

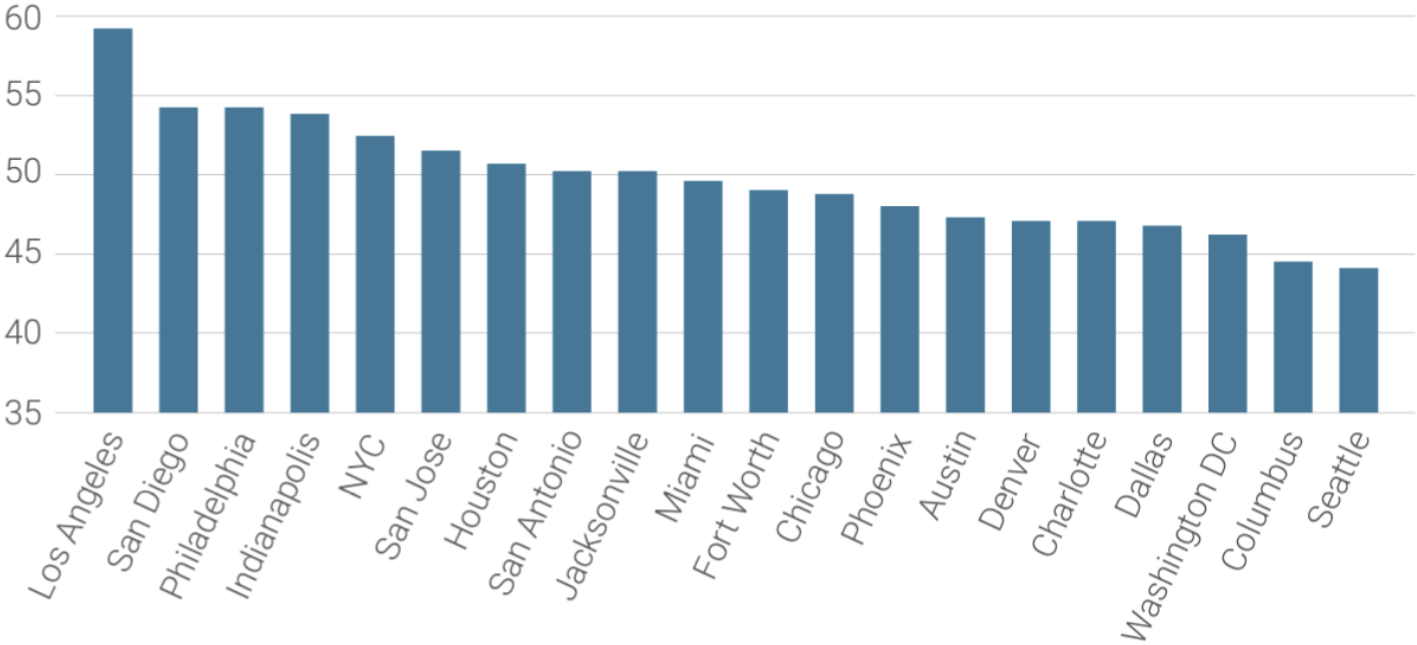


# Zoning, development and housing affordability

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# Percentage of Rent burdened-households, Major US Cities

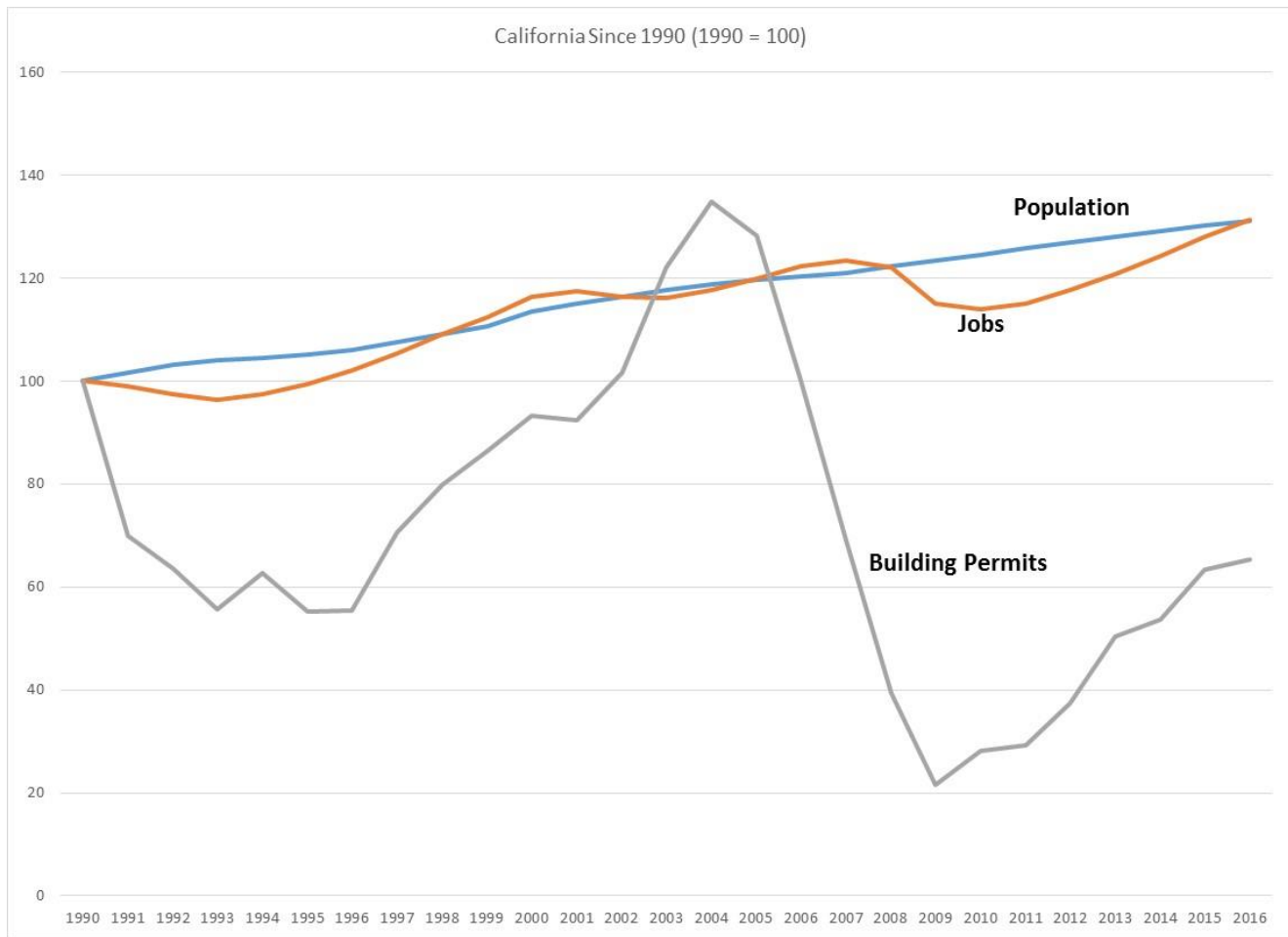


# Why is the rent so high?

- Rent has always been very expensive in Los Angeles, and it always will be, as long as it remains one of the most productive and amazing places in the world.
- There are roughly three things that you can do to make housing more affordable: subsidize, regulate rents, or build more housing (subsidized or not). Los Angeles has more rent regulation than most places but only recently has it done anything innovative on subsidizing production (HHH) and like everywhere else, does not allow enough housing production.
- Zoning is the mechanism toward allowing more housing production, or not.

## City of LA housing production is...ok

- McKinsey credits the City of LA as permitting the most housing units relative to population growth of nearly any California city in the 2010s – roughly 88,000 units.
- But LA population growth probably would have been higher if there were more housing, and cheaper housing.
- And very few California cities are doing well at this.



## And...

- The City of LA had zoning space for 10 million people in 1960 and that is estimated to be down to about 4.5 million people.
- This says nothing about the other 87 jurisdictions in LA County. Some are doing smart things with housing, some are much more exclusionary than LA, some others are probably not the most environmentally or economically sustainable places to put a lot of housing.

# Housing production is necessary to make housing more affordable

- This is simple at the city or regional level.
- But this is more complicated at the neighborhood level.
- In higher income neighborhoods, we may not be too worried about this problem. But in lower income neighborhoods, it would be bad if new housing made existing housing more expensive.

# Neighborhood-level effects

- There are two likely effects from new housing on existing housing affordability:
  - A supply effect: The increased number of housing units absorbs some of the demand, landlords have less power to raise rents.
  - Amenity (or demand) effect: New housing may be attractive on its own – it's shiny and pretty compared to the old buildings it replaced. Even more likely is that the new people that can afford the new housing are able to afford other amenities that locate in the neighborhood (artisanal coffee, etc.). And, higher income people do tend to pay more in order to live near other higher income people.



# Research is more challenging and more limited at the neighborhood level

- There are very few studies that examine the effects of housing production on nearby rents.
- But this is a fast-growing area of study, helped by some new sources of data.
- Even with good data, it is hard to isolate the effect of new housing on rents in the surrounding neighborhood, because developers build new housing where they think rents will be high and/or become even higher.
  - This leads many to assume that new housing raises rents, because we often see new housing where rents are already rising.

## Recent research on neighborhood effects is promising

- In a recent report, we summarized six recent working papers (three have since been published) that use improved data sources and methods to study the impact of new market-rate development on neighborhood rents. One focuses more on city-level effects and is outside the U.S., so that is less relevant.
- Four (out of five) find that market-rate housing makes nearby rental housing more affordable, and one finds stable or lower rents for nearby homes.
- These effects apply across the income distribution of rental units, though the effects are larger for higher-priced units.
- These findings point to local benefits from market-rate development, but they should not be interpreted as an endorsement of market-rate development regardless of the project or neighborhood context.

# Production and preservation of affordable housing

- Los Angeles has a huge affordable housing deficit. There is much less public housing per capita here than in cities like New York or Chicago.
- LA County built fewer than 14,000 units of affordable housing from 2014-2018. Roughly **one for every 10,000 residents** in a county where most renters are rent burdened.
- City of LA can expect about 10,000 affordability covenants to expire in the upcoming RHNA cycle.
  - Research I've done with Vincent Reina shows that expiring units are in higher opportunity neighborhoods than units that will expire well into the future.

# LA County needs about 800,000 new housing units

- Over half of these should be affordable to those earning less than 120% of Area Median Income (or about \$92,000)

# New York City's 10-year plan and NHMP

- The obvious model for LACAHSAs affordable production and preservation is New York City, which has done more than any other city in financing and funding.
- New York created more than 230,000 affordable units from 1987 to 2008 using more than 100 different programs with funding from diverse sources, including city capital funds, LIHTCs, federal rent subsidies, and city-owned land.
  - Most set aside for those earning less than 60% of the area median income (AMI).

## Concluding thoughts

- LACAHSAs do not have zoning power, but it has influence. Land use changes are essential.
  - Growing evidence that market rate housing production keeps rents lower in nearby existing housing.
  - Zoning has long been a tool to exclude low-income and minority renters.
- Affordable housing production should be prioritized in higher-resource communities where the risk of displacement and other potential harms is lower.
- Complementary policies such as tenant protections remain essential.



# THANK YOU!

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