrum with no housing at all. The universal appearance of the homeless throughout the County has motivated recent actions to deal with the issues that create homelessness and to adopt more robust corrective policies.<sup>29</sup> The County has adopted a policy, yet to be fully implemented, of “housing first.”<sup>30</sup> This seeks to combine permanent housing with comprehensive “wraparound services” that address the personal issues that have kept the homeless on the street.

There may be a need for a parallel approach to “housing first”<sup>31</sup> that is complementary, easier to implement, and which deals effectively with a less afflicted cohort of the homeless. Our proposal is described in the Increased Housing Supply Approaches section as “Shelter First/Housing Next.”

## **The Logical Housing Prescription**

The treatment of the Los Angeles County affordable housing crisis has a simple prescription: create a sufficient supply of appropriately-priced housing.

Further, in expanding housing supply, the initial focus would be on the most affordable part of the shortage, giving first aid to the most affected of County residents.

Filling this simple prescription will require multiple, coordinated steps:

1. Providing funding
2. Finding sites
3. Performing planning
4. Designing affordable housing
5. Issuing permits
6. Coordinating with the community
7. Achieving construction

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<sup>27</sup> [www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx](http://www.lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx) !

<sup>28</sup> Public Policy Institute of California-“Confronting Los Angeles County’s Rent and Poverty Crisis: A Call for Reinvestment in Affordable Homes”.

<sup>29</sup> [www.latimes.com/local/.../la-ol-tent-city-homelessness-crisis-updates-htm1story.html](http://www.latimes.com/local/.../la-ol-tent-city-homelessness-crisis-updates-htm1story.html)

<sup>30</sup> [www.latimes.com/nation/la-oe-0603-lowery-homeless-utah-la-20150603-story.html](http://www.latimes.com/nation/la-oe-0603-lowery-homeless-utah-la-20150603-story.html)

<sup>31</sup> Note: The notion of “Housing First” as described by a County Health Official means providing housing as the first step in treating homeless people with various illnesses. The housing provided needs to be supported by subsequent health services which could not be delivered to a patient without the provision of housing.

## 8. Awarding occupancy

The first and most challenging action is funding. Increasing housing supply to the need, even exploiting lower cost approaches, will be expensive. Only by accepting the affordable housing situation as a crisis can the funding be considered.

### **Increased Housing Supply Approaches**

Here the CGJ addresses some specific features that would optimize the expansion of affordable housing.

#### “Shelter First/Housing Next” Concept for the Homeless<sup>32</sup>

This idea is to provide immediate, temporary shelter for any person in need of it in the County of Los Angeles. Shelter means a place of safety and comfort that provides nutrition, secure individual storage, resting places, and access to a clean bathroom. This is similar to the role filled by the “missions” of Skid Row. But this is not to be considered a charity; it is an obligation of society to supply shelter to any person in need as required. The supply of such shelter should be sufficient to accommodate the total demand.

Some residents may supply maintenance functions for a facility. This can provide a way to “pay for” their stay and help make the facility self-sustaining. Some residents might become facility “associates.” Some associates might become employees providing a step into the less supportive world. A corps of such “shelter graduates” may develop useful insights on homelessness and sympathy for the homeless that they may come to serve.

#### Location, Location, Location

Functionally, the best location for new affordable housing should be near efficient transit, close to points of employment, where available land is at “reasonable” cost, and where the existing surrounding community can be convinced to accept its presence.

#### Near Transit

Paralleling the need for more housing is the need for new levels of sustainability in housing. A key to providing sustainability through housing is decreasing dependence on personal automobiles.<sup>33</sup> Placing the housing near a public transit terminal that is well-connected to a dense public transit system seems the best approach to not requiring personal cars. This is a well-recognized goal for sustainable housing.<sup>34</sup> While some developments are meeting this criteria, they are not generally affordable.

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<sup>32</sup> The CGJ believes that this concept is at least partially original to this report and, thus, represents our opinions.

<sup>33</sup> [https://en.wikipedia.org/wiki/Car-free\\_movement](https://en.wikipedia.org/wiki/Car-free_movement)

<sup>34</sup> Entrepreneurs have suggested that on demand dispatched autonomous electric cars could provide a similar benefit; whether this is reasonable for residents of affordable housing in the near term is questionable.

## Near Employment

Being close to employment avoids long daily commutes. It saves personal time and decreases resource usage for the commute. However, the long term stability of employment at a single location, whether it is nearby or not, is doubtful. A more realistic approach is connection into a dense, efficient transit system. Mixed use developments attempt to provide combined employment and housing. The CGJ is not aware of any success achieved in mixed developments.

Another popular alternative vision employs internet connectivity; work is performed in the home on a connected computer. Wider use of the “work-at-home” paradigm can be expected. All affordable housing should have quality internet access.

## Land Available at a Reasonable Price

The following sections discuss specific strategies for dealing with the land cost issues near developed areas. Reasonable cost for available land in the County has traditionally meant remoteness from developed areas. This can destroy the ability to be well-connected. An alternative is building remote communities specifically connected by links to a central, dense transit system. A poor example of this is the Palmdale/Lancaster communities. These communities connect with downtown Los Angeles via CA Highway 14 and Metrolink trains.<sup>35</sup> The commute can be over two hours, with much traffic and the creation of abundant GHGs.<sup>36 37</sup> Other remote county communities are currently being proposed (e.g. the Tejon Ranch development).<sup>38</sup> The commonly missing links in such proposals are efficient transportation to the developed areas of Los Angeles.

## Near Acceptance

Any proposed project, including housing, near the developed parts of Los Angeles County usually arouses opposition from local residents who feel they may be negatively affected. This reaction has been somewhat derisively referred to as “Not in My Backyard” or by the acronym, “NIMBY.”

These reactions may be well-founded. Developers’ exploitations of communities are not unknown. Contributions to elected officials create the appearance that development policy is shaped to benefit the contributors.<sup>39</sup>

## Early Purchase and Reservation for Housing

This is a possible long term approach to securing housing sites advantageously. When a transportation authority (e.g. METRO) defines a major expansion of its transport network,

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<sup>35</sup> <https://www.nerdwallet.com/blog/.../worst-commutes-los-angeles-insurance-gas-time/>

<sup>36</sup> There is a more efficient Metrolink alternative to commute by personal automobile. Transit time is still long, however.

<sup>37</sup> There is a more efficient Metrolink alternative to commute by personal automobile; however, transit time is long.

<sup>38</sup> [tejonranch.com/the-company/the-ranch/real-estate-development/](http://tejonranch.com/the-company/the-ranch/real-estate-development/)

<sup>39</sup> <http://www.citywatchla.com/...la.../12194-koreatown-skyscraper-another-pay-to-play-deal-a...>

adjoining properties become more valuable.<sup>40</sup> While this can work against siting low cost housing near an existing transit terminal, the preemptive acquisition of nearby property can reserve it for affordable housing at a lower purchase price. If the purchase is made very early with respect to the eventual transport facility development, the land may be temporarily leased for low value usage until the housing is developed.<sup>41</sup>

There are many ways of leveraging the increasing value of an acquired site to underwrite subsequent low cost housing development. As an example, some part of the site could be sold at increased market prices for development with the funds used to pay for the affordable housing in the remainder of the site.

## Infill

Infill is the creation of increased housing density by building new housing in available spaces in previously developed areas. Targeted spaces for infill include additions on existing single family residence lots. These are referred to as Auxiliary Dwelling Units (ADUs),<sup>42</sup> informally known as “granny flats.” There is also the conversion of larger lots to multiple single family residences lots (small lot residences).<sup>43</sup> Infill is recognized as a valuable approach to increasing affordable housing in developed, desirable areas. However, estimates show that the quantity of potential new residences is limited.<sup>44</sup> Infill alone cannot totally overcome the affordable housing crisis.

The State of California has acted in support of ADUs, by passing a recent law making them easier to approve in communities throughout the state.<sup>45</sup> The law says that for all cities in the State that have not adopted local ordinances about ADUs, an ADU proposal must be accepted “ministerially” by the local building department. The proposed ADU must meet all applicable building codes and there are some limits as to size. The ADU cannot be a separate residence or be sold separately from the main structures on the hosting lot. The communities of the County can exploit the ADU law in increasing affordable housing.

The City of Los Angeles has proposed a “small lot” ordinance.<sup>46</sup> If this is adopted it will permit the placement of several single family residences on what had been a single property lot. The ordinance recognizes that some standard requirements for single family residences on normal lots should be eased to enable the compactness of the resulting homes. No significant building code/safety issues may be compromised in the structures.

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<sup>40</sup> [www.reconnectingamerica.org/assets/Uploads/cpatransport2.pdf](http://www.reconnectingamerica.org/assets/Uploads/cpatransport2.pdf)

<sup>41</sup> Note: This is similar to the real estate investment approach called “land banking”.

<sup>42</sup> <https://accessorydwellings.org/what-adus-are-and-why-people-build-them/>

<sup>43</sup> <http://la.curbed.com/2016/10/21/13361926/small-lot-subdivision-mid-city-for-sale>

<sup>44</sup> [www.mckinsey.com/.../mckinsey/.../closing%20californias%20housing%20gap/mgi-c...](http://www.mckinsey.com/.../mckinsey/.../closing%20californias%20housing%20gap/mgi-c...)

<sup>45</sup> [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id...](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id...)

<sup>46</sup> [planning.lacity.org/ordinances/docs/smalllot/CodeAmendment/SummarySheet.pdf](http://planning.lacity.org/ordinances/docs/smalllot/CodeAmendment/SummarySheet.pdf)

## High Density

Housing developed with increased density, more units within a given footprint, decreases the per unit land costs which is key in desirable locations. Higher density also encourages efficiency both at the time of construction and in use.<sup>47</sup>

Common methods for achieving high density are well understood. Smaller units allow more units in any size structure. Multi-story structures increase density. Building code requirements for excessive parking space per unit work against higher densities.<sup>48</sup>

Achieving higher density housing requires support by the necessary infrastructure. Water, sewer, electrical power, waste management, and safety systems all have to be sized for higher density.

## Financial Approaches to Increased Affordable Housing

There are a set of approaches to increasing affordable housing that leverage private housing financing with publicly sourced funding. Public subsidies for privately developed projects in exchange for restricted rents are one example.<sup>49</sup> There are provisions to avoid taxes by donating to projects dedicated to affordable development.<sup>50</sup> Another financial approach is providing publicly insured, lower interest loans and lower down payment requirements to families that cannot afford a “normal” mortgage.<sup>51</sup> For renters, Section 8 programs provide recurring rent subsidies to qualified low income families or individuals.<sup>52</sup> This subsidy pays the portion of rent that is over 30% of family income.

These financially-based approaches have been employed for some time but have not decreased the affordable housing shortage. They could be expanded, given the necessary funding.

By participating in the housing marketplace these approaches support, not control, increasing housing costs. A Section 8 rental is still rented at market rates; a lower cost mortgage still pays market rates for the property it is used to buy.<sup>53</sup>

## Alternative Lower Cost New Housing Approaches

There are many ideas for producing lower cost housing. The CGJ has investigated several of these. The CGJ observed one approach in detail that was being built during our investigation; a container-based, multi-unit facility which is described in Appendix 1.

From its investigations, the CGJ has identified four general approaches that appear to have significant advantages for new affordable housing. They are described below:

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<sup>47</sup> <https://www.theguardian.com> › Environment › Planning policy

<sup>48</sup> <https://www.planning.org/pas/reports/report214.htm>

<sup>49</sup> Interview with Community Housing Development Commission

<sup>50</sup> [www.treasurer.ca.gov/ctcac/program.pdf](http://www.treasurer.ca.gov/ctcac/program.pdf)

<sup>51</sup> [https://en.wikipedia.org/wiki/FHA\\_insured\\_loan](https://en.wikipedia.org/wiki/FHA_insured_loan)

<sup>52</sup> [https://portal.hud.gov/hudportal/HUD/.../housing\\_choice\\_voucher\\_program\\_section\\_8](https://portal.hud.gov/hudportal/HUD/.../housing_choice_voucher_program_section_8)

<sup>53</sup> <https://catalog.data.gov/.../fair-market-rents-for-the-section-8-housing-assistance-pay...>

## House Parks

The “house park” concept is similar to a mobile home park with a higher quality design aesthetic. It is composed of a number of small sites that provide standardized utility hook ups, an address, and access. Each site could be populated with any of several types of the housing alternatives – container-based, tiny, yurt, manufactured, mobile, even co-housing, etc. The individual sites would be complemented by a large amount of shared open space allowing the overall feel of the park to be open, not crowded. A “house park” would probably need to be sited in an undeveloped area. Density could be reasonably high. Standardized hook ups are the critical enablers for a house park. Sites in a house park could either be owned or rented, depending on agreements.

## Manufactured Housing (mobile homes)

The modern mobile home is an outstanding example of providing a habitable structure at a low cost.<sup>54</sup> There is a functional marketplace assuring competition in pricing and identifiable equity. The structures are certified by FHA as appropriate for loan guarantees, providing assurance of a suitable level of quality and avoiding local inspections.<sup>55</sup> Mobile homes are factory manufactured in quantity achieving manufactured housing benefits. Because mobile homes exist in relatively large quantities, specific financing is available for them. Relatively low cost, low down, and low monthly payments for purchase are possible. Rapid delivery and low set up labor costs are also properties of mobile homes.<sup>56</sup>

A drawback for our purposes of mobile homes are that they do not support the highest possible densities because they are not designed to be stacked. The County is large and there remain substantial open areas which are appropriate for mobile home sites. Unfortunately, these sites are away from already developed areas. Efficient transit links need to be considered as a part of the design of a new mobile home community.

## High Density, Multi-Family, Manufactured Housing

This concept combines the high density of a multi-unit structure with the advantages of factory manufacturing. This is a good choice for siting in a developed, desirable area where per unit land cost needs to be reduced. The on-site assembly labor can be minimized at the design stage. It would be advantageous if the same design could be replicated at several sites, achieving a quantity based cost reduction at the factory. The Star Apartments complex in Los Angeles is a partial example of this.<sup>57</sup>

## Affordable Housing Community Design Competition

A device frequently used to elicit a variety of innovative design approaches is a competition for designs that meet certain design targets. This approach may be applied to the County’s affordable housing crisis. In this case the design target might be a complete, affordable

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<sup>54</sup> <https://thehomeoutletaz.com/>

<sup>55</sup> [https://www.fha.com/fha\\_article?id=209](https://www.fha.com/fha_article?id=209)

<sup>56</sup> <http://www.nolo.com/legal-encyclopedia/buying-mobile-home-instead-regular-home-pros-cons.html>

<sup>57</sup> [skidrow.org/buildings/star-apartments/](http://skidrow.org/buildings/star-apartments/)

community. A competition may provide a high benefit-to-cost ratio since outcomes are conceptual representations, not actual builds. A competition would signal the County's advocacy for innovations targeting affordable housing. In the best cases, competitors may find their concepts realized in actual builds.

### **Interests Opposed to Aggressive Affordable Housing Expansion**

What about "Not in My Backyard" situations?

A significant part of the affordable housing shortage now being faced originated in "Not in My Backyard" (NIMBY) reactions. Original planning and zoning typically provided for significantly higher density development than has been achieved. Examining how this downzoning has occurred, community members raised objections to proposed planning/zoning. They specifically objected to dense, multifamily housing. These objections succeeded in reducing zoning density.<sup>58</sup> This process has occurred in almost every community of the County.<sup>59</sup>

Housing advocates have suggested that an advertising/education campaign that identifies the housing shortage as "everybody's problem" could be created.<sup>60</sup> In order to rebalance the public's concepts on housing approaches and obligations, an educational program seems appropriate.

Recently, a California State law was proposed which required municipalities that fall behind housing allocations lift restrictions that are slowing housing production.<sup>61</sup> This is an aggressive approach to affordable housing development.

Another movement that has recently favored affordable housing development in the County is the decisive actions to deal with the homeless population, particularly families with children, and veterans. This public attitude may be extendable to further support for affordable housing.

### **Current Housing Investments**

If a rapid affordable housing expansion occurs, housing prices could be stabilized. This could mean that prices stop rising or slightly decline. This reduces expected returns on private housing investments. Opposition can be expected from those who have made investments based on the assumption of continued price growth. Beside developers and landlords, every homeowner is affected. This is a powerful interest group who may oppose rapid affordable housing development.

Anecdotally, some suggest asking if the children of current homeowners could afford to live in Los Angeles County. Invariably, the answer is "No!" This may be a basis of enlarging the scope of concerns for homeowners to encompass the greater County community.<sup>62</sup>

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<sup>58</sup> [blogs.anderson.ucla.edu/.../the-real-deal-from-downzoning-to-community-plans-stalle...](http://blogs.anderson.ucla.edu/.../the-real-deal-from-downzoning-to-community-plans-stalle...)

<sup>59</sup> [www.laweekly.com/news/2016-the-year-of-the-nimby-7742914](http://www.laweekly.com/news/2016-the-year-of-the-nimby-7742914)

<sup>60</sup> <http://www.flhousing.org/wp-content/uploads/2012/07/NIMBYism-Overcoming-Community-Opposition-to-Affordable-Housing.pdf>

<sup>61</sup> [www.latimes.com/.../la-pol-ca-essential-politics-updates-california-cities-will-have-to-...](http://www.latimes.com/.../la-pol-ca-essential-politics-updates-california-cities-will-have-to-...)

<sup>62</sup> SCAG Housing Summit Keynote Address

## Misuse of California Environmental Quality Act (CEQA)

It is appropriate to consider the environmental impacts of any development in the State. CEQA has been frequently misappropriated to either delay or stop developments for “Not in My Backyard” objectives.<sup>63</sup> This misuse has been recognized by the Governor of California who has proposed a requirement to complete all CEQA actions within 90 days of report issuance.<sup>64</sup> It is unknown whether this approach is effective.

## Conversions to Short Term Rentals

A new force in the real estate marketplace is the internet-enabled access to rentals of private housing for short terms by AIRBnB™, et al.<sup>65</sup> Short-term rentals range from a single room to an entire house. In some cases the additional income may allow AIRBnB™ hosts to remain in housing that they could not otherwise afford.<sup>66</sup> In other cases, the short term rental model can encourage real estate speculative activity.

The short-term rental model could divert large numbers of housing stock to rental usage if it provides higher profit. Available housing would be reduced, further raising housing prices.<sup>67</sup>

To avoid hotel-like usage of housing, local ordinances have been written to restrict or forbid use of housing for short term usage. AIRBnB™ has aggressively attacked some of these ordinances in court.<sup>68</sup> Relevant cases are in process.

## III METHODOLOGY

### Seminar:

Attendance at one-day seminar, “The Cost of Not Housing”, sponsored by Southern California Association of Governments (SCAG), October 2016.

### Tours/Visits:

American Family Housing, Midway City, CA  
Community Development Commission /Housing Authority  
Growth Point Structure, Los Angeles, CA

### Media:

Numerous websites (see footnotes)

Other pamphlets and newspaper articles (see footnotes)

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<sup>63</sup> [www.planningreport.com/.../new-ceqa-study-reveals-widespread-abuse-legal-process-...](http://www.planningreport.com/.../new-ceqa-study-reveals-widespread-abuse-legal-process-...)

<sup>64</sup> [www.latimes.com/opinion.../la-ed-brown-affordable-housing-20160527-snap-story.h...](http://www.latimes.com/opinion.../la-ed-brown-affordable-housing-20160527-snap-story.h...)

<sup>65</sup> <https://www.airbnb.com> › United States › California › Los Angeles

<sup>66</sup> [www.latimes.com/local/lanow/la-me-ln-airbnb-rentals-20160623-snap-story.html](http://www.latimes.com/local/lanow/la-me-ln-airbnb-rentals-20160623-snap-story.html)

<sup>67</sup> [realestate.usnews.com/real.../whats-causing-the-housing-shortage-in-your-hometown/](http://realestate.usnews.com/real.../whats-causing-the-housing-shortage-in-your-hometown/)

<sup>68</sup> [www.latimes.com/.../la-fi-airbnb-lawsuit-santa-monica-20160903-snap-story.html](http://www.latimes.com/.../la-fi-airbnb-lawsuit-santa-monica-20160903-snap-story.html)

## IV FINDINGS

1. The affordable housing shortage is a crisis that affects all residents in the County of Los Angeles

The majority of County residents are negatively affected by the current gross housing shortage. These range from the 47,000 homeless people to wage earners who must spend an unaffordable 60+% of their incomes on housing to the 1.6M people currently without suitable housing to professionals who compromise their spending priorities to work in the County of Los Angeles.

2. Existing approaches are expanding housing stock but have proven inadequate.

The following approaches to creating new housing have been tried but are not adequate for correcting the County housing shortage: Private housing developments, subsidized housing developments, public housing stock, subsidized rent, and affordable unit set asides.

3. Negative repercussions from the affordable housing crisis on the County's economy are already present and are likely to increase without corrective action.<sup>69</sup>

Talented workers, particularly the young, cannot afford to work in the County of Los Angeles. Businesses must consider worker's wages burdened by high rents before choosing the County as a location. Some people with jobs must commute unreasonable distances to afford a residence. High housing costs created by the housing shortage are preventing the optimum economic development for the County.

4. The "housing first" paradigm may be extended and improved by adding a "shelter first/housing next" component.

A commitment to humane, safe, and temporary shelter for all those who would otherwise be "homeless" can be an effective and economical precursor to the County's praiseworthy "housing first" commitment.

5. Interests opposed to a housing supply expansion are powerful and are culturally and financially motivated.<sup>70</sup>

To correct the housing shortage, NIMBY-ism, unrestricted short term housing, real estate investors, established homeowners, etc., all must be addressed.

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<sup>69</sup> <http://www.latimes.com/business/la-fi-california-growth-nation-20160927-snap-story.html>

<sup>70</sup> <http://uccs.ucdavis.edu/uccs-crre-housing-policy-brief-white-paper>

6. There are a number of alternative approaches for new housing that promise high quality at lower cost.

While the CGJ has examined some of these here, there are probably many more that deserve evaluation in curing the housing shortage. An “everything is on the table” attitude would allow the best approaches to be rationally selected for replication.

7. The California Environmental Quality Act (CEQA) has been misused as a tool for NIMBY purposes.

CEQA is good and necessary but can probably be improved to provide its intended purpose without some of the unintended uses it has spawned.

8. Short-term rentals are increasing the housing shortage.

Without restrictions, the AIRBnB™ business model is one more way to reduce housing stock. With appropriate restrictions, it can help stressed homeowners stay in place. It would be even better if the same units were used as permanent housing infill.

## **V RECOMMENDATIONS**

The 2016-2017 Los Angeles County Civil Grand Jury recommends the following:

1. The County of Los Angeles Board of Supervisors should formally declare the Los Angeles County housing shortage a crisis.
2. The City of Los Angeles Mayor and City Council, should formally declare that the Los Angeles City housing shortage is a crisis.
3. The County of Los Angeles Board of Supervisors should form a County-wide Affordable Housing Crisis Joint Powers Authority (AHCJPA) as follows:
  - a. The AHCJPA is charged to increase the affordable housing stock in the County as rapidly as possible.
  - b. The AHCJPA will define methods and plans to achieve 3.a.
  - c. The AHCJPA has the authority within the participating jurisdictions to implement the measures necessary to achieve 3.a.
  - d. The current Community Development Commission/Housing Authority is folded into the AHCJPA to provide initial staffing and apply their experience. The AHCJPA may consider launching an affordable communities design competition, encouraging the exploration of a wide variety of lower cost building approaches and arrangements including House Parks and multi-family manufactured housing.
  - e. AHCJPA may restrict, by law, conversion of housing to short term rentals.
4. The County of Los Angeles Board of Supervisors should adopt a “shelter first/housing next” extension to “housing first” paradigm to speed eliminating street homelessness.

5. The City of Los Angeles Mayor and City Council should adopt a “shelter first/housing next” extension to the “housing first” paradigm to speed eliminating street homelessness.
6. The County of Los Angeles Board of Supervisors should develop a plan to educate/incentivize against “NIMBY – ism.”
7. The County of Los Angeles Board of Supervisors should consider early purchase of land around proposed transport facilities, as defined by METRO, to reserve it for affordable housing.
8. The County of Los Angeles Board of Supervisors should lobby the California State Governor and Legislature to prevent the misuse of CEQA to delay and kill projects beyond its legitimate purpose.
9. The County of Los Angeles Board of Supervisors should restrict, by law, conversion of housing to short term rentals.
10. The City of Los Angeles should restrict, by law, conversion of housing to short term rentals.

## VI REQUIRED RESPONSES

California Penal Code Sections 933(c) and 933.05 require a written response to all recommendations contained in this report. Responses shall be made no later than ninety (90) days after the Civil Grand Jury publishes its report and files it with the Clerk of the Court. Responses shall be made in accord with Penal Code Sections 933.05 (a) and (b).

All responses to the recommendations of the 2016-2017 Civil Grand Jury must be submitted on or before September 30, 2017, to:

Presiding Judge  
 Los Angeles County Superior Court  
 Clara Shortridge Foltz Criminal Justice Center  
 210 West Temple Street  
 Eleventh Floor-Room 11-506  
 Los Angeles, CA 90012

Responses to the recommendations above are requested from the following:

<b>Responding Agency</b>	<b>Recommendations</b>
The County of Los Angeles Board of Supervisors	1.1, 1.3, 1.4, 1.6, 1.7, 1.8, 1.9
City of Los Angeles Mayor	1.2, 1.5, 1.10
Los Angeles City Council	1.2, 1.5, 1.10

## **VII ACRONYMS**

<b>AHCJPA</b>	Affordable Housing Crisis Joint Powers Authority
<b>AIRBnB™</b>	AIRBnB™, Inc. the company
<b>BOS</b>	County of Los Angeles Board of Supervisors
<b>CEQA</b>	California Environmental Quality Act
<b>GHGs</b>	Greenhouse Gases
<b>NIMBY</b>	“Not in My BackYard”
<b>SCAG</b>	Southern California Association of Governments
<b>TEU</b>	Twenty-Foot Equivalent Unit

## **VIII COMMITTEE MEMBERS**

Douglas Benedict      Chair  
Alice Beener  
Gerard Duiker  
Faramarz Taheri

## **APPENDIX 1: SHIPPING CONTAINERS REBORN**

This technique for housing construction employs the use of standardized shipping containers. Invented by Malcom McLean in 1956, these are designed to withstand the harsh rigors of shipping.<sup>71</sup> They are inherently strong and built to last.

There is an excess of empty containers in Los Angeles ports. In February, 2017 there were 143.6 thousand more Twenty-Foot Equivalent Units<sup>72</sup> imported into the Port of Los Angeles than were shipped out.<sup>73</sup>

The excess can be reused for housing construction! A patent was issued in 1987 to Phillip C. Clark for conversion of containers into habitable buildings.<sup>74</sup> They can be adapted and assembled into quality housing structures.

Potter's Lane (see picture below), funded by American Family Housing,<sup>75</sup> is comprised of sixteen 480 square foot units located in northern Orange County. The two story structure is built by assembling groups of modified shipping containers. The containers are modified at the Los Angeles factory of Growth Point Solutions.<sup>76</sup> They are shipped from the factory to the build site on trucks and placed on prepared foundations by cranes. The sections are then "fastened" together, either by welding or with bolts. Specific exterior design features are added on-site to complete the build.



<sup>71</sup> [www.containerhomeplans.org/2015/03/a-complete-history-of-the-shipping-container/](http://www.containerhomeplans.org/2015/03/a-complete-history-of-the-shipping-container/)

<sup>72</sup> Note: TEUs- international standard for measuring container-based shipping volume- (1) TEU is 20' long by 8' wide by 8.5' high for 1,360 cubic feet volume.

<sup>73</sup> <https://www.portoflosangeles.org/maritime/stats.asp>

<sup>74</sup> <http://boxmanstudios.com/blog/industry-knowledge/a-short-history-of-shipping-container-architecture/>

<sup>75</sup> <http://afhusa.org/>

<sup>76</sup> <http://www.growthpointstructures.com/>

Growth Point Solutions has quoted pricing of \$185 per square foot for finished sections at their factory.<sup>77</sup> Finished sections provide everything required including electrical, plumbing, flooring, paint, internal walls and doors, external doors, windows, etc. Because Potter's Lane was a "first" of its kind, lower overall costs can be expected if it were replicated.

On Wednesday, February 8 2017, America Family Housing (AFH) hosted the Grand Opening of Potter's Lane. Quoting Donna Gallup, American Family Home President and CEO:

"This is a model that can be replicated. It's an innovative approach to development because the structures are manufactured off-site while site work is being done. Then the units are delivered to the site and are put together to create housing – shortening the time it would normally take to build a project. The units are designed to be very strong, sustainable, and energy efficient."<sup>78</sup>

Another AFH official has said:

"We will build wherever there is need."<sup>79</sup>

Build completion, despite a steep, "first time" learning curve, had been accomplished on an impressively short schedule.

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<sup>77</sup> Interview at Growth Point Structures

<sup>78</sup> Quote and attribution used by permission.

<sup>79</sup> Interview at American Family Housing office.

# **HIRING ISSUES IN THE CORONER'S OFFICE**



**Joanne Saliba      Chair**  
**Regi Block**  
**Sharon Muravez**