

Community Development Commission/Housing Authority of the County of Los Angeles

July 24, 2018

TO: Each Supervisor

FROM: Monique King-Viehland, Executive Director



SUBJECT: AFFIRMATIVELY FURTHERING FAIR HOUSING IN LOS ANGELES COUNTY

Background

On April 24, 2018, the Board of Supervisors (Board) adopted a Motion by Supervisors Sheila Kuehl and Mark Ridley-Thomas to report back to the Board in 90 days with recommendations and any funding needed to develop a robust plan to affirmatively further fair housing in Los Angeles County, including the full range of local resources and tools available to the County as well as models from other jurisdictions that could be adopted in Los Angeles County.

The Community Development Commission/Housing Authority of the County of Los Angeles (CDC/HACoLA) finalized the County's Assessment to Fair Housing/Analysis of Impediments Plan earlier this year as required by the U.S. Department of Housing and Urban Development (HUD) with identified goals, which will be implemented – irrespective of the recent suspension of the Affirmatively Furthering Fair Housing final rule – in strategies that we identified in our corresponding Consolidated and Agency plans. Despite the suspension of the final rule, the CDC/HACoLA remains committed to building better mechanisms to ensure we are affirmatively furthering fair housing as doing so is core to our mission of "*Building Better Lives and Better Neighborhoods.*" We concur with the Board that the County should continue and expand our efforts to affirmatively further fair housing. In honor of the 50th anniversary of this historic federal civil rights legislation, we will look for opportunities to go beyond what is legally required by federal law and resources and, explore all avenues available to the County to create inclusive and integrated communities. Therefore, for purposes of this report back, we will look beyond what is required federally and examine recommendations that will enhance and expand upon the CDC/HACoLA and the County's current efforts.

In order to address this Motion, the CDC/HACoLA sought input from various community stakeholders and subject matter experts, including but not limited to, representatives from the Department of Regional Planning (DRP), the Chief Executive Office (CEO), the Los Angeles Homeless Services Authority (LAHSA), and the Housing Rights Center (HRC). Staff from these departments, agencies, and organizations provided recommendations that would augment existing housing efforts and improve access to housing.

Current Efforts

At the direction of the Board, the County and CDC/HACoLA are undertaking a large effort to increase the effectiveness of affordable housing programs through various strategies including 1) expanding investment in affordable housing preservation; 2) increasing competitiveness for state and federal affordable housing funding; and 3) expanding investments in affordable housing production both with and without residents with limited means housing tax credits.

In addition, DRP is developing several tools aimed at addressing equitable development, preserving and increasing the supply of affordable housing, and ultimately furthering fair housing in the unincorporated areas of Los Angeles County.

Through the adoption of the General Plan Update, the Board initiated a program to ensure the equitable implementation of the General Plan, which includes the update to the Density Bonus Ordinance, considerations for an inclusionary housing ordinance, exploration of community land trusts and other shared equity models, development of a toxic hot spots map, and development of an equity scorecard and framework for community engagement.

Furthermore, in February 2018, the Board initiated four (4) ordinances – Affordable Housing Preservation Ordinance, Inclusionary Housing Ordinance, By-Right Housing Ordinance, and Homeless Housing Ordinance – to preserve and increase the supply of housing and housing for homeless persons. The Homeless Housing Ordinance, in particular, focuses on ways to further fair housing, including strengthening existing reasonable accommodation regulations.

With Measure H and the implementation of various Homeless Initiatives, the County, cities, various agencies, and LAHSA are actively taking steps to expedite the provision of housing for individuals and families.

The recommendations below have been identified as areas that would assist in expanding the reach and scope of our current efforts to further fair housing while augmenting the various housing initiatives currently underway in the County.

Recommendations

Based on our survey of existing efforts and input from the various community stakeholders and subject matter experts, the CDC/HACoLA recommends the following:

1. Source-of-Income Protection

Explore the adoption of an ordinance that prohibits discrimination based on source of income that extends protections to Section 8 Housing Choice Vouchers (HCV) and any form of rental subsidy assistance.

Throughout the Assessment to Fair Housing/Analysis of Impediments Plan, CDC/HACoLA was alarmed at the high frequency in which Section 8 HCV holders were denied housing opportunities by property owners who discriminate based on their rental subsidy assistance. It was reported that some property owners have outright told Section 8 voucher holders that they do not take third party checks or "Section 8." In a County with a less than 3% vacancy rate, this form of discrimination further limits the rental inventory for rental subsidy assisted families and is thereby effectively eliminating housing choice options.

Currently, California law prohibits discrimination based on source of income. However, under California state law, Section 8 HCVs are not considered tenant income, and therefore, a housing provider is not required to accept a voucher. Housing providers are also not mandated to treat other rental assistance programs as income. As a result, the County of Marin and the City of Santa Monica have adopted ordinances that prohibit discrimination based on source of income that extend protections to Section 8 rental subsidy assistance.

For the County of Los Angeles, the adoption of a source-of-income ordinance that extends protections to HCV holders and any person receiving a rental-subsidy, will ensure greater access to housing and improve the homeless crisis. The ordinance would preclude property owners from denying applicants based solely on their HCV or rental subsidy assistance source of income. Moreover, the County's ordinance could serve as a template and could be utilized to develop a "toolkit" for other cities within the Los Angeles County area. This "toolkit" could be used as a model for adopting companion ordinances, creating a regional impact, and simultaneously the County and CDC/HACoLA could continue to pursue statutory reforms with the California State Legislature to advocate for changes statewide.

It should be noted that property owners would continue to have the right to screen tenants for rental or credit history, references, and other selection criteria, as long as the criteria is applied equally to all applicants.

The CDC/HACoLA estimates that \$150,000 in funding would be necessary to draft the ordinance, which would cover staffing, legal, and administrative.

Lastly, as part of this effort, the County of Los Angeles, in partnership with CDC/HACoLA, can collaborate to create a "Landlord-HACoLA Partnership Sign-On Incentive," that would attract property owners that have not, within the last five (5) years, conducted business with CDC/HACoLA. This incentive would assist the CDC/HACoLA with opening the door to new property owner relationships and in turn, expand the availability of housing for all of CDC/HACoLA-assisted families. This proposal would create a companion program to the Homeless Incentive Program which has been very successful, aimed at encouraging landlord's to participate in the HCV, Veterans Affairs Supportive Housing, and the Continuum of Care programs who have not participated historically. **The CDC/HACoLA estimates that \$1.2 million in funding would be necessary to establish this type of fund and could require ongoing revenues thereafter.**

2. Gentrification/Displacement Study

Engage a consultant to conduct a Gentrification/Displacement Study in Los Angeles County.

There has not been a more hotly debated issue amongst County Officials and urban developers than the causes and effects of gentrification and displacement. Conducting a study of this nature will provide the County and the CDC/HACoLA a broader interpretation of displacement that encompasses not just when a household is forced to move by conditions that affect the dwelling unit, but also to take into account changes in the neighborhood as a whole. Conducting a study of this nature would create opportunities for the County to build its capacity to identify areas that are at major risk of gentrification and displacement, due to higher housing costs.

There are many models that can be considered and developed for the unincorporated areas. For example, the Urban Displacement Project, which is a collaboration of the University of California, Los Angeles and the University of California, Berkeley, provides a tool to map gentrification trends in Los Angeles County from 2000-2013. The City of Seattle's Displacement Index measures displacement risk with other equity indicators,

such as access to jobs, transit, amenities, etc. Assessing and predicting the risk of displacement, based on factors, like a transit investment, land use changes, and development trends can be used to develop strategic policies (and to test the impact of those policies) to further fair housing. Tools, such as a displacement index, can build off the work to identify at-risk areas in the Annual Affordable Housing Outcomes Report, and be designed to work in conjunction with the Equity Indicators Tool.

The overall research from the Gentrification/Displacement Study will seek to explore more closely the phenomena of gentrification and displacement in the Los Angeles County area, in an effort to better understand, predict, and possibly prevent residential displacement. The research will focus on the effects on the housing market, particularly the loss of affordable housing, and will assist the County and the CDC/HACoLA in creating strategies to address forthcoming gentrification trends.

Contingent on the Gentrification/Displacement Study findings, strategies could include:

a) The Expansion of Current Homeownership Programs for Residents with Limited Means

The CDC/HACoLA currently administers a Home Ownership Program (HOP) that is financed with the HOME Investment Partnerships Program funds provided through HUD and is subject to the applicable federal regulations. HOP is designed to meet the needs of residents with limited means (up to 80% of area median income) first-time homebuyers and will provide a 0% interest Second Trust Deed loan with all payments deferred until sale, transfer, refinancing, no longer owner-occupied, or full repayment of the first mortgage.

HOP loans are currently available in the unincorporated areas of Los Angeles County and 47 cities participating in the Los Angeles Urban County Community Development Block Grant (CDBG) Program. The HOP loan provides up to 20% of the purchase price for down payment and closing costs assistance not to exceed \$75,000.

Because HOP is federally-funded, it is restricted by the above geography and the maximum purchase price of the home. Currently, the maximum purchase price allowed for existing or new homes is \$495,000. This price restriction, coupled with the program's geography, limits the utility of the program in the County. Local funding could be used to develop a homeownership program focused on providing opportunities for residents with limited means in areas identified by a gentrification study and could be an effective anti-

displacement tool for residents with limited means currently residing in the community as well as a family stabilization and wealth-building tool for residents with limited means.

Our current homeownership program is funded at \$4,260,000 to assist 54 households. **The CDC/HACoLA estimates that with a similar allocation of \$4,260,000 an additional 54 households could be assisted.**

b) An Acquisition Fund to Acquire Properties in Gentrifying Areas

To alleviate the displacement of residents with limited means in gentrifying areas, CDC/HACoLA proposes the development of an acquisition fund that will target properties that are for sale or that show signs of disinvestment. Areas that are gentrifying typically contain naturally occurring affordable housing stock, which refers to residential rental properties that maintain low rents without a subsidy or rent restrictions. This is the most common affordable housing in the United States and rents are typically below market rate due to poor upkeep, building age, deferred maintenance, or poor management.

Creating a fund for the purchase of such properties has a number of benefits, including keeping families in their current unit and community, and improving the lives of people who live in substandard buildings. Additionally, predevelopment and rehabilitation timelines are shorter than new construction projects. This fund could be accessed by the development community, or be used by the County and/or the CDC/HACoLA, on behalf of the County, if promising properties are identified. These efforts are in alignment with the County's existing housing preservation discussions.

c) Long-Term or Short-Term Stabilization Subsidy Program

The Gentrification/Displacement Study could be used to inform the creation of a short-term or long-term rent stabilization program that offers rental assistance to at-risk or displaced families living in gentrifying areas of the Los Angeles County.

Ideally, the program would cover residents with limited means rent increase or provide a displaced family the needed subsidy to secure another housing unit in close proximity of the family's displaced location.

Preliminary estimates find that a Stabilization Subsidy Program could be modeled under two (2) methodologies: A Flat Subsidy Model or a Rent Burden Percentage Model.

Should the program be based on a Flat Subsidy Model, to comfortably subsidize the rents of 800 families in unit sizes ranging from 0-3 bedrooms would cost an annual total of \$15.4 million, of which \$14 million would be used for rental subsidy and \$1.4 million would cover program administrative costs.

Bedroom Size of the Unit	Rent Subsidy	200 Participants Per Unit Size (Annually)		Admin. Fee @ 10%	Total Cost
0	\$1,000	\$2,400,000	+	\$240,000	\$2,640,000
1	\$1,200	\$2,880,000	+	\$288,000	\$3,168,000
2	\$1,550	\$3,720,000	+	\$372,000	\$4,092,000
3	\$2,100	\$5,040,000	+	\$504,000	\$5,544,000
		\$14,040,000	+	\$1,404,000	\$15,444,000

If the program is based on a Rent Burden Percentage Model, a rent burden percentage would need to be established and met by the family. As an example, based on HCV family profile data, if a family did not have HCV rental subsidy, on average a family would be subject to pay 98% of their gross monthly income towards rent. Given this profile, should a family at-risk of displacement as a result of gentrification experience a rent increase not to exceed 20%, the program would subsidize the difference. The total annual cost to subsidize the rents of 800 families would total \$3 million.

Unit Size	Rent	Monthly Assistance <i>(Based on a Rent Increase up to 20%)</i>	Yearly Cost	Households Assisted	Total Assistance
0-BR	\$1,000	\$200	\$2,400	200	\$480,000
1-BR	\$1,400	\$280	\$3,360	200	\$672,000
2-BR	\$1,800	\$360	\$4,320	200	\$864,000
3-BR	\$2,200	\$440	\$5,280	200	\$1,056,000
				Total:	\$3,072,000

These plans and corresponding strategies could minimize displacement and secure affordable housing, which may preserve diversity and housing choice. **We estimate that the cost of such a study may be up to \$300,000, to include consultant/educational entity costs, internal staffing costs, and stakeholder meetings.**

If the Board approves, the CDC/HACoLA could take the lead in overseeing the study and report back to the Board with strategies that could then be funded with further action. The dollar figures mentioned above for the strategies are estimates and meant to give insight on the cost of implementation, but are not absolute.

3. Expansion of Fair Housing Services

Provide local funding for an expansion of fair housing services to include fair housing education, counseling to tenants and property owners on their rights, investigation of fair housing complaints, prevent illegal displacement of residents, enforcement of housing laws, and assist residents with filing complaints. The CDC/HACoLA has funded fair housing education and outreach utilizing CDBG to affirmatively further fair housing. However, with funding on the decline over the years, fair housing activities have been limited to funding at \$200,000 since 2012. Recently, CDBG has been proposed for elimination, which makes the future of funding fair housing activities precarious. With the current housing crisis, it is important to increase education to practitioners, developers, property owners, renters, and the public so that there is a better understanding of the protections under the Fair Housing Act. This important effort should not be exclusively tied to a federal funding source that is vulnerable to cuts. **Our recommendation is to augment existing efforts with an additional \$200,000 annually in local funding for this important purpose. This commitment would bring the total annual allocation for fair housing education, testing, and outreach to \$400,000 annually countywide.**

CONCLUSION

Many residents face difficulties in access to housing in Los Angeles County as we can see with low vacancy rates, rising housing costs, and the high numbers reflected in the homeless count. Fair Housing is a right! We can do more to affirmatively further fair housing and the aforementioned recommendations would augment the County's existing efforts and create more access to housing and, more importantly, to housing choice.