



Alan Como <alan.como@lacity.org>

Clarification of request to amend

Susan Hunter <heysuzhunter@gmail.com>

Wed, Oct 28, 2020 at 11:10 AM

To: Alan Como <alan.como@lacity.org>

As such, I have amended my appeal to add these words:
are aggrieved by and do address issues of nuisance, moral, public safety, or public health;

Which means no planning staff has legal authority to deny ANY appeal that states it is addressing issues of nuisance, morals, health, or safety on any aspect of a project or letter of determination - no matter who is called out in specifics in the lamc per:

The right to use private property may be restricted by an ordinance which follows a reasonable plan even though the use is neither a nuisance per se, nor a menace to health, safety or morals in the district from which it is excluded. A retroactive ordinance which causes substantial injury to a business which is not a nuisance would be unreasonable and unjustifiable.

People v. Nixon, CR A 2201.

Any zoning regulation is a valid exercise of the police power which is necessary to subserve the ends for which the police power exists, namely, the promotion of the public health, safety, morals, and general welfare. The police power as evidence in zoning ordinances has a much wider scope than the mere oppression of offensive users of property. Such regulations do not constitute a taking of property for which compensations must be made.

Miller v. Board of Public Works. 195 Cal. 482.

Any denial of ANY appeal that is based on nuisance, safety, health, or morals is just a violation of 1st amendment. I also have police power as a member of the public who wants to address concerns of these nature to a governing body. And it is the governing body that would be harmed if they did not have all the information to make sure the decisions regarding the project are within this scope.

The letter of determination and the original application remain the same.

Susan

[Quoted text hidden]



SusanHunter_LATU-YATA_Appeal_YuccaArgyle_CPC-2014-4705-ZC-HD-DB-MCUP-CU-SPR_.pdf
23681K

City Council
PLUM Committee
200 North Spring Street
Los Angeles, CA 90012

Los Angeles Tenants Union – Hollywood Local
Susan Hunter
6500 Sunset Blvd.
Los Angeles, CA 90028
And;

Yucca Argyle Tenant Association
Luis Saldivar
6220 W Yucca St. Apt A
Hollywood, CA 90028
And;

Yucca Argyle Tenant Association
Shauna Johnson
6214 W. Yucca St. Apt B
Hollywood, CA 90028

10/07/2020

RE: CPC-2014-4705-ZC-HD-MCUP-CU-SPR/ Proposed Yucca-Argyle project

PLUM Committee Members,

The Los Angeles Tenants Union - Hollywood Local (LATU), a movement that represents its dues paying members within the project site and the larger community; along with the Yucca Argyle Tenants Association (YATA) are aggrieved by and do address issues of nuisance, moral, public safety, or public health; and do request amendments for the City Planning Commissions decision for certifying and adopting the “Yucca-Argyle Development Project”.

Reasons for modifying condition 14 (d) for the “Yucca-Argyle Project”

CPC-2014-4705-ZC-HD-MCUP-CU-SPR

While we are grateful that the City Planning Commission has agreed that we need a city-wide plan to address development caused displacement, we are concerned with the lack of transparency regarding the current condition for approval under Condition 14 (d). The language needs to be expanded to include the following:

“No part of the agreement will allow for a reduction of short-term or long-term rights of the tenants; or prevent tenants from bringing a lawsuit should the developer fail to uphold any part of the agreement. Tenants cannot be coerced into signing an agreement they do not agree with. Any

use of harassment, intimidation, or refusal to do repairs in order to obtain a signed agreement will render the agreement void, and that the condition will not have been met.”

Justification for Original Request

During previous hearings regarding this project, the applicant’s representative repeatedly watered down several issues of concern for the tenants. For six years the developer has promised to enter into an agreement with the current residents to guarantee a Right of Return. For six years the developer has only stated this verbally or in one letter sent to the tenants, but has failed to actually create an agreement. Due to their lack of action, we asked the CPC that a Right of Return Plan for the tenants be made a condition of approval for this project so that no tenants are displaced into homelessness. This action had been done previously by the City Planning Commission for the proposed Crossroads project which has the same representative. That condition also approved by PLUM. The CPC agreed to this request for the proposed Yucca Argyle project and added Condition 14 (d):

d. Prior to the issuance of a demolition permit, the Applicant or successor shall provide certified mailing receipts of proof of service, to the Department of City Planning Major Projects Section demonstrating that existing qualified tenants were provided an offer to enter into a private agreement with the applicant (or successor) that includes the following terms: 1) the ability for the tenant to return to a comparable unit within the project; and, 2) during construction of the project, funding of the difference in rent of a comparably-sized unit between the tenant’s rental rate immediately prior to the demolition of the building and the tenant’s new rental rate, until the ability to return, if accepted, is exercised. The Applicant (or successor) shall provide a copy of the signed agreement(s) with, or written rejection from, the tenant(s). Where the Applicant (or successor) is not able to enter into an agreement with the tenant(s), the Applicant (or successor) shall submit a written declaration, under penalty of perjury, that best faith efforts have been made to enter into a private agreement with the tenant(s). The applicant (or their successor) shall also submit to the Department of City Planning Major Projects Section, concurrent with certified mailing receipts of proof of service signed under penalty of perjury, the rent roll of occupied units at the time the offer is commenced.

Justification for Amended Request

Since the applicant and their representative have stated repeatedly that they want an agreement then there should be no reason for them to oppose this condition. However, we are especially concerned with this specific representative based on their previous history of promising to protect tenants only to then go back on their word.

1) At a Central Planning Commission hearing regarding tenants at 5825 Sunset, Jerry Neuman did repeatedly in writing and verbally promise that should his client be granted a new special type of use, no tenants would be evicted from the property (ZA-2017-210-CU). This request was approved with Condition 11 stating no tenants could be evicted. Also approved in the letter of determination (Appendix 1), was Condition 12 that any tenants who wished to be moved to one

floor could do so, as well as be allowed 30-60 days to complete the move to the “tenant only floor”. This Condition was proposed by Jerry Neuman who came up with the “tenant only floor” as a compromise for tenants who voiced concerns about their building being turned into a party hotel. Within a month of receiving this special use, tenants received notices that they were being evicted (Appendix 2). The extra condition requested specifically by Jerry Neuman for extra time to move the tenants to one floor was then used to issue eviction notices to tenants for them to “have ample time to find housing elsewhere” signed by Neuman himself. He failed to mention any possibility of moving to one floor in the eviction notice. The eviction timed out to terminate their tenancies at Christmas.

2) At the Crossroads project approval, the City Planning Commission added a similar condition to ensure tenants would have a right of return. The developer offered a contract, withdrew the contract, and then offered a contract again. During this time, they also served Ellis evictions on the tenants also threatening to displace them from their homes at Christmas (Appendix 3). The tenants were pressured to either sign a terrible offer that potentially stripped them of their rights, or risk losing their homes during the holidays. The offer included such language as Tenant’s Release of Claims, Tenant’s Section 1542 Release, Covenant Not to Sue, and Abandonment of the Project – which could happen at any time and for any reason. When our membership struck out these parts of the agreement with a letter saying the agreement needed to be revised with much clearer and easier to read language before they would sign, they were sent a letter stating they had to sign the agreement as is, or they released any right of return (Appendix 4).

Summary of Request for Amendment

Our local chapter of the Union is dedicated to stopping the flow of our residents into homelessness. It is the actions of developers like these that we, as a movement, even exist. There is no reason to continue to make empty promises just to get a project approval to then throw people out of their homes during the holidays.

There is also no real reason to build hundreds of units by displacing 20 – 25 families in order to do it. It is clear that the applicant and their representative don’t care about the current tenants since their existence was omitted from the EIR and previous project descriptions. We need to create housing that will actually address the needs of the community. The Median Household income for Hollywood is \$43,998 ¹. We need housing that reflects the actual needs of the community, not a “build it and the rich will come” mentality. We are a working-class neighborhood that is in desperate need to keep the housing we can realistically afford. What we see instead is the continual removal of the housing we live in and can afford being threatened by gentrification and development. We have built thousands of units in Hollywood (Appendix 5). We have seen an increase in homelessness in Hollywood of 22% ². These two issues are absolutely linked. They are clearly linked because we are not building enough affordable housing to replace the RSO housing being taken away in order to build the market-rate housing. What is the point of making luxury housing Rent-Stabilized when it is intended for a higher income person who doesn’t live in this neighborhood? As proposed, this project will result in the loss of

¹ <https://censusreporter.org/profiles/86000US90028-90028/>

² <https://www.lahsa.org/documents?id=4672-2020-homeless-count-council-district-13>

23 affordable units by reducing the number from 40 to only 17 on site. We have no way of justifying the net loss of affordable housing for more market-rate housing.

What we are asking for is very simple. House the people who need to be housed by starting with the people who already live on the property. Require a Plan for a Right of Return (Appendix 6) as a condition of approval that is enforceable and can be monitored to make sure it is being met without any bullying. Do not rely on bad actors such as Jerry Neuman and Kendra Casper who enjoy displacing tenants during the holidays. 25 units must be held for a Right of Return, before applying the density bonus for 17 units. A total of 42 units must be set aside out of 269, a whopping 9%. The 25 should not be reduced by the 17, otherwise we just continue to reduce the number of affordable units we need to house new families due to double dipping. We need more affordable housing. Instead, we reduce our production to meet a developer's bottom line while expecting the rest of the community to pick up the tab for the services for the newly homeless. Realistically, there should be no less than 35% affordable in all developments if we are to meet our affordable housing needs. Why are we continuing to approve projects that don't give the community what it really needs if we claim want to do something about our homeless and housing issues?

We need to look at all of our alternatives including the fact that replacement housing is not under the jurisdiction of the Ellis Act. We can be creative and overlay a new Certificate of Occupancy over old ones to preserve RSO the lower rental rates for existing tenants, while creating new units to meet our housing needs. A process that was already done at 5825 Sunset by this same representative. If we can do this for a developer to make more money by adding a new use to an existing one, we can do it to preserve our affordable housing. We should require this condition for a universal right of return on any proposed project site where there are tenants, and guarantee their housing in the interim, so that we reduce the number of people who enter into homelessness.

We must also acknowledge that if the push from the city is to increase density and FAR under Re-Code and Community Plans to reduce the entitlement process, then the City needs to codify a Right of Return Plan into the LAMC in order to apply to any projects that would be considered by-right in the future. This can be done through Ryu's motion CF 14-0268-S16, which has been delayed for over a year due to HCID not returning their report-backs in a timely manner. The report-back was to have been fulfilled by December 23, 2019 per a vote in the Housing Committee held October 23, 2019 and with the due date of 60 days selected by HCID at the meeting.

If the only choice at this time is to continue with a condition that requires a private agreement, then the language of Condition 14 (d) needs to be strengthened given the representatives past actions.

"No part of the agreement will allow for a reduction of short-term or long-term rights of the tenants; or prevent tenants from bringing a lawsuit should the developer fail to uphold any part of the agreement. Tenants cannot be coerced into signing an agreement they do not agree with. Any use of harassment, intimidation, or refusal to do repairs in order to obtain a signed agreement will render the agreement void, and that the condition will not have been met."

Signed,

Susan Hunter
Caseworker
Los Angeles Tenants Union – Hollywood Local

Appendix

- 1) Letter of Determination regarding 5825 Sunset Special Use.
- 2) Eviction Notice Sent to 5825 Tenant Violating the Condition of Approval.
- 3) Crossroad Tenant Ellis Eviction Notice.
- 4) Pressure Notice from Developer Refusing to Negotiate.
- 5) Hollywood Chamber of Commerce image with total number of units built from 2010-2018. Multi-family units total over 8,000.
- 6) Proposed Plan for First Right of Refusal Under Full Demolition.



CENTRAL AREA PLANNING COMMISSION

200 North Spring Street, Room 532, Los Angeles, California, 90012-4801, (213) 978-1300
www.planning.lacity.org

LETTER OF DETERMINATION

MAILING DATE: OCT 03 2017

Case No.: ZA-2017-210-CU-1A

Council District: 13 – O’Farrell

CEQA: ENV-2017-211-CE

Plan Area: Hollywood

Project Site: 5815-5825 West Sunset Boulevard

Applicant: Brad Woomer, 5825 West Sunset Boulevard, LLC
Representative: Jerold Neuman; Jeremy Chan, Liner, LLP

Appellant: Susan Hunter

At its meeting of **September 12, 2017**, the Central Los Angeles Area Planning Commission took the actions below in conjunction with the approval of the following project:

A transient occupancy residential structure addition to an existing residential dwelling use within 500 feet of an R Zone.

1. **Determined** based on the whole of the administrative record, the Project is exempt from CEQA pursuant to CEQA Guidelines, Article III, Section 1, Class 1, Category 22, and there is no substantial evidence demonstrating that an exception to a categorical exemption pursuant to CEQA Guidelines, Section 15300.2 applies;
2. **Denied** the appeal and **sustained** the Zoning Administrator’s determination in approving a Conditional Use Permit to allow a transient occupancy residential structure addition to an existing residential dwelling use within 500 feet of an R Zone;
3. **Adopted** the attached Conditions of Approval as modified by the Commission; and
4. **Adopted** the attached Findings as amended by the Commission.

This action was taken by the following vote:

Moved: Chung-Kim
Seconded: DelGado
Ayes: Mendez
Absent: Chemerinsky

Vote: 3 - 0


Etta Armstrong, Commission Executive Assistant I
Central Los Angeles Area Planning Commission

Fiscal Impact Statement: There is no General Fund impact as administrative costs are recovered through fees.

Effective Date/Appeals: The decision of the Central Los Angeles Area Planning Commission is final upon the mailing date of this letter, and it is not further appealable.

If you seek judicial review of any decision of the City pursuant to California Code of Civil Procedure Section 1094.5, the petition for writ of mandate pursuant to that section must be filed no later than the 90th day following the date on which the City's decision became final pursuant to California Code of Civil Procedure Section 1094.6. There may be other time limits which also affect your ability to seek judicial review.

Attachments: Modified Conditions of Approval, Amended Findings

c: Jack Chiang, Associate Zoning Administrator

CONDITIONS OF APPROVAL
(MODIFIED BY THE CENTRAL LOS ANGELES AREA PLANNING COMMISSION
ON SEPTEMBER 12, 2017)

CONDITIONS OF APPROVAL

1. All other use, height and area regulations of the Municipal Code and all other applicable government/regulatory agencies shall be strictly complied with in the development and use of the property, except as such regulations are herein specifically varied or required.
2. The use and development of the property shall be in substantial conformance with the plot plan submitted with the application and marked Exhibit "A", except as may be revised as a result of this action.
3. The authorized use shall be conducted at all times with due regard for the character of the surrounding district, and the right is reserved to the Zoning Administrator to impose additional corrective Conditions, if, in the Administrator's opinion, such Conditions are proven necessary for the protection of persons in the neighborhood or occupants of adjacent property.
4. All graffiti on the site shall be removed or painted over to match the color of the surface to which it is applied within 24 hours of its occurrence.
5. A copy of the first page of this grant and all Conditions and/or any subsequent appeal of this grant and its resultant Conditions and/or letters of clarification shall be printed on the building plans submitted to the Development Services Center and the Department of Building and Safety for purposes of having a building permit issued.
6. Approved herein is an amended Transient Occupancy Residential Structure use in addition to the existing apartment dwelling use, within a residential building containing 52 units and 45,984 square-feet of floor area, for the occupancy of 30 consecutive calendar days or less, counting portions of calendar days as full days.
7. The current "Apartment" use shown the existing Certificate of Occupancy shall be maintained with the transient occupancy residential structure use.
8. The property shall comply with all (Q) Qualified Conditions set forth in CPC-2005-7334-GPA-VZC-CU-SPR, including but not limited to, (Q) Condition No. A1, **Use Restriction and Limitations**: "The use of the subject property including restrictions, limitations, and area regulations, shall be limited to those permitted in the C2 Zones as defined in Section 12.14 of the Municipal Code."
9. The project shall provide parking complying with the Code satisfying either apartment dwelling use or transient occupancy residential structure use, whichever is more.
10. The applicant shall submit a site plans to the Fire Department for their review and approval prior to initiate condition clearance at the Planning Department Development Services Center.

11. **REVISED** - The applicant shall not displace or evict apartment tenants with existing active lease agreements, including month to month leases without just cause as to breach lease agreements.
12. **REVISED** - The applicant shall provide appropriate relocation notices complying with the California Department of Consumer Affairs noticing regulations of providing a 30-day day (less than one-year tenancy) or a 60-day (more than one-year tenancy) notice based on the length of the tenancy, in the event of non-renewal of new lease agreements. The applicant shall provide an option to existing apartment tenants to stay up for an additional 30-day period beyond the end of the tenancy for the relocation purpose, starting from the expiration of an active lease agreement, provided that the tenant pays the rental payment for the 30-day period.
13. **REVISED** - Security patrol shall be provided 24 hours a day on site patrolling the premises, within the building and in parking lot. A camera surveillance system shall be installed which will cover all common areas as well as high-risk areas, sidewalk areas, parking area, and entrances and exits of the premises. Doors leading into common residential areas beyond lobby shall be secured at all times, access to these areas shall be limited to on-site residents and property management. Video tapes shall be maintained for 90 days and shall be made available to the Police Department or other enforcement agency upon request.
14. The property and all associated parking, and common areas in the building, including any adjacent area under the control of the property management, sidewalk and alley shall be maintained in an attractive condition and shall be kept free of obstruction, trash, litter and debris at all times.
15. **REVISED** - The property management shall provide an on-site manager available 24 hours a day. A contact number shall be provided to all residents to address service and repair needs.
16. Any music, sound or noise emitted from all dwelling units shall comply with the noise regulations in the Los Angeles Municipal Code.
17. The applicant shall post signs that state, "Loitering Is Prohibited", on or around the premises or the area under control of the applicant.
18. Recycling bins shall be provided at appropriate locations to promote recycling of paper, metal, glass, and other recyclable material.
19. No deviations from any other Municipal Code zoning regulations have been requested or granted herein.
20. **Within 30 days of the effective date of this grant**, a covenant acknowledging and agreeing to comply with all the terms and conditions established herein shall be recorded in the County Recorder's Office. The agreement (standard master covenant and agreement form CP-6770) shall run with the land and shall be binding on any subsequent owners, heirs or assigns. The agreement with the conditions attached must be submitted to the Development Services Center for approval

before being recorded. After recordation, a certified copy bearing the Recorder's number and date shall be provided to the Development Services Center or Condition Compliance Unit for inclusion in the case file. Nothing in the definitions included in this paragraph are intended to limit the rights of the City or the obligations of the Applicant otherwise created by this condition.

21. INDEMNIFICATION AND REIMBURSEMENT OF LITIGATION COSTS.

Applicant shall do all of the following:

- a. Defend, indemnify and hold harmless the City from any and all actions against the City relating to or arising out of, in whole or in part, the City's processing and approval of this entitlement, including but not limited to, an action to attack, challenge, set aside, void or otherwise modify or annul the approval of the entitlement, the environmental review of the entitlement, or the approval of subsequent permit decisions or to claim personal property damage, including from inverse condemnation or any other constitutional claim.
- b. Reimburse the City for any and all costs incurred in defense of an action related to or arising out of, in whole or in part, the City's processing and approval of the entitlement, including but not limited to payment of all court costs and attorney's fees, costs of any judgments or awards against the City (including an award of attorney's fees), damages and/or settlement costs.
- c. Submit an initial deposit for the City's litigation costs to the City within 10 days' notice of the City tendering defense to the Applicant and requesting a deposit. The initial deposit shall be in an amount set by the City Attorney's Office, in its sole discretion, based on the nature and scope of action, but in no event shall the initial deposit be less than \$50,000. The City's failure to notice or collect the deposit does not relieve the Applicant from responsibility to reimburse the City pursuant to the requirement in paragraph (b).
- d. Submit supplemental deposits upon notice by the City. Supplemental deposits may be required in an increased amount from the initial deposit if found necessary by the City to protect the City's interests. The City's failure to notice or collect the deposit does not relieve the Applicant from responsibility to reimburse the City pursuant to the requirement (b).
- e. If the City determines it necessary to protect the City's interests, execute an indemnity and reimbursement agreement with the City under terms consistent with the requirements of this condition.

The City shall notify the applicant within a reasonable period of time of its receipt of any action and the City shall cooperate in the defense. If the City fails to notify the applicant of any claim, action or proceeding in a reasonable time, or if the City fails to reasonably cooperate in the defense, the applicant shall not thereafter be responsible to defend, indemnify or hold harmless the City.

The City shall have the sole right to choose its counsel, including the City Attorney's office or outside counsel. At its sole discretion, the City may participate at its own

expense in the defense of any action, but such participation shall not relieve the applicant of any obligation imposed by this condition. In the event the Applicant fails to comply with this condition, in whole or in part, the City may withdraw its defense of the action, void its approval of the entitlement, or take any other action. The City retains the right to make all decisions with respect to its representations in any legal proceeding, including its inherent right to abandon or settle litigation.

For purposes of this condition, the following definitions apply:

“City” shall be defined to include the City, its agents, officers, boards, commission, committees, employees and volunteers.

“Action” shall be defined to include suits, proceedings (including those held under alternative dispute resolution procedures), claims or lawsuits. Actions includes actions, as defined herein, alleging failure to comply with any federal, state or local law.

Nothing in the definitions included in this paragraph are intended to limit the rights of the City or the obligations of the Applicant otherwise created by this condition.

22. **NEW** - All existing tenants who are using their space as their primary residence shall be given a four month extension to their tenancy and that they be offered the right to be relocated together on two contiguous floors. This would, at the time of relocation and for the length of the extension ensure that all tenants on those floors would be primary tenants and not short term residents;

Thereafter, all new tenants would be provided notice prior to signing leases that the building was a mixed tenancy building and that upon signing a lease they would be given phone numbers for both managers and security that can be reached 24 hours a day in the event of any issues with a short term tenant.

23. **NEW** - All short term tenants shall be given a notice that it is a mixed tenancy building and provided rules of conduct. Rules of conduct shall include quiet hours commencing at 10pm on weekdays and 11:00pm on weekends, prohibition of drinking alcoholic beverages or smoking of any kind outside of private residences unless in specifically designated areas.

FINDINGS
(MODIFIED BY THE CENTRAL LOS ANGELES AREA PLANNING COMMISSION
ON SEPTEMBER 12, 2017)

FINDINGS

Following is a delineation of the findings and the application of the relevant facts to same:

1. **REVISED - The project will enhance the built environment in the surrounding neighborhood or will perform a function or provide a service that is essential or beneficial to the community, city or region.**

The subject property is a part of a unified development project consists of two sites on 8 lots (Lot Nos. 101 to 108, Grider and Hamilton's Grant Place), and four entitlement approvals. The unified development was to convert one existing 12-story hotel into a 52-unit apartment building, converting an existing U-shaped commercial building into 20 residential town-house, and the construction of a brand new 79 unit residential condominium.

Since the Floor Area Ratio was limited to 1.5 to 1 at the time, the applicant filed applications for a General Plan Amendment, Zone Changes for Height District Change, and Conditional Use to increase the Floor Area Ratio from 1.5 to 1 to 3 to 1, increase the Height District to 2D, and the Averaging of Floor Area of 2.59 to 1 across all 8 involved lots, for a total of 131 dwelling units and a combine of 171,177 square-foot floor area. The following is the detail information of the unified development on each site:

Site No. 1 – Metropolitan Creative Campus, the subject project site containing the existing 12-story Metropolitan Hotel building, and the existing U-shaped commercial building, was approved for a conversion from a hotel to an apartment with 52 units and a conversion a commercial building into 20 residential townhouses, by the approvals of CPC-2005-7334-GPA-VZC-CU-SPR and VTT-63478.

Vesting Tentative Tract No. 63478 was later modified by VTT-63478-M1, and further converted 20 units of townhouses into 20 units of commercial condominium for the creative office use. The Vesting Tentative Tract was never recorded to effectuate the commercial condominium use, but the 52 residential units and the 42,000-square-foot of commercial floor area for a creative office use are in effect by the authority of CPC-2005-7334- GPA-VZC-CU-SPR.

Site No. 2 – Metropolitan West Apartments, a site immediately to the west of the Metropolitan Creative Campus, was approved for a 74 units of residential condominium, by the approvals of CPC-2005-7325-GPA-VZC-CU-ZV-SPR and VTT-63479. Vesting Tentative Tract No. 63479 was later modified by VTT-63479-M1 to increase the residential density from 74 units to 79 units, of which 5 units may be Joint Live Work Quarter units, and 4 units shall be Low Income units. The Vesting Tentative Tract was never recorded to effectuate the

condominium use, but the dwelling units are authorized for an apartment use under the authority of CPC2005-7325-GPA-VZC-CU-ZV-SPR.

The subject Conditional Use only involves the 52-unit Metropolitan Building on Site No. 1, for amending a Transient Occupancy Residential Structure (TORS) use to the Building, without affecting other components of the unified project. The applicant hereby requests a Conditional Use Permit application to allow a TORS use in addition to the existing apartment use within the residential building in the C2 Zone and located within 500 feet of an R Zone. The applicant clearly stated that the apartment use will remain and will not be removed. The application is not a Plan Amendment, Zone Change, or a Variance. The property's land use plan designation and zone remain unchanged. The applicant also does not propose to implement any physical changes to the Metropolitan Building, including the floor area square footage, height, number of stories, or building footprint.

The project property is zoned (Q)C2-2D-SN and improved with a 12-story, 52-unit apartment building, and a two- to four-story creative office building. The 12-story apartment building was initially a 90-guestroom hotel when constructed in 1980, then it was converted to the current apartment use in 2009. The subject property has been approved for a Vesting Tentative Tract Map No. 63478, to subdivide the property into two lots. The 52-unit apartment building is located on proposed Lot No. 1, and the creative office building is located on the proposed Lot No. 2 of VTT-63478. A final map has not been recorded with the Los Angeles County at this time. The properties to the north of the site, across a 12-foot alley, are zoned R4.

The property located in the heart of Hollywood Community where it has multifaceted entertainment, tourism and media industries. Many television, movie, media, and creative work studios are located close by the project site. These studios often engage in various television or movie production work or programs that last from few days to several months. The property itself also is a part of a unified development that contains creative offices, where these offices often bring in consultants and contractors from other cities. The Hollywood Community also attracts many domestic and international visitors. All of these short-term residents and visitors are a transient population that generates both short-term and long-term boarding accommodation. The current City Codes regulate residential uses into non-transient and transient types. Non-transient residential uses such as single family home and apartment uses are occupancies of 30 days and more, whereas a transient use is less than 30 days of occupancy and stated explicitly in the Los Angeles Building Code.

Pursuant to Los Angeles Building Code, Section 202, it defines Transient as:

“Occupancy of a dwelling unit or sleeping unit for not more than 30 days.”

Both the Municipal Code and Building Code do not currently contain a dwelling use permitting both more than a 30-day and less than 30-day occupancies. Thus, this creates a problem for long-term residential facilities that need to provide a boarding accommodation for less than 30-days of occupancy, and also a troublesome operation for hotels to house guests that stay more than 30 days or several months. The applicant explained that if a short-term resident needs to stay for 3

months, it would be difficult to find an apartment lease for 3 months only. If this person is to stay in a hotel, the law only permits an occupancy for 30 days only, so both the occupant and the hotel must process check out and check in transactions in the hotel several times to circumvent a violation. The applicant stated that City Codes currently creates inconveniences to both the residential facility operators and short-term residents, and therefore, proposed the TORS use to the Metropolitan Building in order to resolve problem.

A TORS would allow a short-term rental for less than 30 days which essentially is similar to a hotel use, however, unlike a very transient nature of the hotel use, the TORS use is a more long-term stable residential use. TORS are allowed to have kitchens whereas hotel guest rooms are not. Many extended residential inns that were popular in the 1980s were designed with the TORS specification.

Los Angeles Municipal Code, Section 12.03, it defines a TORS as:

“A residential building designed or used for one or more dwelling units or a combination of three or more dwelling units and not more than five guest rooms or suites of rooms wherein occupancy, by any person by reason of concession, permit, right of access, license, or other agreement is for a period of 30 consecutive calendar days or less, counting portions of calendar days as full days.”

Applicant indicated in the March 24, 2017 hearing that the Metropolitan building has a high tenancy turnover rate, and there are only 30 units being occupied currently. An amended TORS use would allow the applicant to increase the occupancy rate and generate tax revenues for the City. The applicant stated that the TORS use is intended to serve a stable short-term residents, and not aimed for visitors who stay for a few days. The applicant has no intention to operate a hotel use for day stays. A TORS would offer an additional boarding option in the City in comparison to hotels and motels. Therefore, the project will provide a unique and valuable flexible residential use and service that is essential and beneficial to the Hollywood Community, by preserving long-term while providing short-term housing units to permanent apartment tenants and entertainment/creative industry working professionals.

Allowing short-term rentals while maintaining the apartment use would make efficient and flexible use of the existing building by providing long-term residential dwelling units for permanent apartment tenants, and also accommodations for short-term residents to stay from a few weeks to several months. The proposed project will preserve the long-term housing while addressing the short-term residential occupancy issue within Hollywood Community, and further provide benefit and support to the creative and entertainment industry and the local tourism.

At the September 12, 2017, Central Area Planning Commission appeal hearing, the Commission amended Condition Nos. 22 and 23 requiring the applicant to provide existing long term-tenant an option to relocate onto same floors to avoid potential impacts from short-term tenants, and also requiring the applicant to provide rules of conducts to the short-term tenants to prohibit nuisance behavior. The Commission finds that Condition Nos. 22 and 23 provides habitat compatibility

to a building having both long-term and short-term residential units as to assure nuisance be kept at minimum. The project will perform a service that is essential and beneficial to the community, city and region.

The Conditional Use does not grant physical change to the building floor area, building footprint, or the height. No environmental impact is anticipated since there is no new construction proposed by the project. The existing apartment use is required to remain on the Certificate of Occupancy, so that the Metropolitan Building can continue to admit new long-term apartment tenants. All existing apartment residents are able to remain as the Metropolitan Building tenants, whereas the determination imposes Condition No. 11 and 12 requiring the applicant to honor the existing apartment lease agreements, ensuring no existing tenants will be displaced or evicted based on the addition of the TORS use. A Condition is also imposed to provide an option to the existing tenants allowing a 30-day stay if a tenant decides not to extend the lease.

Further, based on a review of the floor plan, all units consist of a studio or a one-bedroom layout, which are still very similar to the previous hotel arrangement, lacking solid wall separations between the living area and sleeping area. Floor plans from second floor to tenth floor are identical, with studio units. Floor Plans on the eleventh and twelfth floor are the same, but designed with larger luxury penthouse studio units, wrapping the top of the building with views. Families with three or more members, or children, may find all of these units provide inadequate practicality, privacy, and in some units with little floor area. The size and the openness of the units are more fitting and accommodating for both a low occupancy apartment use and a TORS use. It is not anticipated that conventional housing units will be reduced in Hollywood Community. The project as proposed, will enhance the built environment in the surrounding neighborhood or will perform a function or provide a service that is essential or beneficial to the community, city or region.

2. **The project's location, size, height, operations and other significant features will be compatible with and will not adversely affect or further degrade adjacent properties, the surrounding neighborhood, or the public health, welfare and safety.**

The existing residential building was built in the 1980s and was used as a hotel. A change of use to an apartment building was approved in 2006 under Case No. CPC-2005-7334-GPA-VZC-CU-SPR which turned the hotel into the current apartment building. As the existing building was operated as a hotel prior to the change of use to an apartment, the addition of a TORS use is similar to the original use for the building, and it would not introduce a complete new use to the site and the surrounding neighborhood. Additionally, the applicant does not propose any expansion to the existing building, thus the project lot coverage, floor area, or height remain the same without creating physical change to the site or introducing new environmental impacts to the surrounding area. The proposed project of amending the TORS use to the existing apartment is not expected to adversely affect the adjacent properties, surrounding neighborhood or public health, welfare and safety in terms of location, size, or height of the building.

Some existing tenants have expressed concerns about their current lease agreements and displacement of existing tenants over phone calls. The applicant

stated that the building management will honor all existing active apartment lease agreements, therefore, no existing apartment tenant will be displaced or evicted based on the addition of the TORS use. The determination imposes Condition Nos. 11 and 12, guaranteeing the existing tenant rights, and providing the option to existing tenants a 30-day stay if a lease will not be extended. The project still maintains the existing apartment use to preserve the long-term housing stock. It is anticipated that the project will not adversely affect the existing on-site tenant or the housing stock in the area.

The Department of Transportation (DOT) Referral Form, completed and signed by DOT staff on February 24, 2017, indicates that changing the use to TORS would result in a net decrease of 134 daily trips, one (1) AM peak hour trip, and 14 PM peak hour trips, and a traffic study is not required for the proposed project. Additionally, parking spaces will be provided according to the Los Angeles Municipal Code requirement, which complies with (Q) Condition No. A5 set forth in Case No. CPC-2005-7334-GPA-VZC-CU-SPR. There are currently 73 parking spaces provided at the site. The transient occupancy residential structure use requires 41 spaces while the apartment use requires 52 spaces. The project meets the parking space requirement and supplies excess parking spaces. Further, there will be no sale of alcohol as seen often with hotels which may result in noise and unruly behaviors. Therefore, the project is not expected to create significant adverse impacts on traffic patterns, parking, or nuisance associated with alcohol consumption in the area.

Interested parties have raised a concern that units in Metropolitan Building have been used as Airbnb rentals, and that this is a possible violation. Based on a March 19, 2014 Memorandum issued by Planning Department, the City's position on the short term rental currently is that it is allowed in the Commercial Zones and High Density Multiple Family RAS4, R4 and R5 zones, but it is prohibited in the Single Family R1 Zone and Low and Medium Density Family R2, RD, R3, and RAS3 Zones. The Memorandum states that a Conditional Use Permit may be required in some cases, while not in other situation, but it does not explain when a Conditional Use is required. Additionally, the Department of City Planning has completed a proposed Home-Sharing Ordinance, Case No. CPC-2016-1243-CA (Code Amendment) anticipating the shared-economy growth. The staff recommendation report has completed the Housing Committee review, and it is currently submitted to the City Council for further review, but no Council action date is anticipated in the near future. The Zoning Administrator reviewed the staff report, and finds the subject conditional use permit as proposed, does not conflict with the proposed Home-Sharing Ordinance.

A few tenants have also commented that property management has offered units in the building for Airbnb guestroom services. Theft and robbery incidents occurred in the building and in the parking lot. Airbnb guests created loud noises during the stay, and trash is also found in common areas in the building. The Zoning Administrator did a search on Airbnb website at 5825 W. Sunset location. There are 16 unique studio rental listings found with nine different hosts; "Sasha, Ben, Xavier, Kate, Joel, Errol, Nick, Nasim, and Jeremiah", with Sasha hosting up to 7 studios on Airbnb. Units listed on Airbnb all seem to be the top floor penthouse luxury studio lofts. The applicant has stated that the property management does not operate the Airbnb service themselves, and that some tenants of the building

are subleasing to visitors without permission from the property management. The applicant expressed that the property management wishes to resolve this non-supervised short-term rentals and keep it under control. The applicant explained that the TORS use, together with the apartment use, are intended to serve the both stable long-term and short-term residents, and not for visitors who stay for a few days. Condition Nos. 13, 14, 15, 16, and 17 are imposed to improve property security, cleanliness, and management response, and also to reduce noise and loitering persons from and around the Metropolitan Building.

Finally, the subject conditional use permit is required because the project is within 500-feet from R Zone pursuant to Code Section 12.12.2-A,1,(d). The intent of the Code is to protect the adverse impact maybe created from the TORS use to the peacefulness and quietness enjoyed by the surrounding residential properties, otherwise the project is a by-right use without needing a conditional use permit. As stated previously, the project involves no construction, no height increase, a decrease in traffic generation, the 52-unit density remains the same, and no elimination of the apartment use or housing units. In addition, the building exterior is mostly encased with sealed glass walls with very few windows to contain internal noise generated from the units. The building is also separated by a 4-story creative office building from the northerly abutting R Zone properties, in providing a further buffer. The existing on-site and surrounding physical environmental setting will be remaining the same. Shade and shadow, and wind pattern all remains the same. Therefore, the project's location, size, height, operations and other significant features will be compatible with and will not adversely affect or further degrade adjacent properties, the surrounding neighborhood, or the public health, welfare and safety

3. The project substantially conforms with the purpose, intent and provisions of the General Plan, the applicable community plan, and any specific plan.

The General Plan is the City's roadmap for future growth and development. The General Plan establishes goals, policies, purposes, and programs that provide for the regulatory environment in managing the City, and for addressing environmental concerns and problems. The General Plan consists of seven state-mandated Elements including Land Use, Mobility, Housing, Conservation, Noise, Safety, and Open Space, and optional Elements including Framework, Air Quality, Service Systems, and Plan for a Healthy Los Angeles. The Land Use Element is comprised of 35 Community Plans that establish parameters for land use decisions within the communities of the City.

City updated the Hollywood Community Plan in 2012, however, due to a Los Angeles Superior Court decision on the Plan's Environmental Impact Report, the City Council took action on April 2, 2014 to rescind the 2012 Hollywood Community Plan Update (HCPU). As a result of this action, the City has reverted, by operation of law, to the 1988 Hollywood Community Plan and the zoning regulations that existed immediately prior to June 19, 2012 (the date of the adoption of the HCPU and ordinance).

The 1988 Hollywood Community Plan is the current effective plan governing Hollywood Community. The subject property is located within the Hollywood Community Plan area and has an underlying land use designation of Highway

Oriented Commercial with corresponding zones of C1, C2, P, RAS3, and RAS4.

Objective 1. *To coordinate the development of Hollywood with that of other parts of the City of Los Angeles and the metropolitan area. To further the development of Hollywood as a major center of population, employment, retail services, and entertainment...*

Objective 2. *To designate lands at appropriate locations for the various private uses and public facilities in the quantities and at densities required to accommodate population and activities projected to the year 2010.*

Objective 3. *To make provision for the housing required to satisfy the varying needs and desires of all economic segments of the Community, maximizing the opportunity for individual choice.*

Based on the Conditional Use Permit application request, there is no change in the Plan Land Use, Zone, and the Height District to the project that would affect the Hollywood Community Plan. The project complies with the Plan Objectives in terms of enhancing “*Hollywood as a major center of population, employment, retail services, and entertainment*”, “*accommodate population and activities projected to the year 2010*”, and create “*housing required to satisfy the varying needs and desires of all economic segments of the Community, maximizing the opportunity for individual choice.*”

The project also does not conflict with the Hollywood Community Plan Policies respect to Commerce and Housing under Land Use section. The Commerce Standards and Criteria encourages commercial and entertainment activities in the community and for the entire region. Developments combining residential and commercial uses are especially encouraged in the Hollywood Center area.

The Housing Standards and Criteria focuses housing uses within Residential Land Uses ranging from Minimum, Very Low, Low, Medium, High-Medium, to High Density. The subject property is designated as Highway Oriented Commercial, the Housing Standards and Criteria does not contain any housing use in Commercial Land Use Designation, therefore, Housing Standards and Criteria do not apply to the project property.

In addition, the project complies with the (Q) Qualified Conditions of Case No. CPC-2005-7334-GPA-VZC-CU-SPR case, particularly Condition Nos. A1 and A3.

(Q) Condition No. A1 – Use Restrictions and Limitations. The use of the subject property including restrictions, limitations, and area regulations, shall be limited to those permitted in the C2 Zone as defined in Section 12.14 of the Municipal Code.

(Q) Condition No. A1 permits all uses permitted C2 Zone. Pursuant to Los Angeles Municipal Code, C2 Zone allows a TORS use. The project application is not a variance in seeking an exception from the C2 or the approved (T)(Q)C2-2D-SN Zones. The requested TORS use complies with the C2 Zone and further complies with (Q) Condition No. A1.

(Q) Condition No. A3 – Density. Not more than 52 dwelling units shall be

constructed on the subject property.

(Q) Condition No. A3 only restricts the density, not the use. No other (Q) Condition set forth in CPC-2005-7334-GPA-VZC-CU-SPR, restricts the use of the property, or restricts the dwelling units shall be for an apartment use. The Condition does not prohibit a TORS use. In addition, Finding No. 9b. specifically states, “the project provides housing opportunities in the form of renter occupied studio size units, owner occupied condominium units, live/work units, and four very low income affordable housing units.”

The CPC approval clearly does not restrict dwelling units to be apartments only, and it further encourages a variety of housing uses, such as a TORS to address a stable short-term housing use. This intent also complies with Hollywood Community Plan *Objective 3 - To make provision for the housing required to satisfy the varying needs and desires of all economic segments of the Community, maximizing the opportunity for individual choice.*

In order to preserve the apartment housing, the grant imposes Condition No. 7 to maintain the apartment use on the Metropolitan Building's Certificate of Occupancy. Further, four very low income affordable housing units were provided in the Metropolitan West Apartment building as a part of the unified development, located at 5831-5841 Sunset, under the approval of CPC-2005-7325-GPA-VZC-CU-SPR and VTT-63479-M1. An affordable housing Covenant No. 20160741035 was recorded with Los Angeles County on June 27, 2016.

Finally, the project does not conflict with the Measure JJJ, a City wide initiative which was passed on November 8, 2016. In a Memorandum issued by the Department of City Planning, dated December 13, 2016, it clarifies that Measure JJJ deals with projects that; 1). Will result in ten or more residential units, and 2). Requires a General Plan Amendment, Zone Changes, and/or Height District Change that results in increased allowable residential floor area, density, height, or allows a residential use where previously not allowed. The subject Metropolitan Building Condition Use, does not involve any Plan Amendment, Zone Change, and Height District Change, nor does it result in increase of unit-density, residential floor area, or building height. The project conforms to Hollywood Community Plan, (Q) Conditions, and all Sections of the Los Angeles Municipal Code except that it is located within 500 feet from R Zone properties.

The project site is located along a major commercial arterial, Sunset Boulevard, and is located less than a mile from Hollywood Walk of Fame, a popular tourist attraction, entertainment and recording studios, and concert halls, including Sunset Bronson Studios, KTLA 5, Sunset Gower Studios, and Hollywood Palladium. The inclusion of TORS would satisfy the demand and need for short-term housing in Hollywood Community, a major tourism, creative, and entertainment industry employment center in the City.

TORS will be available for patrons who are seeking a long-term or a short-term place to stay in proximity to local and regional destinations and employment centers in Hollywood, thereby supporting the development of Hollywood as a major

center or population, employment, retail services and entertainment. As such, the proposed project substantially conforms to the purpose, intent and provisions of the General Plan.

SIXTY-DAY (60-DAY) OR NINETY-DAY (90-DAY) NOTICE TO TERMINATE

(Code of Civil Procedure §1161 and §1161.1, et seq.)

TO TENANT: **Tequan Richmond** (by notice to the below-defined Premises); and
all others in possession of the Premises located at:

5825 West Sunset Boulevard #902, Hollywood, CA 90028,
specifically that certain property as defined in further detail in the below-defined Lease
(the "Premises")

FROM: 5825 W. SUNSET, LLC, a California limited liability company, as
successor-in-interest to Metropolitan (the "Landlord").

RE: The written Lease and Rental Agreement dated May 1, 2014 (the "Lease")
for the rental of the Premises by and between Metropolitan, as landlord, on
one hand, and Tenant, as tenant, on the other hand, for the rental of the
Premises.

PLEASE TAKE NOTICE that your Lease and/or month-to-month tenancy of the above-
described Premises is hereby terminated as of the date sixty (60) days, or ninety (90) days if you
exercise the option described below) after service of this **NOTICE** upon you and you are hereby
required to quit and surrender possession thereof to the undersigned no later than sixty (60) days,
or ninety (90) days, as applicable, after service of this **NOTICE** upon you subject only to an
additional (30) thirty day extension you may elect as provided below.

This NOTICE is intended as a sixty (60) day, or ninety (90) day, as applicable, legal notice for
the purpose of terminating YOUR tenancy in accordance with, among others, the First
Amendment and California Civil Code Sections 789 and/or 1946.

PLEASE TAKE NOTICE in order to provide you ample time to find new housing, you have an
option to stay for an additional thirty (30) day period (the "30 Day Extension") after the
expiration of the initial sixty (60) day notice period thus making this a ninety (90) notice,
provided that prior to the expiration of the initial sixty (60) day notice period, you give written
notice to Metropolitan Tower, by sending notice in writing to: **Metropolitan Tower C/O**
Management Office 5825 W Sunset Blvd Los Angeles, CA 90028, of your election to accept
the 30 Day Extension offer and to convert this notice to a ninety (90) day notice. .

PLEASE TAKE NOTICE your failure to vacate the Premises as of the date **SIXTY (60)**
DAYS or **NINETY (90) DAYS**, if the 30 Day Extension is elected by you, after service of this
NOTICE may result in legal action being taken against you wherein a declaration of forfeiture of
the Lease and possession of the Premises will be sought and wherein damages for such things as
rent, court costs, attorneys' fees, etc. may also be sought.

Landlord does not intend to accept a payment of rent for any portion of time beyond the sixtieth or ninetieth day, if the 30 Day Extension is elected, day of this notice,. If such a payment is sent to a lock box, Landlord will return the payment as soon as Landlord becomes aware of it. The fact that your check may be deposited in a lock box does not mean that Landlord was aware of it and intended to keep it.

State law permits you to reclaim abandoned personal property left at the Premises, subject to certain conditions. You may or may not be able to reclaim property without incurring additional costs, depending on the costs of storing the property and the length of time before it is reclaimed. In general, these costs will be lower the sooner you contact Landlord after being notified that property belonging to you was left behind after you moved out.

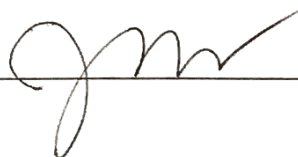
Nothing contained herein is intended as, nor shall be construed as, a waiver or release of any of the Landlord's rights and remedies, and the Landlord hereby reserves all such rights and remedies.

This NOTICE supersedes any prior Notice you received from Landlord or this office.

Property Management Associates
Authorized Agent for Landlord,
5825 W. SUNSET, LLC

October 26, 2017

By: _____





DLA Piper LLP (US)
550 S Hope Street,
24th Floor
Los Angeles, California 90071-2618
www.dlapiper.com

Karen Hallock
karen.hallock@dlapiper.com
T 213.694.3154
F 310.595.3408

August 26, 2019

BY PERSONAL DELIVERY AND BY U.S. MAIL

[redacted] and Occupants
1545 N Las Palmas Avenue, Unit [redacted]
Los Angeles, CA 90028

Re: NOTICE OF TERMINATION OF TENANCY

Dear [redacted] and Occupants,

Please be advised that pursuant to California Government Code Section 7060 *et seq.* (the "Ellis Act"), California Civil Code Section 1946, and Los Angeles Municipal Code Section 151.02 *et seq.*, the rental unit at 1545 N Las Palmas Avenue, [redacted] Los Angeles, CA 90028 (the "Premises") is being withdrawn from the rental market.

NOTICE IS HEREBY GIVEN that the tenancy by which you hold possession of the Premises will be terminated as of 120 days of the date herein. Please be advised that you must vacate the Premises on or before 120 days, and deliver possession to Cross Roads Properties I, LLC ("Landlord").

FURTHER NOTICE IS HEREBY GIVEN that your failure to deliver possession of the Premises on or before 120 days will cause Landlord to initiate legal proceedings to recover possession of the Premises.

Please review the enclosed Notice to Tenant of Pending Withdrawal regarding your rights as a tenant during this process.

Pursuant to California Civil Code Section 1946.1, state law permits former tenants to reclaim abandoned personal property left at the former address of the tenant, subject to certain conditions. You may or may not be able to reclaim property without incurring additional costs, depending on the cost of storing the property and the length of time before it is reclaimed. In general, these costs will be lower the sooner you contact your former landlord after being notified that property belonging to you was left behind after you moved out.

Sincerely,

A handwritten signature in black ink, appearing to be 'K. Hallock', written over a horizontal line.

Karen Hallock

Enclosure

CROSSROADS MANAGEMENT, INC.

6671 Sunset Blvd., Suite 1575, Los Angeles, CA 90028

Phone (323) 463-5611 • Fax (323) 463-0297

www.crossroadshollywood.com



October 28, 2019

[REDACTED]
1545 N Las Palmas Avenue, [REDACTED]
Los Angeles, CA 90028

Dear [REDACTED]

Thank you for reaching out to us.

This is responding to the attached package we received from you.

We sincerely hope you will take advantage of this unprecedented offer to live in a brand new apartment as part of the new Crossroads Hollywood project under your current rental arrangement. However, you struck out a large portion of the agreement and we are unable to accept that.

You still have the option to sign and return the original version of the agreement, which you must do by November 1, 2019, to secure your first right of first refusal to return to a new unit once the proposed development has been constructed.

We hope to work with you in the future and to welcome you as tenants in Crossroads Hollywood.

Sincerely,

Linda L. Duttlinger

Cross Roads Properties I, LLC

★ HOLLYWOOD RESIDENTS

47%



USE RESIDENCE
AS PRIMARY OR
SECONDARY
WORK SPACE

39%
OWN

57%
RENT

★ GETTING AROUND

RESIDENTS ARE MORE LIKELY TO

59% 43%

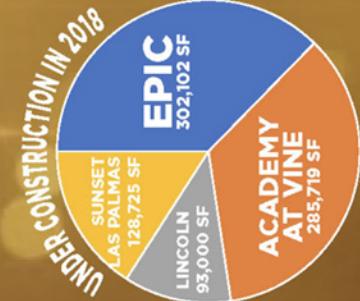


★ HOLLYWOOD RESIDENCY

PEOPLE ARE COMING

30% HAVE LIVED HERE
3 YEARS OR LESS

★ CLASS A OFFICE SPACE



628,000 SF

CLASS A OFFICE SPACE IN THE PIPELINE

HOLLYWOOD MARKET STUDY COMMISSIONED BY THE HOLLYWOOD CHAMBER OF COMMERCE.
FOR MORE INFORMATION CONTACT INFO@HOLLYWOODCHAMBER.NET

HOLLYWOOD

BY THE NUMBERS

★ AVERAGE HOUSEHOLD

\$104K HOLLYWOOD

\$92K WITHIN 5-10 MILES

\$83K OUTSIDE OF 10 MILES

★ RETAIL OPPORTUNITIES

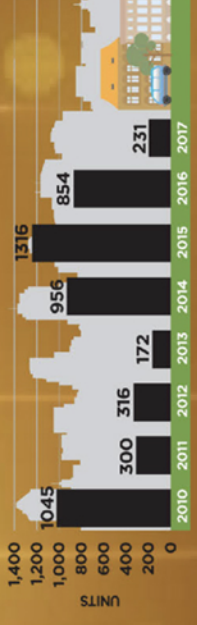
RESIDENTS' DISCRETIONARY INCOME
SPENT IN HOLLYWOOD



60%

41%

★ MULTIFAMILY PROJECT UNITS COMPLETED



2,900 UNITS

UNDER CONSTRUCTION IN 2018

PLAN FOR FIRST RIGHT OF REFUSAL UNDER FULL DEMOLITION TO AMMEND LAMC SEC. 152.00

1. Purpose The First Right of Refusal Plan for Full Demolition (hereinafter, “**Plan**”) shall be for the purpose of the following:

The City recognizes that displacement from rental housing creates hardships on renters who are senior citizens, persons on fixed incomes and low and moderate income households, particularly when there is a shortage of decent, safe and sanitary housing at affordable rent levels in the City. The City has also declared, in its adoption of Section 161.101*et seq.* of this Code, that it is in the public interest of the people of Los Angeles to protect and promote the existence of sound and wholesome residential buildings, dwelling units and neighborhoods. It is also important to recognize the integrity of a neighborhood which is based on its residents. Displacement of residents has a negative impact on the fabric of that community.

This Plan had been established to define for landlords their responsibilities for those who wish to expand the rental housing stock in Los Angeles by reinvesting in the development of their properties which currently have tenants residing on the property. Through rent adjustments authorized by the LAMC, landlords are able to recover a substantial portion of these unit improvement costs over time. However, Demolition Work involves substantial modification or full removal of buildings and structures and, by its very nature, such work generally makes rental units untenable, as defined by California Civil Code Section 1941.1, until the replacement unit is completed and the combined Certificate of Occupancy is issued. By overlaying a new CofO on an existing CofO, additional units can be created under full demolition work while retaining the existence of the original units into replacement units. This allows for more density to be created on already zoned residential parcels while minimizing displacement and preserving the LARSO.

This article is adopted to facilitate landlord investment in Demolition Work without subjecting tenants to either untenable housing conditions during such work or forced permanent displacement and loss of First Right of Refusal. This Plan requires landlords to mitigate such temporary untenable conditions, through the temporary relocation of tenants to alternative housing accommodations until such time as they can take possession of the replacement unit. Unless the tenant chooses to relinquish the right or is forced to relinquish, in which the tenant will be compensated. These two options should be regarded as mutually exclusive. Plan acknowledges the right of the tenants to occupy their unit does not cease during the time of demolition and construction even if it is not a physical feasible option.

2. Definitions

Temporary Relocation. The moving of a tenant from the tenant’s permanent residence to habitable temporary housing accommodations in accordance with the Plan. The temporary relocation of a tenant from his/her/their permanent place of residence shall not constitute the voluntary vacation of the unit and shall not terminate the status and rights of a tenant, including the right to reoccupy the replacement unit, upon the completion of the Demolition Work and new construction, subject to any rent adjustments as may be authorized under LAMC.

Compensation. The monetary amount a tenant will be entitled to should their right to occupy their replacement unit be diminished without their knowledge or consent; or should they choose to relinquish that right for whatever reason.

- (a) Compensation will be based on tenant's entering into a higher at-risk category for homelessness within five years of a tenant losing their housing;
- (b) Tenants will be compensated the equivalent of 36 months of the average market rate of a comparable unit to what the tenant was in possession of prior to demolition based on the city-wide median price of that size unit; and
- (c) In the case of tenants who are elderly, disabled, or have minor children, the amount will be based on the full 60 months.
- (d) In the case of multiple tenants in a multiple bedroom unit who don't all wish to exercise the First Right of Refusal under the Plan, the Compensation will be based on the median city cost of the one bedroom. Should multiple tenants share the one bedroom, the compensation will be split equally between them. Tenants who wish to exercise their right to occupy the replacement unit from the multiple bedroom unit will be allowed to do so as long as they have not received any compensation to relinquish their right.
- (e) Recipients for compensation for relinquishing of Right of First Refusal will not be subject to taxation as relocation is not taxable. Under the Uniform Relocation and Real Property Acquisition Policies Act of 1970 as Amended, relocation is not taxable due to imminent domain. Under California Government Code Chapter 12.75, private landowners are transferred power by the state to enact imminent domain.

3. Responsibility of the Applicant; and Further Findings and Rights of Tenants

- 3.1 A landlord shall pay for all temporary housing accommodation costs and any costs related to relocating the tenant's to temporary housing accommodations during Demolition Work, regardless of whether those costs exceed rent paid by the tenant. The landlord shall also pay any costs related to returning the tenant to his/her unit, if applicable. The Commission may adopt guidelines or regulations regarding the payment of moving costs.
- 3.2 In the case of multiple tenants in a multiple bedroom unit who don't all wish to exercise the First Right of Refusal, the Compensation will be based on the median city cost of the one bedroom. Replacement tenants for the replacement unit will be subject to the same approval requirements as were in place prior to the Demolition Work. Replacement Tenants will not be barred so long as they meet the requirements for renting. The same number of tenants residing in a unit prior to the Demolition work will be the allowable number of tenants allowed into the replacement unit.
- 3.3 Compensation payment must be made available in full within fifteen (15) days of service of the written notice of filing for the Plan. The landlord may, at the landlord's sole

discretion and at the landlord's cost, elect to pay the monetary relocation and relocation benefits through an escrow account. The monies must be placed in full in the escrow account within the required 15-day period. The escrow account must provide for payments to the tenant(s) for actual compensation and doesn't include: first and last month's rent; security deposit; or utility connection charges. Payments from the escrow account shall be made within three (3) working days of receiving a request for payment.

- 3.4 Temporary relocation units must be comparable to the unit being demolished, be within five miles of the unit being Demolished, and have the same services and amenities. Any reduction in size, services, or amenities must have a correlating reduction in rent for the duration of the time the tenant resides in the temporary unit.
- 3.5 The newly constructed unit must be comparable to the unit that was demolished and include the same services and amenities. Any reduction in the size of the unit, services, or amenities must accompany a correlating reduction in rent.
- 3.6 No additional rules may be created to prevent the tenant(s) from taking occupancy of the unit, such as (but not limited to) credit checks, additional deposits, rejection based on citizenship status, or criminal charges incurred during the time of construction or Demolition. Only domestic abuse, violent crime, or sexual based criminal arrests would be allowed to prevent the tenant charged with the crime from taking possession of the unit. This would be up to the discretion of the applicant to allow or not allow that tenant to take possession of the replacement unit. All other tenants residing in the unit prior to vacating would still be allowed to take possession of the replacement unit. The tenant's previous lease will still be in good standing. Leases will only allow addendums based on additional amenities and services (such as a new pool area) upon taking possession of the replacement unit.
- 3.7 Tenants taking possession of the replacement unit will not be denied access to any new amenities or services provided by the new development that were not offered in the previous structure prior to Demolition.
- 3.8 If the demolished unit was subject to the RSO regulations, then the replacement unit will also be applicable to RSO as long as the units are in possession of the tenant who resided in the unit prior to Demolition. Rent increases will be based on LARSO for that year. Plan recognizes that tenants were not always listed on the lease, so residency is based on possession prior to Demolition. This finding does not conflict with CA CIV CODE 1954.50-1594.535 as the Plan recognizes that the tenant's rights are intact and applicable to the replacement unit as the unit is a replacement unit for an RSO unit built before the legal cut-off year.
- 3.9 Plan does not allow for the applicant or any successor to be free from lawsuits from the City or the Tenants if the applicant fails to fulfill any of its responsibilities under the Plan at any time of demolition or subsequent construction of replacement units.

4. Changes to the Plan

Plan may only be changed by process of public hearings held before City Council. A motion must be introduced by a Councilmember and is subject to the applicable committees. Commissioners and other administrators may not re-interpret any part of the plan or its intent.

The Los Angeles Tenants Union - Hollywood Local, a movement that represents its dues paying members within the project site and the larger community, are aggrieved by and do oppose the City Planning Commission findings for certifying and adopting the “Yucca-Argyle Development Project” including Condition 14, based on the following findings and EIR basis for addressing housing and RSO needs. Condition 14 was created to allow a pathway for right of return. That right of return, and the need for it city-wide, should be worked back into the Housing and Population aspects of the EIR (And all subsequent EIR’s for proposed projects within the City of Los Angeles) for the following reasons:

Underlying Reasons for Modifying Condition 14 of the “Yucca-Argyle Project”
CPC-2014-4705-ZC-HD-MCUP-CU-SPR/ ENV-2014-4706-EIR/VT 73718

1. The population findings are based on inflated SCAG projections. The findings do not incorporate the most current population decline numbers due to mass migration out of the City. The EIR uses incomplete data in its analysis to come to conclusions that benefit the developer and do not stay neutral in its findings.
2. This project conflicts with California Government Code Chapter 12.75 and LAMC SEC. 151.26 – known as the Ellis Act; by failing to look at alternatives.
3. This project conflicts with the CRA Hollywood Redevelopment Plan and CA Health and Safety Code DIV 24 Part I Chapter 4 Article 9 Section 33413 (2) (A) (i). The area has not met its affordable housing requirements in order to justify taking away affordable housing without finding preservation methods.
4. This EIR makes an unsubstantiated projection of positive impacts on the community without disclosing methodology.
5. The EIR falsely claims that the project supports the City’s Housing Goals. This is in conflict with the Housing Element of the General Plan and the Hollywood Community Plan.
6. Overall, the EIR uses findings in support of the approval of the project are not supported by substantial evidence in the record; the EIR conflicts with itself in claiming to conform to State and Local laws and goals; the EIR uses outdated data that doesn’t reflect the current issues including but not limited to population, traffic, geology and soils; this EIR fails to give a complete “Cradle to Grave” analysis that is crucial and the EIR is inadequate without this methodology for multiple aspects of impacts arising from this project. Lastly, we adopt all other objections to this project that have been submitted.

1) The population findings are based on 2016 SCAG projections, and the findings do not incorporate the most current population decline numbers due to COVID and mass migration out of the City.

Area of Controversy:

The EIR relies on SCAG projections from 2016 only. This fails to include US Census or current migration and death rates due to COVID. County-wide, we have experienced 5,663 deaths¹ to date. Without a vaccine in place we can expect to see an increase in cases during the same time as cold and flu season. The population numbers also fail to consider the mass migration out of the City and State. According to early data from moving company trends (Appendix 1), California over has had a 63% increase in people leaving the State vs. people moving in. This data only accounts for people who were able to afford to hire professional movers. It doesn't account for individuals who moved on their own without professional help. Refusing to acknowledge that we have a mass migration out of the State and the resulting impacts is not professional or ethical. Refusing to acknowledge this current issue is only using incomplete data to conclusions that benefit the developer and do not stay neutral in its findings. There is no data that conclusively shows a planned return of those who have left.

Alternative:

The only option to mitigate the deficiency in the Population and Housing projections in the EIR is to issue a new assessment to include data on the migration out of current population as well as any expected return. This will have to include the formula for the basis of return and data sources.

2) This project violates California Government Code Chapter 12.75 and LAMC SEC. 151.26 – known as the Ellis Act; by failing to look at alternatives.

This proposed project fails to account for the financial discrimination that this project will bring into the environment. The EIR fails to acknowledge the cumulative loss of affordable housing to put in market rate housing. This project under Alternative 1 will create a loss of affordable housing by removing 23 units from the site. The developer hopes that by making all the units subject to the LARSO, that this will somehow preserve affordable units on site. They have not entered into any kind of a covenant agreement for what the rental rates on the new units will be.

The proposed project conflicts with California Government Code Chapter 12.75 and LAMC SEC 151.26 – known as the Ellis Act; by failing to look at alternatives to preserve the affordable RSO units on the property as well as the deed restricted affordable units.

Areas of Controversy:

Because the developer is offering any units not under an affordability covenant to be under the Rent Stabilization Ordinance, then they are offering RSO units for rent after displacing tenants from an RSO unit claiming Ellis. This is a direct violation of the Ellis law as Ellis is only intended for those landlords who wish to withdraw their units from the rental market. Not only

¹ <http://publichealth.lacounty.gov/media/coronavirus/data/index.htm>

does the developer intend on not withdrawing from the rental market, they actually intend on building more of them. This is just an attempt to remove rent stabilized tenants from their housing in order to rent out the unit to a higher rent paying tenant, which is being used as a work around for the Rent Stabilization law to protect renters against unfair rent increases to price them out of their home.

Alternative:

In order to comply with SEC 7060.1 (c) of California Government Code Chapter 12.75, which states:

“nothing in this chapter does any of the following:

(c) Diminishes or enhances any power in any public entity to mitigate any adverse impact on persons displaced by reason of the withdrawal from rent or lease of any accommodations.” (Appendix 2)

Ellis doesn't have authority over replacement units. In order to diminish the adverse impacts of tenants displaced into homelessness (a cost subsequently born by the tax payers), then by preserving the original CofO and overlaying the new CofO for the additional new units, property owners can maximize the density on their lots while retaining existing tenants. The developer can also create a robust and well thought out Plan for Right of Return as a condition for project approval. Lastly, they can enter into an agreement that all units not held for deed-restriction or Right of Return will only have a starting rental point that is equal to that of the median area rent for a comparable unit. For a one-bedroom, that would be \$2,400 a month.

3) This project conflicts with the CRA Hollywood Redevelopment Plan.

This EIR doesn't conform with the Hollywood Redevelopment Plan 410.4 New or Rehabilitated Dwelling Units Developed Within the Project Area

At least thirty percent (30%) of all new or rehabilitated dwelling units developed within the Project Area by the Agency, if any, shall be for persons and families of low or moderate income; and of such thirty percent, not less than fifty percent (50%) thereof shall be for very low-income households. At least fifteen percent (15%) of all new or rehabilitated units developed within the Project Area by public or private entities or persons other than the Agency shall be for persons and families of low or moderate income; and of such fifteen percent, not less than forty percent (40%) thereof shall be for very low-income households. The percentage requirements set forth in this Section shall apply in the aggregate to housing in the Project Area and not to each individual case of rehabilitation, development or construction of dwelling units; And

CA Health and Safety Code DIV 24 Part I Chapter 4 Article 9 Section 33413 (2) (A) (i) Prior to the time limit on the effectiveness of the redevelopment plan established pursuant to Sections 33333.2, 33333.6, and 33333.10 at least 15 percent of all new and substantially rehabilitated dwelling units developed within a project area under the jurisdiction of an agency by public or private entities or persons other than the agency shall be available at affordable housing cost to, and occupied by, persons and families of low or moderate income. Not less than 40 percent of the dwelling units required to be available at affordable housing cost to, and occupied by,

persons and families of low or moderate income shall be available at affordable housing cost to, and occupied by, very low-income households.

Area of Controversy:

Hollywood has continually failed to meet the requirements for 15% area-wide affordable housing. We lack thousands of affordable units in order to meet this legal requirement. Our trajectory is one that we will not meet this demand, and that the City Attorney has claimed that the City will start enforcing this law.

Alternative:

In order to meet our area-wide deficit of affordable housing, we should require that this and all other proposed developments be 100% affordable housing. We are overwhelmed with market-rate housing units and have more than is needed under our RHNA goals. As such, we should only allow for the creation of 100% affordable housing. There is no justification to destroy current affordable housing in order to build more luxury units that we don't need.

4) This EIR makes an unsubstantiated projection of neutral impacts on the community without disclosing methodology.

Page 79 of the letter of determination under “Growth Inducing Impacts” – Modified Alternative 2, fails to discuss methodology. The conclusion fails to recognize other impacts on economic or population growth by not accounting for two things:

- Population decline due to COVID
- Lack of access to newly constructed units due to economic hurdles
- Use of newly constructed units for purposes other than for housing

Area of Controversy:

The conclusion cannot just look at positive economic impacts that a development will bring without also looking at cumulative negative economic impacts on the currently existing population. The analysis also fails to acknowledge the population decline that is currently happening within the City of LA, and the this should trigger a reassessment for overall housing and population needs. The project will cumulatively have a negative economic impact on the surrounding community with a net loss of affordable units and creation of market-rate units that are priced out the median area wages. The project will also create amenities not available to the community, either by physical blockages or economic ones. Lastly, the analysis assumes that all units being constructed are being used for housing. This fails to acknowledge the use of R4 or R5 units in newly constructed housing being used for short-term, extended-stay, or transient uses. While home-sharing is currently illegal in RSO units under the Home-Sharing Act, there is no condition on the zoning of the property or of the project that would prevent any future hotel use on the site with a conversion. Therefore, the analysis is based on incomplete data in its analysis to come to conclusions that benefit the developer and do not stay neutral in its findings by claiming there is no negative impact.

Alternative:

A condition of approval must be applied to the project that the property will never be allowed to have any kind of hotel or transient use. If the applicant has no intentions of having any kind of transient usage, then this should not be a problem. The community should be given access to on-site amenities such as a pool or community rooms without charge.

5) The EIR falsely claims that the project supports the City's Housing Goals.

The Goals of both the Housing Element of the General Plan and the Hollywood Community Plan are to *increase* the affordable housing available area-wide and City-wide.

Area of Controversy:

Page 83 of the letter of determination, second bullet point, "Supports City's Housing Goals" fails to acknowledge the existence of the 40 RSO units on the proposed project site. The EIR only speaks to the creation of the 17 affordable units, and not the loss of 23 which would not be replaced. The EIR fails to acknowledge the market-rate value of the 209 units prior to being RSO. Unless the developer will enter into a contract to restrict the starting rental prices of the other newly constructed units to be comparable to other units in the area at the time construction is completed, then the use of demolition is being done to side-step the purpose of the LARSO. LARSO is meant to keep rental prices more affordable the longer a tenant lives in a unit. The EIR fails to examine the difference in turn over for tenancies in higher priced rental units and lower priced rental units before making a determination that simply supplying RSO units addresses the economic needs of the community. If there is a high turn over rate, and the units are continually priced out of median area incomes due to proximity of amenities (Appendix 3), then over time the units will not become more affordable for the tenant living in it.

Per the Hollywood Community Plan:

Additional low and moderate-income housing is needed in all parts of this Community. Density bonuses for provision of such housing through Government Code 65915 may be granted in the Low-Medium I or less restrictive residential categories.

Per the Housing Element of the General Plan:

The Housing Element of the General Plan identifies the City's housing conditions and needs, establishes the goals, objectives, and policies that are the foundation of the City's housing strategy, and provides an array of programs to create sustainable, mixed-income neighborhoods across the City.

Per Chapter 1 of the Housing Element (Housing Needs Assessment):

The Housing Element of the City of Los Angeles addresses the housing needs of the City's residents based on a comprehensive overview of the City's population, household types, housing stock characteristics, and special needs. Among other findings, this analysis indicates that the City's residents experience high rates of housing cost burdens, low home ownership rates, and loss of existing low-rent housing. These issues inform the policies and programs the City is

implementing to relieve these housing pressures for the City's residents. From Page 1-65 Chapter 5 and 6 - Rent Stabilization and Condominium Conversion: Given these regulatory disincentives for demolitions and conversions of RSO units, as well as the poor state of the economy, a report commissioned by the HCIDLA and DCP projects a smaller number of RSO unit losses this decade versus the last¹²⁷. The study projects that the City of Los Angeles will lose approximately 3,463 RSO housing units – or about 0.5% of current RSO stock – during the period 2010 to 2020. The most common types of evictions in RSO Units are due to demolitions and conversions. Apartment buildings built 30 or more years ago, may well continue to be attractive sites for new development, especially as the economy improves. These development projects will displace low- and moderate-income households, whose ability to find replacement housing at comparable rents will be challenged by the rising price of market-rate rental housing and the overall gentrification of some of the City's previously low-cost neighborhoods.

In actuality, we have lost 10,406 units to Ellis during 2010- start of 2020. Triple the number estimated (Appendix 4 and 5).

Alternative:

As a condition of approval, the developer must agree to:

- A Right of Return plan for current tenants (Roughly 25 families),
- Limits on the starting price of the new units to equal the median cost for a similar unit in the Hollywood area at time of completion of construction; And
- An increase in affordable units so that:
 - i. 25 will be held for right of return at close to the current rent being paid with an additional 15 units for affordable to replace the units that will be destroyed, and 17 affordable for the density bonus units to create the extra affordable housing we need to get out of our deficit. This would total 57 units out of 271 to be held for Right of Return and Affordability, totaling 21% of the entire project; Or
 - ii. At the minimum, 25 held for Right of Return along with 17 for the density bonus which would equal 42 units, or 9% of the entire project; Or
 - iii. We should be requiring 35% affordability on all new projects in order to dig our way out of the affordable housing crisis on top of the Right of Return units, totaling 119 units.

Double-dipping only leads to less affordable units being created to house people who are housing challenged. The current tenants are not housing challenged. They have a home. They just will become housing challenged if this project is approved with no pathway for a Right of Return. We can't keep adding to the pile of people displaced to the streets while hoping that somehow the crisis will solve itself.

Signed,
LATU – Hollywood Local

Appendix

- 1) Business Insider article on current moving company trends.
- 2) California Government Code Chapter 12.75
- 3) Federal Reserve Study - more supply of housing doesn't lower the rental cost.
- 4) Anti-Eviction mapping project – Ellis Evictions in Los Angeles from 2001-2009.
- 5) Anti-Eviction mapping project – Ellis Evictions in Los Angeles from 2010-2020.

▼ DOW
+0.3%▼ S&P 500
+1.02%▼ NASDAQ 100
+1.73%[HOME](#) > [STRATEGY](#)

More people have moved into these 9 US states than moved out during the pandemic

Madison Hoff Aug 23, 2020, 5:50 AM

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Using data from moving marketplace [HireAHelper](#), we looked at which states saw

more people moving in than out during the pandemic.

Idaho had the largest net gain at 194%, followed by New Mexico at 44%. This means that 194% more people moved into Idaho than left the state since March.

Not being able to afford their current housing or deciding to move in with family or friends were the most common coronavirus-related reasons people reported choosing to move.

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The pandemic has led to some Americans choosing to move to a different state, whether it be for a brief move to quarantine with others or a permanent change.

Moving marketplace [HireAHelper](#) examined which states saw more people moving in than out since the pandemic was declared in [March](#). Using customer data, the company looked at the net gains and losses in the past few months.

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the help of moving services. It mainly includes hybrid moving data, or moves that

include "purchasing transportation and labor separately to save money," according to Mike Glanz, president of moving services for HireAHelper.

Idaho had the largest net gain, where 194% more people moved into the state than out during the pandemic. On the other hand, New York and California had the largest net losses, with 64% and 63% more people moving out of the state than moving in

respectively. To find these net changes, HireAHelper calculated the ratio of the number of moves into a state to the number of people moving out.



Glanz told Business Insider in an email that even cities that saw more people moving out than in during the pandemic, such as New York City, "are likely to eventually rebound and we anticipate seeing a resurgence of population growth in metropolitan areas given previous trends."

Almost all states in HireAHelper's analysis saw a drop in the total number of people moving since last year. The exceptions among states with available data were South

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decline in the total number of moves from last year at -86%.

HireAHelper found 15% of 1,350 people surveyed who moved between January and June did so because of the pandemic. The most common reason these survey respondents said they moved were because they couldn't afford their place after losing household income due to the pandemic, at 37%. About 33% decided to move to quarantine at the homes of friends and family.

Glanz noted that a survey conducted by [Pew Research Center](#) of 9,654 US adults also found 3% moved because of the pandemic, and according to that survey 61% of people decided to move in with family during this time.



The following are the nine states that had the largest ratios of people moving in to people moving out since the declaration of the pandemic. We also included the percent change in total moves between March 11 and June 30 compared to this same period in 2019, using data from HireAHelper, to look at how the pandemic may have negatively impacted state-to-state migration overall.

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GOVERNMENT CODE - GOV**TITLE 1. GENERAL [100 - 7914]** (Title 1 enacted by Stats. 1943, Ch. 134.)**DIVISION 7. MISCELLANEOUS [6000 - 7599.2]** (Division 7 enacted by Stats. 1943, Ch. 134.)**CHAPTER 12.75. Residential Real Property [7060 - 7060.7]** (Chapter 12.75 added by Stats. 1985, Ch. 1509, Sec. 1.)

7060. (a) No public entity, as defined in Section 811.2, shall, by statute, ordinance, or regulation, or by administrative action implementing any statute, ordinance or regulation, compel the owner of any residential real property to offer, or to continue to offer, accommodations in the property for rent or lease, except for guestrooms or efficiency units within a residential hotel, as defined in Section 50519 of the Health and Safety Code, if the residential hotel meets all of the following conditions:

- (1) The residential hotel is located in a city and county, or in a city with a population of over 1,000,000.
- (2) The residential hotel has a permit of occupancy issued prior to January 1, 1990.
- (3) The residential hotel did not send a notice of intent to withdraw the accommodations from rent or lease pursuant to subdivision (a) of Section 7060.4 that was delivered to the public entity prior to January 1, 2004.

(b) For the purposes of this chapter, the following definitions apply:

(1) "Accommodations" means either of the following:

- (A) The residential rental units in any detached physical structure containing four or more residential rental units.
- (B) With respect to a detached physical structure containing three or fewer residential rental units, the residential rental units in that structure and in any other structure located on the same parcel of land, including any detached physical structure specified in subparagraph (A).

(2) "Disabled" means a person with a disability, as defined in Section 12955.3 of the Government Code.

(Amended by Stats. 2003, Ch. 766, Sec. 1. Effective January 1, 2004.)

7060.1. Notwithstanding Section 7060, nothing in this chapter does any of the following:

(a) Prevents a public entity from enforcing any contract or agreement by which an owner of residential real property has agreed to offer the accommodations for rent or lease in consideration for a direct financial contribution or, with respect to written contracts or agreements entered into prior to July 1, 1986, for any consideration. Any contract or agreement specified in this subdivision is not enforceable against a person who acquires title to the accommodations as a bona fide purchaser for value (or successors in interest thereof), unless (1) the purchaser at the time of acquiring title to the accommodations has actual knowledge of the contract or agreement, or (2) a written memorandum of the contract or agreement which specifically describes the terms thereof and the affected real property, and which identifies the owner of the property, has been recorded with the county recorder prior to July 1, 1986, or not less than 30 days prior to transfer of title to the property to the purchaser. The county recorder shall index such a written memorandum in the grantor-grantee index.

As used in this subdivision, "direct financial contribution" includes contributions specified in Section 65916 and any form of interest rate subsidy or tax abatement provided to facilitate the acquisition or development of real property.

(b) Diminishes or enhances, except as specifically provided in Section 7060.2, any power which currently exists or which may hereafter exist in any public entity to grant or deny any entitlement to the use of real property, including, but not limited to, planning, zoning, and subdivision map approvals.

(c) Diminishes or enhances any power in any public entity to mitigate any adverse impact on persons displaced by reason of the withdrawal from rent or lease of any accommodations.

(d) Supersedes any provision of Chapter 16 (commencing with Section 7260) of this division, Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of this code, Chapter 5 (commencing with Section 17200) of Part 2 of Division 7 of the Business and Professions Code, Part 2 (commencing with Section 43) of Division 1 of the Civil Code, Title 5 (commencing with Section 1925) of Part 4 of Division 3 of the Civil Code, Chapter 4 (commencing with Section 1159) of Title 3 of Part 3 of the Code of Civil Procedure, or Division 24 (commencing with Section 33000) of the Health and Safety Code.

(e) Relieves any party to a lease or rental agreement of the duty to perform any obligation under that lease or rental agreement.

(Amended by Stats. 2003, Ch. 766, Sec. 2. Effective January 1, 2004.)

7060.2. If a public entity, by valid exercise of its police power, has in effect any control or system of control on the price at which accommodations may be offered for rent or lease, that entity may, notwithstanding any provision of this chapter, provide by statute or ordinance, or by regulation as specified in Section 7060.5, that any accommodations which have been offered for rent or lease and which were subject to that control or system of control at the time the accommodations were withdrawn from rent or lease, shall be subject to the following:

(a) (1) For all tenancies commenced during the time periods described in paragraph (2), the accommodations shall be offered and rented or leased at the lawful rent in effect at the time any notice of intent to withdraw the accommodations is filed with the public entity, plus annual adjustments available under the system of control.

(2) The provisions of paragraph (1) shall apply to all tenancies commenced during either of the following time periods:

(A) The five-year period after any notice of intent to withdraw the accommodations is filed with the public entity, whether or not the notice of intent is rescinded or the withdrawal of the accommodations is completed pursuant to the notice of intent.

(B) The five-year period after the accommodations are withdrawn.

(3) This subdivision shall prevail over any conflicting provision of law authorizing the landlord to establish the rental rate upon the initial hiring of the accommodations.

(b) If the accommodations are offered again for rent or lease for residential purposes within two years of the date the accommodations were withdrawn from rent or lease, the following provisions shall govern:

(1) The owner of the accommodations shall be liable to any tenant or lessee who was displaced from the property by that action for actual and exemplary damages. Any action by a tenant or lessee pursuant to this paragraph shall be brought within three years of the withdrawal of the accommodations from rent or lease. However, nothing in this paragraph precludes a tenant from pursuing any alternative remedy available under the law.

(2) A public entity which has acted pursuant to this section may institute a civil proceeding against any owner who has again offered accommodations for rent or lease subject to this subdivision, for exemplary damages for displacement of tenants or lessees. Any action by a public entity pursuant to this paragraph shall be brought within three years of the withdrawal of the accommodations from rent or lease.

(3) Any owner who offers accommodations again for rent or lease shall first offer the unit for rent or lease to the tenant or lessee displaced from that unit by the withdrawal pursuant to this chapter, if the tenant has advised the owner in writing within 30 days of the displacement of the tenant's desire to consider an offer to renew the tenancy and has furnished the owner with an address to which that offer is to be directed. That tenant, lessee, or former tenant or lessee may advise the owner at any time during the eligibility of a change of address to which an offer is to be directed.

If the owner again offers the accommodations for rent or lease pursuant to this subdivision, and the tenant or lessee has advised the owner pursuant to this subdivision of a desire to consider an offer to renew the tenancy, then the owner shall offer to reinstitute a rental agreement or lease on terms permitted by law to that displaced tenant or lessee.

This offer shall be deposited in the United States mail, by registered or certified mail with postage prepaid, addressed to the displaced tenant or lessee at the address furnished to the owner as provided in this subdivision, and shall describe the terms of the offer. The displaced tenant or lessee shall have 30 days from the deposit of the offer in the mail to accept the offer by personal delivery of that acceptance or by deposit of the acceptance in the United States mail by registered or certified mail with postage prepaid.

(c) A public entity which has acted pursuant to this section, may require by statute or ordinance, or by regulation as specified in Section 7060.5, that an owner who offers accommodations again for rent or lease within a period not exceeding 10 years from the date on which they are withdrawn, and which are subject to this subdivision, shall first offer the unit to the tenant or lessee displaced from that unit by the withdrawal, if that tenant or lessee requests

the offer in writing within 30 days after the owner has notified the public entity of an intention to offer the accommodations again for residential rent or lease pursuant to a requirement adopted by the public entity under subdivision (c) of Section 7060.4. The owner of the accommodations shall be liable to any tenant or lessee who was displaced by that action for failure to comply with this paragraph, for punitive damages in an amount which does not exceed the contract rent for six months, and the payment of which shall not be construed to extinguish the owner's obligation to comply with this subdivision.

(d) If the accommodations are demolished, and new accommodations are constructed on the same property, and offered for rent or lease within five years of the date the accommodations were withdrawn from rent or lease, the newly constructed accommodations shall be subject to any system of controls on the price at which they would be offered on the basis of a fair and reasonable return on the newly constructed accommodations, notwithstanding any exemption from the system of controls for newly constructed accommodations.

(e) The amendments to this section enacted by the act adding this subdivision shall apply to all new tenancies created after December 31, 2002. If a new tenancy was lawfully created prior to January 1, 2003, after a lawful withdrawal of the unit under this chapter, the amendments to this section enacted by the act adding this subdivision may not apply to new tenancies created after that date.

(Amended by Stats. 2019, Ch. 596, Sec. 1. (AB 1399) Effective January 1, 2020.)

7060.3. If a public entity determines to apply constraints pursuant to Section 7060.2 to a successor in interest of an owner who has withdrawn accommodations from rent or lease, the public entity shall record a notice with the county recorder which shall specifically describe the real property where the accommodations are located, the dates applicable to the constraints and the name of the owner of record of the real property. The notice shall be indexed in the grantor-grantee index.

A person who acquires title to the real property subsequent to the date upon which the accommodations thereon have been withdrawn from rent or lease, as a bona fide purchaser for value, shall not be a successor in interest for the purposes of this chapter if the notice prescribed by this section has not been recorded with the county recorder at least one day before the transfer of title.

(Amended by Stats. 1986, Ch. 509, Sec. 1.)

7060.4. (a) Any public entity which, by a valid exercise of its police power, has in effect any control or system of control on the price at which accommodations are offered for rent or lease, may require by statute or ordinance, or by regulation as specified in Section 7060.5, that the owner notify the entity of an intention to withdraw those accommodations from rent or lease and may require that the notice contain statements, under penalty of perjury, providing information on the number of accommodations, the address or location of those accommodations, the name or names of the tenants or lessees of the accommodations, and the rent applicable to each residential rental unit.

Information respecting the name or names of the tenants, the rent applicable to any residential rental unit, or the total number of accommodations, is confidential information and for purposes of this chapter shall be treated as confidential information by any public entity for purposes of the Information Practices Act of 1977 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part 4 of Division 3 of the Civil Code). A public entity shall, to the extent required by the preceding sentence, be considered an "agency," as defined by subdivision (d) of Section 1798.3 of the Civil Code.

(b) The statute, ordinance, or regulation of the public entity may require that the owner record with the county recorder a memorandum summarizing the provisions, other than the confidential provisions, of the notice in a form which shall be prescribed by the statute, ordinance, or regulation, and require a certification with that notice that actions have been initiated as required by law to terminate any existing tenancies. In that situation, the date on which the accommodations are withdrawn from rent or lease for purposes of this chapter is 120 days from the delivery in person or by first-class mail of that notice to the public entity. However, if the tenant or lessee is at least 62 years of age or disabled, and has lived in their accommodations or unit within the accommodations for at least one year prior to the date of delivery to the public entity of the notice of intent to withdraw pursuant to subdivision (a), then the date of withdrawal of the accommodations of that tenant or lessee shall be extended to one year after the date of delivery of that notice to the public entity, provided that the tenant or lessee gives written notice of their entitlement to an extension to the owner within 60 days of the date of delivery to the public entity of the notice of intent to withdraw. In that situation, the following provisions shall apply:

(1) The tenancy shall be continued on the same terms and conditions as existed on the date of delivery to the public entity of the notice of intent to withdraw, subject to any adjustments otherwise available under the system of control.

(2) No party shall be relieved of the duty to perform any obligation under the lease or rental agreement.

(3) The owner may elect to extend the tenancy on any other unit within the accommodations up to one year after date of delivery to the public entity of the notice of intent to withdraw, subject to paragraphs (1) and (2).

(4) Within 30 days of the notification by the tenant or lessee to the owner of their entitlement to an extension, the owner shall give written notice to the public entity of the claim that the tenant or lessee is entitled to stay in their accommodations or unit within the accommodations for one year after date of delivery to the public entity of the notice of intent to withdraw.

(5) Within 90 days of date of delivery to the public entity of the notice of intent to withdraw, the owner shall give written notice of the owner's election to extend a tenancy under paragraph (3) and the revised date of withdrawal to the public entity and any tenant or lessee whose tenancy is extended.

(6) The date of withdrawal for the accommodations as a whole, for purposes of calculating the time periods described in Section 7060.2, shall be the latest termination date among all tenants within the accommodations, as stated in the notices required by paragraphs (4) and (5). An owner's further voluntary extension of a tenancy beyond the date stated in the notices required by paragraphs (4) and (5) shall not extend the date of withdrawal.

(c) The statute, ordinance, or regulation of the public entity adopted pursuant to subdivision (a) may also require the owner to notify any tenant or lessee displaced pursuant to this chapter of the following:

(1) That the public entity has been notified pursuant to subdivision (a).

(2) That the notice to the public entity specified the name and the amount of rent paid by the tenant or lessee as an occupant of the accommodations.

(3) The amount of rent the owner specified in the notice to the public entity.

(4) Notice to the tenant or lessee of their rights under paragraph (3) of subdivision (b) of Section 7060.2.

(5) Notice to the tenant or lessee of the following:

(A) If the tenant or lessee is at least 62 years of age or disabled, and has lived in their accommodations for at least one year prior to the date of delivery to the public entity of the notice of intent to withdraw, then tenancy shall be extended to one year after date of delivery to the public entity of the notice of intent to withdraw, provided that the tenant or lessee gives written notice of their entitlement to the owner within 60 days of date of delivery to the public entity of the notice of intent to withdraw.

(B) The extended tenancy shall be continued on the same terms and conditions as existed on date of delivery to the public entity of the notice of intent to withdraw, subject to any adjustments otherwise available under the system of control.

(C) No party shall be relieved of the duty to perform any obligation under the lease or rental agreement during the extended tenancy.

(d) The statute, ordinance, or regulation of the public entity adopted pursuant to subdivision (a) may also require the owner to notify the public entity in writing of an intention to again offer the accommodations for rent or lease.

(Amended by Stats. 2019, Ch. 596, Sec. 2. (AB 1399) Effective January 1, 2020.)

7060.5. The actions authorized by Sections 7060.2 and 7060.4 may be taken by regulation adopted after public notice and hearing by a public body of a public entity, if the members of the body have been elected by the voters of the public entity. The regulation shall be subject to referendum in the manner prescribed by law for the ordinances of the legislative body of the public entity except that:

(a) The decision to repeal the regulation or to submit it to the voters shall be made by the public body which adopted the regulation.

(b) The regulation shall become effective upon adoption by the public body of the public entity and shall remain in effect until a majority of the voters voting on the issue vote against the regulation, notwithstanding Section 9235, 9237, or 9241 of the Elections Code or any other law.

(Amended by Stats. 1994, Ch. 923, Sec. 36. Effective January 1, 1995.)

7060.6. If an owner seeks to displace a tenant or lessee from accommodations withdrawn from rent or lease pursuant to this chapter by an unlawful detainer proceeding, the tenant or lessee may appear and answer or demur pursuant to Section 1170 of the Code of Civil Procedure and may assert by way of defense that the owner has not complied with the applicable provisions of this chapter, or statutes, ordinances, or regulations of public entities adopted to implement this chapter, as authorized by this chapter.

(Added by Stats. 1985, Ch. 1509, Sec. 1. Operative July 1, 1986, by Sec. 2 of Ch. 1509.)

7060.7. It is the intent of the Legislature in enacting this chapter to supersede any holding or portion of any holding in *Nash v. City of Santa Monica*, 37 Cal.3d 97 to the extent that the holding, or portion of the holding, conflicts with this chapter, so as to permit landlords to go out of business. However, this act is not otherwise intended to do any of the following:

- (a) Interfere with local governmental authority over land use, including regulation of the conversion of existing housing to condominiums or other subdivided interests or to other nonresidential use following its withdrawal from rent or lease under this chapter.
- (b) Preempt local or municipal environmental or land use regulations, procedures, or controls that govern the demolition and redevelopment of residential property.
- (c) Override procedural protections designed to prevent abuse of the right to evict tenants.
- (d) Permit an owner to do any of the following:
 - (1) Withdraw from rent or lease less than all of the accommodations, as defined by paragraph (1) or (2) of subdivision (b) of Section 7060.
 - (2) Decline to make a written rental offer to any tenant or lessee who occupied a unit at the time when the owner gave the public entity notice of its intent to withdraw the accommodations, in the manner and within the timeframe specified in paragraph (3) of subdivision (b), or in subdivision (c), of Section 7060.2. But the requirements of this paragraph shall not apply to:
 - (A) A unit that was the principal place of residence of any owner or owner's family member at the time of withdrawal, provided that it continues to be that person's or those persons' principal place of residence when accommodations are returned to the rental market as provided in this section.
 - (B) A unit that is the principal place of residence of an owner when the accommodations are returned to the rental market, if it is the owners' principal place of residence, at the time of return to the rental market, as provided in this section. If the owner vacates the unit within 10 years from the date of withdrawal, the owner shall, within 30 days, offer to rent if required under this paragraph.
- (e) Grant to any public entity any power which it does not possess independent of this chapter to control or establish a system of control on the price at which accommodations may be offered for rent or lease, or to diminish any such power which that public entity may possess, except as specifically provided in this chapter.
- (f) Alter in any way either Section 65863.7 relating to the withdrawal of accommodations which comprise a mobilehome park from rent or lease or subdivision (f) of Section 798.56 of the Civil Code relating to a change of use of a mobilehome park.

(Amended by Stats. 2019, Ch. 596, Sec. 3. (AB 1399) Effective January 1, 2020.)

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Can More Housing Supply Solve the Affordability Crisis? Evidence from a Neighborhood Choice Model*

Elliot Anenberg[†] Edward Kung[‡]

April 17, 2018

Abstract

We estimate a neighborhood choice model using 2014 American Community Survey data to investigate the degree to which new housing supply can improve housing affordability. In the model, equilibrium rental rates are determined so that the number of households choosing each neighborhood is equal to the number of housing units in each neighborhood. We use the estimated model to simulate how rental rates would respond to an exogenous increase in the number of housing units in a neighborhood. We find that the rent elasticity is low, and thus marginal reductions in supply constraints alone are unlikely to meaningfully reduce rent burdens. The reason for this result appears to be that rental rates are more closely determined by the level of amenities in a neighborhood—as in a Rosen-Roback spatial equilibrium framework—than by the supply of housing.

JEL Codes: R21, R31

Keywords: Housing affordability, housing supply, neighborhood choice

*The analysis and conclusions set forth are those of the authors and do not indicate concurrence by other members of the research staff or the Board of Governors of the Federal Reserve System.

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1 Introduction

Housing rents have appreciated significantly in recent years. Rising rents and stagnant incomes across much of the income distribution have contributed to what has been called an “affordability crisis”, where the share of households spending greater than 30 percent of their income on housing is near an all-time high.¹ The increasing expenditure share on housing does not appear to be driven by households consuming housing units of higher physical quality, or by rising construction costs. Rather, quality-adjusted prices are increasing even as the cost of producing a home has stayed more or less the same. These facts have prompted many to suggest that constraints on the supply of housing, such as land use regulations or labor shortages, are at the heart of the affordability crisis. Relaxing such constraints is widely proposed as a solution to the affordability crisis.²

However, the effect of relaxing supply constraints on affordability will, of course, depend on the elasticity of rent with respect to new housing supply. If the rent elasticity is low, for potential reasons that we will discuss later, then relaxing supply constraints may spur construction but still do little to improve affordability. Ideally, we could estimate the rent elasticity directly from data. But identification is a challenge because there are few sources of exogenous variation in the housing supply. Indeed, we are not aware of any direct estimates of the rent elasticity with respect to new housing supply in the literature.

In this paper, we present simulation-based evidence that the elasticity of rent with respect to small changes in housing supply within metropolitan areas (henceforth, “cities”) is low. The implication of this finding is that even if a city were able to ease some supply constraints to achieve a marginal increase in its housing stock, the city will not experience a meaningful reduction in rental burdens.³ Following Bayer et al. (2007), we first estimate an equilibrium model of neighborhood choice,

¹Housing expenditures for owners have also been increasing in recent years, but the fraction of cost burdened households is much higher among renters than owners.

²Examples of proposed solutions for relaxing constraints include more accommodative monetary policy, construction worker retraining, and the transfer of local housing regulation authority to state or federal levels where the externalities associated with restrictive housing supply could be internalized more effectively.

³As an example of such city action, the Los Angeles mayor recently outlined a plan to improve affordability by increasing the housing stock in LA by 100,000 units by 2021 through subsidies and cutting of red tape that drive up costs for builders. Source: <http://www.latimes.com/business/realestate/la-fi-garcetti-build-100k-new-units-20141029-story.html>

in which equilibrium rents are determined so that the number of households choosing each neighborhood in a city is equal to the number of housing units in that neighborhood.⁴ We estimate the model using data on household neighborhood choice from the 2014 American Community Survey (ACS) for 10 major cities. We define neighborhoods within cities as public use microdata areas (PUMAs), which are contiguous geographic areas of at least 100,000 people.⁵ Using the estimated model, we then simulate the effect on rents of exogenously adding housing stock to the most expensive neighborhoods in each city. We find that increasing the housing stock in the most expensive neighborhoods by 5% would only reduce equilibrium rents in those neighborhoods by less than 0.5%. The implied rent elasticity is therefore quite low.

An important reason for the low rent elasticity in the model is that we estimate a relatively low amount of preference heterogeneity across households. In other words, there tends to be more agreement than disagreement across households on which neighborhoods in the city have the most attractive amenities. This finding implies that the willingness to pay to live in a particular neighborhood for a household that is on the margin between living in that neighborhood and elsewhere will be similar before and after a change in housing supply. As prices are set by the willingness to pay of the marginal household in our model, the price elasticity with respect to new supply is small. In our estimated model, rental rates are more closely determined by the level of amenities in a neighborhood—as in a Rosen-Roback (Rosen et al. (1979); Roback (1982)) spatial equilibrium framework—than by the supply of housing.

We close the paper by considering an alternative approach for reducing rents, which is to improve amenities in substitute neighborhoods. For example, improving access to and the quality of public transportation in neighborhoods far from the city core could make these neighborhoods more competitive with more expensive, downtown neighborhoods and so could relieve some price pressure in downtown neighborhoods through a substitution effect. To explore this idea, we conduct a counterfactual simulation in which we assume that the resources used to construct a given number of new homes in high-priced neighborhoods are instead used to increase the

⁴The model and estimation strategy are based on McFadden (1978) and Berry et al. (1995), respectively. Bayer et al. (2004, 2007) were the first to introduce this empirical approach into urban economics, and the approach has become a foundation for structural estimation of neighborhood choice models in urban economics (Holmes et al. (2015)).

⁵PUMAs are constructed by the Census Bureau based on census tracts and counties. It is the smallest geographic unit used by the Census for disseminating individual level data from survey respondents.

amenity quality in low-priced neighborhoods. We find that, even when using conservative estimates of the construction cost of building more units, improving amenities in low-priced neighborhoods has a larger effect on rents in high-priced neighborhoods than directly adding new housing supply in those neighborhoods.

One potentially important assumption behind our analysis throughout this paper is that our model treats each city as a closed economy. Although households can choose from among many different types of neighborhoods within the city, they cannot choose to live outside the city, and households from outside the city cannot choose to move to the city. Therefore, in our counterfactuals where we expand the housing supply, we must assume that the new entrants to the city arrive exogenously, and we must make an assumption about the distribution of preferences among the new entrants. Our counterfactuals are concerned with small changes to the housing stock, so it turns out that our results are not too sensitive to this assumption. However, for larger changes to the housing stock of the city, the number and particular preference distribution of new entrants may become important for the main results. Moreover, our model ignores any potential congestive or agglomerative effects associated with increasing housing supply in a city, which may be appropriate for small changes but is less realistic for large changes. Thus, we caution against extrapolating our model's elasticities to very large changes to the housing stock.

We are not aware of any studies that directly estimate the rent elasticity with respect to new housing supply. However, a number of papers estimate the effect of regulation on the price and quantity of housing.⁶ Gyourko and Molloy (2014) review this literature and conclude that regulation tends to have sizable positive effects on prices and negative effects on construction, though there are a range of estimates in the literature and many of the estimates should be interpreted with caution because variation in regulation is deeply endogenous.⁷ Interestingly, Glaeser and Ward (2009), who study the effects of local regulation on relative house prices between towns within the Boston metro area, find small effects of regulation on price, consistent with our findings. They attribute the small effects to the high substitutability of towns within

⁶We focus on the price elasticity with respect to new housing supply because regulations are difficult to measure and vary quite a bit across location and time periods, making it difficult to extrapolate the elasticities to actual policies under consideration. Furthermore, supply constraints can be relaxed to increase housing supply through policies other than land use regulation.

⁷Some examples in this literature include Katz and Rosen (1987); Pollakowski and Wachter (1990); Quigley and Raphael (2005); Malpezzi (1996); Mayer and Somerville (2000); Segal and Srinivasan (1985); Black and Hoben (1985).

Boston, which is consistent with the mechanism highlighted in our model of low preference heterogeneity resulting in a low elasticity of rent with respect to new supply. The papers that find large effects of regulation on house prices are not necessarily at odds with our findings in this paper, because regulations can have very large effects on the housing stock. For example, Jackson (2016) finds that an additional regulation reduces residential permits by 4 to 8 percent per year. Glaeser and Ward (2009) estimate even larger effects on supply. These effects on construction can accumulate into very large changes to the housing stock, especially when these regulations are in place for many years, as is often the case. Thus, regulation may be associated with changes to the size of the housing stock that are outside the scope of our model for the reasons mentioned above. Like our paper, most of the papers in the literature focus on prices and do not consider welfare implications of changing the housing supply. For discussions of welfare, see Hsieh and Moretti (2017), Turner et al. (2014), Herkenhoff et al. (2017), Engle et al. (1992), and Helsley and Strange (1995).

The intuition for our results is closely related to the theoretical model of Helsley and Strange (1995). Helsley and Strange (1995) consider the effect of growth controls (i.e. supply constraints) in a system of neighborhoods with homogeneous households. In the equilibrium of their model, price differences across neighborhoods reflect the amenity value of growth controls (i.e. through reduced congestion) rather than differences in the elasticity of housing supply created by the growth controls. So absent any direct effects of growth controls on neighborhood amenities, relative rents between neighborhoods are unaffected by growth controls. The total effect on rents depends on the housing supply elasticity in neighborhoods without growth controls. If housing supply is elastic in such neighborhoods, then the total effect on rents will also be small. This is comparable to the case emphasized in Engle et al. (1992), whose basic model is similar to Helsley and Strange (1995) but explicitly has rent in the neighborhood without growth control as being insensitive to population. Our model also bears many similarities to the model in Aura and Davidoff (2008), who show that in a model of housing demand with heterogeneous households, the effect of increasing land supply in a particular area on house prices in that area can be very small.

2 Motivating Facts

We begin with some basic facts on the geographic distribution of rental housing affordability that we compute using 2000 Census and 2014 American Community Survey download from IPUMS-USA (Ruggles et al. (1997)), and other sources. In 2014, 38.7 percent of U.S. households that rent spent more than 30 percent of their household income on rent, up from 29.2 percent of renters in 2000. Housing expenditures for owners have also been increasing in recent years, but the fraction of cost burdened households is much higher among renters than owners (see also Molloy (2017)). The renter share of US households has been increasing in recent years and stands near a 50-year high of around 37 percent (Fernald (2017)).⁸ Motivated by the higher cost burdened share among renters and the increase in rental demand in recent years, in this paper we focus on renter households. Figure 1 shows that cost burdened renter households are not predominantly located in certain areas of the country. In most large metropolitan areas (more specifically, core-based statistical areas (CBSAs)), a significant share of households are cost burdened.

Figures 2-3 show that both declining incomes and increasing rents have contributed to the rising share of renters that are cost burdened. The increases in rents likely reflect increases in demand combined with some inelasticity of the housing supply due to a variety of factors, some of which we will discuss below. The declines in real median income are due to a variety of factors that are largely outside the scope of the housing market, and so there is probably little that housing policy—including the specific counterfactuals that we consider in our model below—can do to improve affordability through the income channel. Nonetheless, we motivate our model with a discussion of affordability to show that high rents are in fact burdening the budgets of many households.

The magnitude of the cost burdened share differs somewhat across metro areas. For example, in high-priced cities like Los Angeles and San Diego, the cost burdened share is about 15 percentage points higher than in lower-priced cities such as Houston and Charlotte. The positive correlation between rent and cost burden share holds across PUMAs as well, and also when rents are adjusted for differences in housing unit quality across PUMAs. Since house and neighborhood characteristics are limited

⁸For example, Gete and Reher (forthcoming) provides evidence that the contraction in mortgage supply after the great recession contributed to the increased rental demand in recent years.

in the ACS data, we obtain quality adjusted rents from Zillow. The Zillow rent index estimates the median rent that would be offered for all properties within a geographic unit (regardless of which units are actually for rent at any given time). Zillow provides rent data at the zipcode level, which we then aggregate to PUMAs using a crosswalk provided by the Missouri Census Data Center. Figure 4 shows that, across PUMAs, a one dollar increase in quality-adjusted monthly rent per square foot is associated with a 9.5 percentage point increase in the cost burdened share.⁹

To further investigate differences in rents across neighborhoods, Figure 5 plots average quality-adjusted rent per square foot by distance-to-CBD for the ten largest metro areas.¹⁰ Rents are from Zillow and are measured at the zipcode level. In most metro areas, including the ones shown in the figure, rents are highest in zipcodes closest to the city center.¹¹ In neighborhoods further from the CBD, Figure 5 shows that rents tend to flatten out around a rough estimate of annualized construction cost per sqft for each metro area, as estimated by the Company (2015). These construction cost estimates exclude land and regulatory costs. In areas of the city where rents are closer to construction costs, housing supply is likely to be more elastic due to more available land and fewer or less binding regulations in such areas (see Glaeser and Gyourko (2017)). Indeed, using the Census data, Figure 6 shows that in areas of the country that experienced household growth between 2000-2014, rent growth has been highest in areas close to the CBD, and household growth has been highest in areas furthest from the CBD, consistent with such areas having a more elastic housing supply than in areas closer to the CBD.¹² These results suggest that the rent elasticity with respect to new construction may vary significantly within cities, and motivates using a model that potentially allows for such within-city variation in the rent elasticity.

⁹See <https://www.zillow.com/research/zillow-rent-index-methodology-2393/> for more information on Zillow’s methodology.

¹⁰We exclude New York because of missing rent data for some PUMAs. CBDs are defined as in Holian and Kahn (2015).

¹¹The coefficient on distance-to-CBD in a regression of rent/sqft on distance-to-CBD with metro area fixed effects for the 100 largest metro areas is -0.23 and is statistically significant. A similar result holds for house prices.

¹²Couture and Handbury (2016) show a similar result for house price growth using Zillow house price data and household growth using ACS data at the census tract level. See also Bogin et al. (2016) for evidence that house price growth gradient with respect to distance from CBD has been strongly negative in recent years.

3 Model

We now present a model of equilibrium rent prices in a closed system of neighborhoods, i.e. a closed city. The model is based on the discrete choice framework of Bayer et al. (2004) and Bayer et al. (2007), in which heterogeneous households choose over a discrete set of housing choices, the supply of which is taken as given. In equilibrium, rental rates are set so that the number of households choosing each type of housing is equal to the supply of that type of housing. The vacancy rate is thus assumed to be zero.

Consider a city with $j = 1, \dots, J$ locations (neighborhoods), each with observed characteristics \mathbf{x}_j and rental price p_j . Neighborhood j has H_j units of housing, which for simplicity we will assume are identical in physical quality. The city is populated by $i = 1, \dots, N$ households, with observed characteristics \mathbf{z}_i . The utility that household i receives from living in neighborhood j is:

$$\begin{aligned} V_{ij} &= \mathbf{x}_j' \alpha + \mathbf{z}_i' \Theta \mathbf{x}_j + \beta p_j + \mathbf{z}_i' \gamma p_j + \xi_j + \epsilon_{ij} \\ &\equiv v_{ij} + \epsilon_{ij} \end{aligned} \tag{1}$$

where α , Θ , β , γ are $K_x \times 1$, $K_z \times K_x$, 1×1 , and $K_z \times 1$ vectors of parameters, where K_x is the number of observed neighborhood attributes and K_z is the number of observed household attributes. α defines the mean utility that households have over observed neighborhood attributes, and Θ defines how that utility varies by household attribute. β defines the mean utility that households have over rental rate, which should be negative, and γ defines how that utility varies by household attribute. ξ_j is a scalar that captures any unobserved vertical quality differences between neighborhoods, i.e. differences in the mean utility across neighborhoods, and ϵ_{ij} is a scalar that captures any unobserved heterogeneity in tastes for different neighborhoods across households. Following Bayer et al. (2007) and much of the discrete choice literature, we assume that ϵ_{ij} is iid across households and neighborhoods, and that it is distributed according to a type-1 extreme value distribution. No assumptions are made about the distribution of ξ_j .

Given these assumptions, the probability that a household i chooses neighborhood j is:

$$P_{ij} = \frac{\exp v_{ij}}{\sum_{k=1}^J \exp v_{ik}} \tag{2}$$

and the total number of households choosing neighborhood j is simply $\sum_{i=1}^N P_{ij}$.¹³ In equilibrium, housing markets clear and so the number of households choosing neighborhood j must be equal to the number of housing units in neighborhood j . The equilibrium condition is therefore:

$$\sum_{i=1}^N P_{ij} = H_j \quad (3)$$

Bayer et al. (2004) prove that if V_{ij} is a decreasing, linear function of p_j for all households, and if the distribution of ϵ_{ij} is continuous, then there exists a unique vector of rent prices p_j that clears the market (up to an additive constant).¹⁴

4 Estimation

4.1 Estimation Data

In order to estimate the model, we use public-use microdata from the 2014 American Community Survey. We use data from the 10 large metropolitan areas described in Section 2. We define neighborhoods as PUMAs, which is the finest level of geographic disaggregation that is available for public use in the ACS. For our sample of high population cities, we found that PUMAs capture fairly well the different neighborhoods within the city. Appendix Figure 1 shows a map of PUMAs for each city in our sample. For PUMA characteristics \mathbf{x}_j , we choose to include the percent white, percent with bachelor's degree or higher, percent population who do not drive to work¹⁵, the distance to central business district, the median household income, and

¹³We assume that N is large so that the number of households choosing neighborhood j approaches the expected number of households choosing neighborhood j .

¹⁴An equilibrium rent vector can only be found up to an additive constant because in a closed city where all households are required to choose one neighborhood, a level shift in the rents for all neighborhoods would not affect the share of households choosing each neighborhood. We discuss how we choose the normalization constant in counterfactual simulations in Section 5.

¹⁵Ideally, we would like to know a household's place of work and compute for each household the commuting time between place of work and place of residence. However, in the public-use microdata, the place of work measure is only available at very high geographic aggregation (place-of-work PUMA, which is much larger than a standard PUMA), and so is not very useful for accurately estimating commuting time. We found that the best proxy for the degree to which a neighborhood is close to a typical resident's workplace is the percentage of the working population in that neighborhood that does not drive to work. This would include walking, biking, and taking public transportation (mostly bus, subway, or light rail).

the number of restaurants in the PUMA¹⁶. For household characteristics \mathbf{z}_i , we include the household's yearly income, an indicator for whether the household head is white, an indicator for whether the household head has a bachelor's degree or higher, an indicator for whether the household head is married, and an indicator for whether there are children in the household.

To estimate the rental rate in each PUMA, we use Zillow's zipcode-level Zillow Rent Index, which is an estimate of the median monthly rental rate offer for properties in that zipcode as described in Section 2.

4.2 Estimation Methodology

Our estimation methodology follows Bayer et al. (2007). Consider for now data from only a single city. The ACS data allows us to see the neighborhood choices of individual households in that city, and thus allows us to form the log-likelihood of the data for estimation. For each household i observed in the data, let $d_{ij} = 1$ if that household lives in PUMA j , and 0 otherwise. Let w_i be the sampling weight associated with that household (w_i represents the number of households that the surveyed unit represents). The log likelihood of the data is therefore:¹⁷

$$LL = \sum_{i=1}^N w_i \left(\sum_{j=1}^J d_{ij} \log P_{ij} \right) \quad (4)$$

One complication of estimating the model by maximum likelihood is that besides the parameters $\alpha, \Theta, \beta, \gamma$, there are also J unknowns, ξ_j , that affect the choice probabilities but that we have made no assumptions about. However, we note that V_{ij} can be written as:

$$V_{ij} = \lambda_{ij} + \delta_j + \epsilon_{ij} \quad (5)$$

where

$$\lambda_{ij} = \mathbf{z}_i' \Theta \mathbf{x}_j + \mathbf{z}_i' \gamma p_j \quad (6)$$

and

$$\delta_j = \mathbf{x}_j' \alpha + \beta p_j + \xi_j \quad (7)$$

¹⁶We found that the number of restaurants is an important variable which probably captures the level of consumption amenities in the location.

¹⁷Note that with sampling weights, the equilibrium condition becomes $\sum_{i=1}^N w_i P_{ij} = H_j$. We omitted sampling weights from the discussion in the previous section for expositional clarity.

λ_{ij} is the observable component of utility that varies across households and neighborhoods, and δ_j is the component of utility that is constant within neighborhoods. δ_j can be thought of the mean utility of the neighborhood j and λ_{ij} can be thought of how the utility shifts according to household characteristics.

As described in Bayer et al. (2004) and Bayer et al. (2007), estimation can proceed in two steps. In the first step, the parameters Θ, γ , and the full vector of δ_j 's will be estimated by maximum likelihood. In the second step, the estimated δ_j 's will be regressed on \mathbf{x}_j and p_j , as in equation (7), to estimate α and β .

To implement the first step, we note that the equation:

$$\delta'_j = \delta_j + \log H_j - \log \left(\sum_{i=1}^N w_i P_{ij} \right) \quad (8)$$

is a contraction mapping in δ_j .¹⁸ So, given an initial guess of Θ and γ , which allows us to compute λ_{ij} , repeated iteration of equation (8) will yield the unique vector of δ_j 's such that the equilibrium condition $\sum_{i=1}^N w_i P_{ij} = H_j$ is satisfied. Intuitively, if the predicted number of households choosing neighborhood j is higher than the number of housing units, then the mean utility of that neighborhood, δ_j , will be reduced in the next iteration, and vice versa, until the equilibrium condition is satisfied for every j . Thus, we can estimate Θ and γ by the following algorithm:

1. For any guess of Θ and γ :
 - (a) Start with an initial guess of the δ_j 's
 - (b) Repeatedly iterate on equation (8) until the δ_j 's converge
 - (c) Calculate the log likelihood at this vector of δ_j 's
2. Search over Θ and γ to maximize the log likelihood.

Once this procedure is complete, we have an estimate of the equilibrium values of the δ_j 's. If ξ_j is uncorrelated with \mathbf{x}_j and p_j , then we can recover α and β by regressing δ_j on \mathbf{x}_j and p_j . Of course, ξ_j will *not* generally be uncorrelated with p_j since unobserved quality of the neighborhood is expected to have a direct effect on the rental rate. We therefore need to construct an instrument for p_j in estimating equation (7). We follow the strategy of Bayer et al. (2004), which is to guess a reasonable value of α and β ,

¹⁸See Berry et al. (1995) for further discussion and proof.

and then compute the vector of market clearing prices \hat{p}_j that would prevail if $\xi_j = 0$. We note that because the estimates of δ_j are not used for this computation, \hat{p}_j is a function only of the \mathbf{x}_j 's, which we assume to be exogenous to ξ_j . We then use \hat{p}_j as the instrument for p_j . To choose initial values for α and β , we simply assume that $\beta = -1$ and then regress p_j on \mathbf{x}_j to recover our initial guess of α .

4.3 Estimation Results

Table 1 reports our estimation results for the parameters $\alpha, \beta, \Theta, \gamma$ as described above. The row labeled “Mean” corresponds to estimates for α and β , while the other rows correspond to Θ and γ . We note that before estimating, we standardized each variable so that it has mean zero and standard deviation 1 within each city. We also pool the data from all the cities together, and assume that the preferences over the standardized units of amenities are the same across cities.¹⁹ Thus, the interpretation of the coefficient on row “Mean” and column “Log Rent” is that the average household’s utility is decreased by 3.542 utils when their log rental payment is increased by 1 standard deviation. In Table 2, we convert the parameter estimates to marginal willingness-to-pay, in units of log monthly rent, for a one standard deviation increase for each attribute.²⁰ The estimates on the row labeled “Mean” show the marginal willingness-to-pay for the average household in each city. The estimates on the rows labeled “log HH Income”, “White”, “B.A. or higher”, “Married”, and “Children in HH” show how the willingness-to-pay estimate changes with a one unit increase to each demographic characteristic. Finally, the numbers on the row labeled “S.D. of attribute” show the standard deviation (averaged across cities) of each neighborhood attribute.

On average, we find that households are willing to pay 3% more in rent for a 1 s.d. increase in the white-share of a neighborhood, 14% for a 1 s.d. increase in the college share, 1.6% more for a 1 s.d. increase in commutability, 4.8% more for a 1 s.d. *decrease* in the distance to CBD, 5.9% more for a 1 s.d. increase in neighborhood income, and 1.6% more for a 1 s.d. increase in the number of restaurants. Compared

¹⁹We do this because there are only about 40 PUMAs per city, so estimating equation (7) separately for each city results in very imprecise estimates.

²⁰We define marginal willingness-to-pay as the increase in monthly rent associated with a 1 s.d. increase in a neighborhood attribute that would leave a household living in the average neighborhood indifferent to the change. Since the average neighborhood is different in each city, the estimates we report are averaged across cities.

to the mean willingness-to-pay, the effect of household demographic characteristics is comparatively small. Consistent with the results of Bayer et al. (2004), we find that the strongest effects are in the self-sorting preferences, i.e. whites prefer white neighborhoods, college educated prefer college educated neighborhoods, etc..

5 Can More Supply Improve Affordability?

5.1 Marginal Effects of Increasing Supply

We now use our model to simulate the effects of increasing housing supply. For our baseline experiment, we increase the housing stock in one target neighborhood by a small amount, and solve for the effects on equilibrium rental rates. We can solve for rental rates using equation 3 and replacing H_j for each j with the new, counterfactual size of the housing stock in each neighborhood. Aside from rental rates, the other variables and parameters in equation 1 are assumed to be invariant to the counterfactual change in housing supply.

To conduct this exercise, two further assumptions need to be made. First, because our model assumes a zero vacancy rate, increasing the number of housing units will increase the population in the city, in equilibrium, and so we need to assume the population characteristics of the new residents.²¹ For our baseline counterfactual, we will assume that the distribution of characteristics in the new households is the same as in the existing population.²²

Second, we need to choose a normalization constant for the counterfactual rent vector because equilibrium rents are only unique up to an additive scalar, as mentioned above. To choose the normalization constant, we define a set of PUMAs for each city as “outskirts”, based on distance to CBD, and in the simulation we nor-

²¹We do not consider the possibility that existing residents will increase their consumption of housing space. This is unlikely to happen in the short-run when the experiment is to add new, separate housing units. However, it could happen in the long run if existing units get converted into larger units, or if the size and quality of newly constructed units changes. Our experiment is therefore best understood as the short-run effects of an exogenous increase in new housing units of equal quality to existing neighborhood units.

²²In results available on request, we show that the main results are robust to different assumptions on the incoming population. For example, if we assume that all new entrants are college-educated, white, married, with no children, and high income, then the average effects are not much changed, but there are some slight differences in effects across neighborhoods (rental rates are reduced more if construction takes place in low SES neighborhoods than if it took place in high SES neighborhoods.)

malize the counterfactual rent vector so that average rents in the outskirts do not change.²³ This decision is motivated by the evidence in Section 2 showing that in some areas of each city, housing supply appears fairly elastic and rents/house prices appear to be mainly determined by construction costs. Therefore, it is reasonable to assume that the prices in such areas will not change in our counterfactual.²⁴

Table 3 reports the results of the baseline simulations. For each city, we conduct 4J simulations—four for each PUMA—of increasing the housing supply in that PUMA by 1%, 5%, 10%, and 20%. The table reports the average effect on rental rates in the target PUMA, averaged across PUMAs for each city. We only reported averages because the variance in the response across PUMAs for each city was very small. There are also equilibrium effects on the rental rates of non-targeted PUMAs, but they are very small and we do not report them. The results show that within PUMAs, the elasticity of rental rate with respect to an exogenous increase to housing supply is fairly low, less than 0.1 in all cases. It follows that the affordability or share cost burdened elasticity is also fairly low.

As we discussed in the introduction, demand for neighborhoods can be very elastic with respect to price (and thus price is inelastic with respect to new supply) if there is relatively little preference heterogeneity. We find that this is indeed the case based on our model estimates. We find that the variance of V_{ij} across PUMAs within households is between 14 and 15.4 for each city. The variance across households within PUMAs is an order of magnitude smaller—between 1.38 and 1.44—for each city. This suggests that neighborhoods are much more vertically differentiated than they are horizontally differentiated. As a result, the willingness to pay to live in a particular neighborhood for a household who is on the margin between living in that neighborhood and elsewhere will not be too different before and after a change in housing supply. As prices are set by the willingness to pay of the marginal household in our model, the price elasticity with respect to new supply is small.

To make this point more directly, we simulate how the price response would change if preference heterogeneity were greater. To do this, we first simulate the equilibrium

²³We defined the distance to CBD threshold for outskirts separately by city. The threshold for each city was determined by visual inspection of Figure 5. The distance thresholds for each city are reported in Appendix Table 1.

²⁴As discussed in the introduction, this assumption may be less realistic if changes to the housing supply are large enough to cause significant population loss and vacancies in the outskirts areas. Then, the total effect on rents will depend on the rent elasticity to population loss in the outskirts. Nevertheless, the effect on *relative* rents will remain the same (absent any changes to amenity levels.)

rent vector that would result (under the baseline vector of housing stock) if the standard deviation of the idiosyncratic preference term ϵ_{ij} were increased to two or three times its baseline level. We then simulate the equilibrium rent response to a 5% increase in housing supply to single PUMAs, under the counterfactual distributions of ϵ_{ij} . Table 4 reports the results. Consistent with our hypothesis that low preference heterogeneity explains a low rental rate response, we find that increasing the standard deviation of ϵ_{ij} does increase the rental rate response, and quite significantly. However, even in the scenario where the standard deviation of ϵ_{ij} is three times as large as in our baseline estimates, the rental elasticity is still small at about 0.2. The effect on rents in the non-targeted neighborhoods is also more responsive when there is more preference heterogeneity. However, because the share of households that must be reallocated from each of the non-targeted neighborhoods is very small in our simulations, the marginal person in each non-targeted neighborhood will barely change and the rent effects are still very small in the non-targeted neighborhoods even when there is more preference heterogeneity.

5.2 Increasing Supply vs. Improving Amenities

We now use our model to compare the price effects of building new housing supply versus improving amenities. In this experiment, we first simulate the equilibrium rent response in high priced areas in each of our 10 cities to increasing the housing stock in those areas by +5%. We define high priced areas as the top decile of PUMAs in terms of monthly rents. We then compare this to the equilibrium rent response in high priced areas to improving amenities in the non-high-priced areas (i.e. the bottom 9 deciles of PUMAs). Improving amenities in lower priced neighborhoods will make these neighborhoods more attractive relative to high priced neighborhoods, and could put downward price pressure on the high priced neighborhoods through a substitution effect. We will only compare the two policies on their effect on rents and so we will not make any statements about the total welfare effect of the policies.

In order for the two policies to have a consistent cost basis, we need to make two assumptions. First, we need to assume the total cost of adding 5% to the housing stock in high priced areas. Second, we need to assume the rate at which those construction costs could instead be turned into amenities in the non-high-priced areas. For the total cost, we use the RS Means estimate of the cost of building a 1,500 square foot

economy apartment unit as a baseline. This is likely an underestimate of the true cost of building in higher priced areas because these areas are already quite dense and are often naturally supply constrained by steep slopes and proximity to water. Therefore the building costs and externalities (e.g. from congestion) associated with adding housing stock to these areas is likely quite high.

To convert the construction cost to amenities, we simply assume a conversion rate of dollars to amenities based on our estimates of the parameters that multiply the rental rate in Table 1. These parameters tell us households’ marginal utility of price and thus describes their indifference condition between utils and dollars. The assumption is then that this indifference condition also describes the rate at which utility over amenities (e.g. ξ_j) can be produced from dollars.²⁵ This particular experiment admittedly has little connection to any real policy (such as investment in public transportation), but without cost/benefit estimates for a specific policy proposal, we believe this is a reasonable benchmark to consider.²⁶

Table 5 reports the results of this experiment, for various assumptions on the construction cost. Even for our baseline assumption on construction costs—which is almost surely an underestimate of the cost of building in high-priced neighborhoods—improving amenities in low-priced neighborhoods can have a larger impact on rents in high-priced neighborhoods than new housing supply. As we assume higher construction costs, the comparison favors improving amenities even more. The only city for which improving amenities is still not favored, even when we assume construction costs for high-priced neighborhoods of +50% of an economy apartment, is San Francisco.

For each neighborhood in the bottom 9 deciles of the rent distribution that receives the direct improvement to amenities, we find in unreported results that the effect on rents and affordability is very small. Even for the case of construction costs equal to +50% of an economy apartment, the effect on rents is less than 0.1% in such neighborhoods.

²⁵We assume that the dollars are spread evenly among all housing units in the non-high-priced areas. This implicitly assumes that the expenditures are not on public goods.

²⁶An alternative experiment would be to convert the construction cost to direct income subsidies to residents of the non-targeted PUMAs. In results available on request, we show that the effects of the income subsidy are similar in magnitude to and even larger than the conversion to amenities that we consider in Table 5, which further strengthens our argument that improving the attractiveness of low-priced neighborhoods could be a more effective means of improving affordability in high-priced neighborhoods than new construction.

6 Conclusion

The effect of new construction on rents is a highly relevant elasticity for evaluating solutions to the affordability crisis, but direct evidence on the magnitude of the elasticity is scarce. Motivated by a lack of reduced-form evidence, in this paper, we estimate a structural model of neighborhood choice that allows us to simulate this elasticity. Our results suggest that the rent elasticity is likely to be low, and thus marginal reductions in supply constraints alone are unlikely to meaningfully reduce rental burdens. An important reason for the low rent elasticity in the model is that we estimate a relatively low amount of preference heterogeneity across households. We also present evidence to suggest that improving amenities in low-priced neighborhoods is a more cost effective way to reduce prices in high-priced neighborhoods, via a substitution effect, than directly building additional housing units in high-priced areas.

In future research, we would like to more directly estimate the rental price elasticity to new construction, without having to rely on restrictive modeling assumptions. This is a challenging task, because construction of new housing supply is a highly endogenous process influenced by myriad economic and political factors, most of which are not observed. On the modeling side, opening up our framework to allow for migration across metro areas seems like a natural extension to pursue.

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Table 1: Estimation Results

	Pct. White	Pct. College	Pct. No Drive	Dist. to CBD	log Med. HH Inc.	# Restaurants	log Rent
Mean	0.435*** (0.1319)	2.005*** (0.6051)	0.2289 (0.1453)	-0.6857*** (0.2226)	0.8393*** (0.3022)	0.2277** (0.1013)	-3.542*** (1.048)
log HH Income	-0.03276*** (0.0002836)	-0.04454*** (0.0004919)	0.01663*** (0.0002833)	-0.001831*** (0.0002607)	0.1663*** (0.0004207)	-0.0051*** (0.0002254)	0.02733*** (0.0003653)
White	0.4364*** (0.0002562)	-0.03558*** (0.0004938)	-0.006715*** (0.0002824)	0.01703*** (0.000278)	-0.018*** (0.0004288)	-0.007669*** (0.0002358)	0.01945*** (0.0003688)
B.A. or higher	-0.01821*** (0.0003029)	0.3804*** (0.0005294)	0.003513*** (0.0003032)	-0.002896*** (0.000281)	-0.03911*** (0.0004568)	0.006576*** (0.0002421)	-0.01141*** (0.0003925)
Married	0.03636*** (0.000309)	-0.05255*** (0.0005615)	-0.04733*** (0.0003193)	0.03752*** (0.0002826)	0.1235*** (0.0004854)	-0.04145*** (0.0002655)	-0.01049*** (0.0004183)
Children in HH	-0.003192*** (0.0002951)	-0.1178*** (0.0005476)	-0.03988*** (0.0003116)	-0.04194*** (0.0002708)	0.08393*** (0.0004705)	-0.06094*** (0.0002736)	0.01269*** (0.0004106)

Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Note: This table reports maximum likelihood estimation results as described in Section 4. The coefficients in the row labeled “Constant” correspond to the estimates for α and β . The other coefficients correspond to Θ and γ . Each cell reports the increase in utils associated with a one standard deviation change to the neighborhood or household characteristic.

Table 2: Willingness to Pay in Log Rent for +1 s.d. in Neighborhood Amenities

	Pct. White	Pct. College	Pct. No Drive	Dist. to CBD	log Med. HH Inc.	# Restaurants
Mean	0.0306	0.1410	0.0161	-0.0482	0.0590	0.0160
log HH Income	-0.0013	-0.0013	0.0008	-0.0003	0.0078	-0.0002
White	0.0709	-0.0040	-0.0009	0.0021	-0.0022	-0.0010
B.A. or higher	-0.0028	0.0535	0.0004	-0.0001	-0.0060	0.0008
Married	0.0049	-0.0082	-0.0067	0.0055	0.0169	-0.0059
Children in HH	-0.0002	-0.0159	-0.0056	-0.0064	0.0125	-0.0087
S.D. of attribute	0.1964	0.1627	0.1003	33.29	0.3289	129.6

Note: This table reports willingness to pay for one standard deviation increase in neighborhood amenities. The willingness to pay is defined as the change in log-rent associated with an increase to the neighborhood amenity that would leave the household living in the average neighborhood indifferent to the change. Because the average neighborhood is different for each city, the willingness-to-pay estimates are averaged across cities.

Table 3: Simulation Results - Increasing Housing Stock to Single Neighborhoods

City	Rent response to adding +X% housing stock			
	+1%	+5%	+10%	+20%
Atlanta	-0.06%	-0.31%	-0.61%	-1.18%
Boston	-0.05%	-0.25%	-0.49%	-0.93%
Chicago	-0.07%	-0.34%	-0.66%	-1.27%
Dallas	-0.07%	-0.36%	-0.71%	-1.35%
Houston	-0.06%	-0.30%	-0.58%	-1.11%
Los Angeles	-0.07%	-0.36%	-0.71%	-1.36%
Miami	-0.06%	-0.30%	-0.59%	-1.13%
Philadelphia	-0.07%	-0.34%	-0.66%	-1.27%
San Francisco	-0.10%	-0.49%	-0.95%	-1.82%
Washington DC	-0.07%	-0.34%	-0.67%	-1.29%

Note: For each city, 4J simulations are conducted (4 for each PUMA), in which the housing stock in a single target PUMA is increased by 1%, 5%, 10%, or 20%. (The housing stock in each other PUMA remains the same.) This table reports the average simulated rental price response in target PUMAs, averaged within cities.

Table 4: The Role of Preference Heterogeneity in the Rent Response

City	Rent response to adding +5% housing stock		
	$\sigma = 1$	$\sigma = 2$	$\sigma = 3$
Atlanta	-0.31%	-0.62%	-0.94%
Boston	-0.25%	-0.49%	-0.74%
Chicago	-0.34%	-0.67%	-1.01%
Dallas	-0.36%	-0.72%	-1.07%
Houston	-0.30%	-0.59%	-0.88%
Los Angeles	-0.36%	-0.73%	-1.09%
Miami	-0.30%	-0.60%	-0.90%
Philadelphia	-0.34%	-0.67%	-1.01%
San Francisco	-0.49%	-0.97%	-1.45%
Washington DC	-0.34%	-0.68%	-1.02%

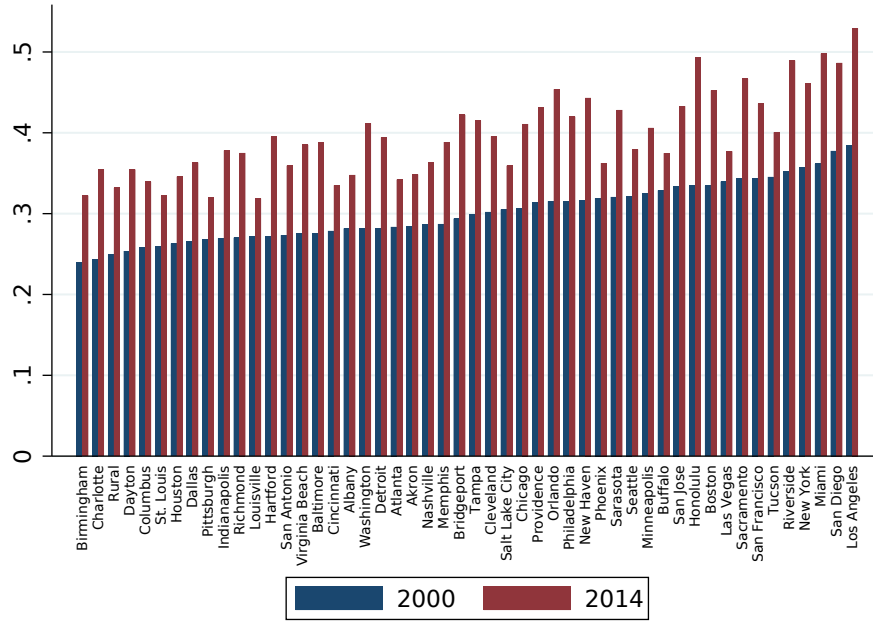
Note: For each city, a counterfactual rent vector is first simulated, assuming that the standard deviation of the idiosyncratic preference shock ϵ_{ij} is increased by a factor of 2 or 3 ($\sigma = 1$ is the baseline). For each counterfactual value of σ , J simulations are then conducted per city, one for each PUMA, in which the housing stock of a single target PUMA is increased by 5%. This table reports the average simulated rental price response in the target PUMAs, for counterfactual values of σ , averaged within cities.

Table 5: Increasing Housing Stock vs. Improving Amenities

City	Rent response in top decile most expensive PUMAs to:						
	adding +5% housing stock	improving amenities in the bottom 9 decile PUMAs (construction cost = base cost +X%)					
		X=0%	X=10%	X=20%	X=30%	X=40%	X=50%
Atlanta	-0.32%	-0.44%	-0.48%	-0.52%	-0.57%	-0.61%	-0.65%
Boston	-0.27%	-0.35%	-0.38%	-0.42%	-0.45%	-0.48%	-0.52%
Chicago	-0.36%	-0.44%	-0.48%	-0.53%	-0.57%	-0.62%	-0.66%
Dallas	-0.35%	-0.30%	-0.33%	-0.36%	-0.39%	-0.42%	-0.45%
Houston	-0.29%	-0.43%	-0.48%	-0.52%	-0.57%	-0.61%	-0.65%
Los Angeles	-0.33%	-0.30%	-0.33%	-0.35%	-0.38%	-0.41%	-0.44%
Miami	-0.30%	-0.25%	-0.27%	-0.30%	-0.32%	-0.35%	-0.37%
Philadelphia	-0.36%	-0.40%	-0.44%	-0.48%	-0.52%	-0.56%	-0.60%
San Francisco	-0.48%	-0.30%	-0.33%	-0.36%	-0.39%	-0.42%	-0.45%
Washington DC	-0.37%	-0.27%	-0.30%	-0.32%	-0.35%	-0.38%	-0.41%

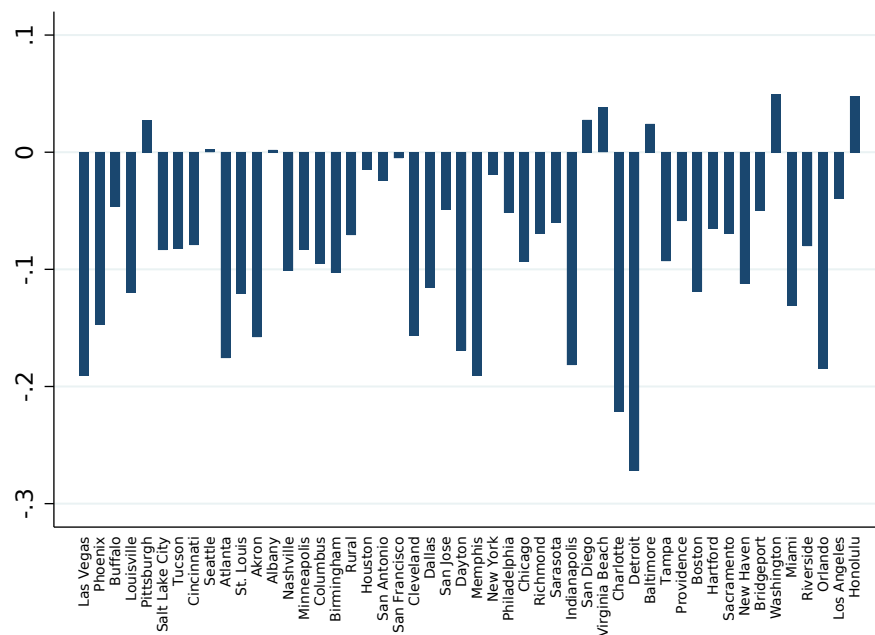
Note: For each city, we first simulate the equilibrium rent vector when the housing stock of the top decile most expensive PUMAs is increased by 5%. The first column of the table reports the average rent response in those top decile PUMAs. We then simulate the equilibrium rent vector when the housing stock remains at baseline, but the construction cost associated with the first simulation is instead spent on improving amenities in the bottom 9 decile PUMAs. (Section 5.2 describes the exercise in more detail.) Columns 2-7 of the Table reports the rent response in the *top decile* PUMAs in response to the increase in amenities to the *bottom 9* decile PUMAs. Each column in columns 2-7 makes a different assumption about construction cost (+X% of the RS Means estimate of an economy apartment unit.)

Figure 1: Share of Households Cost Burdened, 2000 - 2014



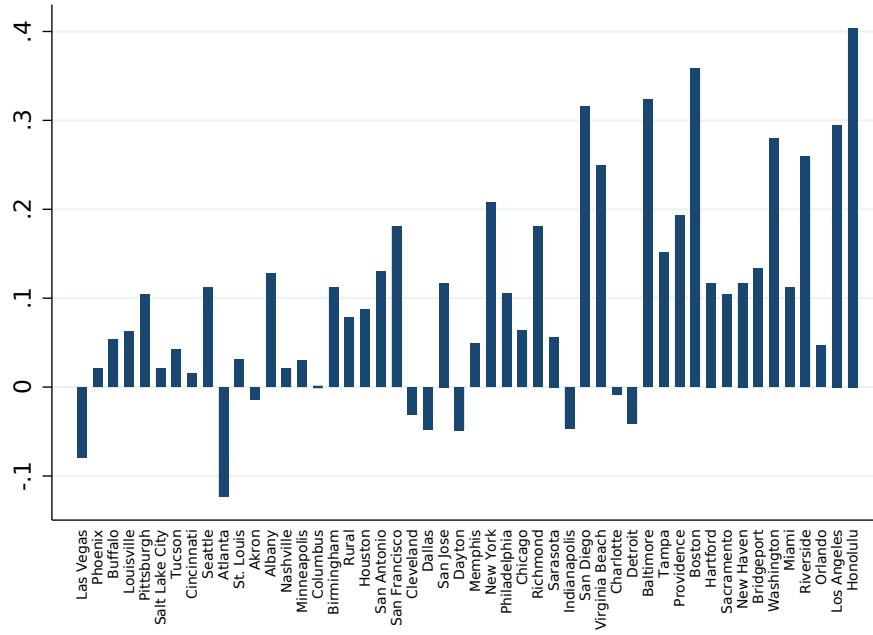
Shows share of households in each CBSA that spend at least 30 percent of their income on rent. Plot is for fifty most populous CBSAs as of 2000. Source: Census data.

Figure 2: Change in Log Median Real Household Income, 2000-2014



Plot is for fifty most populous CBSAs as of 2000 sorted by the largest change in the cost burdened share between 2000-2014. Source: Census data.

Figure 3: Change in Log Median Real Rent, 2000-2014



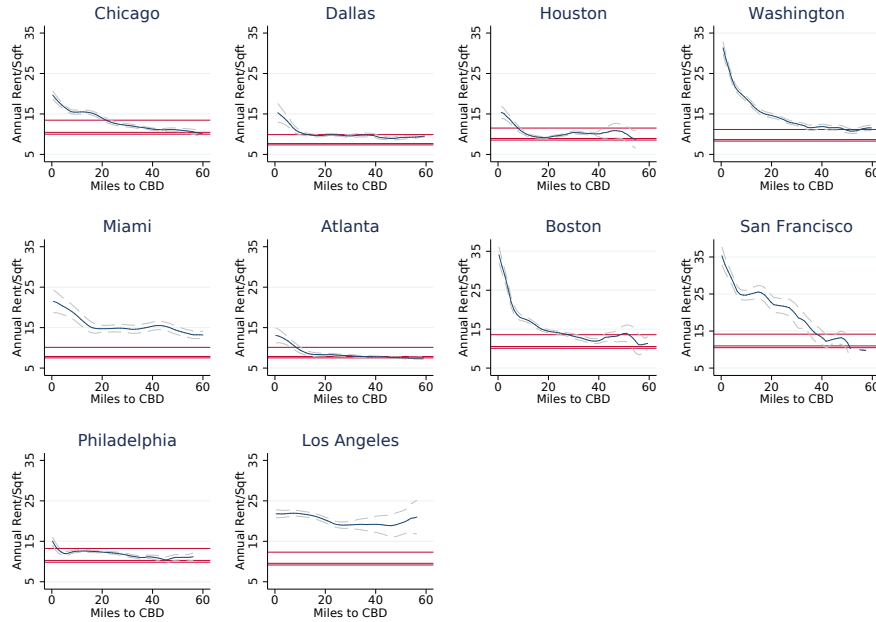
Plot is for fifty most populous CBSAs as of 2000 sorted by the largest change in the cost burdened share between 2000-2014. Source: Census data.

Figure 4: Correlation between Quality-Adjusted Rent/Sqft and Share Cost Burdened Across Census PUMAs in 2014



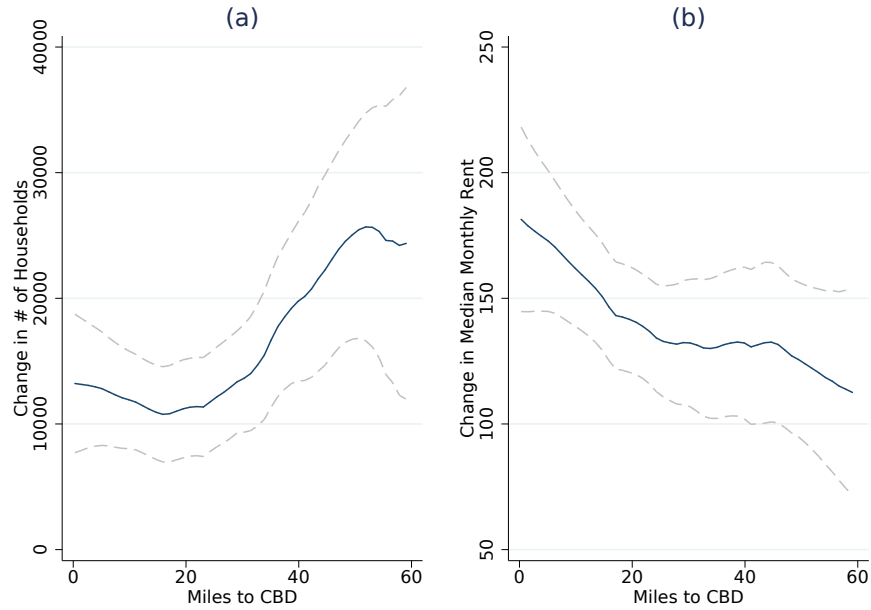
Cost burdened share is computed from the Census data. Rents are adjusted for unit quality and are from from Zillow.

Figure 5: Average Rent/Sqft by Distance to Central Business District in 2014



Rents are measured at the zipcode level. Rents are adjusted for unit quality and are from Zillow. The three horizontal red lines denote an estimate of construction cost per sqft for a 1-3 story (lowest cost), 4-7 story, and 8-20 story (highest cost) apartment building of average quality. The construction cost data come from the RS Means Company and are annualized by multiplying the cost by 0.05. The rent gradient for each CBSA is smoothed using a kernel-weighted local polynomial regression. The 95-percent confidence interval is shown by the dotted grey lines.

Figure 6: Change in Number of Households and Median Monthly Rent, 2000-2014



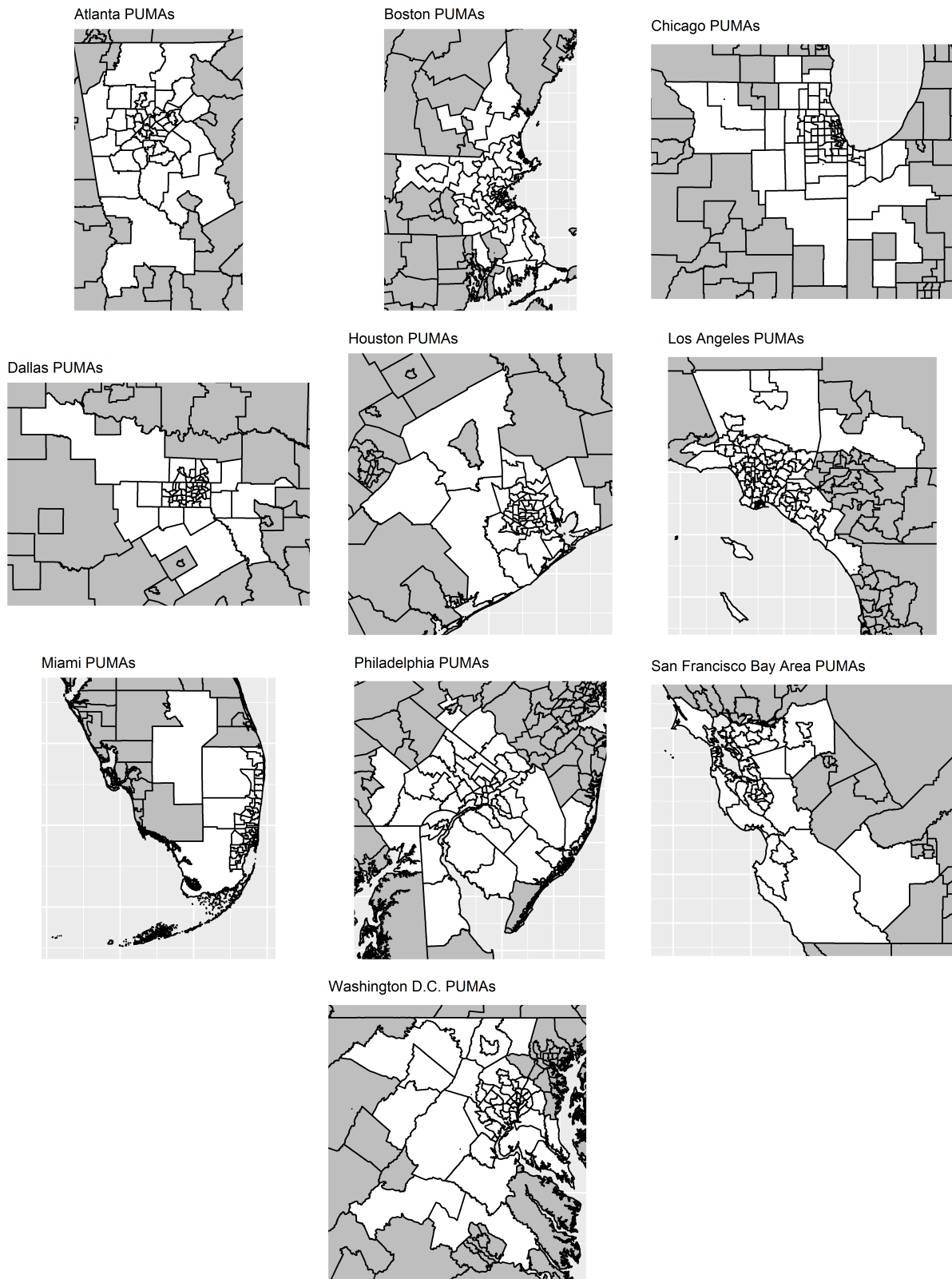
The graph summarizes household and rent growth in every 2000-2010 consistent Census PUMA in the US with at least a 10,000 increase in number of households between 2000 and 2014. Consistent Census PUMAs are larger than PUMAs and are used to compare consistent geographic areas over time in the Census. All data shown uses Census data. Rents are not adjusted for unit quality. The gradient with respect to distance to CBD is smoothed using a kernel-weighted local polynomial regression. The 95-percent confidence interval is shown by the dotted grey lines.

Table A.1: Mileage Threshold for Outskirt Neighborhoods by City

City	Mileage Threshold
Atlanta	16
Boston	38
Chicago	42
Dallas	12
Houston	17
Los Angeles	25
Miami	18
Philadelphia	38
San Francisco	43
Washington DC	40

Census PUMAs beyond the mileage threshold are classified as outskirts. In the counterfactual simulations discussed in Section 5, the counterfactual rent vector is normalized so that average rents in the outskirts do not change.

Figure A.1: Map of Census PUMAs by City



The CBSA is shaded in white. The black lines denote PUMA boundaries. The very light grey areas are water. PUMAs closer to the city core tend to have smaller areas because population density tends to be higher in such areas.

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NUMBER OF UNITS IN WHICH
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ACT DECLARATIONS TO EVICT
TENANTS WITH THE CITY OF LOS
ANGELES

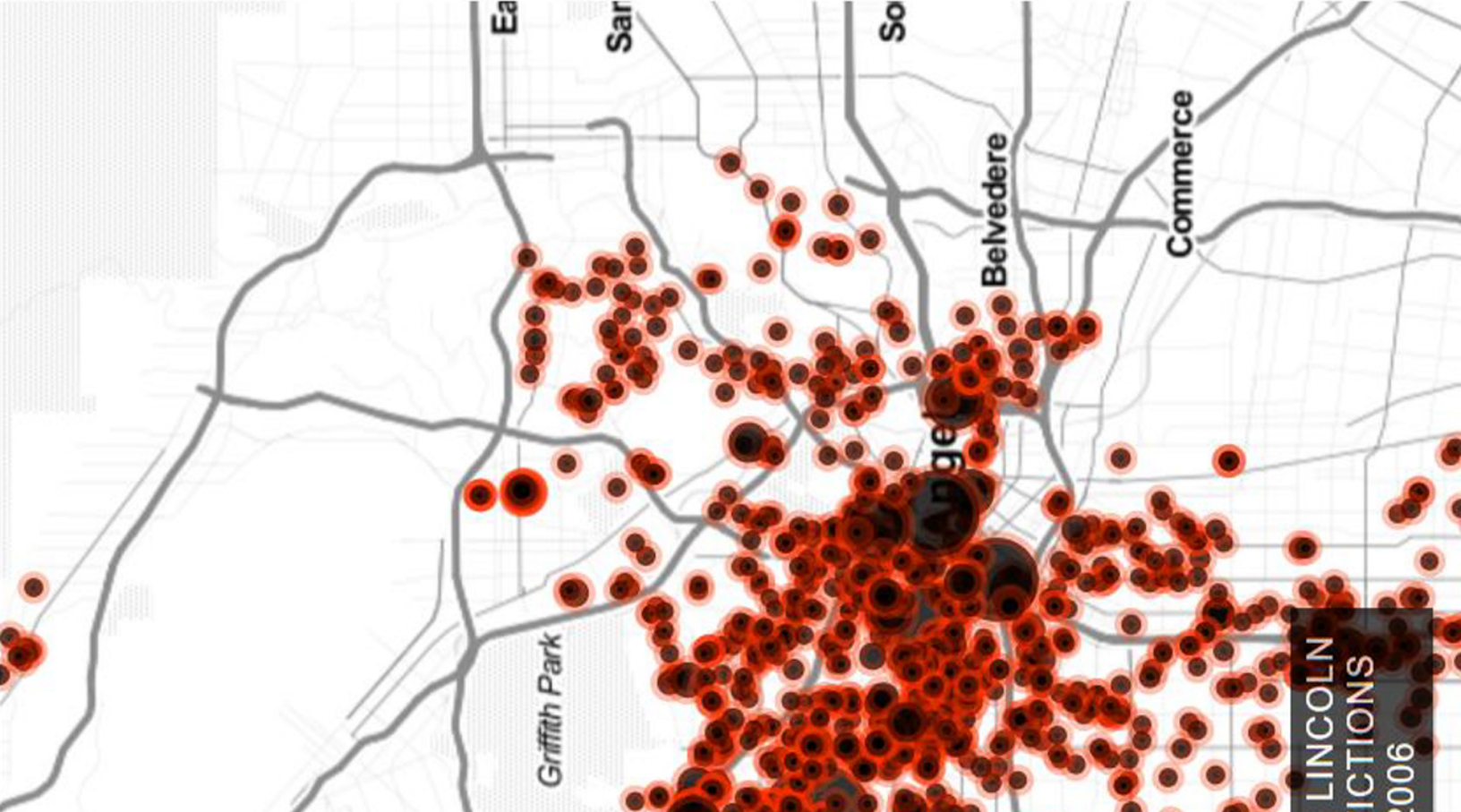
1/1/2001 - 12/22/2009



Map created by the [Anti-Eviction Mapping Project](#)

In collaboration with the [Coalition for Economic Survival](#).

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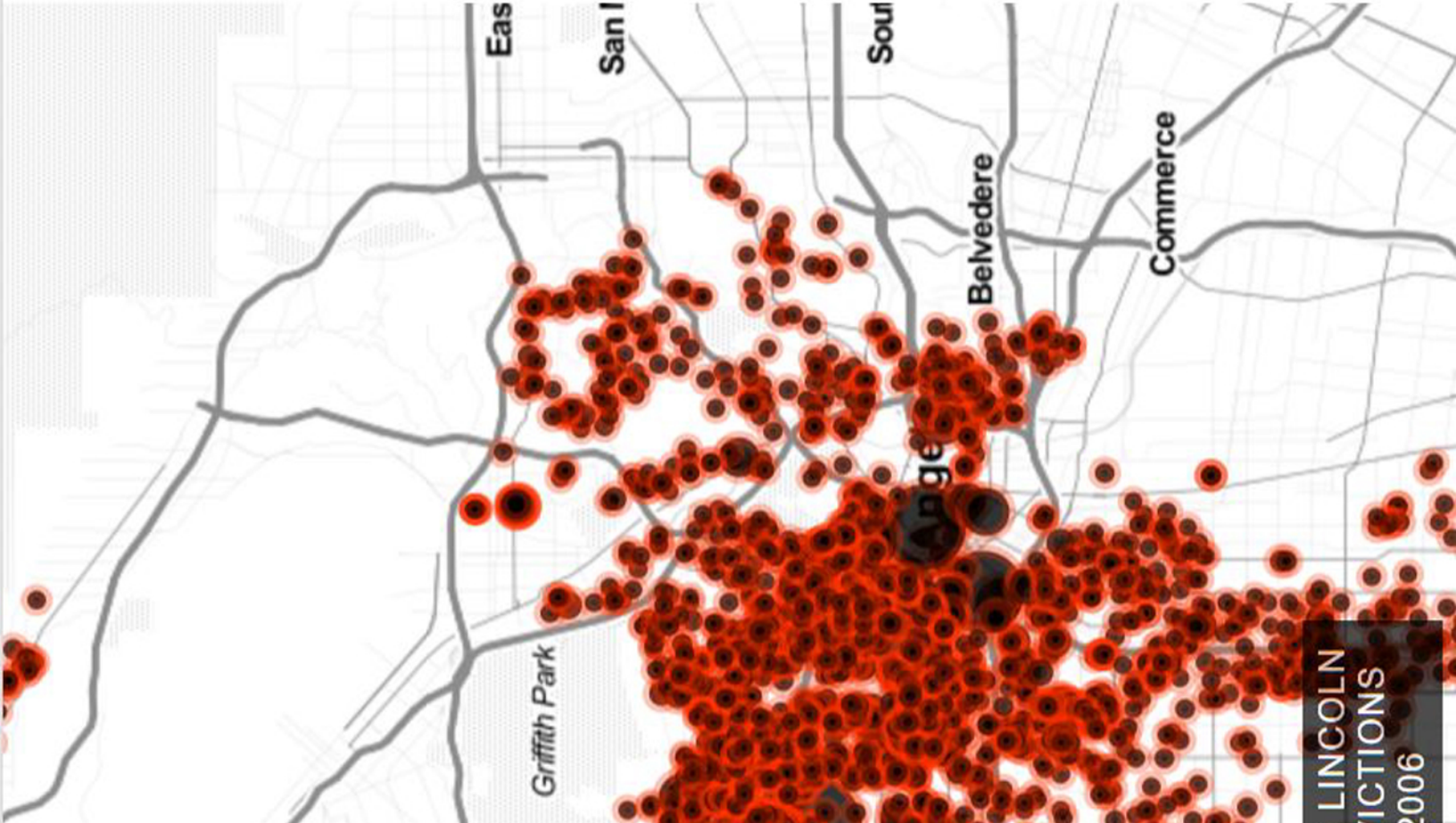
NUMBER OF UNITS IN WHICH
LANDLORDS/DEVELOPERS FILED ELLIS
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TENANTS WITH THE CITY OF LOS
ANGELES

1/1/2001 - 4/15/2020



Map created by the [Anti-Eviction Mapping Project](#)

In collaboration with the [Coalition for Economic Survival](#).



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EVICTIONS
2006

FOR ★ ECONOMIC
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