

Affordable Housing's New Profile

To meet the growing U.S. need for affordable housing in the face of diminishing resources, shifting regulations, and neighborhood resistance, municipalities, redevelopment agencies, and the development community in California are working together to create a range of options.

NINE OF TEN HOMES built in Los Angeles in 2006 were affordable only to people earning more than \$135,000 a year, according to numbers reported by the Los Angeles Housing Department.

Housing is considered affordable if 30 percent or less of a household's income is dedicated to paying the rent or a mortgage. In high-housing-cost areas like Los Angeles County, low- to moderate-income households, earning 50 to 120 percent of the area median income (AMI), often devote half their income to housing. In Los Angeles, AMI—calculated by the federal government as a guideline for federal housing programs—is about \$60,000 a year for a family of four.

To meet the growing need for affordable housing in the face of diminishing resources, shifting

regulations, and neighborhood resistance, municipalities, redevelopment agencies, and the development community in California are working together to create a range of options. Given the distinctive character of individual communities, the special requirements of the populations, and the complexities of funding, developers of affordable housing regard every project as a unique opportunity that demands creativity, commitment, and patience.

"As a developer, you can't dabble in affordable," says Bill Witte, president of Irvine-based Related California. "The vocabulary is too specific. Yet, if you can deal with the challenges and know what you are doing, there are consistent returns in and out of recessionary times." Part of knowing what to do is knowing your allies. Witte points to local redevelopment resources and the political support of city councils as keys to success when deals are sufficiently difficult to find and development timelines run for years.

From the communities' perspective, working with the right developer is also critical to winning the backing of the city council and neighbors. "By getting top-of-the-line developers to come to Carson, we have been able to educate our community about the potential of affordable housing," notes Clifford Graves, economic development manager and interim city manager of Carson. Greg Pfost, deputy director of planning for the city of Rancho Palos Verdes, concurs. "Having a well-respected developer demonstrate, with their built projects, that there was no discernible difference between affordable and market-rate housing helped us to push back on NIMBYism and misguided concerns about decline in property values."

"Financing is our biggest challenge," says Thomas Safran, chair-

man of Thomas Safran & Associates in Los Angeles. "We work with the city, county, and state to identify funds and federal government tax credits. In addition, we partner with nonprofits, work with equity investors from the financial side, and with other independent investors. Google is investing in a rehabilitation project we have right now."

Peter Zovak, deputy director of housing in the community development department for Glendale, calls it "aligning the stars." "Even when you are able to identify all the sources, you often find that they are on different timelines. It can take years for all the funding to come together." Then, as Darin Hansen, vice president of forward planning and entitlements of Los Angeles-based AMCAL Multi-Housing Inc., points out, investors want guarantees. "When we have eight projects in construction, designed by industry-leading architects, and our built projects are consistently well managed with 98 percent occupancy, investors can see the long-term rewards and benefits," he says.

The expression *long term* has real meaning to the developers because they are required by the California Tax Credit Allocation Committee (CTCAC)—which administers the federal and state Low-Income Housing Tax Credit programs—to retain ownership in their affordable housing projects for at least ten years.

"Happy tenants make a successful project," notes Safran. "That's why we pay so much attention to things like landscaping and community space. We push for interaction spaces on the first and second levels, for entrances and windows on the street, and for architectural integrity—quality-of-life details that create safer, more well-cared-for properties."

To understand how private developers and their public partners are

Mirandela, a community of 34 affordable apartments for seniors in Rancho Palos Verdes, was designed to help overcome neighborhood concerns about affordable housing. After winning various entitlements, including a general plan amendment, a zoning change, and a density bonus, the Mediterranean-style building now sits alongside far more costly residences in this affluent community.



WITHEE, MALCOLM ARCHITECTS

The Way Up for Mixed-Use Affordable Housing

SOUTH LOS ANGELES, known for urban blight, high unemployment, and poverty, has a new bird's-eye view of affordable housing. Adams and Central, a mixed-use project, has been built by developer Meta Housing Corporation at the intersection of East Adams Boulevard and Central Avenue, a major traffic hub in a former ghost town of run-down buildings, incompatible land uses, and underused lots.

The single-building project opened in June 2010 with more than 160,000 square feet (15,000 sq m) of residential and commercial space. It includes 80 units, all of which are rental units and income restricted to residents earning 60 percent or less of the area median income (AMI); a rooftop playground with expansive views of downtown Los Angeles; and a 15,000-square-foot (1,400-sq-m) full-service Fresh & Easy grocery as the ground-floor retail anchor.

The need is great for affordable housing and retail space, especially full-service grocery stores, in low-income Los Angeles neighborhoods. Meta has a long history of successfully developing and operating affordable communities, though it has little interest in developing mixed-use affordable communities. But in order to secure city support and additional financing from the Community Redevelopment Agency of Los Angeles (CRA/LA), Meta needed to include a retail/commercial component to satisfy the city's need to revitalize south Los

Angeles's Central Avenue, which was once a bustling arterial road linking single-family homes and businesses in a vibrant community. Over the past 50 years, much of Central Avenue and the surrounding neighborhoods have become victims of blight.

Many national retailers have avoided lower-income neighborhoods because of concerns about security, employee turnover, delivery complications, inventory loss to theft, local government regulations that do not accommodate mixed-use projects, and economic viability. To address security, distribution, and insurance needs, Fresh & Easy stores maintain a smaller on-site inventory and have extra staff to monitor aisles and provide service support.

With the inclusion of the Fresh & Easy store, Adams and Central produces numerous benefits to the community—economic revitalization through private investment, high-quality urban design for an improved quality of life, jobs with good wages, and the elimination of blight. The Fresh & Easy store—the

first major supermarket to enter the neighborhood in more than 50 years—is just one example of U.K. grocer Tesco's growing market niche in inner-city neighborhoods, which national food chains have largely avoided. In south Los Angeles, Fresh & Easy has staked a sizable claim, occupying 80 percent of the retail space at Adams and Central.

The company's biggest internal obstacle, says Fresh & Easy spokesman Brendan Wonnacott, was understanding and getting comfortable with the time required to put together an affordable housing deal, which takes three to five years. It took Meta a little over four years to move from site acquisition to a certificate of occupancy, says Chris Maffris, Meta's project manager.

Any local market or neighborhood concerns Fresh & Easy may have had about the south Los Angeles site were put to rest when chief executive Tim Mason made the effort to get off the bus while touring the neighborhood. He spoke directly with local merchants who emphasized the

need for and community benefits of having a major grocery nearby providing a variety of fresh foods at affordable prices.

"We are looking forward to doing more of these types of deals. We see a huge opportunity in these underserved neighborhoods," says Wonnacott. "These types of deals can be successful and are worth it." Fresh & Easy has identified new sites for development of urban stores in Sacramento, San Francisco, and Fresno.

The risk has paid off for the community. Jobs at Fresh & Easy stores in California come with wages starting at \$10 per hour—well above the state's \$8-per-hour minimum wage and just shy of the Los Angeles's \$10.30 living wage rate with health benefits. All Fresh & Easy employees, who are hired from the neighborhood, can qualify for health insurance by working at least 20 hours per week. All employees are also offered 401(k) plans with matching funds.

Since it opened its doors at Adams and Central, Fresh & Easy has served as a catalyst for addi-

Adams and Central, developed by Meta Housing Corporation, offers 80 affordable housing units on three levels, built over 15,000 square feet (14,000 sq m) of ground-floor retail space; it is the first of its kind in south Los Angeles.



META HOUSING CORPORATION

tional commercial interest. Bank of America, which helped fund the project, may also stake a claim at the Adams and Central site.

Meta Housing, led by president John Huskey, led the \$40.6 million redevelopment of the former Jon's Market site as the Adams and Central project. Huskey, a 15-year veteran of affordable housing, has developed more than 3,000 such units. Completed on budget and ahead of schedule with general partner Western Community Housing, Adams and Central was the result of extensive planning. Through ingenuity, the project incorporates mixed-use, transit-oriented, and energy-efficient design principles, including a white roof and a rainwater capture and filtration system.

The housing units—14 one-bedroom, 36 two-bedroom, and 30 three-bedroom units—located on three floors over a two-story on-grade parking structure, reached 100 percent occupancy within a month of completion, constituting a clear indicator of need. The units, which range in size from 554 to 1,103 square feet (51 to 102 sq m), are divided between households earning 35 percent or less of AMI and those earning 45 percent or less. Current rents range from \$497 to \$887 per month, depending on household income.

In a departure from the typical affordable housing, especially in south Los Angeles, the units at Adams and Central provide a variety of market-rate-quality amenities, including energy-efficient kitchen appliances, ceiling fans, walk-in closets, cable television/internet access, and, in some units, balconies. The project also provides an array of

free supportive, on-site social services to residents.

Many affordable housing deals have been delayed or have died on the vine due to a lack of investor interest, problems with construction financing, an unwillingness of the local government to step up to the plate, or a combination of these elements. However, high-quality affordable housing can be accomplished when all stakeholders are working together to achieve the same goals.

The project received strong support from Los Angeles City Council member Jan Perry and a variety of city agencies, as shown by the fact funding was provided through 11 different sources. The \$31 million residential portion was funded from the following sources: tax-exempt private activity bonds, \$2.35 million; California multifamily housing bond program, \$7.22 million; Los Angeles Housing Department, \$5.79 million; Community Development Block Grant, \$2.5 million; CRA/LA, \$11 million; and the developer, \$203,645. The \$9.6 million commercial portion of the building was also funded via a combination of debt and equity as follows: Bank of America permanent loan, \$3.4 million; CRA/LA, \$2.5 million; New Market Tax Credits, \$2.42 million; and developer equity, \$1.34 million. The Adams and Central project represents a clear way forward for future affordable housing.

BOB BUENTE is president and chief executive of 1010 Development Corporation, a Los Angeles faith-based affordable housing developer and property manager. SEUNG-HEE EU is community liaison director at 1010 Development.

Palo Verde Terrace, a 78-unit seniors' apartment project, is part of Palmdale's Civic Center master plan that is revitalizing the downtown core with a seniors' center and expanded open space.

WITHEE MALCOLM ARCHITECTS

reshaping both the perception and reality of affordable housing, it is worth investigating several recent and current projects. A quick tour across the Los Angeles metropolitan region reveals the range of demand for affordable housing on the part of municipalities and the ingenuity of response as the development community confronts the increasing need in a recessionary economy.

Situated at the eastern end of the San Fernando Valley, Glendale, with a population of 200,000 and an average income of \$57,112, has a high need for affordable housing. The community development department has been organized to streamline the development process and is responding to demand with housing options from two-unit Habitat for Humanity houses to multiunit apartment buildings.

"Safran's the Gardens on Glendale project is a good example of the kind of challenges we have and of how thoughtful development and design help to solve them," says Zovak. Faced with a less-than-optimal site on a busy street, as well as the need to significantly increase densities in order to make the project competitive for funding and to provide more housing, the developer and the design team studied the neighborhood to understand the context and potential concerns of adjacent residents. The result is a 30-unit Craftsman-style property designed for families that is scaled and detailed to reinforce a residential sensibility. "The arrival of the Gardens helped launch

a revitalization of the entire neighborhood," notes Zovak.

Palmdale, located at the edge of the Mojave Desert east of Los Angeles, has been ranked among the 25 fastest-growing cities in the United States for the past 25 years, its population topping 150,000 residents in 2010. Palmdale's Civic Center master plan, aimed at revitalizing the downtown core with a seniors' center and expanded open space, identified a need for affordable housing for seniors, an underserved population. AMCAL's Palo Verde Terrace seniors' apartments, which opened in February 2010, consist of 78 units in a three-story development.

"In addition to our management services," says Hansen, "we offer amenities designed for the senior population and complementary social services such as computer classes, on-site events, exercise classes, health and wellness classes, and opportunities for volunteer work and civic involvement courtesy of LifeSTEPS, a nonprofit provider of social services."

In the comfortable community of Rancho Palos Verdes overlooking the Pacific, the median income for a family of four is \$129,514. California, which through its Regional Housing Needs Assessment (RHNA) quantifies the need for housing for people of various economic means in jurisdictions during specified planning periods, estimated that Rancho Palos Verdes should anticipate demand for 60 new homes, of which 20 percent should be afford-

able. “Given the market of the early 2000s, we had no problem building market-rate housing, but the 20 percent of affordable housing required in order to meet our numbers in the general plan, as allocated by RHNA, was a hurdle,” Pfof recalls. “Affordable housing was tough to swallow for the city.”

Numerous meetings involving the city council, AMCAL, the developer, and the architect helped demonstrate that with a quarter of the city’s population over 55 and statistics revealing that a number of residents were paying more than they could afford, not only should affordable housing be built, but also it would be an asset to the community.

Development in Rancho Palos Verdes of the Mirandela, which has 34 units of affordable apartments for seniors, required a number of entitlements, including a general plan amendment, a zoning change, a density bonus, and tax credits, as well as a great deal of patience. The recently completed project with its Mediterranean architecture and high level of detail meets an affordability need that the community was reluctant to acknowledge.

Carson, in Los Angeles’s South Bay, has a strong industrial heritage dating from the 1920s during the first oil drilling in the area. Today, the city of nearly 90,000 enjoys a stable job base well-matched to its labor force. However, the available housing stock of single-family homes on small lots cannot accommodate a growing number of prospective residents.

“The trigger for changing our public policy was the update of the housing element of the general plan,” notes Graves. “It became clear that we did not have enough housing, and certainly not enough affordable housing. Kids who grew up in Carson couldn’t find or afford a home here.” The need to create housing for that second generation, among other prospective residents, coincided with the opportunity to redevelop Carson Street, the city’s primary thoroughfare, as the city’s



WITHEE MALCOLM ARCHITECTS



WITHEE MALCOLM ARCHITECTS



WITHEE MALCOLM ARCHITECTS

Gardens on Garfield, a 30-unit tax credit property for families, located in Glendale, responds to the social needs of the community of residents. The Craftsman-style building provides a landscaped courtyard with views to and from the apartments, a children’s play area, and a community room.

Main Street with a true mix of retail space, offices, and housing.

With an active redevelopment agency acquiring property and working with private developers, the city has a new attitude toward affordable housing and the opportunities it has created for renewal. Among the projects in planning or underway are a mixed-use community composed of 236 seniors’ and workforce residential units; 30,000 square feet (2,800 sq m) of restaurant and retail space with two levels of parking across the street from city hall, being developed by Safran & Associates; Related California’s 106 units of affordable family housing with live/work units; and 158 units of workforce housing by CityView.

“The Carson Street projects are prototypical of what the city sees as its future,” Graves says. “With the density and mix of activity, including neighborhood-serving retail, we can develop a vibrant, pedestrian-friendly environment anchored by housing.”

In addition to the regionwide need for affordable housing, there is also demand for workforce housing.

“Part of the affordability crisis rests in the gap between market-rate and affordable,” observes Dan Rosenfeld, senior deputy for economic development in the office of Los Angeles County Second District supervisor Mark Ridley-Thomas. Workers with incomes between 80 and 120 percent of the county’s AMI of \$60,000 are technically not poor enough to qualify for affordable housing, but often are priced out of the market.

“The county is uniquely positioned to find a solution,” Rosenfeld says. “We have 100,000 workers in teaching, health care, public safety, and other areas, we potentially have surplus landholdings, and we have a moral obligation.” Rosenfeld is looking at developing for-sale workforce housing on county sites, including medical complexes, public safety facilities, and probation camps. He has hired a team of analysts—Ehud Mouchly, Allan Kotin, and John Kaliski—to study the feasibility of the county leasing land at below-market rates to private developers to create housing that would meet the needs of the

county’s workforce with incomes that place them in the “affordability gap” (80 to 120 percent of AMI for Los Angeles) with the stipulation that the buyers would share with the county any appreciation on the property at the time of sale.

“Our market research indicates that there would be interest, particularly with health care workers, at sites like Martin Luther King Hospital, where workers would save travel time and gain security. This is not for everyone, but even 100 units would be a success,” he says.

“Anytime there’s a gap on the supply side, there’s an opportunity,” Rosenfeld says. Yet, what the sustained and passionate efforts of affordable housing teams from the public and private sectors clearly show is that the opportunities are greater than the simple need. **U**

DAN WITHEE is a founding partner and **RICKY DE LA ROSA** is a senior associate at Withee Malcolm Architects, a Los Angeles-based architecture firm with a long history of designing affordable and workforce housing.