

Executive Summary

CRITICAL TRENDS

Decline in Overcrowding

Between 2000 and 2006, overcrowding trends of the previous 20 years changed direction. Rates of severe overcrowding fell 65 percent from 2000 to 2006, leaving 8 percent of the City's renters in severely overcrowded (more than 1.5 occupants per room) conditions and another 11 percent in overcrowded conditions (more than one occupant per room). This was the result of a growing stock of larger rental units and a small decline in the renter population. Despite this good news overcrowding remains widespread among low-income renters, with 28 percent of those at or below 200 percent of the poverty level living in overcrowded conditions.

Increase in Rent Burden

In 2006, LA renters were less able to afford housing than they were 16 years ago. Census data shows that 58 percent of renters are rent-burdened, paying over 30 percent of their income for rent. The share of residents who are severely rent-burdened, paying over half of their income for rent, increased to 31 percent in 2006.

Reduction in Rental Inventory

In 2000, LA began to emerge from the 1990s housing construction slump and there was an increased pace of both additions and subtractions of rental units from the City's housing inventory. The net outcome from demolition, renovation and new construction of rental properties was a growing inventory of rental housing until 2004. The subsequent spike in condominium conversions resulted in a net loss of rental units by 2006.

Low Capitalization Rates (*low ratio cash flow to purchase price of property*)

A quarter of the rental unit inventory in buildings with five or more units was purchased in 2005 or later. These recent purchasers have much larger debt service loads than longer-term owners, making them vulnerable to minor fluctuations in expenses or the decline in rental income that can be expected as part of the current recession.

Housing Construction Costs

Construction costs typically account for about 60 percent of the cost of building rental housing, and land typically accounts for another 30 percent. Construction and land costs are high in Los Angeles, making it extremely difficult to produce new rental housing at prices that are affordable to most Los Angeles renters. If solutions are to be found, policy-makers must establish a framework that accelerates the production of affordable housing in the City.

Policy recommendations based on study findings are summarized in the following section. The final section of the Executive Summary presents key findings from each chapter.

POLICY RECOMMENDATIONS

Rent Stabilization Ordinance (RSO) Strengths and Limitations

The Rent Stabilization Ordinance (RSO) covers 66 percent of LA's inventory of rental units and, when owner-occupied units are included, 40 percent of all housing in the City. The majority of Los Angeles renters are rent-burdened, paying over 30 percent of their income for rent, and roughly a third are severely rent-burdened, paying half or more of their income for rent.

Strengths of the RSO program include that it touches a large segment of households in Los Angeles, most of whom are at the lower end of the income distribution, and protects them against rapid rent increases and arbitrary eviction.

The RSO program is limited in that it does not address the overall scarcity of housing in Los Angeles and the acute scarcity of housing that residents can afford, it provides little rent savings for short-term tenants, and it places administrative burdens on owners.

The purpose of the RSO is to protect tenants from excessive rent increases, while allowing owners a reasonable return on their investments. This balance is difficult to achieve in a rental market with both long-term decline in renter incomes and inflation in housing prices.

Scope of the RSO

Options for the scope of coverage of the rental market by the Rent Stabilization Ordinance are to retain the current scope, or to reduce the scope, most likely by eliminating coverage of properties with 2 to 4 units. The third conceivable option of expanding the ordinance to include rental units built after 1978 is precluded by state law.

The primary findings from this study that argue in favor of excluding small owners from RSO coverage are that small owners are the least profitable segment of RSO owners, have the weakest grasp of financial issues related to their properties, and sometimes are ill-equipped to deal with the additional paperwork required for complying with the RSO.

The primary finding that argues against excluding small owners from RSO coverage is that 24 percent of all RSO units are held by owners of 4 or less units. In the poorest areas of the City, the share of units held by small owners is even larger – 38 percent in the Harbor region, 42 percent in South LA, and 50 percent East LA. Eliminating these units from RSO coverage would result in rent increases and loss of secure tenure for a significant share of LA renters, most of them in households that already are rent-burdened. A second argument against eliminating RSO coverage of small owners is that four-fifths of RSO properties have been acquired since rent stabilization took effect in Los Angeles, for prices that took into account the effect of the RSO on income and profits.

It is recommended that the City retain the current scope of coverage by the Rent Stabilization Ordinance and provide technical assistance workshops and other training focused on small owners.

City Communication with Renters and Owners

Information provided by both renters and owners shows that many of those affected most directly by the Rent Stabilization Ordinance lack basic information about requirements and

opportunities that are part of the program. A third of renters have incorrect information about, or are unaware of, the RSO status of their unit. Two-thirds of low-income renters are unaware that the RSO limits rent increases and protects against evictions without just cause. Half of owners do not know about the capital improvement passthrough program, and despite their concerns about rent ceilings, 99.9 percent of owners have not sought relief through the just and reasonable rent increase application process.

It is recommended that the City mail annual letters to each RSO household and property owner, identifying responsibilities, resources and benefits that are part of the program.

Evictions and Tenant Relocation

Most renters and landlords agree that at-fault tenants who are disruptive, destructive, or do not pay their rent should be evicted. Renters and landlords both express support for making it easier to evict disruptive and destructive tenants.

The other side of this coin is that the City's low vacancy rate and rapid housing inflation during much of this decade was accompanied by a spike in no-fault evictions. Declarations were filed to remove over 20,000 units from the RSO inventory between 2000 and 2007. In mid-2007, the City added housing relocation search services to help tenants in no-fault evictions. The Housing Department referred 274 displaced households to the housing relocation assistance organization, which helped less than one-in-ten households find replacement rental housing.

It is recommended that the City inform owners that the RSO does not restrict evictions for disruptive or destructive behavior, inform renters about protections against no-fault eviction provided by the RSO, evaluate the delivery of tenant relocation services, and assess whether the level of service funded under the relocation assistance program should be increased.

Loss of Rental Housing Units Due to Condominium Conversions

Rental vacancy rates for the past eight years have fallen below the 5 percent threshold established in Los Angeles Municipal Code for suspending condominium conversions on residential rental properties of two or more units. The high rent burden for City residents, high levels of overcrowding and low vacancy rates are evidence that affordable rental housing is in short supply. Conditions that warrant denial of approval for condominium conversions have existed in the City for the past eight years.

It is recommended that the City suspend approval of condominium conversions, monitor rental vacancy rates at the Community Plan Area (CPA) level, and maintain this policy in CPAs with vacancy rates below 5 percent.

Capital Improvement Passthrough Program

The City's aging RSO inventory requires continued investment in capital improvements, including periodic outlays for major rehabilitation that addresses primary structural, plumbing, electrical or mechanical needs. The City's main program to provide additional revenue to owners for capital improvements is the Capital Improvement Passthrough Program, which allows temporary rent increases to pay for 60 percent of the cost of improvements. In the past 5 years,

only 1 percent of RSO owners, representing 4 percent of units, have applied for this program..

Information from the landlord survey that is relevant to the design of this program includes findings that, when compared to owners of 5 or more units, owners of 1 to 4 units are:

- Less than a third as likely to have used the capital improvement passthrough program
- Less than half as likely to report making a profit on their RSO units
- Only half as likely to increase rents by the annual amount allowed under the RSO

It is recommended that the City increase the capital improvement passthrough amount to: 75 percent for work that meets current criteria for the passthrough program but does not meet the criteria for primary renovation; 100 percent for systemic structural, plumbing, electrical, or mechanical work that can be done while tenants occupy their units; and 100 percent for either capital improvements or primary improvements for owners whose total RSO ownership, including all properties, is 4 units or less. It is also recommended that the tenant habitability component of the Primary Renovation Program and the process for determining whether a habitability plan is required be simplified and streamlined. And it is recommended that the term of payment for the tenant's share of costs be extended for up to 10 years to keep rent increases below \$25 per month for as many tenants as possible, that the \$55 monthly rent-increase ceiling for the share of capital improvements that can be passed on to tenants be indexed to the Consumer Price Index, and that the cumulative amount of capital improvement passthroughs approved for each property be tracked to ensure that tenants do not receive multiple rent increases that total more than the ceiling amount.

Banking Rent Increases

RSO tenants experience more frequent rent increases than non-RSO tenants because the current use-it-or-lose-it policy for RSO rent increases adds pressure to increase rents annually in order to avoid losing the prerogative to make an increase. Seven other jurisdictions in California with rent control allow owners to bank rent increases, that is, landlords who do not increase rents by the allowable annual amount in a given year are allowed to make this increase in future years.

Oversight of rent banking requires the rent history information that would be collected under the recommended tracking system for overseeing rent increases. If the rent registry is implemented, it is recommended that rent banking be implemented in the following year.

The option to bank rent increases makes the current 3 percent floor under the annual rent adjustment unnecessary. In years when the housing market is slow and rents are most likely to be banked, the change in the Consumer Price Index typically is less than 3 percent.

It is recommended that the City allow owners to bank annual rent adjustments banking if the recommended rent registry is implemented, with banked rent adjustments in combination with the annual increase permitted under the RSO not to exceed 10 percent. It is also recommended that the 3 percent floor on annual rent adjustments be eliminated and that the current 8 percent ceiling on annual rent increases be retained.

Joint Code of Responsibility for Landlords and Tenants

The most widely expressed concern of landlords about their tenants, as well as tenants about their landlords, is that the other party does not reciprocate reasonable and responsible

behavior. This is not a universal problem but it is the most frequently identified problem in landlord-tenant relations.

It is recommended that the City adopt a Joint Code of Responsibility for Landlords and Tenants as an articulated set of values about civil, reasonable behavior between landlords and tenants and include it in the Landlord-Tenant Handbook.

Systematic Code Enforcement Program (SCEP)

The Systematic Code Enforcement Program, or SCEP, is the most frequent point of contact between the Housing Department and Los Angeles landlords. The program has been recognized for its success in improving the habitability of rental housing in Los Angeles, but it evokes mixed reactions from property owners.

The two concerns most frequently expressed by owners about SCEP are the need for more consistency in how inspections are conducted and the need for greater tenant accountability for code violations they cause.

It is recommended that the City enforce the recommended Joint Code of Landlord-Tenant Responsibilities by holding tenants accountable for code violations that they cause. It is also recommended that the City continue training inspectors in standardized procedures for documenting code violations in order to ensure more consistent outcomes from inspections.

Updating Leases

The RSO prohibits unilaterally changing the leases of tenants in ways that reduce services without corresponding rent reductions. For long-term tenants this means that their original lease can stay in force throughout their entire tenancy, even if the property changes ownership. However, as some tenancies extend, the original lease can become outdated relative to state and local laws, and even contradict them.

It is recommended that the City inform owners and renters that the RSO does not restrict evictions for nuisance or illegal activities, nor is a declaration of intent to evict required for these evictions if they are not related to illegal drug or gang activity.

Information Needed for Administering the RSO

Information from the renter survey suggests that a significant minority of owners are imposing unauthorized rent increases. These increases appear to be most prevalent among low-income renters, which is the population most in need of protection by the RSO. Currently, the RSO program does not have information other than what is received through complaints to enable it to monitor rent increases. Building this capacity is important because the core purpose of the Rent Stabilization Ordinance is to protect tenants against excessive rent increases.

It is recommended that the City expand the yearly registration renewal application to include information about the rent for each unit and whether or not each unit has been vacated and decontrolled in the past year.

Reasonableness of the Annual Rent Increase Allowed Under the RSO Program

An analysis of the Consumer Price Index and data on increases in apartment operating costs supports the continued use of the Consumer Price Index as a fair and objective benchmark for determining annual allowable rent increases. It protects sitting tenants from excessive rent increases, while at the same time providing apartment owners with annual increases that are reasonable and tied to a commonly used measure of price increases in Los Angeles' economy.

The CPI annual increase standard fairly balances the interest of renters and owners.

Accuracy of the Methodology Used to Calculate the Annual Rent Adjustment Percentage in Reflecting Actual Changes in Operating Costs

The Consumer Price Index (CPI) is the best available economic benchmark for setting rent increases. The CPI is the only systematic, market-wide source of data that reflects changes in maintenance and management costs, and net operating income.

The CPI is the best available measure of an allowance for increases in operating costs.

Recommended Change to the RSO Based on Available Evidence about Financial Outcomes

The annual rent increase of one percent per year to offset gas and electricity utility increases in master-metered buildings (a total of two percent if both services are provided) should be replaced by periodic analyses of actual changes in costs. The allowance currently used has no connection with and has substantially exceeded the actual cost increases resulting from increases in the cost of providing gas and electricity in master-metered units.

It is recommended that the City authorize utility increases periodically when significant gas and/or electricity cost increases occur, rather than an unchanging fixed percentage annual increase.

Just and Reasonable Rent Increases

The reduced level of rent paid by long-term RSO tenants can have a significant impact on small property owners, for whom a single unit provides a quarter to half of total rent revenue. Relief should be available for owners if rent for an RSO unit falls 35 percent or more below the market rate. A 35 percent ceiling on RSO rent gaps is recommended because this is the greatest gap that has been shown to result from the rent adjustment provisions of the Rent Stabilization Ordinance. Gaps that exceed this amount can reasonably be viewed as inconsistent with the RSO objective to fairly balance the interests of landlords and tenants.

It is recommended that the City inform property owners that Just and Reasonable Rent Increase application process can be used to address extreme disparities in rent levels.

Balancing Population, Housing and Job Growth

Demographic and economic projections underscore the challenges the City faces in providing housing that meets the needs of its diverse residents. Increasing the supply of housing

is important, but the level of housing affordability may be even more crucial to the wellbeing of the City's residents. It appears that the City is on track to meet the needs of higher-income residents, but will make only modest headway in ensuring adequate housing for lower-income residents, most of whom are severely cost-burdened and often live in overcrowded conditions.

Renter and Owner Support for Affordable Housing

Over 90 percent of renters and 60 percent of owners support City initiatives that will help meet the need of residents for homes they can afford. Renters and owners agree that the housing needs of seniors and families should be prioritized, that it is important to save existing affordable units, that inclusionary zoning is desirable, and that public spending should be increased to subsidize affordable units and create home ownership programs.

Recommendations for Affordable Housing

1. *Include housing that residents can afford as part of market rate development.*
2. *Use housing choice vouchers to increase the revenues generated by affordable rental projects.*
3. *Streamline entitlement processes to reduce carrying costs for affordable housing projects.*
4. *Identify "non-traditional" land that has the capacity to be developed into housing.*
5. *Focus development interest by providing information about parcels that the City is most interested in seeing developed.*
6. *Streamline the condemnation and eminent domain processes for blighted properties to provide incentives for current landowners to either sell their property or clean and redevelop the property in a timely fashion.*
7. *Use public funds to purchase affordable units with covenants on the brink of expiration and to incentivize owners of these units to continue providing their units at affordable rent levels.*
8. *Develop an affordable housing land bank.*
9. *Promote mixed-income and mixed-use projects where internal cash flows create subsidies.*
10. *Establish development fees for residential, commercial and industrial construction projects that increase the demand for affordable housing.*
11. *Link affordable housing developers with the 1,363 RSO owners that reported in the landlord survey that they interested in redeveloping their properties at higher densities with affordable or rent-controlled housing included in the new development.*

Fees to Pay for Implementing Recommendations

Five recommendations that are being made will require additional funding for the Housing Department: 1) technical assistance workshops for small owners, 2) annual educational letters about the RSO to renters and owners, 3) higher level of relocation services (if borne out by an assessment of relocation services), 4) creation of a rent database for all RSO units, and 5) collection and analysis of cost data for gas and electric utilities.

It is recommended that the City increase the annual rental unit registration fee by the amount necessary to pay for these additional responsibilities.

PROFILE OF THE RENTAL MARKET FROM EXISTING DATA

Major Trends in LA's Rental Housing Market

- Much of the current housing scarcity emerged in the 1980s, a decade when LA's population grew 17 percent but its housing inventory grew only 9 percent – about half of the population growth rate. In the following decade, population growth slowed but the margin of disparity between new residents and new housing remained the same.
- Los Angeles residents rent their homes at about double the national rate.
- The shift toward greater home ownership seen in New York and Chicago may also be seen in Los Angeles in the coming decade as immigrants who arrived in the 1990s continue to make economic gains and are increasingly able to buy homes.
- Since 1997, the increase in rents in the Los Angeles region has been much greater than the increase in other consumer costs.
- Price increases since 1997 for rental housing in the Los Angeles area have been 270 percent greater than increases in all other consumer costs.

Inventory and Characteristics of LA's Rental Housing Stock

- Los Angeles has 764,197 renter-occupied housing units. This is roughly 60 percent of the City's occupied housing.
- The Rent Stabilization Ordinance (RSO) covers 118,254 rental properties with 638,051 housing units, or two-thirds of LA's rental inventory.
- Seventy-nine percent of the RSO-regulated inventory of rental housing units was purchased by the current owners after the RSO ordinance went into effect.
- Since 1997, the net outcome from demolition, renovation and new construction of rental properties was a growing inventory of rental housing until 2004. The subsequent spike in condominium conversions resulted in a net loss of rental units by 2006.
- Most rental property owners are small landlords. Sixty-nine percent of rental properties in the City of Los Angeles have just one unit and only 3 percent have 20 or more units.
- Two-thirds of all rental units are on properties with 10 or more units, with managers with a sufficiently large scale of operations to apply professional capabilities to managing their properties.

Characteristics of Renters

- As foreign-born residents become long-term stakeholders in their communities, home ownership rates grow. After 30 years of residency, home ownership rates for foreign-born residents surpassed those of U.S.-born residents.
- In 2006, a quarter of senior householders in Los Angeles were living in poverty and over 40 percent of all senior renters were severely rent burdened.
- In 2006, 35 percent of householders' with disabilities were living in poverty. Forty-five percent of all renters with disabilities were devoting 50 percent or more of their income

to rent and another 27 percent were devoting 30 to 49 percent of their income to rent, making them one of the most vulnerable renter populations in Los Angeles.

Occupancy Outcomes for Renters

- Rental vacancy rates for the past eight years have fallen below the 5 percent threshold established in Los Angeles Municipal Code (“LAMC”) Section 12.95.2(F)(6) for suspending condominium conversions on residential rental properties of two or more units.
- The high rent burden for City residents, high levels of overcrowding and low vacancy rates are evidence that affordable rental housing is in short supply. Conditions that warrant denial of approval for condominium conversions have existed in the City for the past eight years. Condominium conversions have filled a need for market-rate, owner-occupied housing in the City, but often at the cost of reducing the scarce supply of rent-stabilized housing.
- The geographic distribution of condominium conversions reflects the distribution of household wealth in the City. Citywide, buyers have two and a half times more income than renters, with the incomes of both renters and buyers being highest in West LA and the South Valley.
- Citywide from 2000 to 2006, the net impact of demolitions and new construction was a 15 percent decline in the share of studio apartments and an 11 percent increase in the share of apartments with 2 or more bedrooms in the City’s rental inventory. This made an important contribution to reducing overcrowding.
- Occupant density in studio or 0-bedroom rental units dropped 35 percent and in 1-bedroom units dropped 11 percent between 2000 and 2006. A key factor contributing to this outcome was the recent increase in the typical size of rental units.
- Between 2000 and 2006, overcrowding trends of the previous 20 years changed direction. Rates of severe overcrowding fell 65 percent from 2000 to 2006, leaving 8 percent of the City’s renters in severely overcrowded conditions and 11 percent in overcrowded conditions.
- Overcrowding remains widespread for low-income renters, particularly for those living at or below 200 percent of the poverty level.

Rent

- Between 2000 and 2006, a new trend may have begun to emerge: the share of “middle income” renters grew by 2 percentage points and the share of poor renters declined 3 percentage points.
- A large income divide still separates owners and renters: in 2006, the median income (measured in 2007 dollars) was \$73,000 for homeowners compared to \$32,000 for renters.
- In 2006, over 30 percent of renter households in the City were severely rent-burdened, paying 50 percent or more of their income for rent. The share of Los Angeles residents who are severely rent-burdened has increased by 23 percent in the last decade and a half.

- In 2006, nearly a quarter of all renters were living below the federal poverty threshold (as defined by federal guidelines) and 40 percent were living at or below 150 percent of the poverty threshold.
- The median rent for RSO tenants is less than the median rent for non-RSO tenants, and the gap in average rents is even greater. In 2006, the median and average differentials were \$113 and \$142, respectively. The rent differential for RSO units appears to have resulted from two factors: 1) the inherent difference between rents for older RSO units and newer non-RSO rental units that exists in the market place, and 2) RSO policies that limit annual rent increases.

Conditions in Rental Housing

- From April 2005 through June 2008, the SCEP inspection program identified an average of 1.5 violations in each of the 757,677 rental units that were inspected throughout the City of Los Angeles.
- The most common SCEP violations are: deteriorated interior walls, inoperable or missing smoke detectors, windows or doors requiring maintenance, and unsafe floor coverings.
- The most frequent code violation, found in 18 percent of Building and Safety notices to comply issued, is for construction work that was done without a permit, often to increase the size and occupant capacity of housing units. The second most frequent type of violation, found in 9 percent of cases, is for garage conversions that were done without a building permit, typically to create rental housing that in some cases was substandard.
- There have been 441 cases from 2002 through early 2008, in which RSO property owners were issued notices by the LA Department of Building and Safety for converting an apartment building or property to another use.
- The number of apartment buildings converted to condominiums has increased annually since 2003, with more than 100 former apartment buildings converted each year since 2005.
- Citywide in Los Angeles, the Census Bureau reported that 3 percent of units lacked complete kitchen facilities and 2 percent lacked complete plumbing facilities.
- There is a direct connection between the income level in a community and the number of substandard dwelling units reported – individuals in substandard units are likely to be extremely poor, disabled and/or linguistically isolated.

SURVEY OF RENTERS LIVING IN THE CITY OF LOS ANGELES

Carrying Out the Telephone Survey

- A random-sample telephone survey of 4,859 renters was completed, providing up-to date information about the attitudes, finances, and experiences of renters.
- The survey achieved a 44.4 percent overall response rate and was conducted in three languages - Spanish, English and Korean.

- Thirty percent of respondents chose to donate the value of their gift card to LA's Affordable Housing Trust Fund.

Benchmarking the Renter Survey against Census Data

- The renter survey obtained responses from two-thirds as many renter households in LA as the U.S. Census Bureau's 2006 American Community Survey (ACS).
- The types of households that the Census Bureau has the greatest difficulty reaching – low-income renters – are the households from which the renter survey obtained higher representation.

Length of Stay/Tenure

- Citywide, 70 percent of the renter survey respondents have lived in their current units less than ten years.

Overcrowding

- There is evidence showing that the overcrowding problem in the City has improved since 2000. Survey data indicates that 28 percent fewer renter households live in severely overcrowded condition than reported by the 2000 Census. The survey, however, found more overcrowding than 2006 Census figures.
- Overcrowding and severe overcrowding are most prevalent in the South LA, East LA and North Valley regions.
- A majority of renter households with 5 or more people live in units with inadequate space. Seventy percent of 5-person households live in overcrowded or severely overcrowded units with 4 rooms or less, and almost 90 percent of households with 6 or more people live in inadequate densities.

Renters' Awareness of Their Unit's RSO Status and RSO functions

- Thirty-four percent of renters are incorrect about, or unaware of, the RSO status of their unit.
- Only 41 percent of renter survey respondents who say that they speak English "Not well" or "Not at all" are aware that the RSO limits rent increases each year.
- Only 48 percent of renters with household incomes less than \$25,000 per year know that the RSO limits the legal reasons for eviction.

Landlords' Declarations of Intent to Evict Tenants; Tenant Relocation Program

- There was a surge in Landlord Declarations of Intent to Evict filed with the Housing Department from 2000 onwards, peaking in 2005, counter to the downward trend in overall unlawful detainer cases.
- Evictions related to condominium conversion account for 54 percent of all evictions recorded by the Housing Department.

- East LA and West LA stand out as having disproportionately more cases of evictions during the period from 1998 to 2008.
- The Housing Department had referred 187 no-fault eviction cases to its housing relocation assistance services provider as of mid-May 2008, representing 274 tenant households and at least 532 tenants.

Leases and Rental Agreements

- Seventy-one percent of renters have a written lease or rent agreement with their landlord.
- Among survey respondents whose lease is written in English, 77 percent were renters who completed their telephone interview in English, 21 percent in Spanish, and two percent in Korean.

Rent

- The rent differential between RSO and non-RSO units ranged from a high of \$500 to virtually no difference
- A little over 60 percent of Los Angeles' households have less than two people contributing to rent payments
- Citywide survey results show 18 percent more severely rent burdened households and 11 percent more rent burdened households than the 2006 Census.
- A majority of renters in Los Angeles say that it is somewhat or very difficult to pay rent.
- Overall, 11 percent of respondents in the City receive some form of rent subsidy
- Sixty-three percent of tenants in RSO units report that their rent increases *every* year. Only 54 percent of their counterparts in non-RSO units report yearly rent increases.
- The 2007-2008 renter survey found that the share (56 percent) of market-rate units with rent increases below the rate of rent inflation is 27 percent larger than the share (44 percent) of RSO units with rent increases that are less than those allowed by the RSO.

Excessive or Potentially Unauthorized Rent Increases in RSO Units; Tenant Complaints

- Twenty-seven percent of tenants in RSO units reported current rents that were *above the projected allowable increase* permitted by the RSO.
- Tenants who appear to have received rent increases above the projected allowable increase were those with the lowest starting rents.
- A portion of RSO tenants may well be receiving unauthorized rent increases. Low-income renters are more likely to have rent increases that are above the allowable increase.
- The City of Los Angeles Housing Department (LAHD) receives over 7,000 tenant complaints per year concerning possible violations of the RSO – complaints about illegal rent increases account for a third of these.

Trajectory of Rent Increases

- Renters who moved into RSO units between 1997 and 2006 received rent increases from their landlords that were on average 15 percent less than the RSO's maximum allowable rent increases.
- Tenants of market-rate units who started renting their units between 2001 and 2005 received rent increases at rates similar to the RSO allowable increase.
- Median RSO rent increases have generally increased at a steady rate slightly below the RSO allowable increase.
- Typical non-RSO tenants have consistently received larger rent increases in comparison to RSO tenants. Additionally, rent increases have generally not kept pace with increases in the CPI and have varied with fluctuations in the economy and rental market.
- Between 1997 and 2006, typical RSO tenants received rent discounts ranging from 2 percent to over 40 percent.
- The size of the RSO rent discount is contingent upon fluctuations in the market that impact the degree to which non-RSO rents increase.

Tenants' Perception of Rental Conditions

- A plurality of renters in the City of Los Angeles (46 percent) reports their housing units being in "excellent" or "good" condition. Another 43 percent characterize their rental units as being in "fairly good" or "fair" condition.
- The Housing Department's Code Enforcement Unit found a higher rate of violations in the units of renters who described their unit as being in "Fairly Poor" or "Very Poor" condition.
- A majority of renters in the City of Los Angeles say that they are treated either "very well" (courteous and polite - 50 percent) or "somewhat well" (33 percent) by their landlord.
- Three quarters of renters living in the City of Los Angeles are "very likely" or "somewhat likely" to recommend their building to a friend or relative as a good place to live.
- Tenants' most common complaint to LAHD is about illegal rent increases, with complaints about false or deceptive eviction notices being almost as common.

Renter Perceptions of Affordable Housing

- Over 90 percent of renters in the City believe that is very or somewhat important that Los Angeles create affordable housing.
- Renters ranked 11 potential policy initiatives to provide affordable housing in the City – the only option that did not garner overwhelming support was "let private markets solve housing problems."
- Renters' highest stated priority is to provide affordable rental housing for seniors.
- The second highest priority is informing tenants of their rights and helping them access services.
- Discrimination and unfairness are paramount concerns among renters.

PROPERTY OWNER SURVEY (*random sample of RSO property owners*)

Ownership Structure

- Most owners in all size classes have many years of experience in owning and managing residential rental property. Two-thirds have at least ten years of experience. Only 7 percent have two or less years of experience.
- Three-quarters of RSO owners have small holdings, 4 or less units, usually on a single property, with long-term experience (10 or more years) with this scale of ownership – they own one-quarter of RSO units.
- One-quarter of RSO owners have medium or large holdings (5 or more units), long-term ownership experience, and often own multiple properties, some of which are in other cities – they own three-quarters of RSO units.

Vacancy Rates and Turnover

- The survey interval of November 2007 through April 2008 covered a period of high demand for rental housing. Ninety-six percent of RSO units were occupied, 3 percent were vacant for rent, and 1 percent were vacant for other reasons.
- The point-in-time vacancy rate is low despite the fact that roughly a fifth of units turn over in the course of a year, indicating that owners have not had to wait long to find new renters for vacant RSO units.
- There are fewer turnovers in RSO units than in non-RSO units.

Long-term Tenants

- Eight percent of RSO units have been occupied by the same tenant for 15 or more years.
- If owners increase rent every year by the amount allowed by the Rent Stabilization Ordinance, rents are unlikely to be more than 35 percent less than market rates. It is probable that any gaps greater than this are the result of other factors, including years in the 1990s when the housing market was depressed and owners did not increase rents, and neighborhoods in which rents have increased more rapidly than the overall LA average.
- A small share of long-term RSO tenants with very low rents appears to have a disproportionate and adverse financial impact on a subpopulation of small property owners. To fairly balance the interests of tenants and owners, as called for by the Rent Stabilization Ordinance, it is reasonable to consider providing some relief for these small owners.

Finding Tenants and Leasing Units

- Overall, 47 percent of owners use word of mouth to find tenants. Next most frequently, 41 percent of owners use signs on their property.
- Eighty-eight percent of RSO tenants rent their unit with a written lease or rent agreement.

Financing Capital Improvements

- From January 2003 to April 2008, only 1.3 percent of RSO owners applied to pass through capital improvement costs to their tenants.
- Fifty-six percent of those who had not applied said it was because they had not heard of the program.
- The most widely expressed concern about the Capital Improvement Passthrough Program is that a larger share of the cost for maintaining the basic infrastructure of rent-stabilized housing needs to be shared by tenants.
- Prior to 1989, when the passthrough amount was 100 percent, the amount of investment was 189 percent greater and the number of units upgraded was 218 percent greater than in the following 18 years when the passthrough amount was reduced to 50 percent.

SCEP Inspections

- Sixty-seven percent of the City's RSO properties and 58 percent of market-rate properties inspected from April 2005 through June 2008 were found to have code violations that required correction.
- An important factor affecting the likelihood of code violations is the age of a property.
- Nearly half of owners (48 percent) say that the SCEP program was either "very helpful for identifying needed maintenance," or "a useful service."
- Owners of properties built in 1967 or later are 2.5 times more likely than owners of properties built in 1966 or earlier to say that SCEP is an "unnecessary expense."
- Owners of properties built in 1960 or earlier are 3.6 times more likely than owners of properties built in 1961 or later to say that SCEP is "very helpful for identifying needed maintenance."
- Owners of 10 or less units are 3.1 times more likely than owners of 11 or more units to say that SCEP is "very helpful for identifying needed maintenance."
- Comments by owners suggest that the preferable approach to strengthening the program is by replicating the best practices of the most knowledgeable and judicious inspectors.
- Owners of older, smaller properties tend to experience SCEP as a useful source of technical assistance for maintaining their properties. Owners of newer, larger properties tend to experience SCEP as an unnecessary intrusion into the management of their properties.
- The two most frequently expressed concerns about SCEP are the need for more consistency in how inspections are conducted and the need for greater tenant accountability for code violations they cause.

Tenant Accountability and Reliability

- Responses about problems with holding tenants accountable for things that should be their responsibility are almost evenly divided: 48 percent of owners say this is never or rarely a problem; 53 percent say it is sometimes or often a problem.

- Owners of 1 to 4 units report fewer problems with tenant accountability – they were 3 times more likely than owners of 5 or more units to report that holding tenants accountable for maintenance was never an issue.
- Owners who say that tenant accountability is often a problem are nearly twice as likely to have had a complaint filed against them for failure to comply with Rent Stabilization Ordinance regulations as owners who say that this is never an issue.
- Negative attitudes are often reciprocal between owners and tenants. Owners who have more positive views about their tenants appear, in turn, to be viewed more positively by their tenants.
- Among owners of 1 to 4 units an astounding 44 percent of tenants fail to pay their rent on time in an average month. The rate of delinquency goes down as ownership size increases, with owners of 40 or more units reporting an average of 6 percent late payments per month.
- There appears to be no difference between RSO and non-RSO properties in the rate of rent payment delinquencies.

Evictions

- Eighteen percent of owners report having evicted tenants for rent delinquency in the past two years.
- The high rent delinquency rates reported by owners of 1 to 4 units appear to be accompanied by high eviction rates; over the course of two years, evictions are reported for 48 percent of their units.
- Eviction rates for delinquent rent drop dramatically as ownership size increases – down to 2 percent for owners of 40 or more units.
- Evictions for rent delinquency are highly correlated with evictions for disruptive behavior, that is, the owners that are filing for evictions for rent delinquency are the same as those that are filing evictions for disruptive behavior.
- Fifty percent of owners of 1 to 4 units report that over the course of two years, evictions for disruptive behavior are initiated for 50 percent of their units. This rate drops to 4 percent for owners of 40 or more units. For all owners it is 13 percent.
- Ninety-three percent of owners have never filed a declaration of intent to evict with the Housing Department, and 3 percent of owners account for 60 percent of all declared evictions.
- Evictions for which a declaration of intent to evict is filed are over-concentrated in West Los Angeles (eviction rate 223 percent of the City average), South Valley (eviction rate 175 percent of the City average), and Central Los Angeles (eviction rate 139 percent of the City average).
- Evictions appear to be concentrated in the areas of the City where rents are highest.
- Seventy-seven percent of owners reported that evicting disruptive tenants is difficult or very difficult.

Tenant Costs

- Citywide, four-fifths of owners do not pass either the registration or the SCEP program fee to tenants.
- Tenants in 63 percent of RSO units pay additional costs for specific utilities or services.
- Electric and gas utilities are the most frequent additional fees, paid by roughly half of tenants. Fifteen percent pay for use of laundry facilities, 7 percent pay for both trash and water utilities, 4 percent pay for parking, and 3 percent for storage.
- Small owners are much less likely to increase their rents than large property owners – rents are increased annually for tenants at 31 percent of properties with 1 to 4 units, compared to 77 percent who can expect annual increases at properties with 40 or more units.
- The likelihood of annual rent increases also varies by region of the City. Rents are raised annually at 52 percent of RSO properties in the Central region of the City compared to only 31 percent of properties in South Los Angeles, and 29 percent of properties in the North San Fernando Valley.

Property Maintenance

- Fifty-seven percent of owners say that all maintenance is handled immediately and preventive maintenance is practiced.
- Two-thirds of RSO units are reported by owners to be maintained at a level that is as good as, or better than, units that are not under rent control, and one-third are reported to have a lower level of maintenance.

Reasons for Acquiring RSO Property

- The most frequently stated reasons for acquiring RSO properties are: income from residential rents, retirement security, and as a residence for self or family members.
- Nineteen percent of owners “fell into” the RSO rental housing market by inheriting the property, acquiring their property prior to the enactment of the RSO, or simply because they did not know their property was under rent control when they purchased it.

Debt on RSO Properties

- Sixty-five percent of the rent-stabilized housing inventory is encumbered by debt.
- The rate of debt-burdened property increases as property size increases – from a low of 60 percent for properties with 1 to 4 units, to 80 percent for properties with 40 or more units.
- Eighty-five percent of the units with a debt burden were financed between 2000 and early 2008. This is the interval when financing has often created debt burdens that exceed rental income by substantial margins.
- Forty-three percent of units in the RSO inventory have been purchased since 2000, and 55 percent of units have debt incurred since 2000, suggesting that 12 percent of the RSO inventory is burdened by debt that is the result of refinancing rather than purchase.

Profit and a Reasonable Return on Investment

- Almost two-thirds of RSO units produced a profit or broke even last year, and slightly over a third had a loss.
- The likelihood of reporting a profit increases along with ownership size. Owners of 1 to 4 units are more likely to report a loss than owners of 5 or more units.
- Less than a third of owners answered that their properties that are not under rent control are more profitable than their properties that are rent stabilized.
- Owners representing over 70 percent of the RSO inventory report that they do not get a reasonable return on their investment from RSO properties.
- Owners representing over three quarters of the RSO inventory say that rent increases do not keep up with operating costs.
- The owner at highest risk of having a loss will have 1 to 4 units, will have purchased the property in 2000 or later, will have acquired the property for a personal residence or to supply affordable housing, will postpone maintenance, and will have more than minimal numbers of tenants delinquent in their rent every month.
- Among all owners citywide, a third (32 percent) say they would still acquire their rent-stabilized property, a plurality (41 percent) say they would not acquire the property, and a quarter (27 percent) are unsure.

Providing Affordable Housing

- Sixty-one percent of owners say that affordable rental housing is somewhat important or very important, demonstrating strong support among these equity holders for meeting housing needs.
- Only 17 percent of owners state that it is somewhat unimportant or not important at all to meet this need.
- Owners express support for a broad range of public sector actions to meet LA's affordable housing needs. The reason for this activist posture heard in a number of focus groups is that many owners believe that a disproportionate share of the citywide responsibility for providing affordable housing is falling on the shoulders of RSO owners.

IMPACTS OF THE RENT STABILIZATION ORDINANCE ON THE OUTCOMES OF APARTMENT INVESTMENTS

Rental Units Under the RSO and the Operation of the Rental Housing Market

- The RSO inventory of units can be divided into thirds: a third are on properties with 4 or less units, a third are in properties with 5 to 19 units, and a third are in properties with 20 or more units.
- Building size is largely a function of the period in which a building was constructed – in

earlier eras, small buildings were the mainstay of rental housing.

- Fifty-one percent of RSO tenants moved into their current unit within the past 5 years, 21 percent 5 to 9 years ago, and 23 percent 10 or more years ago.
- Turnover rates have declined since 2000.
- The rate of turnover in buildings with 2 to 9 dwelling units was a little lower than the rate for buildings with 10 or more units.
- Rates of turnover are a little higher in the newer portions of the Los Angeles stock that are not covered by the RSO than in RSO units.
- From 2000 to 2006, rents increased most in the areas that had the lowest rents in 2000.
- Increases in rents since 2000 are mainly attributable to the increases obtained upon vacancies.

Impacts of the Annual Rent Increase Ceilings

- In the 1980's and since 1999 (but not from 1990 through 1998), the RSO ceilings on annual rent increases have limited rent increases for sitting tenants to levels below market-rate increases in the LA region.
- The annual percentage rent increase allowed under the RSO exceeded or roughly equaled the percentage increase in national rents during 23 of the past 29 years.
- Over the past eight year period, annual rent increases under the RSO exceeded market rent increases in 15 of 23 metropolitan areas in the U.S.

Performance of Investments in Multifamily Housing

- About a quarter of all units in buildings with five or more units have been purchased in 2005 or later. This is very significant because the recent purchasers operate under much larger debt service loads than longer-term owners.
- From 1999 through 2006, apartment sales prices tripled, from an average of \$40,701 to \$127,484.
- In 2007, apartment values decreased by 4 percent.
- The average annual compounded rate of appreciation (compounded annual growth rate or CAGR) from 1999 to 2006 was 15.4 percent. However, over the longer period from 1990 to 2007, the CAGR was 4.7 percent.
- From 2000 to 2005, even an apartment with a fixed net operating income stream increased substantially in value because the market value of an income stream increased because of the decline in capitalization rates for apartment purchases.
- There are significant differences in the price of apartments based on location, size and age, but that the rate of appreciation from 1999 to 2006 has been similar for all apartments regardless of these distinctions.
- It does not appear that the RSO has had a significant impact on the average rate of appreciation of apartment buildings. The rates of appreciation and increases in values are similar among buildings that are covered by the RSO and buildings not covered by the RSO, and higher in the City than in other comparison communities.

- Based on Assessor's data, RSO properties in the City of Los Angeles had the second highest rate of appreciation out of 40 metropolitan regions. Based on CoStar data, the greater Los Angeles area had a rate of appreciation that was exceeded by only 8 of the 40 metropolitan regions in the U.S.
- Apartment values are highly dependent on capitalization rates. If capitalization rates increase by a few percent, a substantial portion of apartment owners could be left with sharply reduced or even negative equities in their buildings that could not be solved by City policies or the market.
- The rate of return on apartment investments is linked to when the investment was made. Owners who purchased prior to about 2003, paid prices for their apartments that are low relative to the market value of their units in early 2008, when sales data was analyzed, and are likely to be low relative to current net operating income levels. These owners have substantial cash flows, unless they have obtained larger mortgages and, thereby, reduced their cash investment. On the other hand, recent purchasers are in a radically different position. A substantial portion of these owners have incurred mortgage obligations that leave little space for cash flow or increases in investments in maintaining and renewing their properties, making them vulnerability to minor fluctuations in expenses or rental income.

COMPARISON OF LOS ANGELES RENT STABILIZATION ORDINANCE WITH ORDINANCES IN OTHER CALIFORNIA CITIES

Brief Perspective on Rent Regulations in California

- Currently, 10 jurisdictions in California have apartment rent stabilization ordinances - Berkeley, Beverly Hills, East Palo Alto, Hayward, Los Angeles, Oakland, San Francisco, San Jose, Santa Monica, and West Hollywood.
- The California Legislature passed the Costa-Hawkins Rental Housing Act in July 1995, which provides for vacancy decontrols on rents subject to local rent control ordinances.

Comparison of Annual Rent Increase Standards

- Currently, most of the municipal rent control ordinances in California tie allowable annual rent increases to the percentage increase in the Consumer Price Index (CPI).
- Questions have been raised about whether the CPI should be used to determine allowable annual rent increases on the basis that it is based on the market basket of goods purchased by an average household, which differs substantially from the basket of expenses associated with operating apartment buildings.
- Under some rent control ordinances, annual apartment operating cost studies have been used to determine allowable annual rent increases, instead of the CPI. However, the outcome of these studies are largely determined by the CPI, because estimates of increases in a substantial portion of apartment operating expenses are based on the CPI, because actual data is unavailable.

- Annual rent increases in cities that authorize a *fixed* percentage annual increase (San Jose, Hayward, and Beverly Hills) have exceeded allowable annual increases under the RSO.

Allowable Rent Increases For Apartment Owners Who Pay For Master Metered Gas And/Or Electricity

- Under the Los Angeles ordinances, apartment owners who provide master-metered gas and/or electricity are permitted additional annual rent increases of one percent for each of these services that are master-metered.
- In fact, there is no connection between the annual master-metered increase authorized by the Los Angeles RSO and the actual cost increases associated with the provision of master-metered gas and electricity.
- Some of the other jurisdictions with rent control provide apartment owners with additional allowances for master-metered gas and electricity, but link these additional rent increases to an estimate of the average increase in the cost of those utilities or provide for passthroughs of cost increases based on individual building applications.

Comment on Proposals for Lowering the Annual Allowable Increase for Seniors and/or Disabled Persons on Fixed Income

- There are no provisions in any California rent control law that provide for lower annual rent increases for low-income households, senior or disabled renters.
- Judicial precedent in regard to the constitutionality of rent control provisions that place greater limits on the allowable rent increases of protected classes of tenants has been mixed.
- Rent control provisions that provide for low rent increases for protected classes of tenants (low income, seniors and the disabled) may result in discrimination against these classes in the selection of tenants by apartment owners.

"Banking" Rent Increases

- Under most rent stabilization ordinances, but not the Los Angeles RSO, apartment owners may "bank" allowable annual rent increases if they are not implemented in the year in which they are permitted.
- Some jurisdictions limit the amount of banked rent increases that can be implemented in a single year and/or place a ceiling on the total amount of increases that can be banked so that tenants who have benefitted from banked increases are not suddenly faced with steep rent increases.

Rent Stabilization Programs - Administration Fees

- Registration fees vary greatly among the different California cities with rent control laws. Higher fees are in effect in cities that once had vacancy controls (pre-Costa-Hawkins) and still require annual registration of rents and reporting of rents for new tenants.

HOUSING MARKET DYNAMICS, DEVELOPMENT FINANCING, AND GROWTH TRENDS

Production Trends for Market-Rate and Affordable Housing Projects

- In the past 5 years, about 23,000 new apartment units have been completed in Los Angeles County, an average of 4,500 apartment units completed per year. The bulk of these units have been produced in Downtown, West Los Angeles, and the San Fernando Valley.
- Housing production in Los Angeles through 2006 was strong; permits were issued for over 4,300 large structures totaling over 100,000 units.
- Due in part to slow production in the 1990s, production of both market rate and affordable housing in the city has not kept pace with the needs associated with the City and region's growing population.
- While the housing market has cooled considerably and now stands far below its historic highs, ownership housing is still far from affordable.
- This lack of affordable ownership product has placed additional upward pressure on rental properties by keeping demand for rental properties strong.

The Dynamics of Production of Market Rate and Affordable Housing

- The high cost of land in Los Angeles, coupled with basic costs of construction labor and materials, add up to a cost structure such that market-rate rents will greatly exceed a rent level that would be affordable for many families.
- For apartments, capitalization rates have fallen from more than 8.5 percent in 2001 to close to 6 percent in 2006, and have remained near this level until relatively recently.
- Many owners who have assumed mortgages for rental properties during this decade have found that the debt service associated with their property has consumed a larger share of their cash flows than was the case for properties purchased in the preceding decade.
- Los Angeles' housing market surge has altered landowner expectations, resulting in an escalation of prices for land and parcels in previously lower-cost areas that would ordinarily be most conducive for the production of affordable housing on a cost basis.
- Since 2002, new housing building and construction costs have risen by about 23 and 27 percent, respectively, far outpacing the 16 percent rate of inflation in the economy during this time.

Development Financing

- The market for construction finance is an important determinant of the ultimate costs that a housing developer faces.
- Financing terms that result in lower financing costs might make it possible to achieve affordable minimum rents even in the face of rising construction costs. LA City policy makers can help create more attractive financing options that would reduce the costs of construction.
- During Los Angeles' last housing boom, institutional investors (hedge funds, opportunity funds, and private equity funds) became important players in construction finance,

serving as equity partners on some deals and offering favorable interest rates compared to those offered by commercial banks.

- Institutional investors have largely exited the market for construction finance during the current credit crunch, causing underwriting standards to tighten as commercial banks are left as the primary and dominant construction lender for multifamily projects.
- Tighter underwriting has reduced the pool of creditworthy borrowers, meaning there are fewer developers that will be deemed sufficiently creditworthy to warrant the extension of a construction loan. (The higher standards for creditworthiness are also affecting rental property owners seeking to carry out major renovations or expansions that lead to greater density.)
- Consistent with market rate projects, affordable housing projects faced more expensive construction and permanent debt, with prices rising about one-half of a percentage point in the second half of 2008.
- Financing for affordable housing typically involves the public sector, where subsidies are used to fill the gap between rents set at levels that are affordable for lower-income households and the projects' debt service payment obligations for land purchase and construction property management.
- The recent economic slowdown and credit crunch have had major adverse effects on the public subsidies for development financing, such as the Federal Low-Income Housing Tax Credit (LIHTC) program.
- In California, the adverse trends in finance have outweighed the decline in construction and building costs associated with the weakening housing market. Given that most affordable housing projects are difficult to pencil in the most bullish of market conditions, the rising interest rates coupled with the loss of significant low-cost equity capital is likely to seriously hinder the pace at which these projects are built.

Policy Options for Producing Market-Rate and Affordable Housing

- *Inclusionary Zoning* – Include housing that residents can afford as part of market rate development. Couple inclusionary zoning with cost offsets such as permit streamlining, density bonuses, parking requirement relief and others to achieve revenue neutral, or near-revenue-neutral, outcomes for developers while adding affordable units.
- *Housing Choice Vouchers* - Use housing choice vouchers (commonly referred to as Section 8 vouchers) to increase the revenues generated by affordable rental projects.
- *Regulatory Relief* - Streamline entitlement or approval processes to reduce the burden of carrying costs for affordable housing projects that are on the margin of profitability.
- *Creative use of “Non-traditional” Land* - Identify “non-traditional” land that has the capacity to be developed into housing. Areas to consider include: a) parking lots, b) blighted properties and c) obsolete industrial land that will not result in the loss of sustainable jobs.
- *Inventory of Developable Parcels* - Create a database of and provide information about parcels that the City is most interested in seeing developed. Use this inventory to focus development interest and identify those communities in which the City will actively support development.

- *Expedite Recycling of Blighted Property* - Streamline the condemnation and eminent domain processes for blighted properties to provide incentives for current landowners to either sell their property or clean and redevelop the property in a timely fashion. In some instances, this can produce new multifamily units (either market rate or affordable); in others, it will enhance the community's character and make it more conducive to housing and other investment.
- *Protect Affordable Units* - Direct public funds to either purchase affordable units with covenants on the brink of expiration or incentivize the owners of these units to continue to provide their units at affordable rent levels.
- *Affordable Housing Land Bank* - Develop an affordable housing land bank that is controlled by either the City or a non-profit whose mission is to provide and preserve affordable housing.
- *Internal Cross-Subsidy* - Promote the development of projects where the subsidy originates from internal cash flows, namely mixed-income and mixed-use projects.
- *Development Fees* - Establish development fees for residential, commercial and industrial construction projects that increase the demand for affordable housing. New development should be partially accountable for the affordable housing needs that are created.
- *Link Property Owners with Affordable Housing Developers* – 1,363 RSO owners reported in the survey that they are definitely interested or might be interested in redeveloping their properties at higher densities with affordable or rent-controlled housing included in the new development. Contact these owners to secure their permission to release their names to affordable housing developers so as to identify a large inventory of sites for potential use by the affordable development community.