

Preservation in Transit-oriented Districts:

A Study
on the
Need, Priorities, and Tools
in Protecting
Assisted and Unassisted Housing
in the City of Los Angeles
May 2012



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Prepared
for:



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by:



The City of Los Angeles Housing Department (LAHD) is charged with the development of citywide housing policy and supporting safe and livable neighborhoods through the promotion, development and preservation of decent and affordable housing. For more information, visit lahd.lacity.org.

Reconnecting America is a national nonprofit that is helping to transform promising ideas into thriving communities – where transportation choices make it easy to get from place to place, where businesses flourish, and where people from all walks of life can afford to live, work and visit. At Reconnecting America we not only develop research and innovative public policy, we also build the on-the-ground partnerships and convene the players necessary to accelerate decision-making. For more information, visit www.reconnectingamerica.org.

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Glossary of Key Terms

At-Risk Units: Units that are income-restricted, but whose primary source income restrictions (rental covenant, rental subsidy, other funding source) are set to terminate between 2012 and 2017. A majority of the properties tracked through this inventory have multiple sources of funding, however, are accounted for only by their primary, most restrictive source of affordability.

BRT (Bus Rapid Transit): A public transit bus that operates on its own dedicated guideway, which no other vehicles can utilize. For example, the Orange Line or Silver Streak buses in Los Angeles are considered BRT.

Half-Mile Radius: The geography that is a half-mile, as the crow flies, from a rail or BRT station. This is often used as a proxy for a 10-minute walk, or the farthest that the typical American will walk to/from a transit station.

Measure R: A 2008 referendum approved by voters in Los Angeles County to add a one cent sales tax for transportation improvements. As a result of Measure R and previous ballot initiatives, Los Angeles County voters pay 1.5 cents towards transportation. Through this initiative, Los Angeles County will essentially double the size of its rail and BRT system by 2030, representing the largest current transit expansion in the country.

RSO (Rent Stabilization Ordinance): The Rent Stabilization Ordinance was passed in 1979 by the City Council and covers “dwelling units, suites, condominiums, duplexes, guest rooms, mobile homes, mobile home pads, and rooms in a hotel, motel, rooming house or boarding house occupied by the same tenant for more than 30 consecutive days in the City of Los Angeles”. The RSO covers units that were permitted for occupancy prior to October 1, 1978 (for mobile homes up until 1986). It does not cover new construction or single-family homes. The RSO limits rent increases to three (3%) to eight (8%) every 12 months in accordance with the annual rent increase percentage, which is based on the Consumer Price Index (CPI) average for the twelve (12) month period ending September 30 of each year with allowances for additional increases in cases where the landlord pays all utilities or if an additional tenant moves into the unit. When a tenant leaves a rental unit the landlord can then charge market price for the unit but yearly rent increases are subsequently limited to an allowable rent increase for the year. All landlords are required to register their rental units with the City.

Rapid Bus: Metro-operated buses in Los Angeles County that run every 10 minutes or less and stops that are spaced more widely apart to reduce travel time. The term “rapid bus” in this report generally refers to the Venice Blvd. bus route, which runs every 5 to 7 minutes during rush hour. As a note, a frequency of 15 minutes or less is considered a “high quality” transit route by national standards.

Station Area: Generally, the area within walking distance of a rail or BRT station. This is often defined as the half-mile radius surrounding a rail or BRT station.

Transit: For the purposes of this study, this term shall be read as shorthand for “public transit”.

Transit-Oriented Districts (TOD): The integration of planning and investments within walking distance of a major fixed-guideway (i.e. light rail or bus rapid transit) stop, often defined as a quarter or half mile. In this report, TOD also refers to clusters of station areas defined for preservation. The premise behind TOD is that a high quality, predictable transit service that

connects to major destinations will enable all families and workers to take transit more and own fewer cars. TOD is not a “one-size-fits-all” proposition, where a specific density or mix of land uses is needed to achieve these benefits. Successful TOD can include compact single-family homes, mid-rise apartments, office towers, or any combination of these uses, but often incorporates retail and services that enable local families or workers to fulfill daily needs by walking or biking.

Transit-Oriented Development: A term often used nationally to refer to transit-oriented districts. However, the term “transit-oriented development” in this report is used to refer to the development of new housing, mixed-use, or commercial projects near transit. Since many of Los Angeles’ station areas are already largely built out, achieving the benefits associated with transit-oriented districts will rely more on reinforcing existing neighborhoods with new coordinated investments in amenities, connectivity, community development, and housing preservation. Development will be one small strategy needed to achieve the benefits of TOD.

Executive Summary

Los Angeles is transforming our future by investing in the largest transit expansion in the United States. By the end of 2012, the City alone will have 71 operating light rail or bus rapid transit stations, with dozens more in nearby communities throughout the county. Planned Measure R investments will add another 42 stations to the City, for a total of 113 stations in 30 years. These plans could happen instead within a quick, ten year time frame if the federal government approves America Fast Forward, bringing thousands of new transit construction and operations jobs to the City and connecting over 1.2 million existing jobs to high quality, fixed-guideway transit rich areas.

Ensuring that all of our families and workers are able to continue to live and work in our most transit rich neighborhoods is a key priority of the City of Los Angeles Housing Department (LAHD). One way to achieve this goal is to preserve existing affordable and rent stabilization ordinance-subject housing opportunities near transit.

Preserving Affordable Housing Near Transit is Important Because:

- **Our economic competitiveness relies on offering housing for workers of all incomes.** The majority of workers in the City's major job centers do not have a college degree. In fact, 70% of Downtown Los Angeles workers have an Associate's Degree or less. And about 60% of jobs in our fastest growing sector – Health Services – require less education than a bachelor's degree. Many of these jobs will be filled by low- and moderate-income workers. Further, many of the City's critical workforce development institutions such as Los Angeles Trade Technical, Los Angeles City, Los Angeles Valley and Pierce Colleges, are located along the transit system, offering a built-in opportunity to connect low-income workers to better job opportunities through training and education.
- **Low- and moderate-income workers support a successful transit system.** Approximately 70% of workers who commute by transit earn less than \$25,000 a year. Nearly one in five workers earning less than \$25,000 in annual pay, take transit to work. If these workers are unable to afford to live near transit in the City, the transit system suffers, and our most vulnerable, transit-dependent residents will have an even more difficult time accessing jobs affordably.
- **An opportunity exists today that might not exist tomorrow.** Today, the City's most transit-rich neighborhoods house a high percentage of low and moderate-income residents. These residents are able to take advantage of the many benefits that have been discussed. However there is concern that as transit catalyzes reinvestment in these core, transit-rich neighborhoods, lower income residents and workers might be displaced to areas with fewer transportation choices.
- **More so than ever before or ever again, the City's affordable housing stock is at risk.** Nearly 15,000 income-restricted units have covenants, rental assistance contracts, mortgages, or other time-limited affordability requirements that will expire or are at risk of being terminated between 2012 and 2017. While many property owners will choose to continue to serve low- and moderate-income residents with below market rents, the temptation of rising rental prices near some station areas may be too great to resist. Preserving these units to-

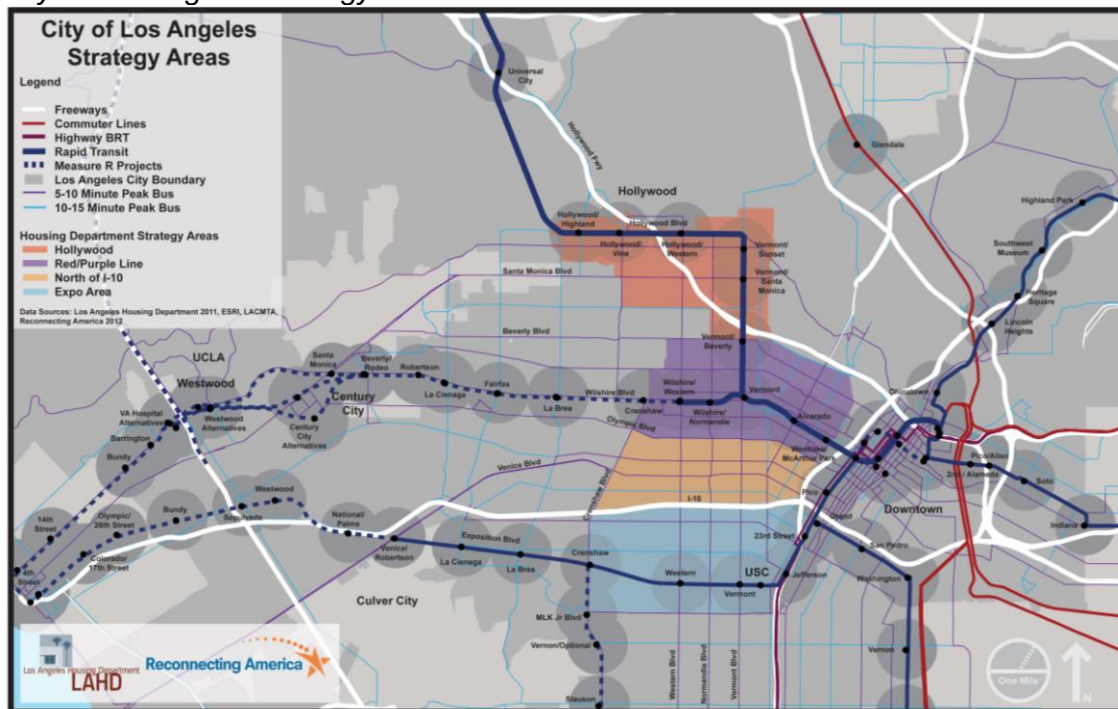
day will be substantially more cost effective and energy efficient than having to replace them with new affordable housing stock tomorrow.

Priority Transit-Oriented Districts for Preservation, 2012-2017

Given the deep need for the preservation of affordable housing in the City, the many economic, social, environmental, and health related benefits offered in transit-rich locations, and the dauntingly large number of station areas in the City, this study focused on defining a limited number of transit-oriented districts with the greatest need and opportunity for preservation of affordable and vulnerable housing over the next five years. To do so, the Los Angeles Housing Department and Reconnecting America conducted a data- and mapping-intensive analysis of demographic, economic, and transportation-related conditions at all existing and planned Measure R station areas throughout the City. Factors evaluated include:

- Median Household Income
- Percent of Renter-Occupied Households
- Potential Change in Market Strength Resulting from:
 - Proximity to Major Job Centers
 - Areas with Lower Transportation Costs
 - Rising Property Values
 - Transit Access to Downtown Los Angeles and Westwood Resulting from Measure R Investments
 - Historic Neighborhood Character (age of buildings)
- Vulnerability of Housing Stock:
 - Concentration of Income-Restricted, At-Risk Units
 - Concentration of Larger Buildings Subject to the Rent Stabilization Ordinance
 - Concentration of Smaller Buildings Subject to the Rent Stabilization Ordinance

City of Los Angeles Strategy Areas



Based on the evaluation of these factors, four existing transit-oriented districts were selected as areas of focus for preservation activities over the next five years. Specifically, these areas exhi-

bited the higher confluence of vulnerability factors. Where other geographies in proximity to transit investment are also subject to market pressures, the four districts in Figure 1 have the higher concentration of combined factors today.. These include station area clusters along the Red Line, Purple Line, Venice Blvd. Central L.A Rapid Bus corridor (North of I-10), and Expo Line.

Developing Coordinated Strategies for Preservation

It is important to identify ways in which the City and key partners can work together to prioritize the preservation of units in these geographies, develop pilot, coordinated strategies that can be evaluated and later applied in areas facing similar issues in the future. Addressing preservation issues in these areas can stave off the potential loss of a significant share of the City's affordable housing stock, but also possibly offer some opportunities to get ahead of the market and acquire key transit-rich properties for long-term preservation or development.

There are several possible next steps to address preservation in these four areas, including but not limited to:

- Coordinating existing tools to move proactively and aggressively in preserving buildings
- Anticipating property owner behavior, and focus outreach to owners and tenants
- Conduct pilot assessments for development and deployment of new tools

A next step for preservation stakeholders is to define the specific types of tools that need to be coordinated within each area, and to identify gaps that new tools or policies could address.

To delve more specifically into the types of possible strategies to be coordinated and deployed throughout these adjoining areas, it is important to have a deeper understanding of the actual risks of potential loss of affordable units. These risks vary based on the characteristics of the affordable and rent-stabilized housing stock. For example:

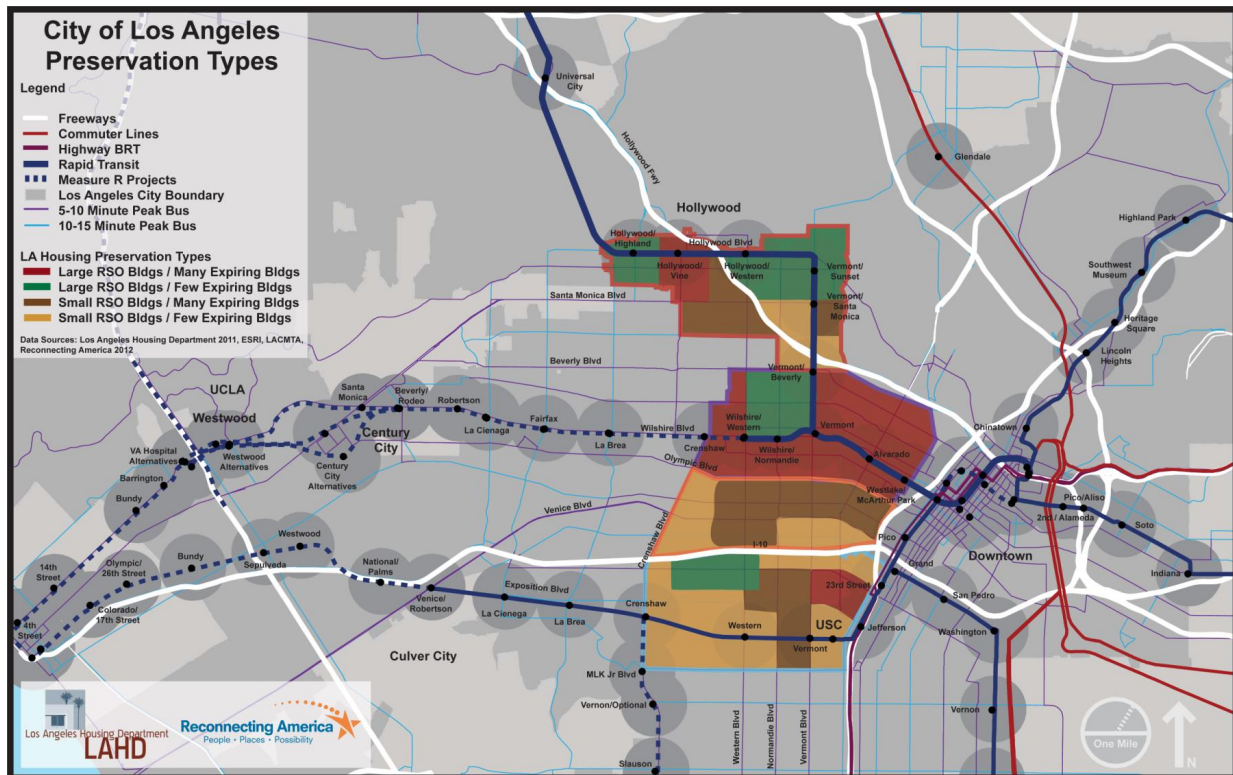
- **Affordable units with expiring restrictions** could potentially be removed from the City's affordable and rent stabilized housing stock, depending on a number of factors including the remaining term of rental subsidies and/or restrictions, current funding structures, property size, property ownership (non-profit, private for-profit, etc.), and rental market;
- **Any rental property on a parcel larger than ¼ to ½ acre** may be a potential site for tear-down and redevelopment of buildings, which would not be subject to the Rent Stabilization Ordinance (RSO); property owners that demolish RSO units and build replacement rental housing within five years of the demolition are required to register the new units with the RSO. The landlord may set the initial rent on these units, but all subsequent increases are subject to the RSO's annual percentage. Any demolition or redevelopment that takes place after five years would not be subject to the RSO.
- **Large RSO-Subject properties with 50 units or more** demonstrate an elevated possibility of removal from the rent stabilized stock. Also, these properties more easily meet the typical minimum standard to be (re)capitalized for a loan.
- **Small RSO-Subject properties (approximately 5 units or fewer)** are more likely to be owned and operated by property owners who are not professional property managers (i.e. "mom and pop" landlords). Owners of smaller properties are more likely to be uninformed about the City's Rent Stabilization Ordinance rights and responsibilities. These types of properties also more frequently building code violations.

Different geographies within priority transit-oriented districts have a unique mix of these types of vulnerable housing units. These geographies (see the figure below) have been divided into four "preservation types" based on the concentration of affordable at-risk properties, the presence of

large RSO buildings and small RSO buildings to reflect the different types of vulnerability described above.

1. Areas with **Large RSO Properties, Many Expiring Units** are key targeted areas for financing of property acquisition and preservation because they yield the greatest financial opportunities.
2. Areas with **Large RSO Properties, Few Expiring Units** may also be key targets for preservation through property acquisition; these could be more reliant upon limited, local funding sources (e.g. the Affordable Housing Trust Fund).
3. Areas with **Small RSO Properties, Many Expiring Units** will require the most hybridized set of preservation strategies, such as property acquisition and outreach/enforcement related activities. This combination becomes important as market strength changes in these neighborhoods; redoubled tenant outreach efforts may help prevent both building code and RSO violations if property owners attempt to evict tenants without just cause.
4. Areas with **Small RSO Properties, Few Expiring Units** will be priorities for tenant and property owner outreach and enforcement. As with the previous type, redoubled tenant outreach efforts may help prevent both building code and RSO violations if property owners attempt to evict tenants without just cause if/when market strength changes.

City of Los Angeles Preservation Types



I. Why Preserve Affordable Housing Near Transit?

INTRODUCTION

Los Angeles is transforming our future by investing in the largest transit expansion in the United States. By the end of 2012, the City alone will have 71 operating light rail or bus rapid transit stations, with dozens more in nearby communities throughout the county. Planned Measure R investments will add another 42 stations to the City, for a total of 113 stations in 30 years. These plans could happen instead within a quick, 10 year time frame if the federal government approves America Fast Forward, bringing thousands of new transit construction and operations jobs to the City and connecting over 1.2 million existing jobs to high quality, fixed-guideway transit.

The City is working as quickly as possible within its existing resources to match this transit expansion with transit-oriented district planning and implementation, to ensure that Angelenos are able to enjoy all of the benefits anticipated with this major transit investment. To accommodate the private investment, economic revitalization, and development that will accompany this unprecedented transit investment, the City is exploring new planning, implementation and coordination strategies that ensure that our neighborhoods are ready to accept and support transit.

Ensuring that all of our families and workers are able to continue to live and work in our most transit-rich neighborhoods is a key priority of the City of Los Angeles' Housing Department. One way to achieve this goal is to preserve existing affordable and rent stabilization ordinance-subject housing opportunities near transit. This study provides a framework for prioritizing areas for preservation based on the anticipated change in market and demographic characteristics resulting from transit investments. This chapter provides empirical evidence showing the need for affordable housing preservation near transit. Chapter II identifies short-term priority districts for preservation, and describes the data-driven approach used to identify these districts. Chapter III provides an overview of the tools and strategies that the Los Angeles Housing Department currently uses to preserve affordable housing, and discusses how these tools might be applied within the priority districts. Chapter IV discusses how affordable housing preservation can be integrated with other tools to achieve transit-oriented districts.

Definition of “Transit-Oriented Districts” or “TOD”

Transit-oriented districts integrate transportation and land use planning and investments in a way that maximizes transportation choices for families and workers and delivers many benefits, including:

- Reduced transportation costs
- Community investment and revitalization
- Improved job access and regional economic competitiveness
- Enhanced community amenities including retail, services, open space, institutional uses
- Less congestion and improved air quality
- Healthier families with reduced obesity rates

Transit-oriented districts are typically planned within walking distance of a major fixed-guideway (i.e. light rail or bus rapid transit) stop, often defined as a quarter or half mile. The premise behind TOD is that a high quality, predictable transit service that connects to major destinations will enable all families and workers to take transit more and own fewer cars. This notion of a

TOD is not a “one-size-fits-all” proposition, where a specific density or mix of land uses is needed to achieve these benefits. Successful TOD can include compact single-family homes, mid-rise apartments, office towers, or any combination of these uses that fits into the context of the surrounding community, but often incorporates retail and services that enable local families or workers to fulfill daily needs by walking or biking.

The term “transit-oriented development” is also often used nationally to refer to the planning needed to achieve the above benefits. However, the term “transit-oriented development” in this instance is used to refer to the development of new housing, mixed-use, or commercial projects near transit. Since many of Los Angeles’ station areas are already largely built out, achieving the benefits associated with transit-oriented districts will rely more on reinforcing existing neighborhoods with new coordinated investments in amenities, connectivity, community development, and housing preservation. Development will be one small strategy needed to achieve the benefits of TOD. Therefore throughout this study, the acronym “TOD” will refer to the larger transit-oriented district, rather than transit-oriented development.

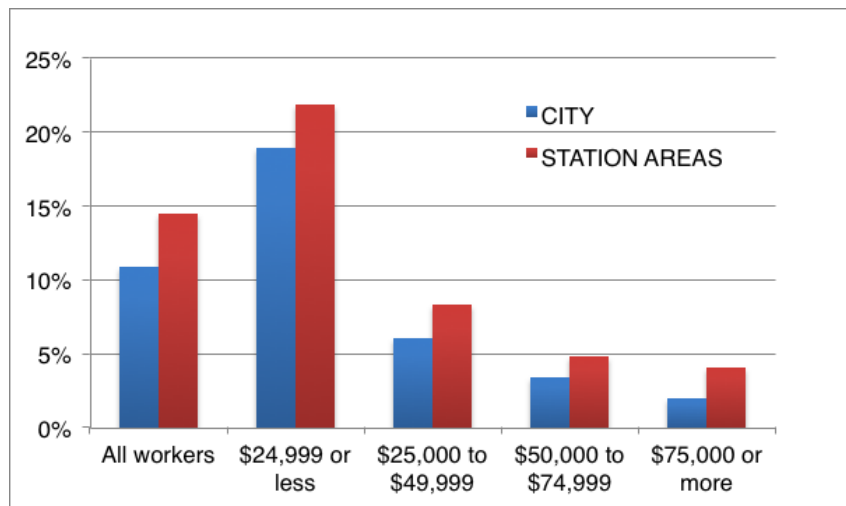
WHY AFFORDABLE HOUSING IN TRANSIT-ORIENTED DISTRICTS?

Ensuring that families of all incomes can live in transit-rich locations is critical to achieving successful TODs in the City of Los Angeles, for a number of reasons:

Job Centers in Los Angeles are Economically Diverse, and Require Workers at All Skill Levels and Incomes.

If transit investments are supposed to increase the region’s economic competitiveness by reducing congestion to major transit-oriented job centers like Downtown Los Angeles and Westwood, then all of the different types of workers in these places must be able to get to them by transit. Even major office-based job centers employ a high share of workers without a college degree. In fact, nearly 70 percent of workers in downtown Los Angeles do not have a college degree.¹ Additionally, health services - the fastest growing sector in Los Angeles County² - employs a high share of workers without a college degree. In the State of

Chart 1: Percent of Workers Taking Transit to Work, by Income¹



¹ U.S. Census, Longitudinal Employer Dynamics data, 2010. Downtown Los Angeles has been defined as Census Tracts 2073.02, 2075.01, 2073.01, 2075.02, 2071.02, 2071.01, 2060.31, 2071.03, 2060.20, 2060.10, 2077.10, 2074, 2063, 2240.10.

² Kyser Center for Economic Research, Los Angeles County Economic Development Corporation, “2012-2013 Economic Forecast and Industry Outlook: California & Southern California Including the National & International Setting,” February 2012.

California, almost two-thirds of health care jobs require some form of on-the-job-training but no advanced degree, and thus qualify as “middle-skill jobs.” Thus, to ensure that our transit system is fully reducing congestion during peak commute hours, neighborhoods near transit will need to continue to offer housing for the full range of workers at all economic and educational levels.

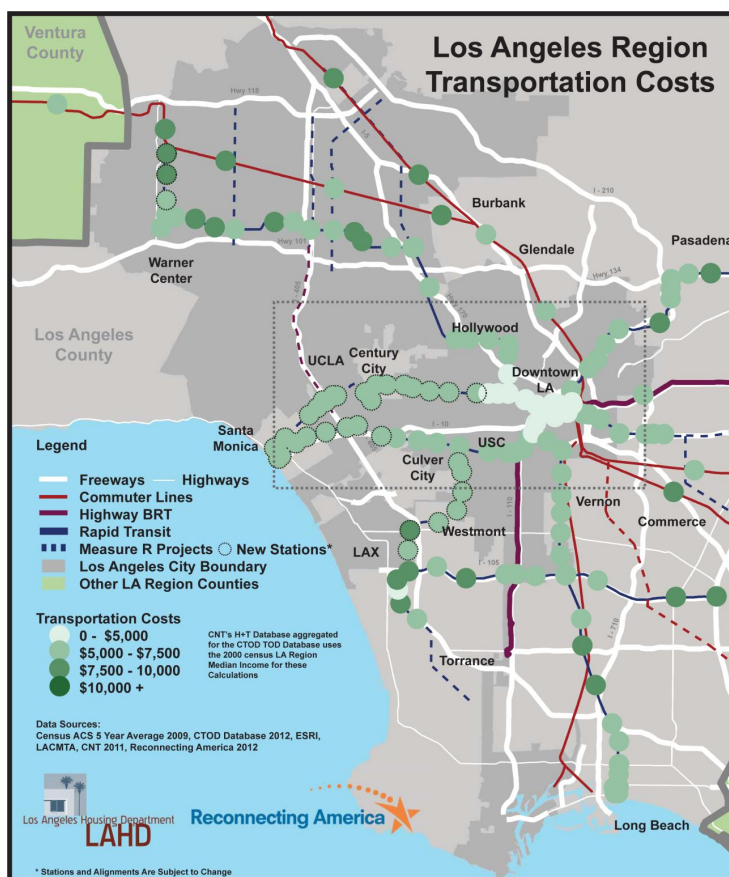
The City’s Low- and Middle-Income Workers Support Strong Ridership on the Transit System. Workers living near transit are more likely to take transit, regardless of income. But in the City of Los Angeles, those earning less than \$25,000 are nearly twice as likely to take transit to work than average (*Chart 1*). In fact, more than three quarters of commuters taking transit to work earn less than \$25,000 in the City of Los Angeles. Thus, ensuring that low-income workers can continue to live near transit will reinforce the success of the City’s transit system through high ridership.

Transit-Rich Locations Offer Affordable Living. The City’s lower income workers who are not able to live near transit could face an economically untenable choice. Los Angeles has one of the highest average transportation costs in the country: whereas the average American family spends 19% of its income on transportation, the average Los Angeles family spends 28% of its income on transportation. But neighborhoods with transportation choices offer Los Angeles residents a choice to spend less on transportation by driving less. *Figure 1* shows that station areas at the core of the City’s light rail and BRT system offer significantly lower than average transportation costs, at \$5,000 per year or less, which equates to about 15% of the City median income.

While the City will continue to make investments that reduce transportation costs at other station areas over the next several decades, those station areas near major job centers will always enjoy lower transportation costs and be key areas for affordable living. Statistical research behind the transportation cost model (H+T® Affordability Index, by the Center for Neighborhood Technology in Chicago)³ shows strong relationships between lower transportation costs and the following neighborhood characteristics, in order of influence:

- Higher residential density
- Higher transit connectivity

Figure 1: Transportation Costs by Station Area



³ For more on the H+T® Affordability Index, please visit <http://htaindex.cnt.org/>.

- Closer proximity to major job centers
- More diverse mix of land uses
- Greater walkability (measured by block size)

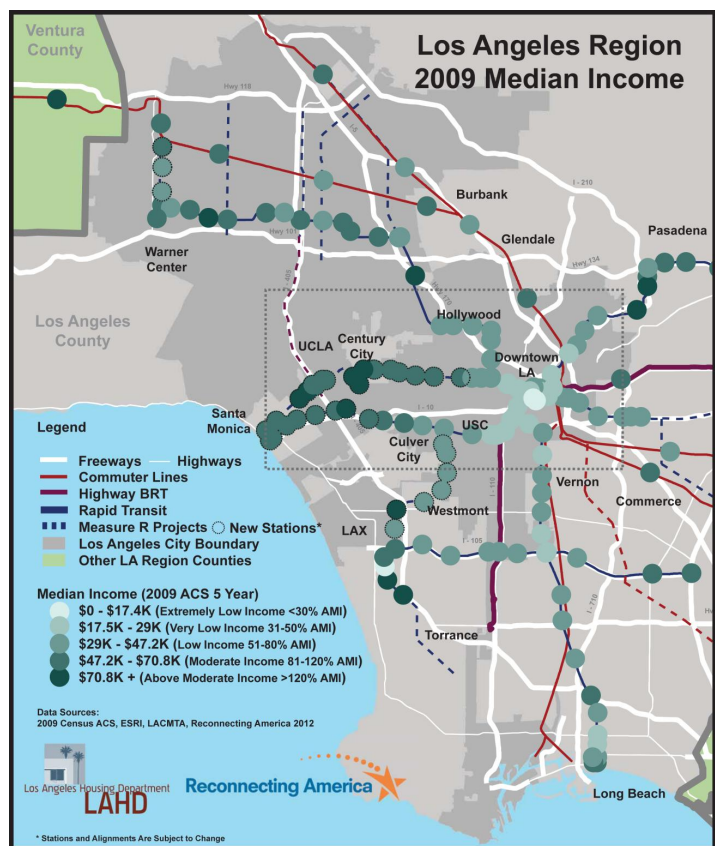
Transit Rich Locations Offer Better Access to Jobs and Workforce Training Programs.

If a core component of economic development and growth in the City is ensuring that local residents are trained for future job opportunities, then our City’s rail and bus rapid transit (BRT) network will play a critical workforce development role. With Los Angeles Trade Tech, Los Angeles City, Valley, and Pierce Colleges all immediately adjacent to light rail or BRT stations, the City’s own educational system is already geared towards offering residents transit access to workforce development opportunities. This, plus the 1.2 million jobs located near the region’s existing and future light rail and BRT transit lines, make transit system ripe with economic opportunity that can translate to more jobs for the City’s less well-educated workers.

An Opportunity Exists Today That Might Not Exist Tomorrow. Today, the

City’s most transit-rich neighborhoods house a high percentage of low- and moderate-income residents (*Figure 2*). These residents are able to take advantage of the many benefits that have been discussed. However there is some concern that, as transit catalyzes reinvestment in these core transit-rich neighborhoods, lower income residents and workers might be displaced to areas with fewer transportation choices. This reinvestment and possible displacement will not take place throughout the City’s entire transit system immediately, but is more likely in some neighborhoods than others in the short term. Chapter II evaluates recent trends and the potential impact of our transit system to understand where such displacement is a possibility.

Figure 2: Average Median Household Income per Station Area



Preserving Affordable Housing Allows for Transit-Oriented Growth and Investment. Since our economy relies on workers of all skill levels and incomes, our transit-rich neighborhoods also need to accommodate housing for workers of all skill levels and incomes. A housing preservation strategy ensures that the most readily available opportunities for low- and moderate-income workers are not lost, while also allowing for development and growth in nearby areas with land opportunity. The following section discusses the specific need for preservation as one piece of an affordable housing strategy in the City of Los Angeles.

THE NEED FOR AFFORDABLE HOUSING PRESERVATION

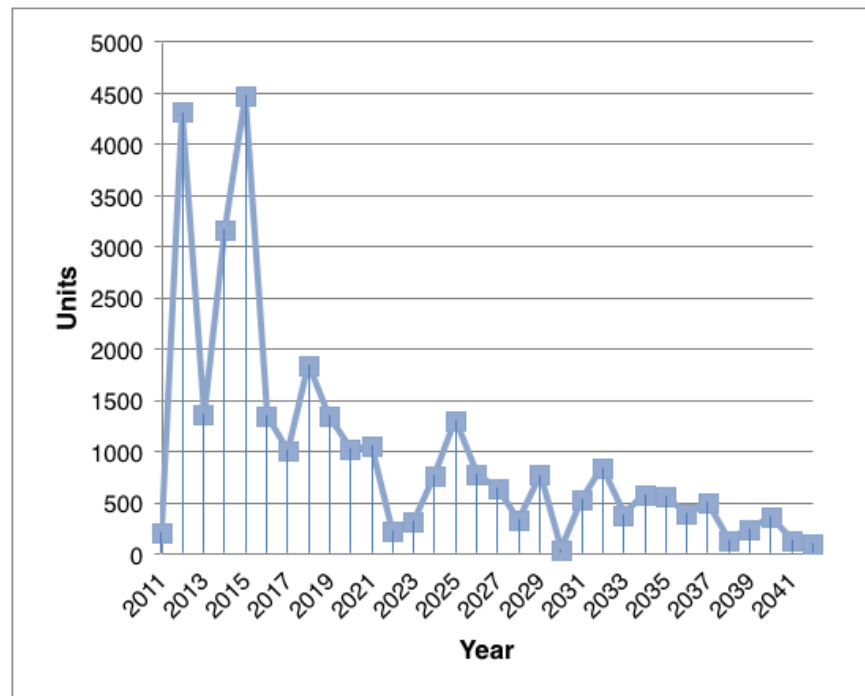
The need for affordable housing preservation has never been greater than it is today, and represents an opportunity to ensure tens of thousands of low- and moderate-income families can continue to afford to live in the City of Los Angeles. Policy, finance, and sustainability issues are converging to make this coming decade a key point in time for the preservation of housing.

The Need is Great, The Need is Now.

There is a considerable need for every type of affordable housing. The City currently has an inventory of approximately 69,000 assisted/restricted affordable units, housed in approximately 1,900 developments. The inventory is comprised of affordable housing units that are financed and/or assisted with federal, state and local sources or are units provided through local land use concessions⁴.

The next five years are a key moment in time to preserve this housing stock for the next generation of

Chart 2: At-Risk Units Expiring In the Next 30 Years



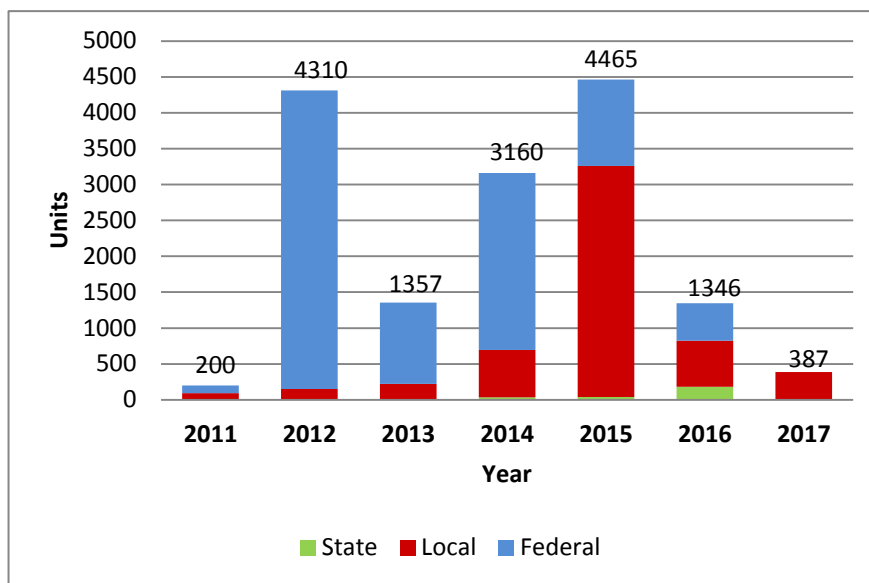
⁴ Source: LAHD Affordable Housing Database (AHD) May 2012. The AHD is used as a tool to track and analyze the expiration of affordable housing for preservation purposes. The AHD is not an affordable housing production database. The data is a snapshot in time of the inventory. The Inventory is based on a development's "primary source" or rental subsidy. Specifically, categorizing by "primary source" means that properties/units are attributed to the respective property's rental covenant, rental subsidy or funding source with the most years of affordability and set-aside units. A majority of the properties tracked through this inventory have multiple affordability restrictions and sources of funding, however, are accounted for ONLY by what their primary, most restrictive source of affordability. "At-risk" is defined as "primary source" expiring or terminating in the next 5 years. There are several properties that have not been included due to LAHD's inability to confirm placed in service dates, covenant terms and incomplete data from the primary financing or sponsoring public agency.

low- and moderate-income workers. About 40% of the City's 15,000 units with expiring rental restrictions are within half mile of light rail or BRT stations.

Many affordable properties in the City are reaching the end of their required income limitations this decade due to the convergence of a number of factors associated with historic affordable housing policies. As a result, a record high number of rental subsidies, restrictions and covenants on income-restricted units in the State of California are expected to expire over the next five years, from 2012 to 2017. Within the City of Los Angeles, nearly 15,000 units built and restricted under a variety of federal, state, and local programs ("affordability restrictions") that will expire and/or terminate in this time period (Chart 2)⁵.

These at-risk, affordable units were developed under federal, state and local programs created in the 1960's through the mid-1980's, to promote more privately-owned development of affordable housing. The majority of these units were financed and assisted by the U.S. Department of Housing and Urban Development (HUD) through below-market interest rate loans and rental housing subsidies (e.g., Section 236 mortgage insurance, 221(d)(3) and 202 direct loans, as well as Project-based Section 8 rental assistance contracts-operating subsidies).

Chart 3: Affordable Housing Units Expiring in the Next Five Years by Primary Agency



	2011	2012	2013	2014	2015	2016	2017
State	0	0	0	34	41	183	0
Local	91	153	224	659	3,216	640	387
Federal	109	4,157	1,133	2,467	1,208	523	0
Totals	200	4,310	1,357	3,160	4,465	1,346	387

In return for participating in low-interest subsidy loan programs, HUD required investors to make the units available to very low- and low-income households at approved rents throughout the term of the mortgage (originally 40 years). In addition, project-based rental subsidies ("contracts") were layered on top of privately-owned apartment complexes. These rental assistance contracts help tenants by limiting rent payments to 30% of household income; HUD pays the difference between the tenant-paid portion and the contract rents. The vast majority HUD-assisted properties have both subsidized mortgages and project-based rental subsidies.

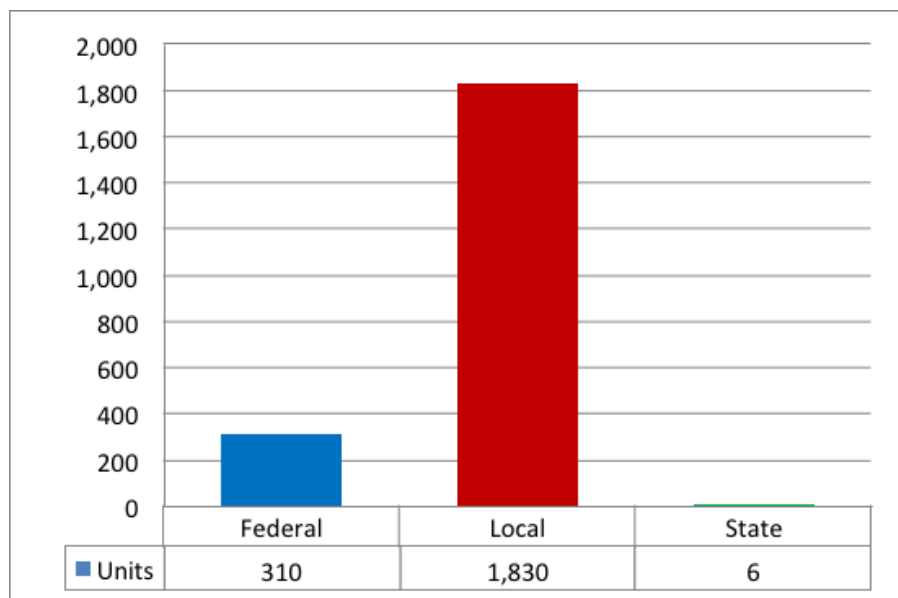
⁵ Affordable Housing Database properties expiring through March 1, 2017. Data includes properties with expiration in year 2011. These properties consist of operating subsidies on annual renewals. Properties were included in the study since there is no indication the subsidies have been terminated.

Most Section 8 rental subsidy contracts had an initial term of 20 years. Most of these contracts have now reached the end of their contract, at which point owners are generally not required to renew the contracts and may “opt out,” or terminate the subsidy. In the City, most of these rental subsidy contracts have passed this mark and are renewing subsidies on an annual basis.

There are also numerous state and local programs that funded affordable housing development for terms ranging from 10 to 30 years. These restrictions resulted from City land use entitlement concessions, and/or local funding awards such as HOME, Community Development Block Grant (CDBG), Bond financing, and Community Redevelopment Agency of the City of Los Angeles (formerly CRA/LA) housing programs.

In the last five years (December 2006 – December 2011), the City has permanently lost a total of 2,146 restricted, affordable housing units as a result of the expiration of affordability covenants and restrictions and through the combined prepayment of a federally-insured mortgage and termination of Project-Based Section 8 contracts (Chart 4).

Chart 4: Expired/Terminated Affordable Housing Units in the Last Five Years by Primary Agency



Fewer Funds Available for Affordable Housing Production.

Unfortunately, this key point in time for housing preservation also converges with a low point in terms of the funding available for new affordable housing production. Specifically, the impact of the economic crisis has decimated financing for affordable housing in the City of Los Angeles, severely hampering the City’s ability to finance and build subsidized housing. In 2012, the Federal government’s CDBG, HOME, HOPE VI, programs were drastically cut. In Los Angeles, the CDBG program was cut by \$12 million (18%) and HOME by \$17 million (44%). Further compounding the funding issue is the elimination of Los Angeles’ Community Redevelopment Agency, which represents a loss of approximately \$50 million per year of local resources for affordable housing in the City of Los Angeles.

While this makes preservation a much more critical strategy for ensuring there is income restricted housing stock in the City, it also makes preservation a more attractive strategy because the City is much more resource constrained.

Preservation is the Best Green Building Choice.

There is no green building strategy more sustainable than preserving the City's existing housing stock, where such preservation makes sense. If the City had to build 15,000 new units of energy efficient affordable housing to replace the 15,000 units of vulnerable income restricted housing, this would not only be financially, but also environmentally irresponsible. Preservation, in conjunction with energy retrofit programs, is the best affordable green building choice.

Preservation Near Transit Has Both Costs and Benefits.

About 40% of the City's 15,000 units with expiring affordability restrictions are within a half-mile of light rail or BRT stations. While the preservation of affordable housing in transit-rich areas of the City might end up costing more per unit than the preservation of housing elsewhere due to potentially higher prices, ultimately the economic opportunities and transportation cost savings offered to low- and moderate-income residents will be a wiser economic strategy for the City.

Preserving units also costs less than developing new affordable housing. As a point of reference, in 2006-07, LAHD staff conducted a point-in-time analysis of the cost to preserve at-risk units through moderate rehabilitation versus the cost of new construction. This analysis used a 26-project sample set from the Affordable Housing Trust Fund and was completed for the 2006-2014 Housing Element.

The median, total development cost to preserve an at-risk unit in 2006-07 was approximately \$183,000. By contrast, the median cost to build an affordable unit through new construction was calculated at approximately \$361,000. Aggregate costs to preserve at-risk units through moderate rehabilitation were estimated at \$2.7 billion; costs to replace the loss through new construction were estimated at \$5.3 billion.⁶

Further, by anticipating how transit accessibility might change as a result of Measure R investments, and thus where "high opportunity" affordable units are likely to be located, the housing community may be able to preserve units before prices rise. This is further discussed in Chapter II.

⁶ City of Los Angeles Housing Element, 2006-2014, Los Angeles City Planning Department, updated March 2008.

II. Defining Priority Transit-Oriented Districts for Preservation, 2012-2017⁷

In a City with 638,000 Rent Stabilization Ordinance-subject units, including 15,000 income restricted units with expiring affordability restrictions, strategic prioritization of preservation activities is a necessity. This chapter proposes a data-driven approach to prioritize preservation activities in anticipation of the opportunities created by Measure R transit investments, and the potential displacement vulnerability of low-income residents in transit rich neighborhoods.

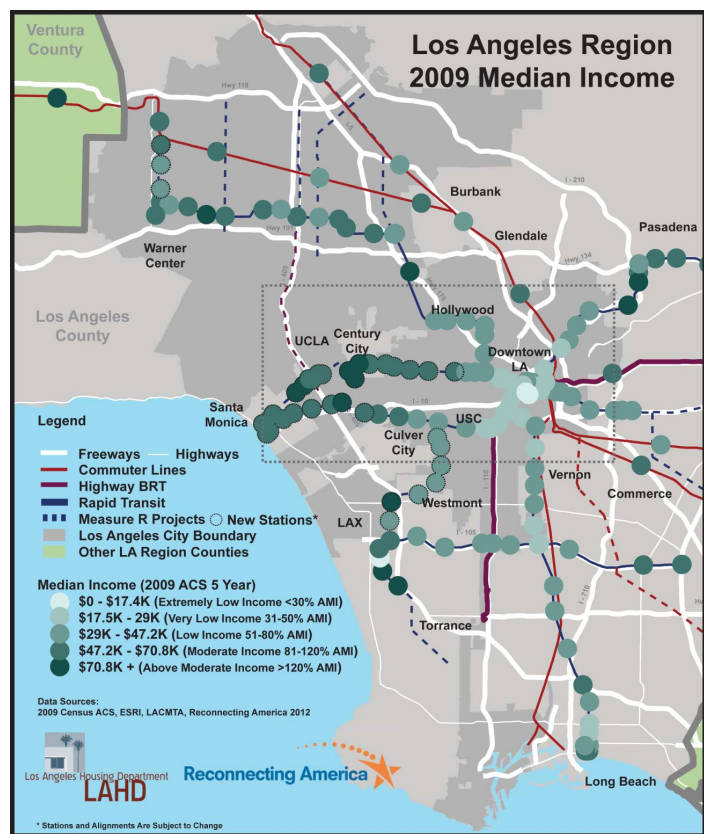
METHODOLOGY FOR DEFINING SHORT-TERM PRIORITY DISTRICTS

Based on a review of national literature identifying factors that can indicate whether a neighborhood is vulnerable to neighborhood change – especially when considering the loss of low-income households - Reconnecting America evaluated demographic and physical characteristics for every station area⁸ in the City of Los Angeles to identify station areas that might be most vulnerable to change in the next five years.

Median Household Income (Figure 3).

On average, households located within station areas are lower income than households citywide. Based on the 2005-2009 American Community Survey, the median household income in the City was \$48,947, while the median household income near transit was \$41,550. Station areas in Central and South Los Angeles fall well below median income. In fact, the average household in these station areas would qualify as either very-low or extremely low-income by HUD definitions. Fluctuations in housing prices could easily displace these very and extremely low-income households to less transit-rich locations.

Figure 3: Average Median Household Income per Station Area



⁷ "Transit Oriented Districts" definition is based on units at risk of expiration within the current five year period (2012-2017).

⁸ "Station area" definition is based on the half mile radius around a fixed-guideway light rail or BRT station.

Percent of Renter-Occupied Households (Figure 4).

Renter households are clearly more vulnerable to displacement if housing prices rise. While the rental prices of many units in Los Angeles are stable due to the Rent Stabilization Ordinance (RSO), even renters in RSO properties could be vulnerable to displacement resulting from illegal evictions, code violations resulting in unsafe properties, condo conversion, or teardown of RSO-subject properties to be replaced by market rate residential development that would not be subject to RSO. Over 80% of households are renters in many existing and planned station areas. These station areas include greater Central Los Angeles, and portions of North Hollywood, Van Nuys, Canoga Park, and Westwood.

Potential Change in Market Strength as a Result of Transit Investment.

Two factors were considered in evaluating the potential for transit investments to increase market strength in different areas of the City of Los Angeles: proximity to major job centers and transportation costs.

Proximity to Major Job Centers (Figure 5).

Areas in close proximity to jobs tend to command higher rental rates due to their convenience and the possibility of short commutes. Additionally, national research has shown that improved transit connections to major job centers can trigger a stronger real estate market in adjacent areas that may not have previously been as well connected. Figure 5 shows clusters of jobs throughout the City of Los Angeles.

Figure 4: Percent Renter-Occupied Households

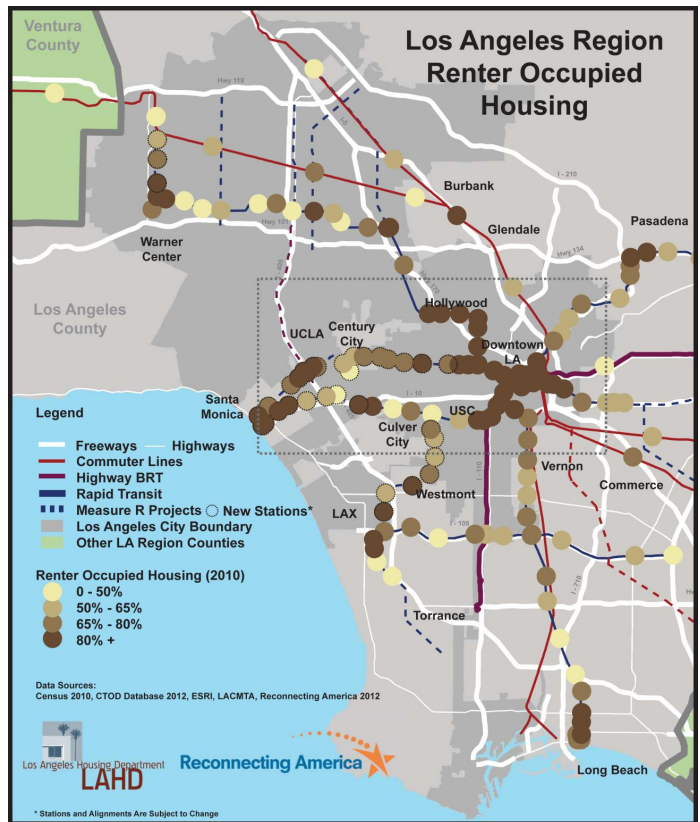
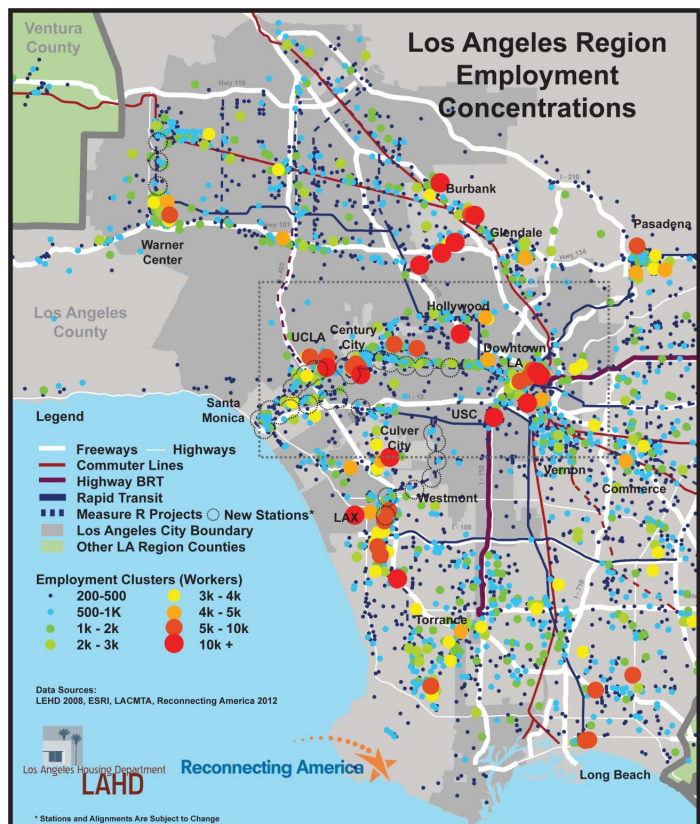


Figure 5: Employment Concentrations

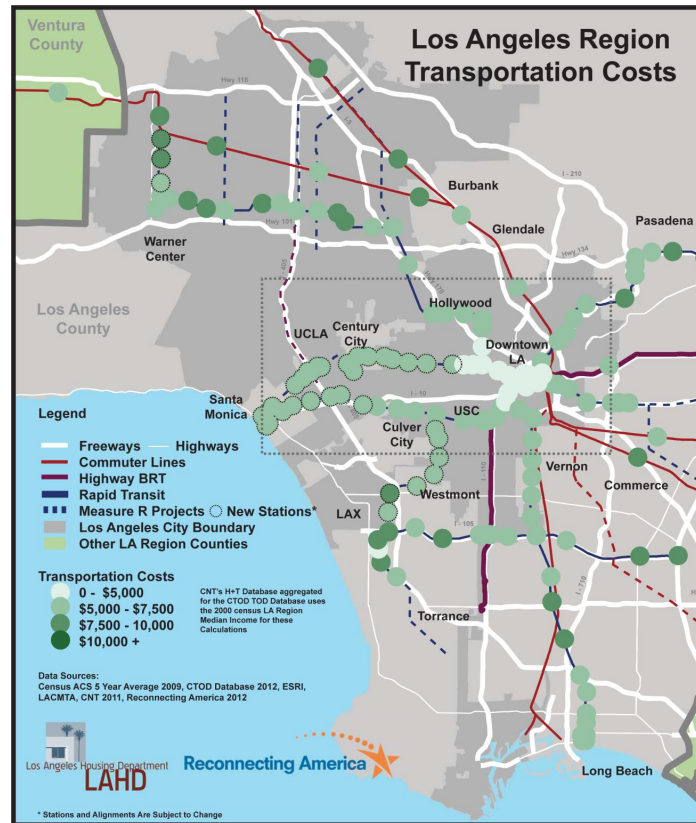


Transportation Costs (Figure 6).

Areas with lower transportation costs tend to offer the types of amenities that many households interested in TOD would desire: walkability, convenient access to daily needs, work, and a vibrant street life. Because the transportation cost model includes proximity to jobs as a significant factor this quantitative model also calculates the benefits associated with residing near job centers mapped in Figure 5. Again, greater Central Los Angeles provides lower transportation costs and proximity to more job opportunities.

A distinct pattern emerges when evaluating these maps: because of its proximity to jobs, historic growth patterns, a rich bus and rail transit network, and high population densities, greater Central Los Angeles most prominently emerges as an area of focus to be further evaluated for housing preservation. Therefore, further analysis of the potential areas of priority for housing preservation focused on greater Central Los Angeles.

Figure 6: Transportation Costs by Station Area



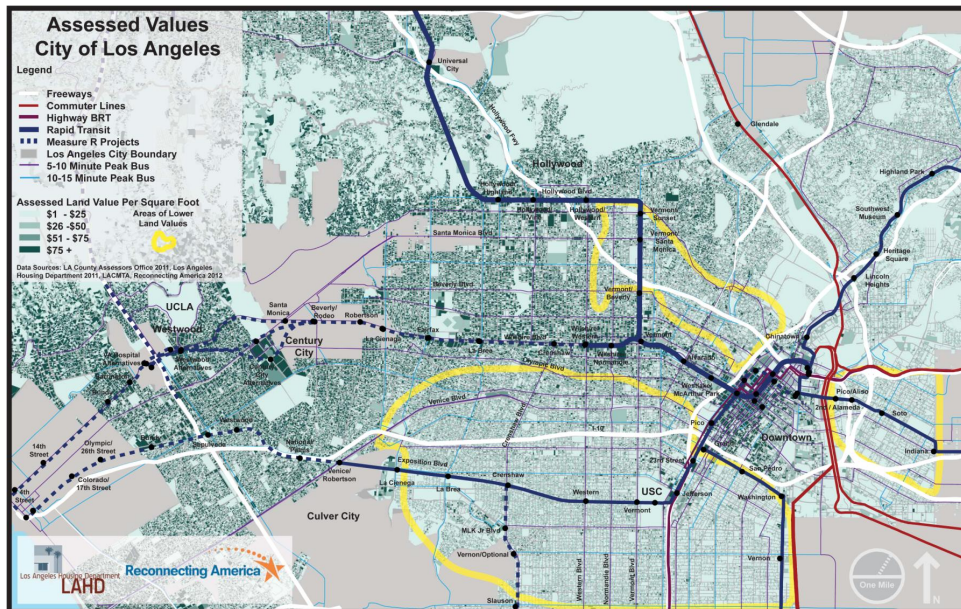
Subarea Analysis

The Central Los Angeles and Hollywood areas were selected because they have significant transit connectivity outside of the half-mile radius surrounding included station areas, (with rapid buses that run every 5 to 7 minutes at peak hours). However, the analysis was extended to consider the full district connected with major light rail, BRT, or rapid bus corridors. Due to its ready access to job centers, higher residential density, mix of land uses, and transit access, even areas outside of the half-mile radius of stations have significantly lower than average transportation costs and could offer low- and moderate-income households the benefits associated with TOD.

To identify smaller areas that could be high priorities for preservation, Reconnecting America evaluated more detailed characteristics in the subarea. Each of these characteristics provides information used to anticipate where future neighborhood change might occur as a result of increases in real estate market strength.

Rising Property Values. Figure 7 shows the value of land per square foot in each parcel. Outlined in yellow are areas where land values decrease precipitously when compared to surrounding areas. Those neighborhoods at the edge and closest proximity of the yellow border – including the Red, Purple, Expo and Venice rapid bus transit lines could be potentially “next in line” for rising property values as stronger market neighborhoods creep east and south.

Figure 7: Assessed Land Values per Square Foot, 2012



Greater Transit Access. If a comfortable transit commute takes about 15 to 25 minutes, then Figure 8 estimates areas that can be comfortably transit accessible to downtown Los Angeles, overlaid with areas of lower assessed value (in yellow). Places with blue shading are within a 15 to 25 minute transit ride to Downtown Los Angeles today, while places with red shading will enjoy similar transit access when the Measure R system is fully built out. Projects such as the regional connector will facilitate transit access to Boyle Heights. As a result, these areas might be more desirable places to live over time and “next in line” for a change in real estate market strength. Figure 9 estimates a comfortable transit commute to Westwood today and estimates future transit commutes with Measure R investments.

Figure 8: Areas with a Comfortable Transit Commute to Downtown Los Angeles

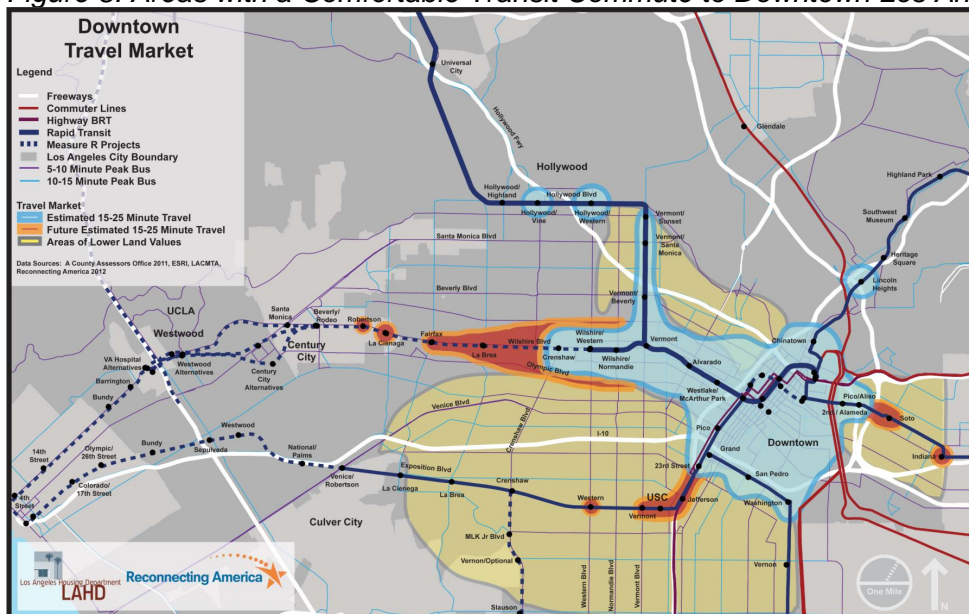
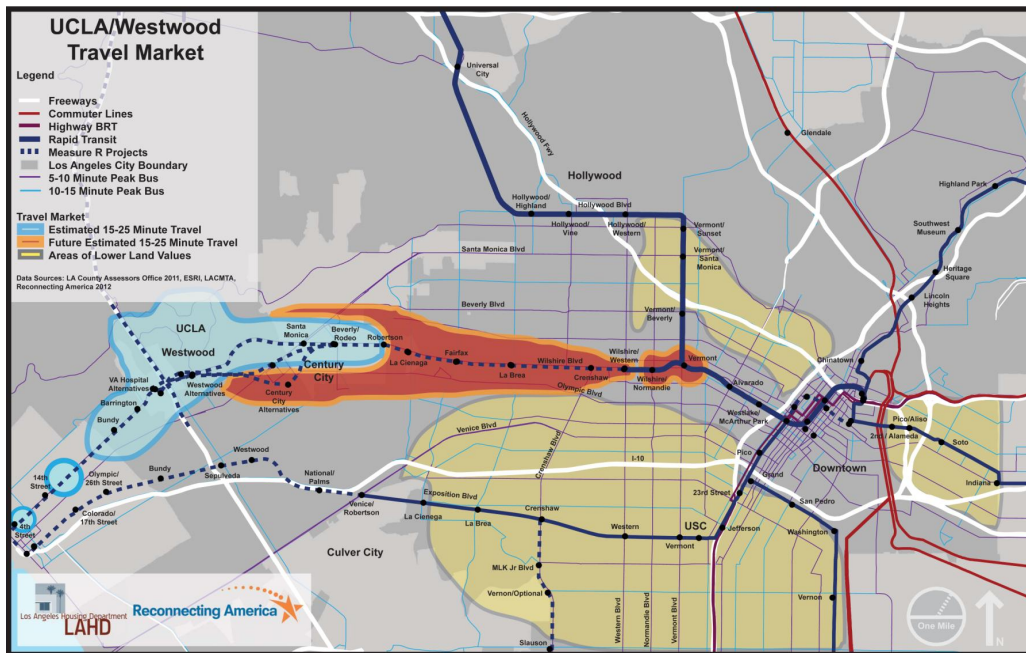
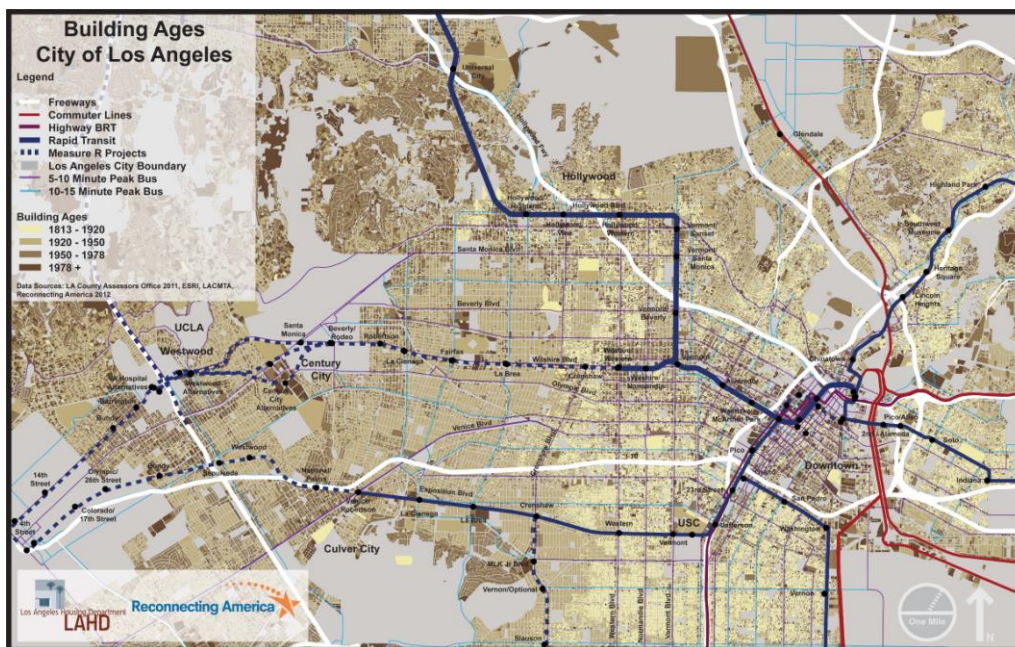


Figure 9: Areas with a Comfortable Transit Commute to Westwood



Historic Neighborhood Character. Figure 10 shows the age of the building stock, to illustrate areas that might offer the historic neighborhood character that is increasingly desirable to a larger share of homebuyers and renters. This map shows that areas particularly to the east of Crenshaw Blvd. were built prior to 1920 (light yellow) and generally offer a neighborhood character that has driven up property values in other neighborhoods in the City. However, buildings constructed before 1950 also predate the City's first building codes, and may have physical issues that could pose fire or health and safety risks for tenants.

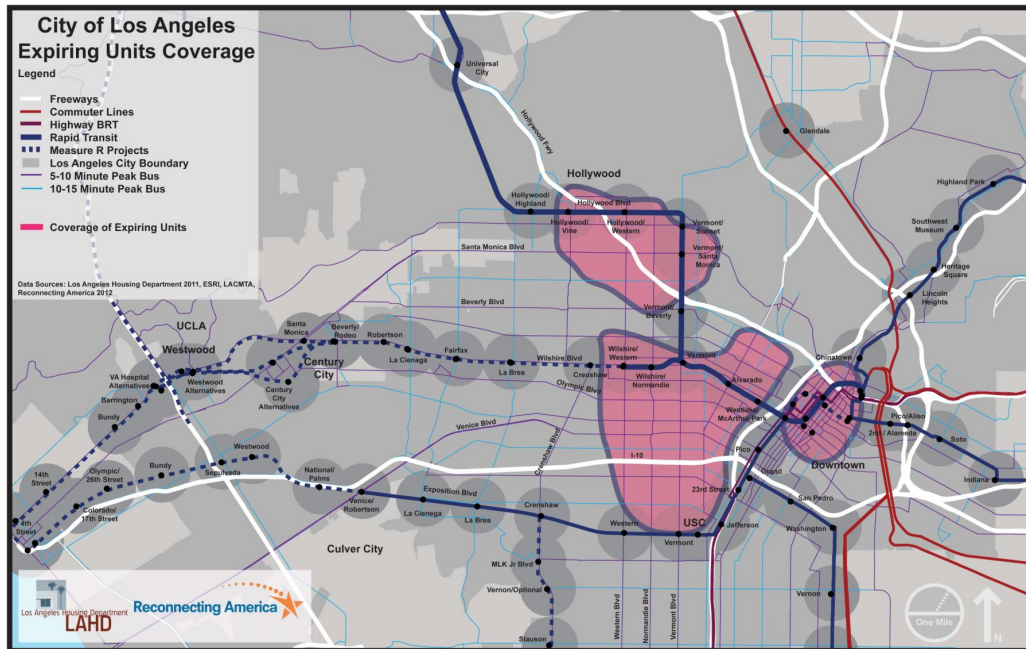
Figure 10: Age of Building Stock



This information was then overlaid with data showing the prevalence of income-restricted units whose tenants could potentially be vulnerable to displacement if market strength changes.

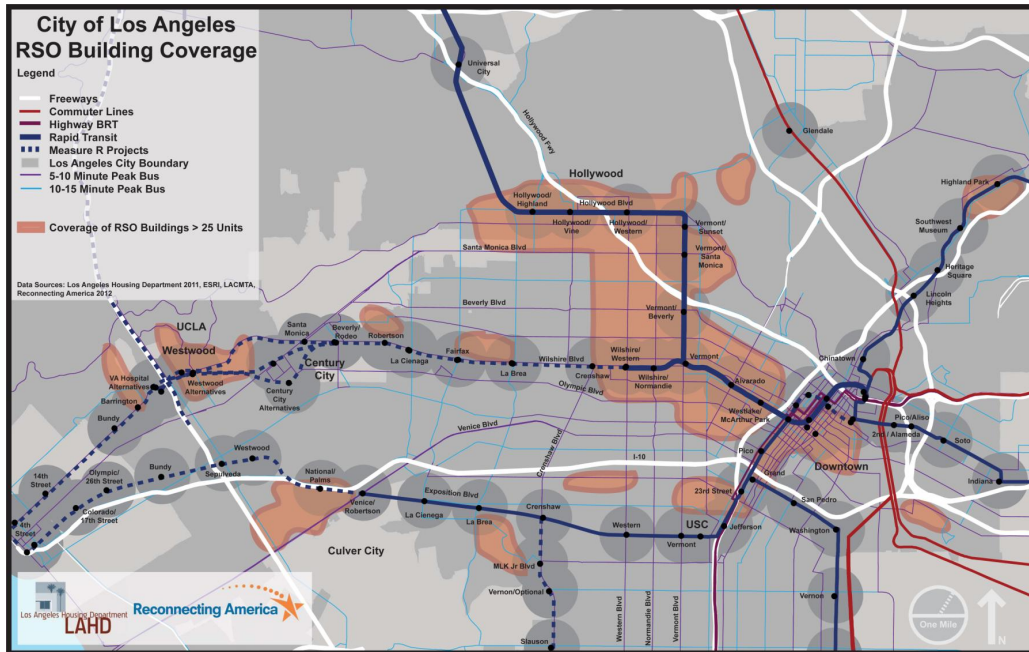
Expiring Affordability. Figure 11 shows areas with a high prevalence of income-restricted properties whose affordability restrictions are set to expire and/or terminate by 2017. Many of these units are at risk of removal from the City’s inventory of low- and moderate-income housing, although the actual vulnerability of these units depends on many factors that are discussed in Chapter III.

Figure 11: Areas with Concentrations of At-Risk Affordable Units, 2012-2017



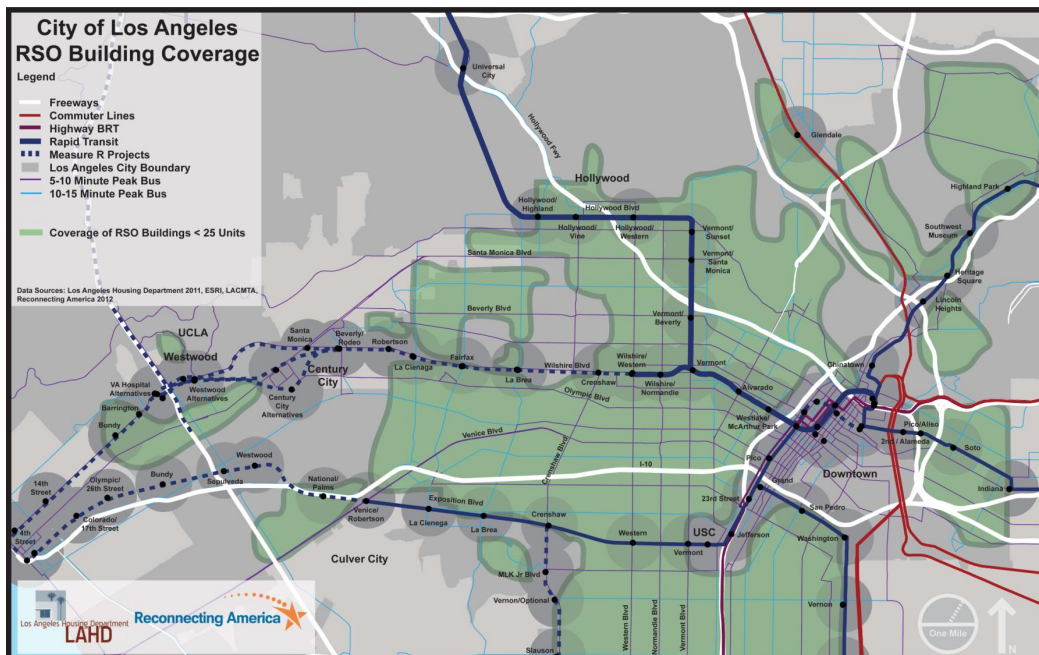
Larger Buildings (25 units or more) Regulated Under the Rent Stabilization Ordinance (RSO). The majority of the rental housing stock in the area shown on this map is subject to the RSO. But this analysis delineates two particular types of RSO-subject properties in which low-income tenants are likely to be more vulnerable to displacement. Larger buildings, such as those prevalent in areas shown in Figure 12, could be considered for site redevelopment; property owners that demolish RSO units and build replacement rental housing within five years of the demolition are required to register the new units with the RSO.

Figure 12: Areas with Concentrations of RSO-Subject Properties with Greater than 25 Units



Smaller Buildings (25 units or fewer) Regulated Under the Rent Stabilization Ordinance (RSO). Figure 13 identifies areas with a high concentration of these buildings. Buildings with five units or fewer in particular are more likely to be managed by non-professional property owners who have a greater likelihood of violating City ordinances.

Figure 13: Areas with Concentrations of RSO-Subject Properties with Fewer than 25 Units

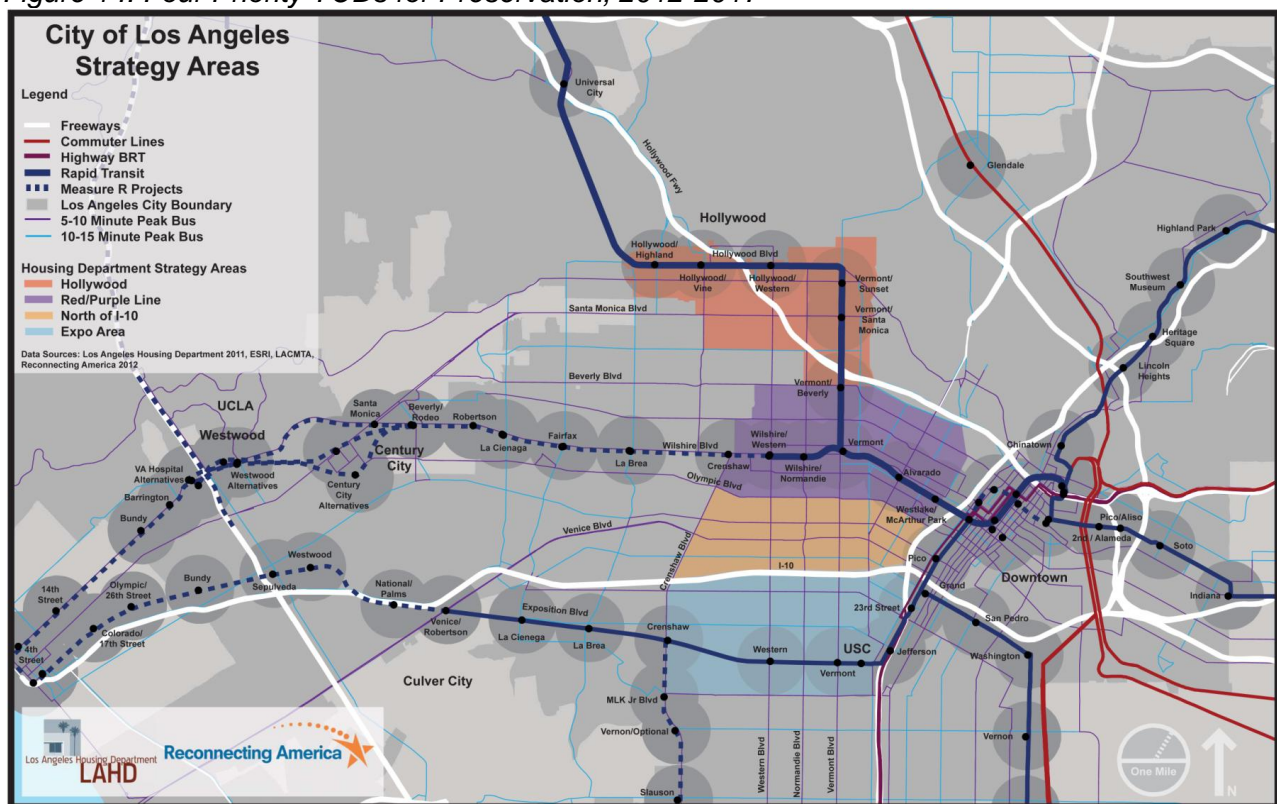


PRIORITY TOD PRESERVATION DISTRICTS RESULTING FROM ANALYSIS

Based on the above variables, Reconnecting America and the Los Angeles Housing Department have identified four priority TODs for preservation (Figure 14). These districts include clusters of station areas along the Red Line, Purple Line, Expo Line, and along the Venice Blvd. Rapid Bus Corridor, which is one of the most well served transit corridors in the City. The districts extend outside of the half-mile radius surrounding the station areas, but are nonetheless rich with connecting transit service and supportive of transportation choices.

There are other areas within Central Los Angeles that certainly are also key priorities for the preservation of housing – particularly Downtown Los Angeles and Boyle Heights. These areas have common characteristics including a high share of low-income renters, a strengthening real estate market, and rich transit connectivity. However, the intention of this analysis was to select areas that could be pilot locations for coordinated transit-oriented preservation strategies to potentially be replicable in the future. Downtown Los Angeles requires a unique approach that addresses issues related to single room occupancy buildings, and Boyle Heights lacks the same concentration of expiring units seen in the selected transit-oriented districts.

Figure 14: Four Priority TODs for Preservation, 2012-2017



Within these four districts collectively, there are about 160,000 Rent Stabilization Ordinance subject properties (25% of City total), and about 6,200 affordable units with expiring restrictions in the next 5 years (41% of City total). Chart 5 shows the distribution of these units in each of the four districts.

Chart 5: At-Risk and RSO-Subject Units by TOD

	Affordable At-Risk Units	Affordable At-Risk Properties	RSO Units	RSO Properties
Red Line	1,742	39	45,090	5,605
Purple Line	1,631	40	70,135	5,561
Venice Blvd. Rapid Bus	1,504	67	21,032	3,396
Expo Line	1,369	39	23,693	5,171
<i>4 Districts Total</i>	<i>6,246</i>	<i>185</i>	<i>159,950</i>	<i>19,733</i>

III. Overview of TOD Preservation Strategies

The TOD preservation areas identified above are unique locations in the City where a concentration of vulnerable housing units, transit investments, and market pressures converge. Because of these factors, it is important to identify ways in which the City and key non-profit, for-profit, state, and federal partners can work together to prioritize the preservation of units. Addressing this issue can stave off the potential loss of a significant share of the City's affordable housing stock, but also potentially offer some opportunities to get ahead of the market and acquire key transit-rich properties for long-term preservation or development.

There are several possible next steps to address preservation in these four districts:

- Coordinate existing tools to move proactively and aggressively in preserving buildings
- Anticipate property owner behavior and focus outreach to owners and tenants
- Conduct pilot assessments for development and deployment of new tools

A next step for preservation stakeholders is to define the specific types of tools that need to be coordinated within each geography, and to identify gaps that new tools or policies could address. Some initial framing for these issues is described below.

DEFINING APPROPRIATE STRATEGIES BY TRANSIT-ORIENTED DISTRICT

The exact tools that might be used to preserve housing depend on the characteristics of the housing stock and the way in which housing is at risk. Different types of income-restricted properties identified in this analysis experience different types of risk when real estate markets become stronger.

- **Affordable units with expiring restrictions** of the different types discussed in Chapter I could potentially be removed from the City's affordable housing stock, depending on a number of factors including the remaining term of rental subsidies and/or restrictions, current funding structures, property size, property ownership (non-profit, private for-profit, etc.) and rental market strength.
- **Any rental property on a parcel larger than ¼ to ½ acre** may be a potential site for tear-down and redevelopment of buildings, which would not be subject to the Rent Stabilization Ordinance (RSO). Specifically, property owners that demolish RSO units and build replacement rental housing within five years of the demolition are required to register the new units with the RSO. The landlord may set the initial rent but all subsequent increases are subject to the RSO's annual percentage.
- **Large RSO-Subject properties with 50 units or more** demonstrate an elevated possibility of removal from the rent stabilized stock. Also, these properties more easily meet the typical minimum standard to be (re)capitalized for a loan; and
- **Small RSO-Subject properties (approximately 5 units or fewer)** are more likely to be owned and operated by property owners who are not professional property managers (i.e. "mom and pop" landlords). Owners of smaller properties are more likely to be uninformed about the City's Rent Stabilization Ordinance rights and responsibilities. These types of properties also more frequently have building code violations.

Different neighborhoods within priority TODs have a unique mix of these types of vulnerable housing units. These neighborhoods have been divided into four "preservation types" based on the presence of large RSO buildings, small RSO buildings, and concentration of affordable at-risk properties to reflect the different types of vulnerability described above. These classifications are shown in Figure 15.

Figure 15: Four Preservation Types, Based on Size of RSO Buildings and Number of Buildings with Expiring Contracts



Figure 16 shows how the preservation types align with the different neighborhoods within the priority TODs.

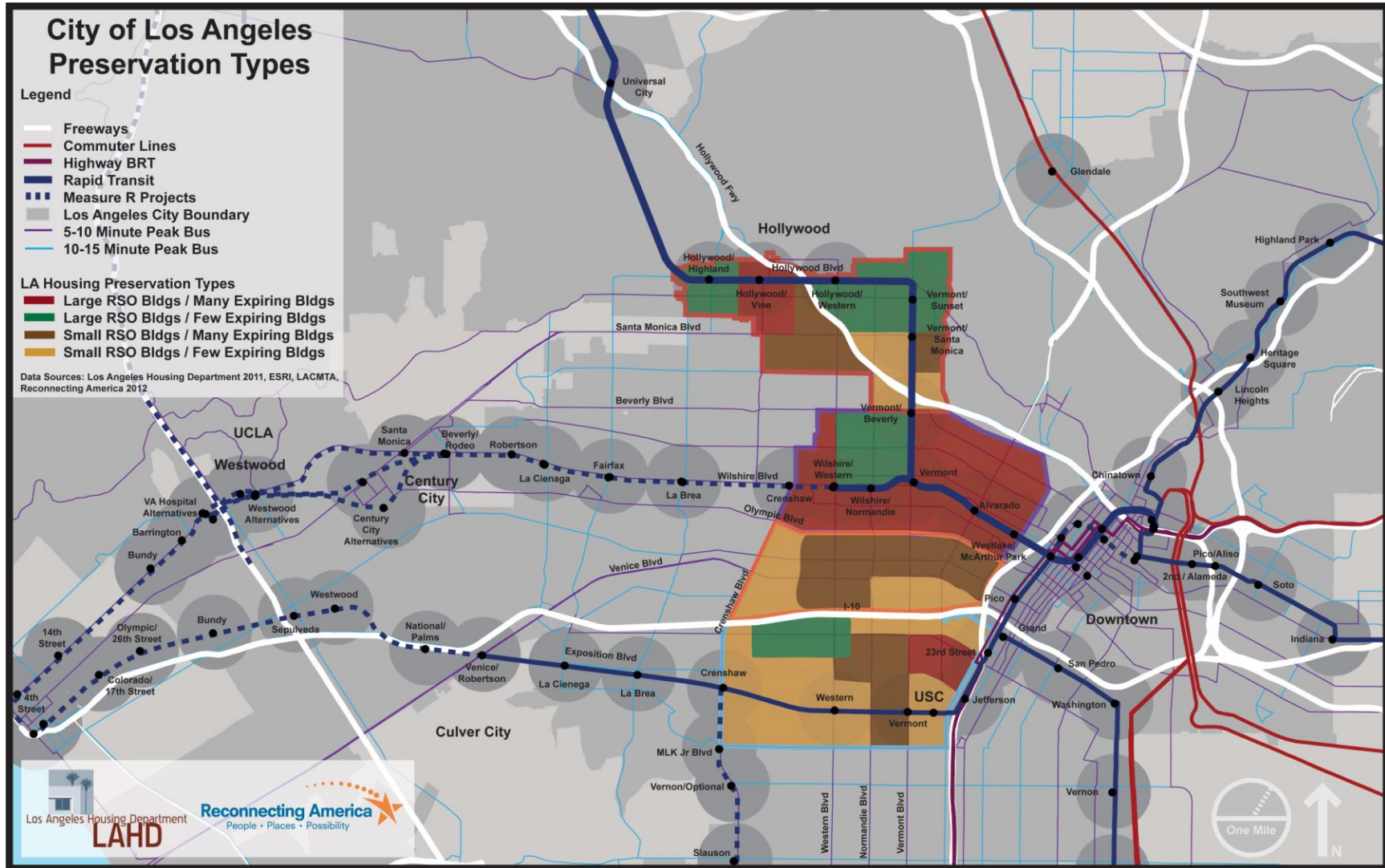
A different package of tools is appropriate for each of these preservation types:

- Areas with **Large RSO Properties, Many Expiring Units** are key targeted areas for financing of property acquisition and preservation because they yield the greatest financial opportunities. Further study on the different types of expiring units within these areas, and ongoing outreach and coordination of potential affordable housing developers and property owners may also maximize the preservation of units. As many of these areas particularly along the red and purple line are zoned for higher density development, there may also be opportunities in these areas to acquire or “bank” properties for development of higher density affordable housing. These areas could be the highest priority for preservation given the potential loss of thousands of units and greater effectiveness of preserving units in larger buildings.
- Areas with **Large RSO Properties, Few Expiring Units** may also be key targets for preservation through property acquisition these could be more reliant to upon limited, local funding sources (e.g. the Affordable Housing Trust Fund). However, given that these properties may not have the same potential funding sources available for preservation, acquisition could be more reliant upon limited local funding sources.

- Areas with **Small RSO Properties, Many Expiring Units** will require the most hybridized set of preservation strategies as property acquisition and outreach/enforcement related activities are both important. As market strength changes in these neighborhoods, redoubled tenant outreach efforts may help prevent both building code and RSO violations if property owners attempt to evict tenants without just cause.
- Areas with **Small RSO Properties, Few Expiring Units** will be priorities for tenant and property owner outreach and enforcement. As with the previous type, redoubled tenant outreach efforts may help prevent both building code and RSO violations if property owners attempt to evict tenants without just cause if/when market strength changes.

If LAHD pilots other strategies in which preservation tools could be coordinated in these various areas, lessons learned could be deployed to other neighborhoods with a significant vulnerable income-restricted housing stock. For example, lessons learned and tools developed for South Los Angeles could be applied to Boyle Heights, which has similar small RSO properties but few expiring units. Developing this preservation typology for all of the transit-rich areas in the City could ensure that the City is prepared for neighborhood change resulting from the revitalization desired through Measure R investments.

Figure 16: Map of Priority TODs by Preservation Types



IV. Conclusion: Preservation is One Component of Successful Transit-Oriented Districts

The TODs delineated as priority areas for affordable housing preservation are also citywide and regional priorities for a number of other goals. Some of these goals might include job creation, economic revitalization, accommodating growth for reduced greenhouse gas emissions in support state requirements for the Southern California region⁹, and increasing transit ridership and value capture. Indeed a successful TOD strategy will accommodate and balance all of these goals, as they are not mutually exclusive.

The success of one will rely on the success of the others. For example, creating attractive, vital neighborhoods requires new investment and development, particularly along the City's underutilized commercial corridors. Maximizing economic development and economic competitiveness by reducing auto congestion in Downtown Los Angeles assumes that many different types of workers in Downtown will be able to take transit, walk, and bike to work. Therefore, affordable housing preservation will need to be coordinated with transportation investments, development of new market-rate and affordable projects, job attraction, workforce development, and other related initiatives supporting TODs.

For that reason, it is not the intention of this report to say that affordable housing preservation is a priority above all for this area. Nor does preservation of affordable housing stymie other growth, investment, and revitalization of these areas. Indeed, low- and moderate-income households living in preserved affordable housing will greatly benefit from the economic revitalization and other improvements a TOD strategy envisions. Affordable housing preservation in these areas helps support a larger vision of an inclusive, mixed-income City.

This report proposes that housing preservation be included in a comprehensive TOD strategy that might include the following, for example:

- Affordable housing preservation;
- Coordinated land use regulations that leverage new transit-oriented development (both market rate and affordable);
- Provision of other amenities such as parks, quality schools, fresh food, etc.;
- Making last mile connections and investing in supportive pedestrian, bicycle, parking improvements and land use planning efforts; and
- Coordinated workforce and economic development strategy that considers both business attraction and job training near transit.

To determine how these different strategy components might work together and be balanced, it is important to understand the detail behind how each of these strategies work. This report lays the groundwork for understanding how the process of coordinated affordable housing preservation near transit might tangibly function, so that these tools can be integrated with other tools needed to achieve successful TODs. But further work is needed to develop the detailed implementation strategies, new tools, and policies that can truly address the need for affordable housing preservation near transit.

⁹ For more information on the Sustainable Communities Strategy and state greenhouse gas reduction requirements, please visit SCAG's website: <http://rtpscs.scag.ca.gov/Pages/2012-2035-RTP-SCS.aspx>.

List of Figures in the Appendix

- Figure A-1: Existing and Planned Fixed-Guideway Stations in the City of Los Angeles
- Figure A-2: Transportation Costs by Station Area
- Figure A-3: Average Median Household Income Per Station Area
- Figure A-4: Percent Renter-Occupied Households
- Figure A-5: Employment Concentrations
- Figure A-6: Existing and Planned Fixed-Guideway Station Areas in Central Los Angeles
- Figure A-7: Assessed Land Values Per Square Foot, 2012
- Figure A-8: Areas with a Comfortable Transit Commute to Downtown Los Angeles
- Figure A-9: Areas with a Comfortable Transit Commute to Westwood
- Figure A-10: Age of Building Stock
- Figure A-11: Areas with Concentrations of At-Risk Affordable Units, 2012-2017
- Figure A-12: Areas with Concentrations of RSO-Subject Properties with Greater than 25 Units
- Figure A-13: Areas with Concentrations of RSO-Subject Properties with Fewer than 25 Units
- Figure A-14: Four Priority TODs for Preservation, 2012-2017
- Figure A-15: Map of Priority TODs by Preservation Types

Appendix: Maps and Data Sources

Figure A-1: Existing and Planned Fixed-Guideway Stations in the City of Los Angeles

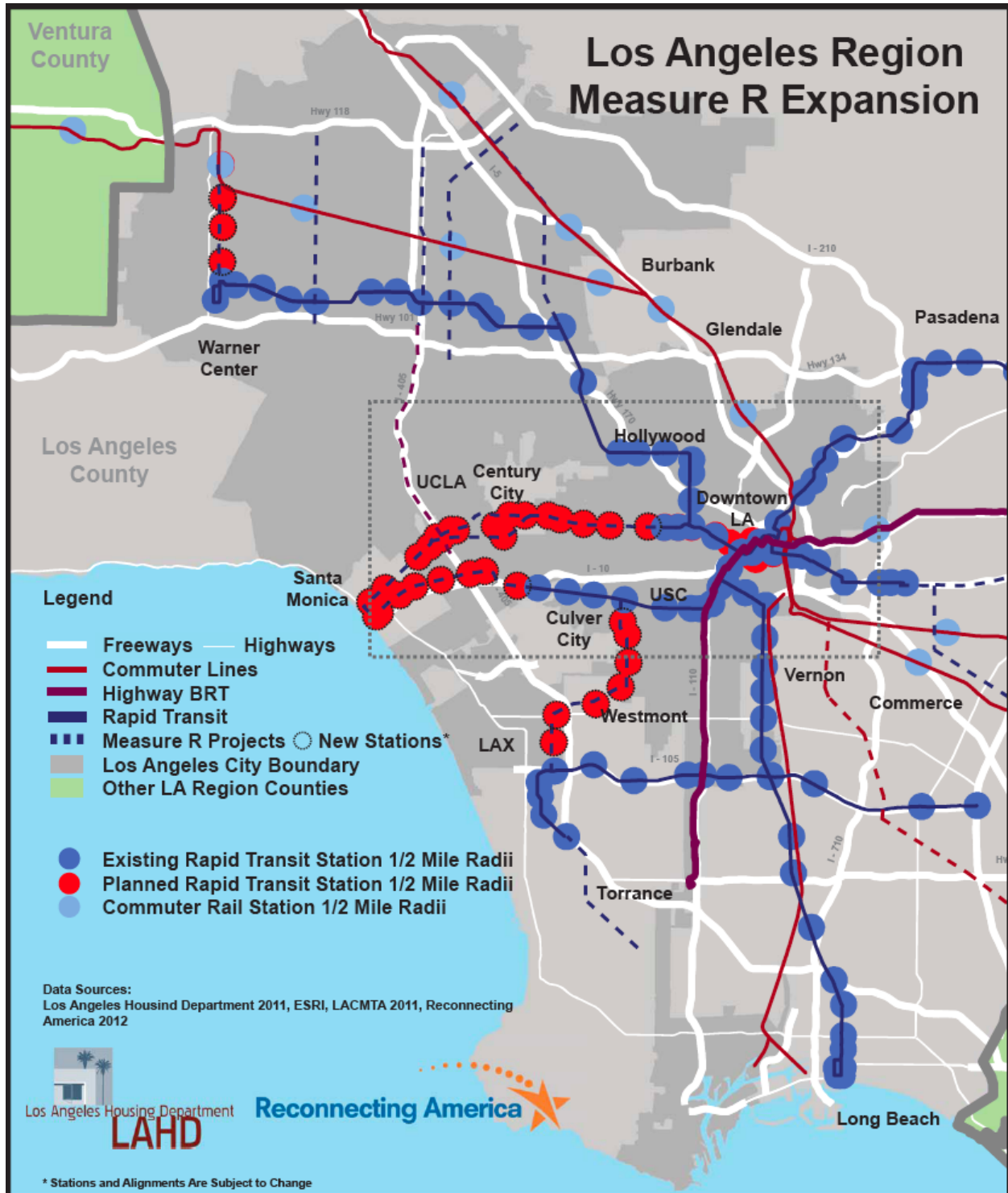


Figure A-2: Transportation Costs by Station Area

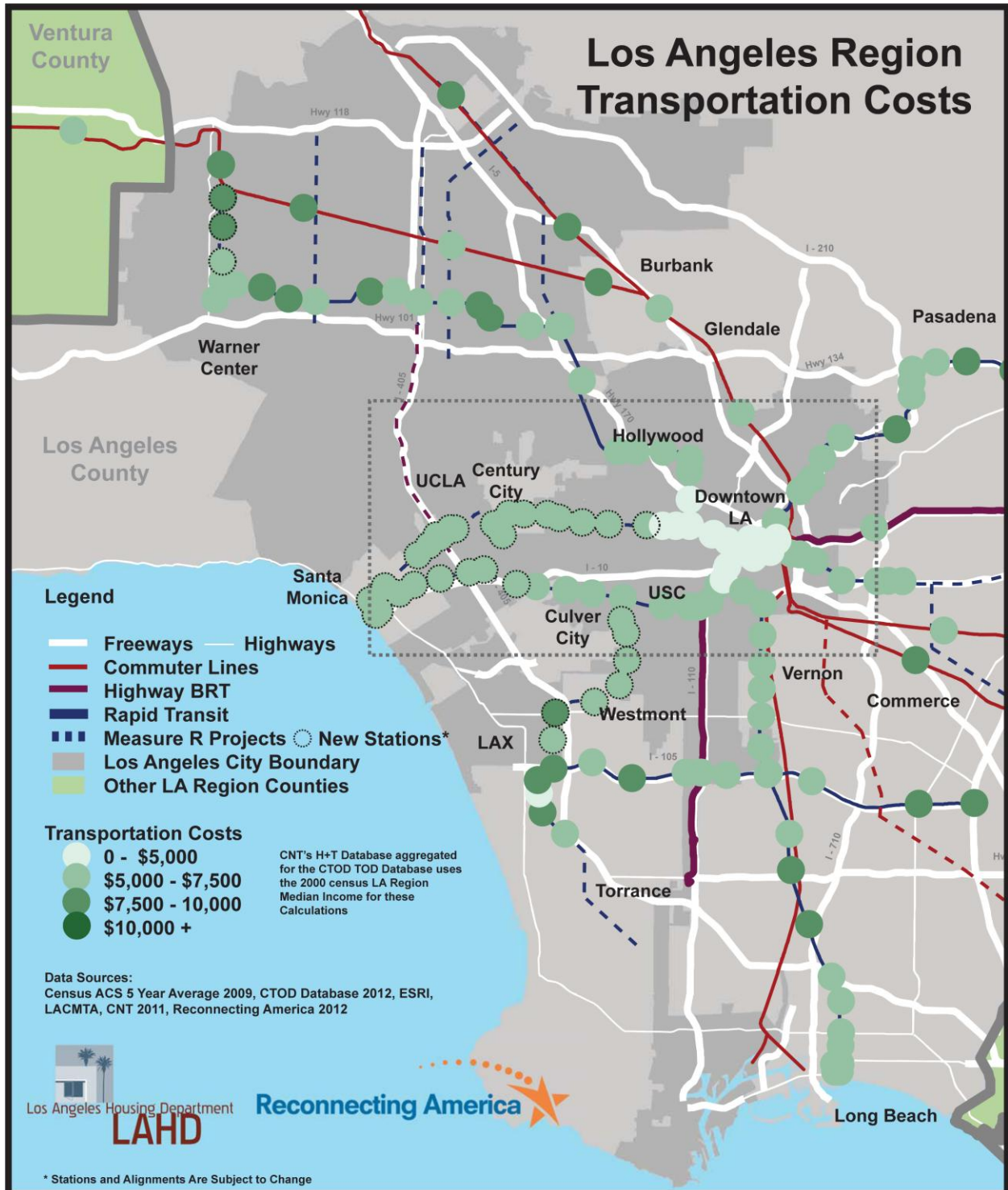


Figure A-3: Average Median Household Income per Station Area

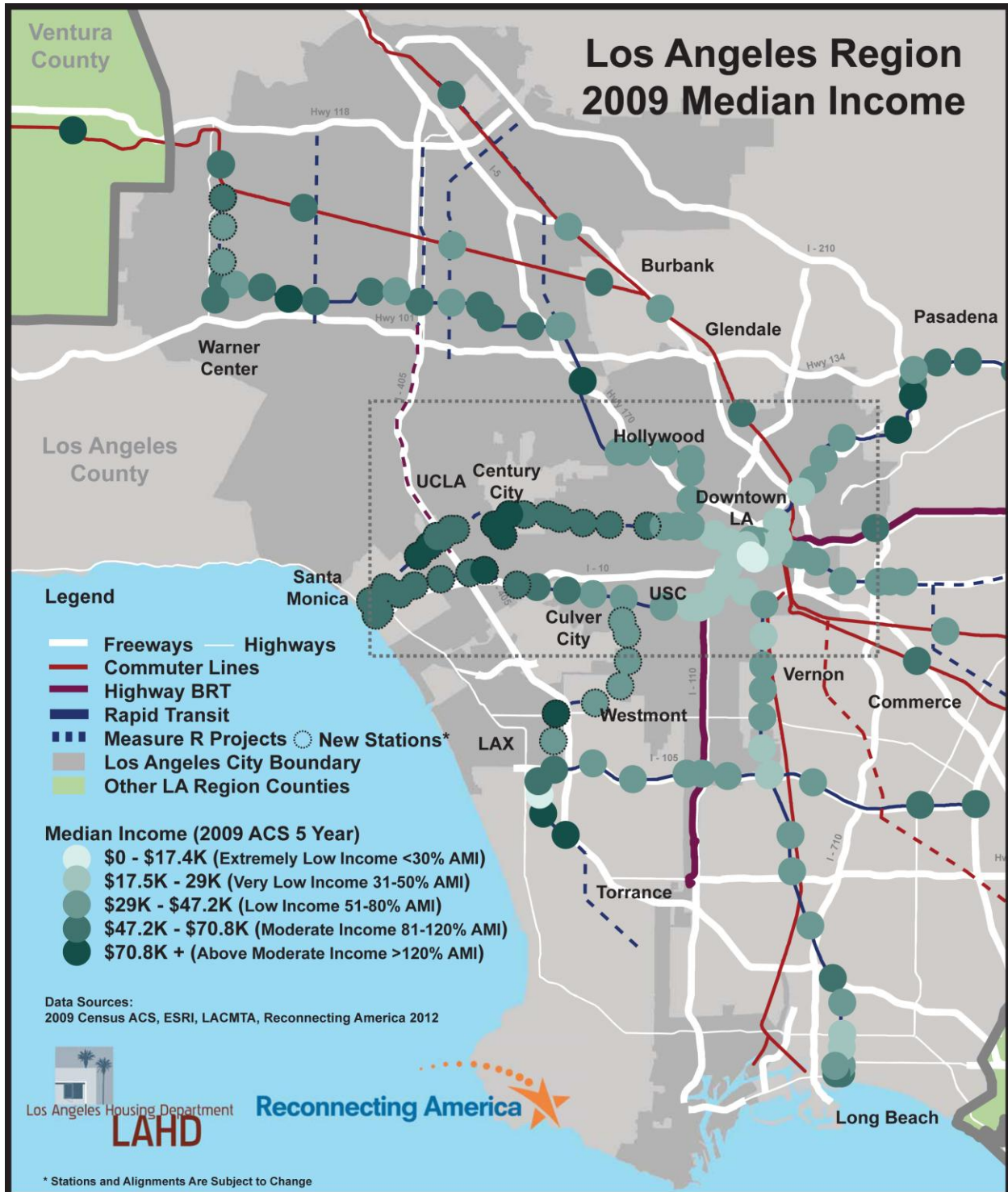


Figure A-4: Percent Renter-Occupied Households

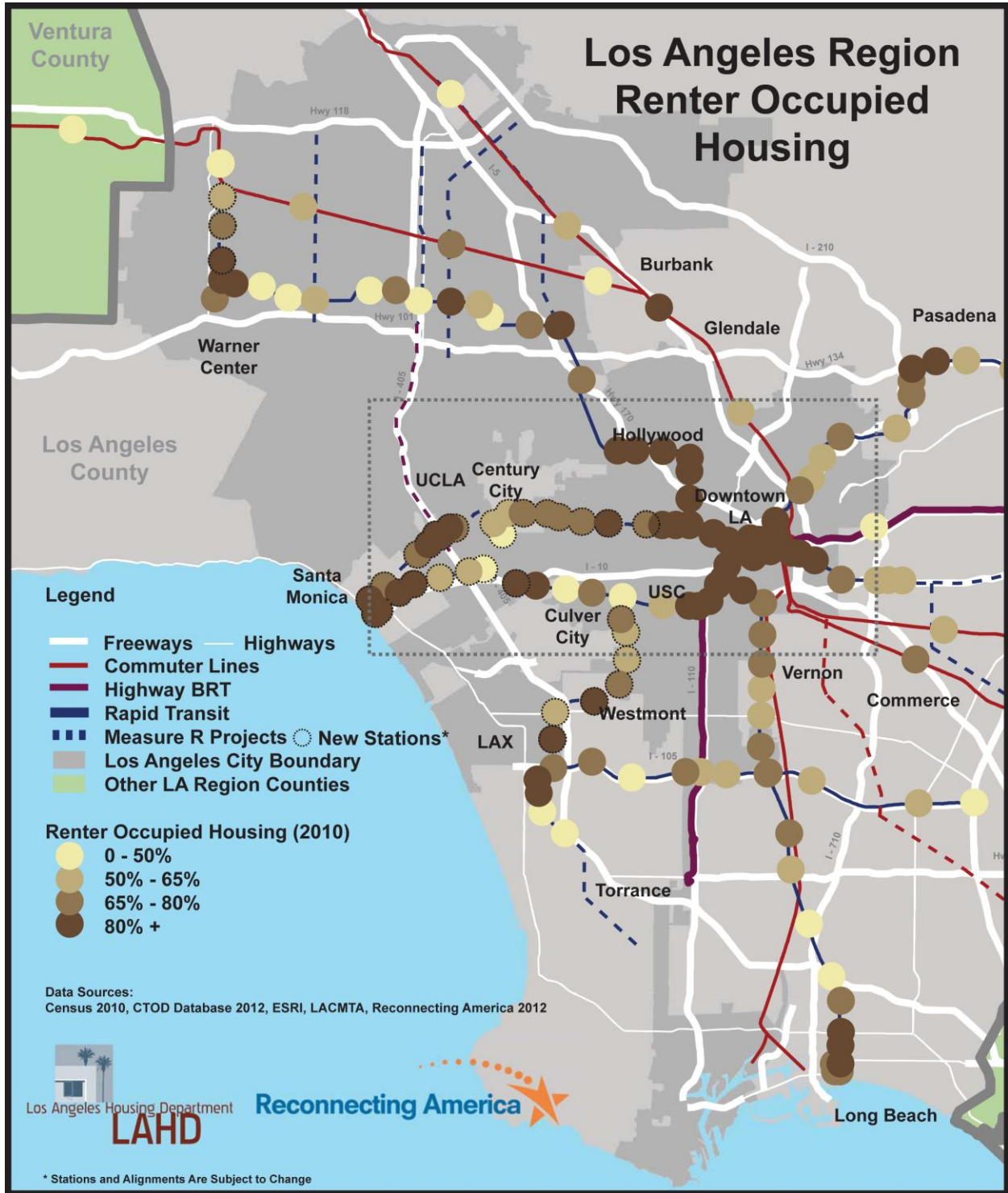


Figure A-5: Employment Concentrations

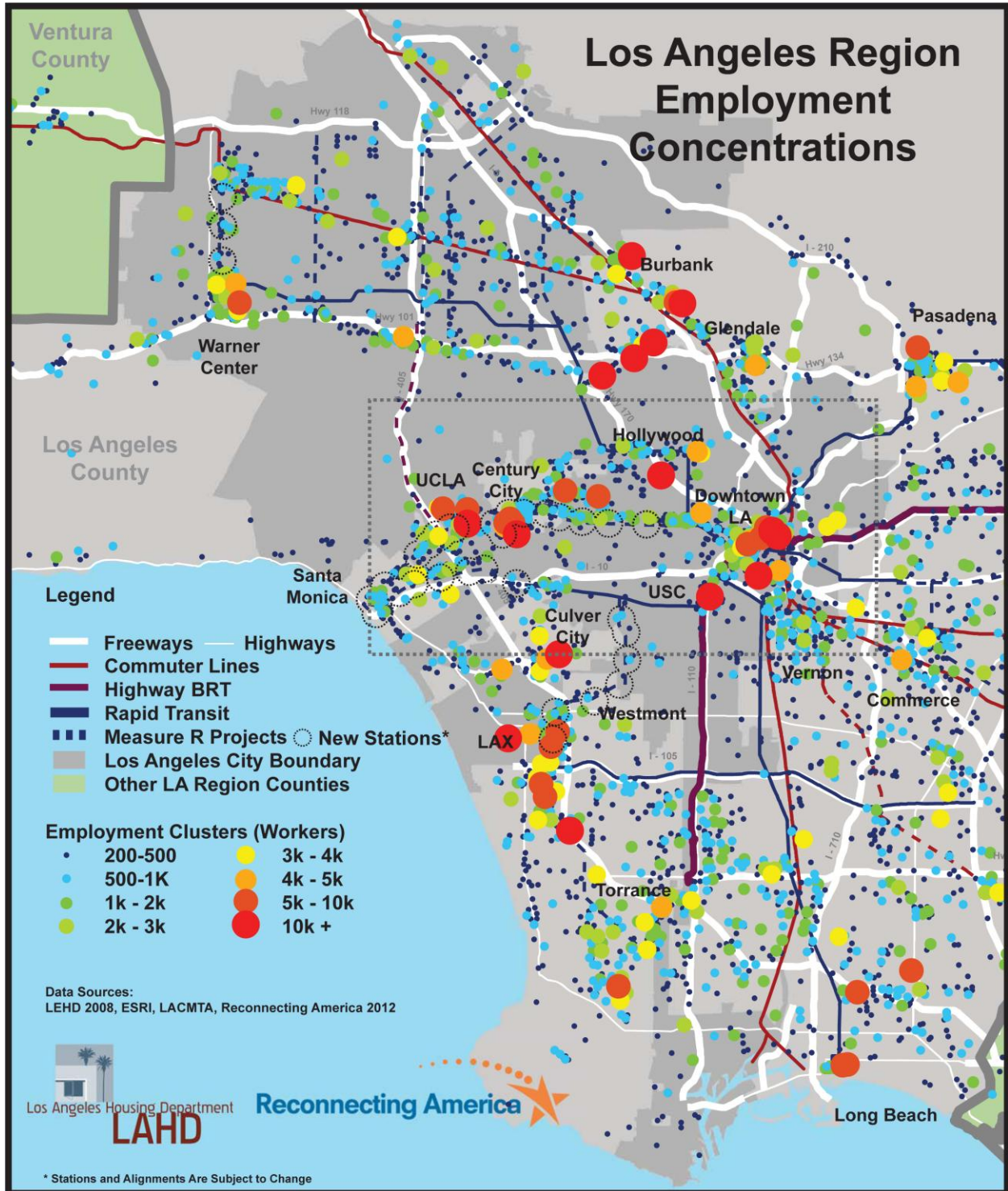


Figure A-6: Existing and Planned Fixed-Guideway Station Areas in Central Los Angeles

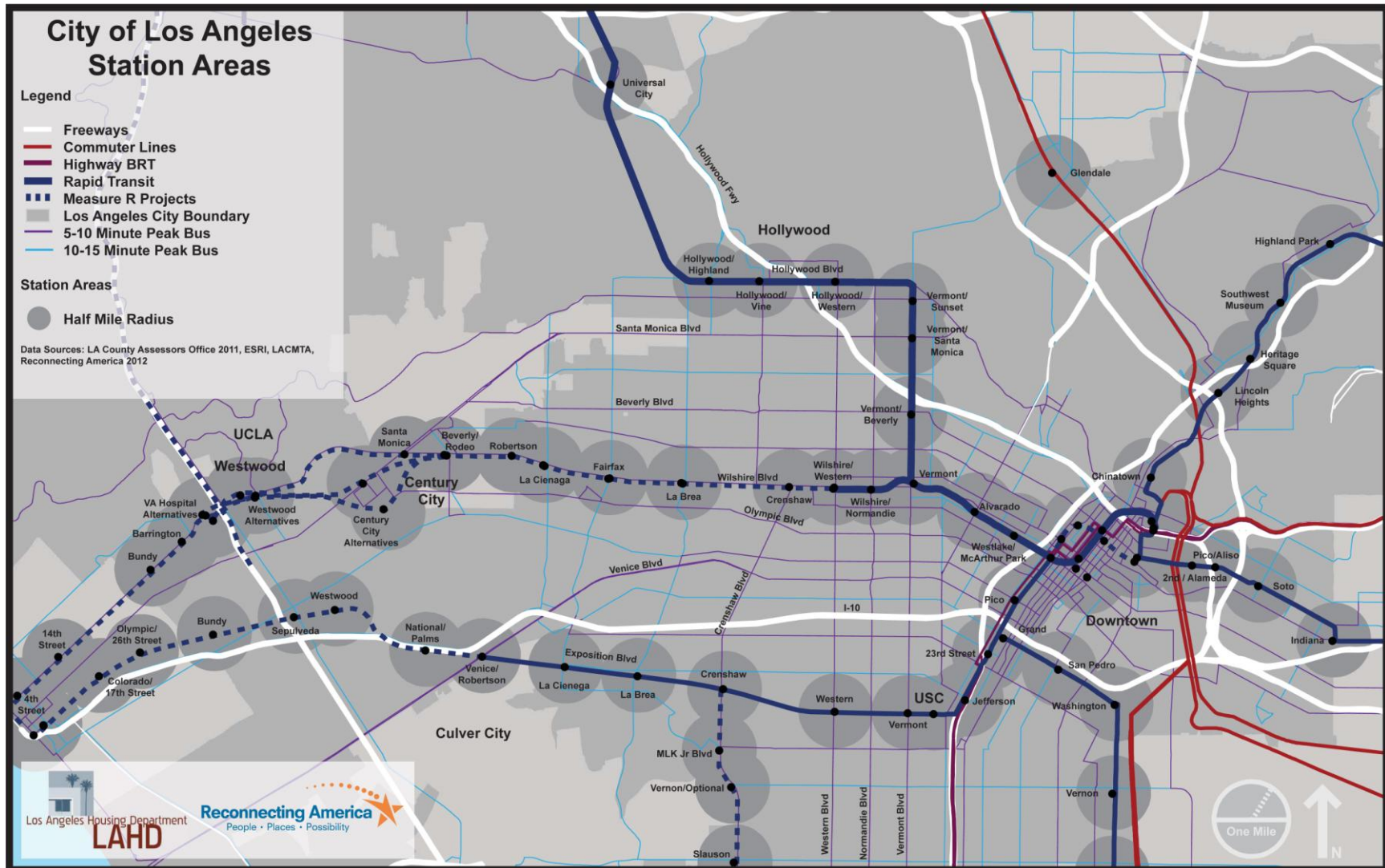


Figure A-7: Assessed Land Values per Square Foot, 2012

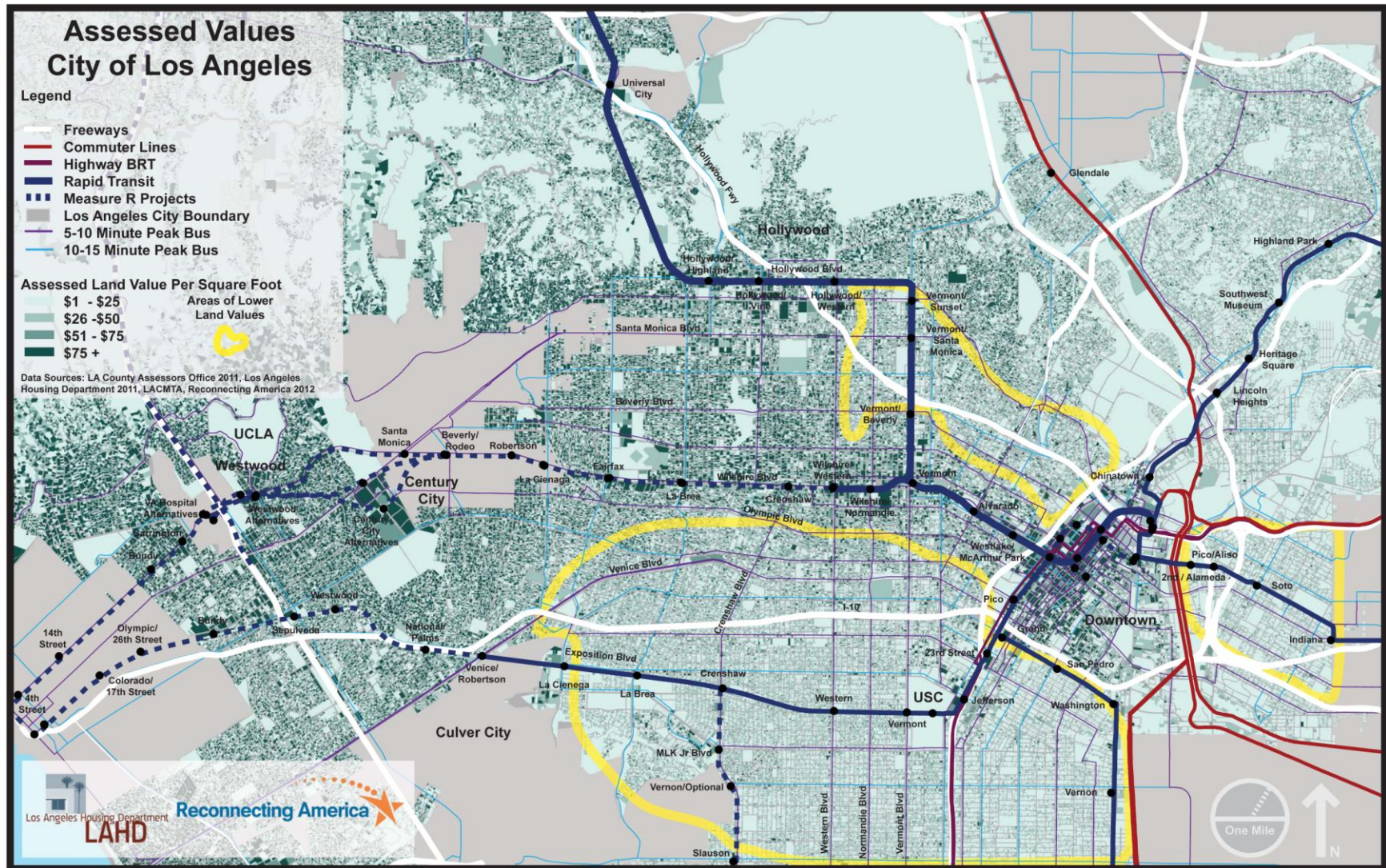


Figure A-8: Areas with a Comfortable Transit Commute to Downtown Los Angeles

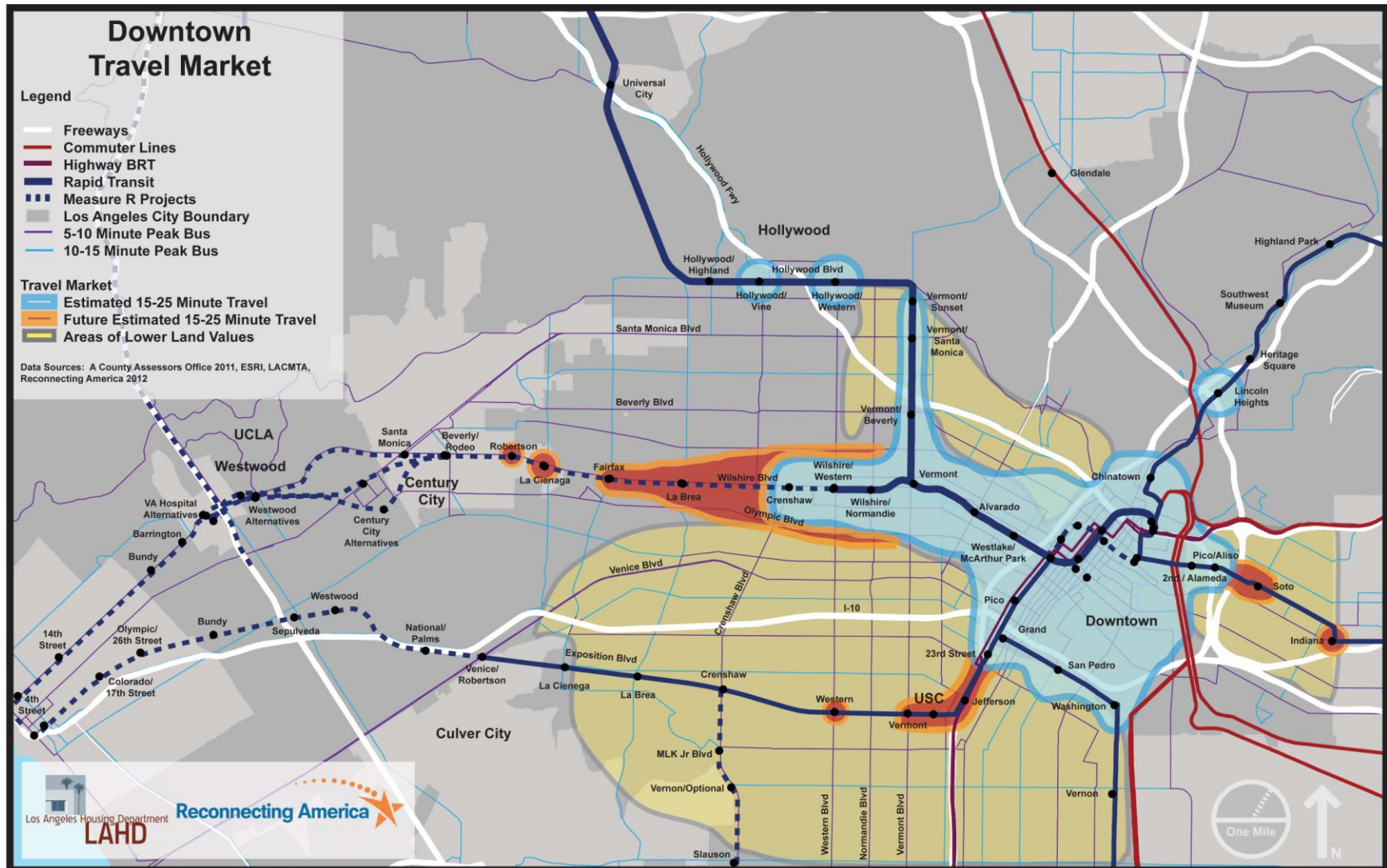


Figure A-9: Areas with a Comfortable Transit Commute to Westwood

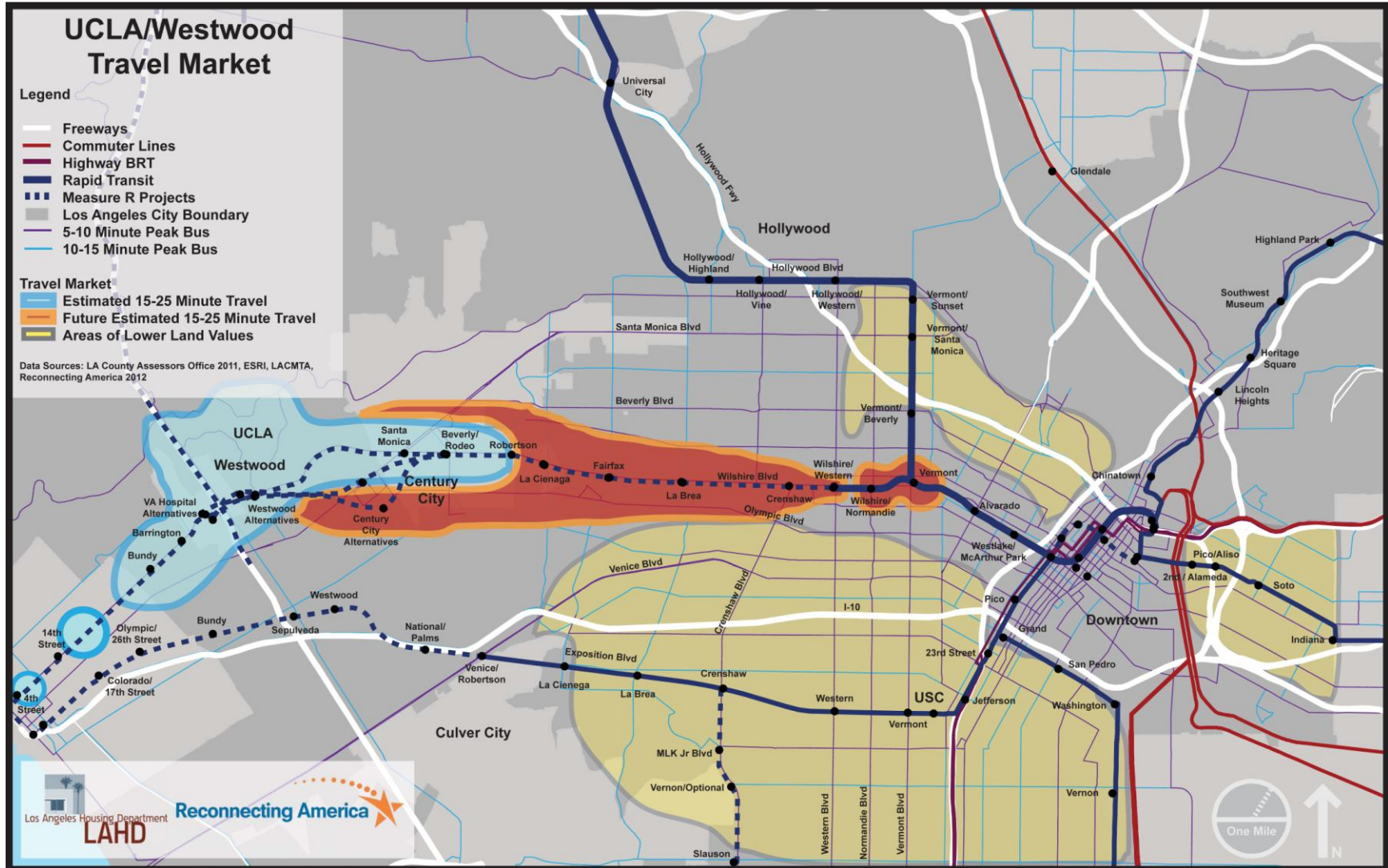


Figure A-10: Age of Building Stock

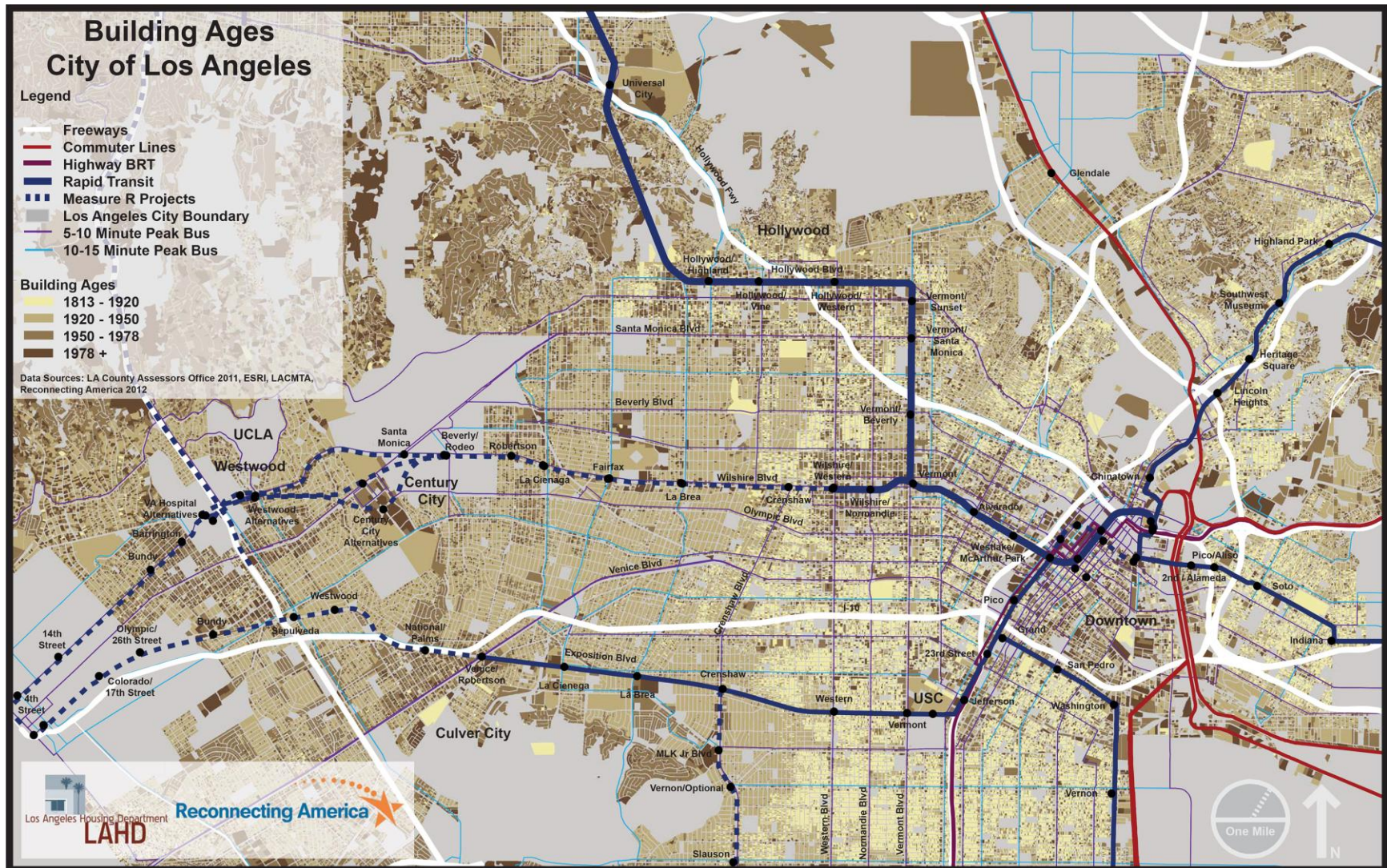


Figure A-11: Areas with Concentrations of At-Risk, Affordable Units, 2012-2017

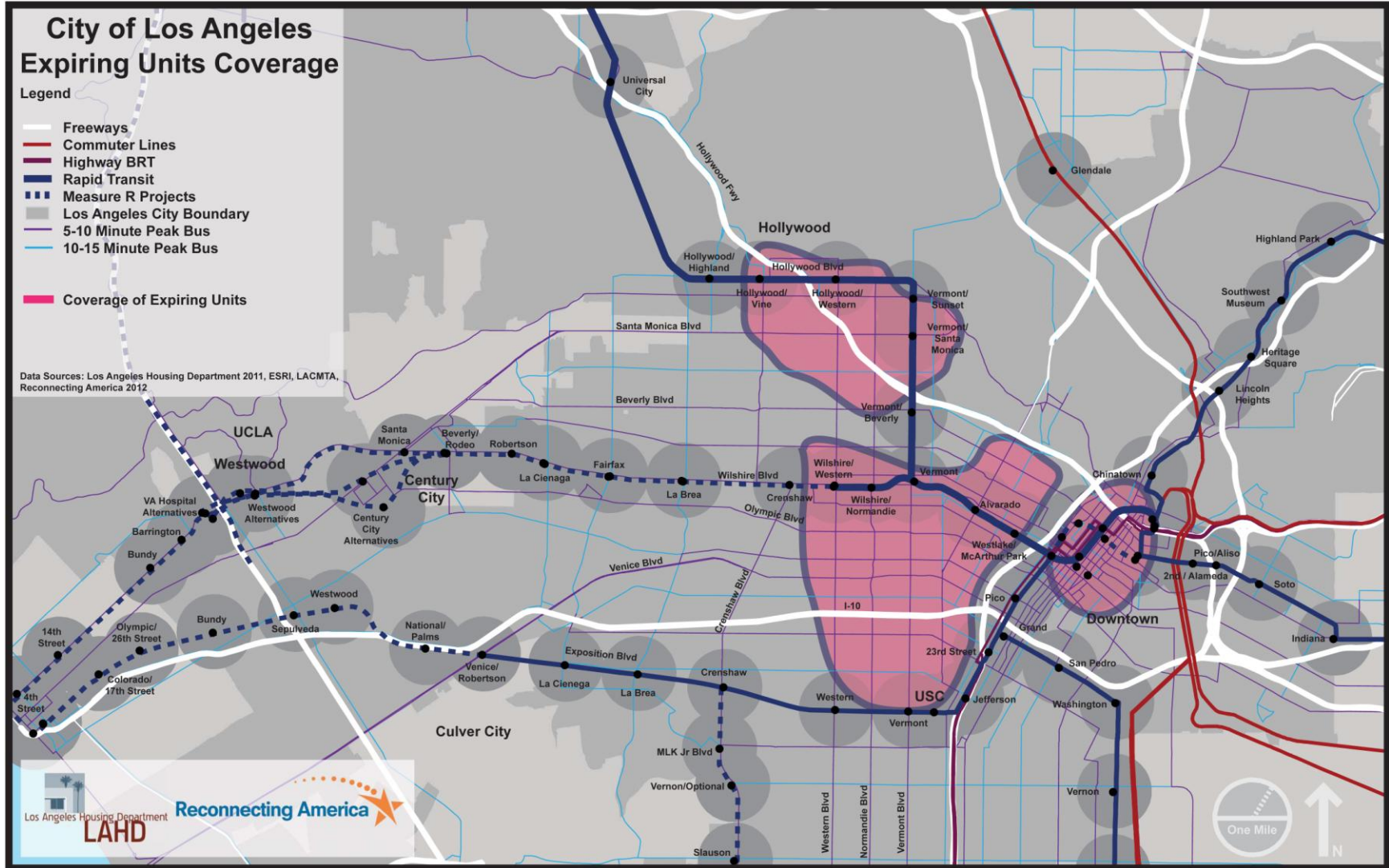


Figure A-12: Areas with Concentrations of RSO-Subject Properties with Greater than 25 Units

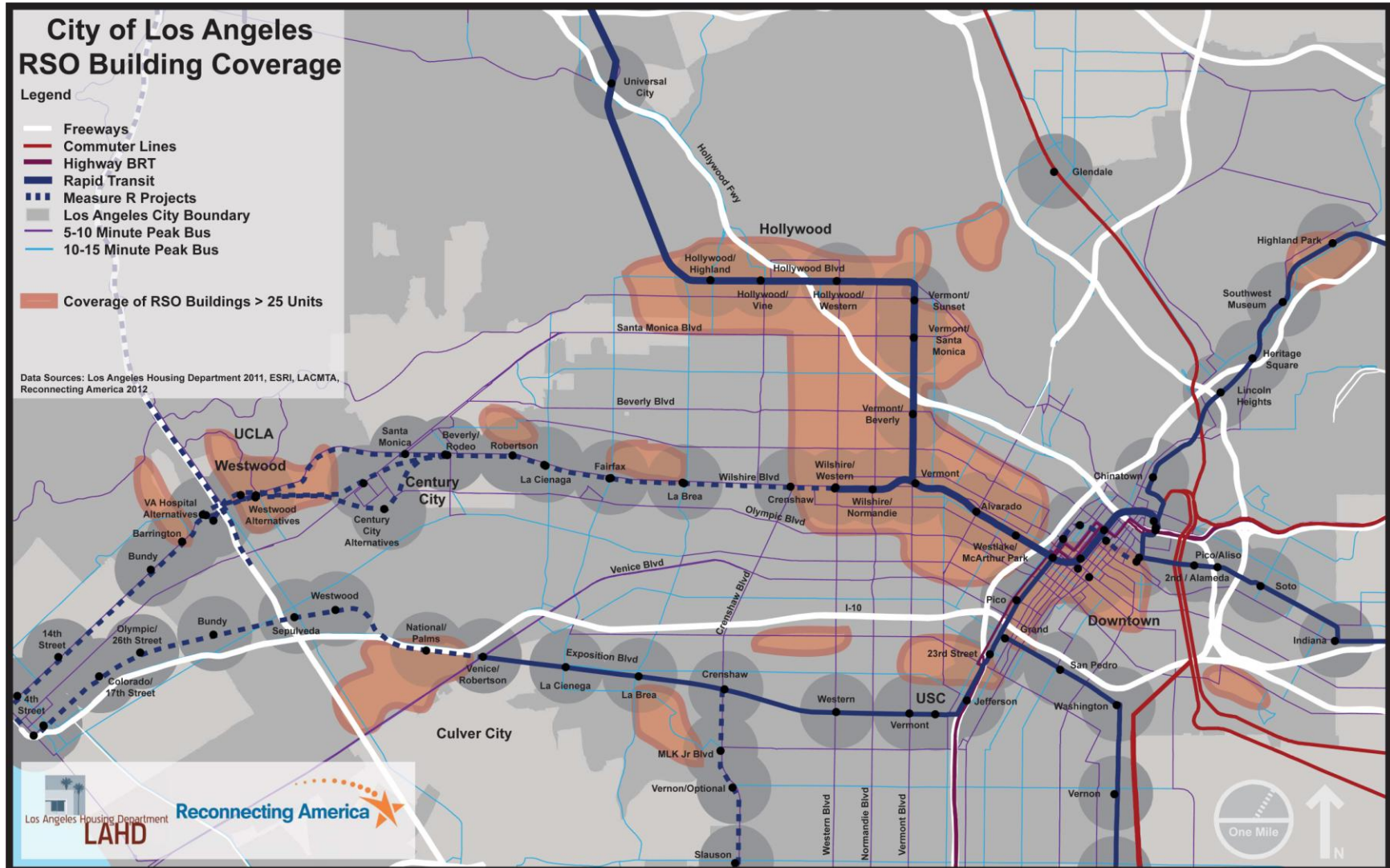


Figure A-13: Areas with Concentrations of RSO-Subject Properties with Fewer than 25 Units

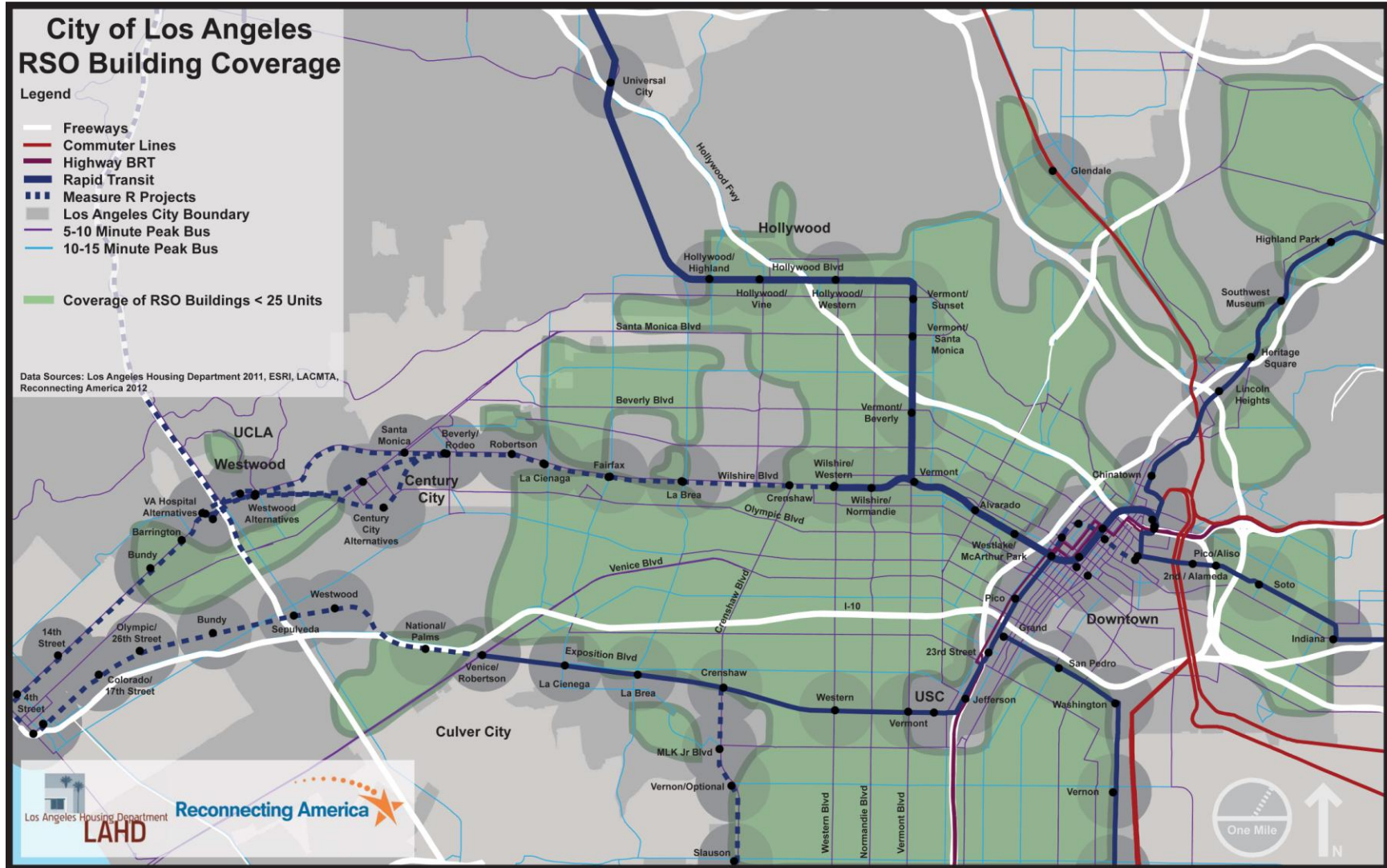


Figure A-14: Four Priority TODs for Preservation, 2012-2017

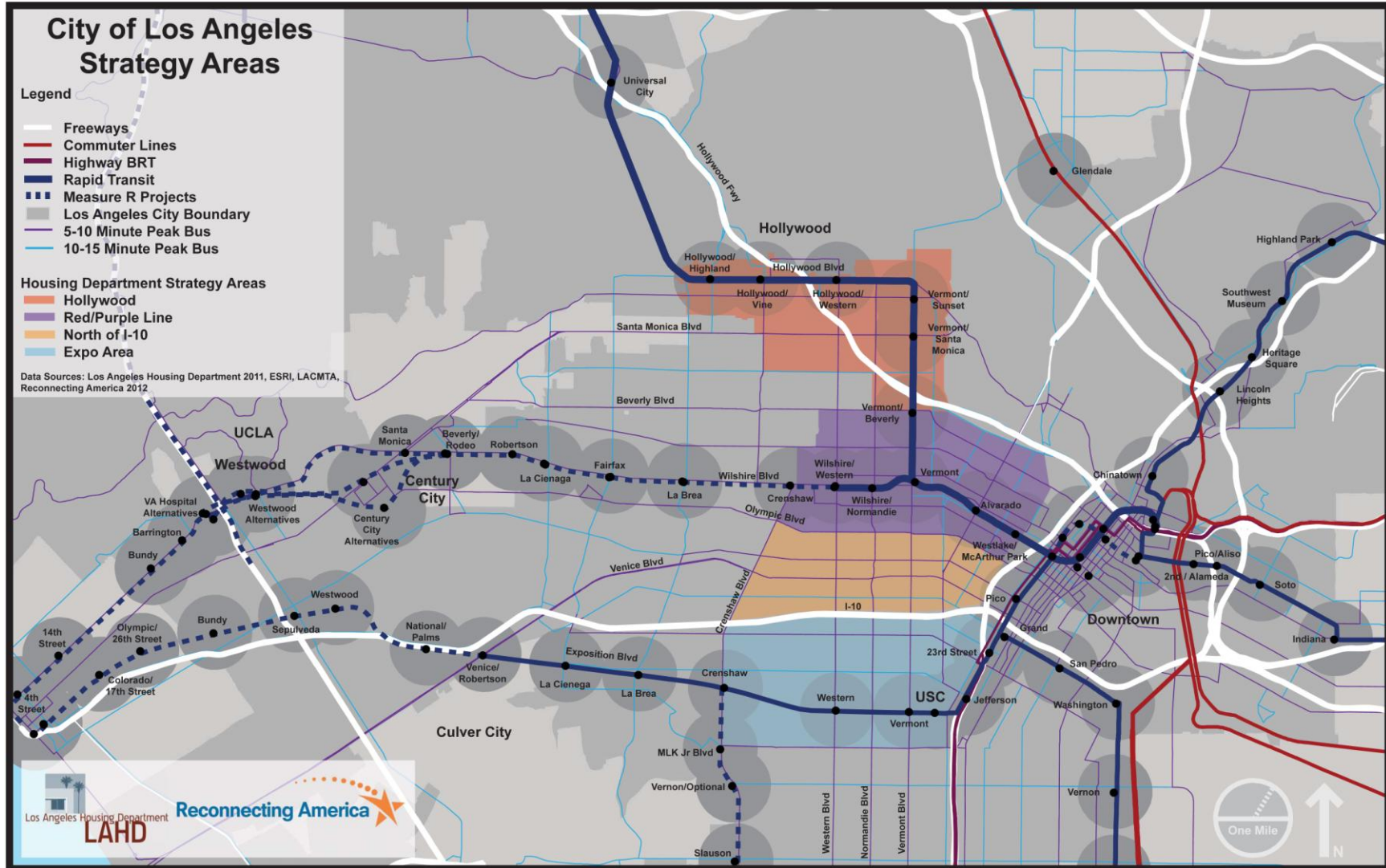
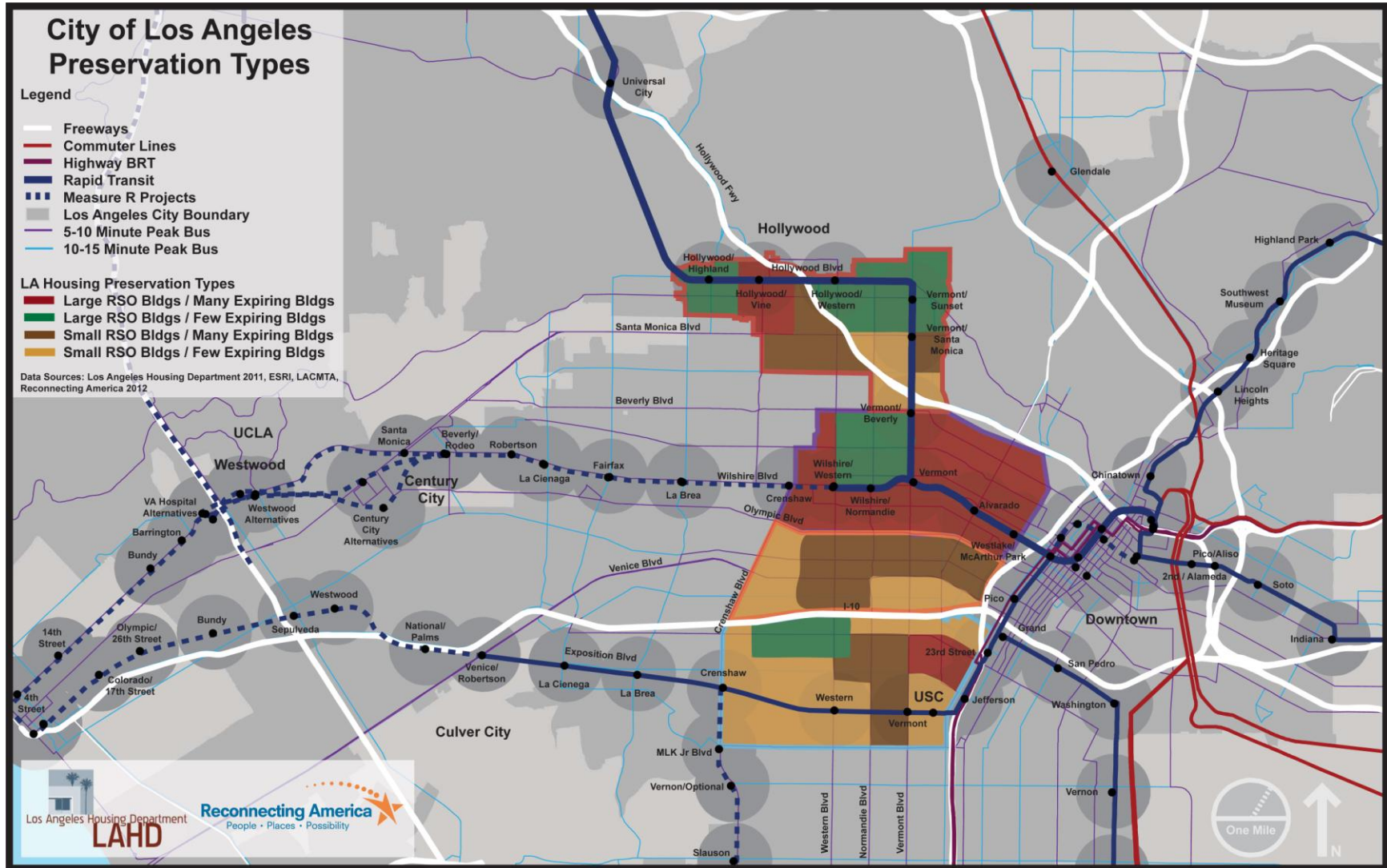


Figure A-15: Map of Priority TODs by Preservation Types



DATA SOURCES

- Rent Stabilization Ordinance property data from May 2011 (Los Angeles Housing Department) Los Angeles County Assessor data, 2012 (Los Angeles County Assessor)
- Foreclosure data from 2007 Q1- 2011 Q4 (Los Angeles Housing Department)
- Affordable Housing data (properties expiring in five years; through 3/1/2017) (Los Angeles Housing Department)
- Affordable Housing Trust Fund data (Los Angeles Housing Department)
- American Community Survey Data, 2005-2009 Rolling Average (U.S. Census)
- Longitudinal Employer-Household Dynamics Data, 2008 (U.S. Census)
- 2010 U.S. Census
- Transit-Oriented Development Database at toddata.cnt.org (Center for Transit-Oriented Development)
- Transit alignments for both existing and planned Measure R stations, 2012 (Los Angeles County MTA, Center for Transit-Oriented Development)
- Metro Bus lines with Frequencies, Bus Loads, 2011 (Los Angeles County MTA, SCAG 2007)

Acknowledgements

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Anna Ortega, Director, Rent Stabilization Bureau
Domingo Saucedo, Director, Code Enforcement Bureau
Scott McGill, Chief Inspector, Code Enforcement Bureau

Other City Departments:

Ed Gipson, Managing Director, Office of the Mayor
Ken Bernstein, Principal City Planner, City Planning Department
Claire Bowin, City Planner, City Planning Department
Patricia Diefenderfer, City Planner, City Planning Department
Matthew Glesne, Planning Assistant, City Planning Department

Nongovernmental Organizations:

Susan Anderson, Program Officer, Enterprise Community Partners, Inc.
Cecile Chalifour, Deputy Director, Low Income Investment Fund
Dean Matsubayashi, Director, Little Tokyo Service Center
Gloria Ohland, Policy & Communications Director, Move LA
Anne Sewill, President, California Community Foundation
Beth Steckler, Deputy Director, Move LA