

## **Small Lot Development: Perpetuating or Solving the Housing Crisis in Los Angeles?**



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### **Abstract**

This report focuses on the impact of the 2005 Small Lot Development Ordinance on the housing market in Los Angeles from 2005-2015. The report provides an overview of the literature regarding affordability and traditional affordable housing policies within the context of the City of Los Angeles. The report then presents the arguments for and against infill development and new build gentrification as examples of “smart growth.” The report provides an analysis of a sample of 528 small lot development homes using sale price, price per square foot, and geographical spread. The report concludes that the Small Lot Development Ordinance has perpetuated, as opposed to solved, inequalities within the housing market in the City of Los Angeles.

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## **Introduction**

On December 2, 2015, a community news source called *The Eastsider* reported that a 15-unit small lot development project in Eagle Rock had an interest list of over 500 people (*The Eastsider* 2015). An abundance of real estate blogs and websites reported that this amount of people interested in receiving further information about the property was “unprecedented,” even in a neighborhood voted the “2nd Hottest of 2014” by real estate research firm Redfin (Unger 2014). Small lot development projects have become increasingly popular in the City of Los Angeles, especially in the Northeast neighborhoods of Echo Park, Silverlake, and Highland Park. These developments epitomize the new face of Los Angeles as a place for young urban dwellers who want clean, modern, architecturally interesting homes. Developers and smart growth advocates praise small lot policy as promoting densification, homeownership, environmentalism, architectural integrity, and structured community spaces.

Like Los Angeles, many other metropolitan areas have used densification policies to revitalize city spaces and create more housing. However, the Small Lot Development Ordinance in Los Angeles was created out of a need for affordable housing. The affordable housing question with regard to small lot development has been untested, both politically and empirically. Politicians must use a critical eye when promoting policies, such as small lot development, that use the plight of the poor for political leverage but fail to provide relevant solutions. In the case of small lot development, this translates into an “affordable housing policy” that has enabled the creation of homes sold for up to \$2,250,000. KCET reporter Chase Scheinbaum (2015) framed this paradox perfectly in the title of his piece, “L.A.'s Small Lot Homes: Destroying Low-Rent Housing, Restoring the American Dream, or Both?” No one has

answered the question of who can access this particular American Dream. My study will evaluate the effectiveness of the Small Lot Development Ordinance in relation to the affordable housing crisis in Los Angeles.

### **Background**

In 2000, the Los Angeles City Council's Housing Crisis Task Force reported that the City was suffering from overcrowding, lack of affordable housing construction, and the demolition of existing affordable housing (HUD 2015e). The council recommended that the City government intervene in the market to: house the growing low wage service worker sector, preserve the 10,000 affordable units projected to be demolished in the coming years, develop better ways to communicate policy to residents, and "ease land use restrictions to provide more opportunities for affordable homeownership" (Housing Crisis Task Force 2000, 1). In the homeownership section of the report, the Task Force writes

Higher income households are driving out lower income households in the home ownership market as well. In contrast to national homeownership rates of 66 percent, only 39 percent of the City's households own their own home....In only one community could families earning the median income of \$51,300 afford the median priced home. Thousands of teachers, office workers, fire fighters and others have moved to distant suburbs in search of affordable single family homes while prices in the City's single family areas have risen to levels only affordable to high income families (Housing Crisis Task Force 2000, 8).

The Task Force included a table (Table 1) to illustrate the median sale price, total monthly cost, and yearly income needed to afford a home in a variety of Los Angeles (LA) neighborhoods.

The data present a depressing picture of the housing market in LA and the fact that homeownership will not be a reality for even Angelenos who make the median income.

**Table 1: 1999 Housing Prices and Qualifying Incomes in Los Angeles**

	<b>Median Sales Price</b>	<b>Total Monthly Cost</b>	<b>Yearly Income needed to afford</b>
West Los Angeles	\$329,000	\$3,047.9	\$130,623
Downtown LA / Central City	\$315,000	\$2,917.9	\$125,053
South Los Angeles	\$125,000	\$1,157.8	\$49,621
North East Los Angeles	\$136,500	\$1,265.0	\$54,214
San Fernando Valley	\$188,000	\$1,741.2	\$74,623
West San Fernando Valley	\$205,000	\$1,899.0	\$81,384
Northeast San Fernando Valley	\$160,000	\$1,482.3	\$63,526
Southeast San Fernando Valley	\$199,500	\$1,848.4	\$79,216
Venice	\$345,000	\$3,195.7	\$136,959
Canoga Park	\$132,500	\$1,227.3	\$52,598
Chatsworth	\$209,000	\$1,935.7	\$82,957
Granada Hills	\$209,000	\$1,935.7	\$82,957
Mission Hills	\$167,000	\$1,546.8	\$66,289
North Hollywood	\$161,750	\$1,498.6	\$64,227
Northridge	\$256,000	\$2,371.2	\$101,624
Pacific Palisades	\$740,000	\$6,280.7	\$269,174
Reseda	\$156,000	\$1,445.6	\$61,953
Sherman Oaks	\$315,000	\$2,917.9	\$125,053
Sylmar	\$137,500	\$1,273.9	\$54,596
Van Nuys	\$170,000	\$1,574.5	\$67,480
San Pedro	\$226,000	\$2,093.4	\$89,718
Torrance	\$275,000	\$2,547.8	\$109,193
Westchester	\$342,000	\$3,167.9	\$135,768
Westside	\$685,000	\$5,779.3	\$248,304
Wilmington	\$132,500	\$1,227.3	\$52,598

Source: Housing Price Data, California Association of Realtors, 3rd Quarter 1999.

Source: Housing Crisis Task Force 2000

In an attempt to lessen the housing crisis, and solve problems like the increasing high cost of homeownership in the City, the Los Angeles City Council instituted several policies in the coming years that professed to “increase the availability and production of affordable housing through innovative land use strategies” (HUD 2015e). The Council adopted the 2005 Small Lot Development Ordinance as one of these policies. This ordinance allows the city to subdivide lots that are located within multifamily or commercial zones. Developers then build multiple detached townhouses on these subdivided lots, and sell the parcels as both the subdivided land

and the structure itself (HUD 2015e). The ordinance specifies a maximum of 47 structurally independent townhomes per lot. The small lot developments (SLDs) are not required to adhere to typical city standards regarding parking spaces, street frontage, or maximum development (HUD 2015e). According to HUD, “. . . the ordinance reduces minimum lot size and side yard requirements to allow for creative townhome developments” (HUD 2015e). Historically, developers have complained about the cumbersome planning restrictions that serve as barriers to building in Los Angeles. The Small Lot Development Ordinance is intended to significantly reduce these barriers.

Developers have circulated the narrative that SLDs are decreasing barriers to homeownership in LA and densifying the city without compromising neighborhood character. Additionally, developers, such as Barbara Bestor, claim that infill developments will lower home prices in dense neighborhoods through producing more housing and thus increasing supply (Boone 2015). Local community groups in areas such as Echo Park, Venice, and Silverlake have voiced concerns about parking and the architectural integrity of the developments. However, the majority of these debates lack conversations about gentrification and displacement, as well as the narrative of affordability that originally brought about the ordinance.

A combination of rising rents and stagnant income levels has spurred a lack of affordable housing in Los Angeles (Ray, Ong, and Jimenez 2014). A recent study from the UCLA Luskin School of Public Affairs concluded that Los Angeles is the least affordable renter market in the country (Ray, Ong, and Jimenez 2014). Ray et al. reported that the average renter in Los Angeles pays 47% of his/her paycheck on rent, with both low-income households and moderate-income households struggling under the weight of rent burdens (Ray, Ong, and



Jimenez 2014, 8). The report finds that from 2000–2014 143,000 rental units that had been affordable for residents with incomes of less than \$44,000/yr became unaffordable in the City (Ray, Ong, and Jimenez 2014, 13). This comes at a time when high-end apartment construction in LA is at its peak, especially in Downtown and on the Westside (Ray, Ong, and Jimenez 2014, 8). This paradox of a city with minimal to no affordable housing options yet booming high-end construction is alarming and indicative of the housing market failures in LA.

The changing demographics in Los Angeles prompted the increase in both high-end rental construction and small lot developments. From 2000–2012, Los Angeles had a 30% increase in the number of college graduates aged 25–34 living in the City (Miller 2014). This trend will continue as the Garcetti administration lures companies such as YouTube, Riot Games, and Snapchat to create headquarters in Los Angeles (Pierson 2015). As a young, white, professional demographic looks for housing in the City, issues of equity in housing opportunity will continue. These equity issues require innovative solutions with measurable outcomes. Small lot development has been marketed as such a solution, but has not been sufficiently analyzed.

## **Literature Review**

Los Angeles, like many other American cities, does not have adequate housing. Housing interest groups generally align with one of two competing ideologies. The first group consists of organizations fighting for the construction of low-income housing and anti-gentrification activists. This interest group believes in government intervention through policies such as public housing or affordable housing mandates on private developers. The second group contains advocates of “smart growth,” defined as the creation of livable, low-impact communities usually in the context of high density (Steinacker 2003). This second interest group mainly consists of developers and “urbanists” who believe that government restrictions on development act as a disincentive for housing construction. They believe that housing markets with low supply and high demand cause housing prices to increase exponentially, and thus the government should incentivize development and minimize restrictions on developers.

The ideology of small lot development reflects this second logic model. However, unlike traditional smart growth arguments about increasing housing stock in general, small lot development was born out of a set of policies intended to increase affordable housing in the City of Los Angeles. My research will examine who can afford to live in a small lot home, through comparisons between small lots and the neighborhoods surrounding them.

### ***What is Affordability?***

The U.S. Department of Housing and Urban Development (HUD) defines housing as affordable if a household spends no more than 30% of their monthly income on housing costs (2015a). If a household spends more than this amount on housing costs, the household is

considered rent-burdened. As McConnell (2013) writes, this 30% benchmark does not equate equally for high- versus low-income households. For higher-income households, spending 30% of monthly income on housing may be a choice and the 70% remaining can comfortably meet needs for food, transportation, medical care, child care, etc. (McConnell 2013). This is often not the case for low-income households that struggle to meet their other basic needs on the remaining 70% of income. This problem is magnified by the fact that a growing number of households spend more than 30% of their income on housing.

HUD estimates that 12 million renter and homeowner households spend more than 50% of their annual incomes on housing in the United States (2015a). Thus, construction of affordable housing must elicit the question, “who is the housing affordable for?” Many cities do not provide housing that is affordable for all people at this 30% benchmark. In evaluating the housing market in a given area, HUD first determines the Fair Market Rent (FMR). The FMR is expressed as the 40th percentile rent within the distribution of standard rental housing units in a particular area (HUD 2015b). Essentially, this number is computed based on the distribution of rents of all movers in the past 15 months (HUD 2015b).

By analyzing the FMR across the United States, the National Low Income Housing Coalition creates a report every year to illustrate how housing is becoming increasingly “out of reach” for many households. In California, the FMR for a two-bedroom apartment is \$1,386/month (National Low Income Housing Coalition 2015, 31). In order to afford this price while staying at the 30% threshold, a household would need to earn \$4,619 a month or \$55,433 per year (National Low Income Housing Coalition 2015, 31). This equates to a head-of-household wage of \$26.65/hour for a 40-hour workweek (National Low Income Housing

Coalition 2015, 31). In Los Angeles County, this necessary wage increases to \$27.38/hr or \$56,960/yr as the FMR for a two-bedroom apartment is \$1,424/month (National Low Income Housing Coalition 2015, 34).

The area median income (AMI) is HUD's estimate of the median amount of money that households in a given area earn, usually subdivided by county (HUD 2015d). HUD's breakdown of low income is as follows: low-income families do not exceed 80% of the AMI, very low-income families do not exceed 50% of the AMI, and extremely low-income families do not exceed 30% of the AMI (HUD 2015c). In Los Angeles County, 30% AMI is \$18,900/year (National Low Income Housing Coalition 2015, 34). This extremely low-income household could only afford a monthly rent of \$473 through the use of the 30% threshold (National Low Income Housing Coalition 2015, 34). This illustrates why so many renter households in metropolitan areas are rent-burdened. Additionally, the mean renter wage in Los Angeles County is \$18.69/hr; someone earning the mean renter wage could only afford a \$972/month rent, assuming a 40-hour workweek (National Low Income Housing Coalition 2015, 34). Overall, many Los Angeles County households are rent-burdened because they have no housing options in their "affordable" range.

The National Low Income Housing Coalition report (2015) found that in 2015 one out of every four renter households was an extremely low-income household and 75% of extremely low-income households spent more than 50% of their income on housing (5). In 2013, for every 100 extremely low-income (ELI) renter households, there were just 31 affordable and available units in the United States (National Low Income Housing Coalition 2015, 5). These income barriers to housing disproportionately affect communities of color, especially recent immigrants

and undocumented immigrants (McConnell 2013). In recent years, landowners who want to capitalize on the Small Lot Development Ordinance have evicted their tenants using the provisions of the Ellis Act, furthering diminishing the rental housing stock in LA (Huang 2016). The Ellis Act allows a landlord to evict his tenants if he decides to go out of the business of renting. In the case of small lot development, this occurs when a landlord decides to demolish rental housing units and build detached single-family townhomes on the property instead. The small lot development market can be much more lucrative than the rental housing business. These types of Ellis Act evictions for the purpose of small lot development construction are becoming increasingly popular in MacArthur Park and Angelino Heights (Walton 2016). Artist Anne Hars is protesting these evictions by putting strands of balloons on homes and apartment buildings slated for small lot development construction (Walton 2016). These balloons represent the movie *Up* in which an elderly man's home is slated for demolition due to new construction in his neighborhood (Walton 2016). Hars draws parallels between this story of displacement and small lot development Ellis Act evictions, displaying how small lot development is decreasing the availability of rental housing in the City.

The "Out of Reach Report" statistics illuminate the failures in the housing market in the United States, and Los Angeles County in particular. On December 5, 2014, *LA Weekly* published an article titled "It takes Nearly \$100,000 a year in Income to Rent an Average LA House" (Romero 2014). Romero (2014) compares the 2014 median household income in LA County of \$55,909 with the Zillow median rental house price in LA City of \$2,429/month. Romero asserts that in order to afford this rent, a household would have to make \$97,160/yr (2014). As illustrated by this article, the question of who has "the right to the city" has been a

growing question in Los Angeles as rents rise and incomes stagnate. Proposed solutions to the housing market failures, including smart growth and small lot development, often fail to take into account how “affordability” varies from household to household.

### ***Homeownership and Housing Affordability***

The ability for a household to afford homeownership as opposed to rentership implies a status of privilege. To own a home, a household has to attain a certain income level in relation to the neighborhood in which the head of household wants to buy. Thus, an affordable housing policy aimed at homeownership, such as small lot development (SLD), aims to assist a relatively higher income demographic than other affordable housing policies such as public housing and Section 8 vouchers. The primary source of wealth for most households in the United States comes from their physical home (Shin 2015). Thus, the demography of homeowners displays the racial aspect of the growing wealth gap in America (Shin 2015). Historically, communities of color in Los Angeles have faced barriers to homeownership such as restrictive deed covenants and redlining.

According to the United States Census Bureau Survey of Income and Program Participation, “Seventy-three percent of whites own a home, compared to 47% of Latinos and 45% of blacks. The median white homeowner’s house is worth \$85,800 compared to \$50,000 for black homeowners and \$48,000 for Latino homeowners” (Shin 2015). Additionally, minority homebuyers are more likely to have higher interest rates and subprime loans (Shin 2015). The effects of homeownership are intergenerational. A study by Boehm and Schlottman found that, “children of homeowners are more likely to own sooner than are children of renters. Also, they

are more likely to achieve higher levels of education and, therefore, income” (2001, 3).

Homeownership serves as a status symbol in America, as well as an essential part of the self-made ideology of this country. Policymakers and developers frequently use the phrase “first time homeownership” to market small lot development as an affordable housing policy.

Traditional affordable housing policies are mainly geared towards renters as opposed to homeowners, thus SLD does not resemble many other affordable housing policies.

### ***Traditional Ways of Approaching Affordable Housing***

Traditional affordable housing policies often include direct government intervention into the housing market. As illustrated earlier, these solutions are primarily used to increase the housing stock for low-income households that face monetary barriers to finding affordable housing. Two such interventions are public housing and inclusionary zoning.

Public housing units are owned by the U.S. Department of Housing and Urban Development (HUD) and administered by local housing agencies. These rental units are for low-income households, the elderly, and the disabled. Although public housing provides direct affordable housing, these units are often highly stigmatized. Freedman and Owens (2011) discuss the past scholarship that criticizes the location of public housing. Scholars often argue that public housing only furthers the concentration of poverty in inner city neighborhoods. Additionally, people often associate public housing with violence and drugs, so much so that police regularly patrol public housing projects. Through a case-control approach, Fagan, Davies, and Carlis (2012) found that from 2004–2011 the incidence of stop, frisk, and arrests in public housing units was twice as high as that of the surrounding community. Public housing does not minimize

the systematic inequalities in the housing market and the way in which they are policed exacerbates negative perceptions of the developments. Additionally, the government does not build sufficient public housing to adequately meet demand and need.

Inclusionary zoning policies typically mandate that developers include a certain number of units in new developments that are considered affordable for low-income households. Benson (2010) argues that part of the benefit of inclusionary zoning, over other types of affordable housing, is that the presence of low-income units in market-rate housing integrates neighborhoods and lessens inequalities based on place. One limitation of inclusionary zoning policies is that they are most effective in strong housing markets (Benson 2010). Historically, scholars such as Ellickson (1981) have argued that by restricting developers, inclusionary zoning policies disincentivize development, reduce the housing stock, and thus lead to higher prices in neighborhoods. Additionally, most inclusionary zoning policies consider low-income households as those making less than 80% AMI. Often, very low-income and extremely low-income households have difficulty renting units created through inclusionary zoning practices (Schuetz, Meltzer, and Been 2009).

In Los Angeles, inclusionary zoning policies have not been successful, particularly after the Palmer decision. In 2009, Developer Geoff Palmer sued the City of Los Angeles for requiring him to provide affordable units in his proposed 350-unit apartment complex downtown (Shigley 2009). A state appellate court ruled that requiring Palmer to include these affordable units was a violation of the Costa Hawkins Act, a law that gives landlords the right to set the initial rent for units and change the rent when a unit becomes vacant (Shigley 2009). This ruling has halted some affordable housing efforts in Los Angeles. However, in February 2016, the



Supreme Court declined to hear a challenge of the City of San Jose's inclusionary zoning policy (Donato-Weinstein 2016). This news came after a series of challenges by the business and development communities who opposed the City's mandate that, "requires developers to set aside 15 percent of for-sale units as 'affordable' — defined as being priced in reach of households making up to 110 percent of a neighborhood's average median income — for projects larger than 20 units" (Donato-Weinstein 2016). This decision may encourage other municipalities, such as Los Angeles, to impose similar inclusionary zoning policies.

Other affordable housing policies include Section 8 vouchers and mortgage assistance for low-income households. Overall, these policies have not been widely adopted and do not do enough to adequately solve the affordability crisis in cities like Los Angeles. The other commonly discussed and conflicting solution to the housing crisis centers around the concept of smart growth. Unlike public housing or inclusionary zoning, smart growth policies were created to combat urban sprawl as opposed to create affordable housing. However, in recent years, smart growth policies, such as small lot development, have been reframed within an affordability narrative.

### ***Urban Sprawl and Smart Growth***

The ideology of smart growth emerged to combat urban sprawl and homeowner backlash against density. Stockman (1992) writes that government financing of freeway expansion from the late 1950s on led to improvements in transportation outside of the central city, which manifested in sprawl (538). That is, professionals no longer needed to live close to their place of work and could commute from suburban single family homes. In Los Angeles, homeowners

found refuge in the suburbs and capitalized on their ability to achieve a mix between urban and rural living.

Additionally, city homeowners have a long history of opposing high density development and fleeing to the suburbs, especially in Los Angeles. A large reason for the dearth of affordable housing in Los Angeles is what academics often referred to as NIMBY-ism (Stockman 1992). NIMBY stands for “not in my backyard,” specifically, homeowners who oppose development near their property. In the 1910-20s, many major cities in the United States were developing upward, with skyscrapers and increasingly dense urban spaces (Axelrod 2007). Instead of following this model, Los Angeles City Planning Chief Gordon Whitnal envisioned Los Angeles as a “garden city” (Axelrod 2007, 14). This garden city, “...would be a permanently low-density community, surrounded by a greenbelt, and providing work, recreation, and living space all within walking distance” (Axelrod 2007, 14). After one garden city reached capacity, another would be built in the same pattern and “replace the crowded, dense, and impersonal metropolis of the era” (Axelrod 2007, 14). This low-density ideology influenced the future of Los Angeles. In 1962, a number of homeowners associations throughout the City supported the Los Feliz Improvement Association’s petition to limit the height of new developments in Los Angeles (Whittemore 2012, 400). Homeowners in Los Feliz believed that limiting height districts would protect vista views and property values (Whittemore 2012, 400). This was one of the first homeowner-driven anti-density movements in Los Angeles and set a precedent for years to come. Additionally, the California Environmental Quality Act of 1970 gave NIMBY activists more leverage to oppose high density developments due to environmental concerns (Whittemore

2012, 404). Homeowners associations have fought high density zoning proposals from the 1960s to the present.

In order to combat sprawl, many cities across the United States imposed urban growth boundaries and instituted smart growth policies starting in the late 1980s. Leigh and Hoelzel (2012) define smart growth as a policy strategy to curtail sprawl while revitalizing urban city spaces (89). Although Ye, Mandpe, and Meyer (2005) illustrate that there are many divergent ideas of smart growth policies in action, the consensus is that smart growth advocates aim to create “livable, low impact communities” (Steinacker 2003). The fluidity of the term smart growth allows for researchers to propose definitions that include “development with housing and transportation choices, public and private investments that promote physical activity, cleaner/safer communities, and access to health care/healthy foods” (Hutch et al. 2011). These far-reaching, ambiguous definitions do little to explain the realities of what smart growth developments look like. Smart growth policies have been criticized for a range of different reasons, from government infringement on individual choice (Bolick 2000) to neglecting industrial land needs (Leigh and Hoelzel 2012).

Due to the malleability of the term “smart growth” and its inherent politicization, many sub-policies are included under the general term. The question of smart growth’s relationship to affordable housing manifests itself in both discussions of infill development and densification.

### ***Infill Development***

Infill development is the construction of new development on previously undeveloped urban land. The political perks of infill development include the ability of local governments to

expand the city tax base, lure middle class residents into areas they would not previously have considered, and build affordable housing (Steinacker 2003,492). However, as Steinacker points out, in order for infill development to lure middle-income residents from the suburbs (and thus reduce sprawl), the developments need features that will attract middle-income households (2003). This attractiveness manifests itself in increased amenities, and subsequently housing marketed to higher-income households (Steinacker 2003). Infill development has to attract moderate- to high-income households for cities to receive the positive benefits of limiting sprawl, and thus this housing is priced to meet the affordability needs of moderate-income households (Steinacker 2003). The high price of many infill developments makes them out of reach for households that are not moderate- to high-income.

The political conundrum of smart growth is complicated by the fact that development in the suburbs is significantly easier than development in the cities, with fewer restrictions on developers and more freedom for homeowners (Steinacker 2003, 496). Schuetz's article "No renters in my suburban backyard: Land use regulation and rental housing" (2009) examines the relationship between zoning and rental prices in Massachusetts. She argues that strict zoning policies are a barrier to housing development through the use of an instrumental variables approach. Her research shows that communities with strict zoning policies and limited opportunities for special permits have few multifamily lots zoned; only 16% allowed more than 500 multifamily lots (Schuetz 2009, 306). In contrast, 11% of communities that have special permits allowed more than 10,000 potential multifamily lots (Schuetz 2009, 306). Communities that do not have these types of special permits are generally more suburban, and farther away

from the central city area (Schuetz 2009). She concludes that communities with restrictive zoning policies issue fewer building permits and have lower levels of multifamily development.

Suburban neighborhoods have large amounts of single family residential zoning areas and subsequently restrict multifamily zoning. Therefore, many renters cannot find housing in the suburbs and must instead look for apartments in the central city. Because residential homes dominate the development scene in the suburbs, cities attempt to incentivize developers to build in the city. The Small Lot Development Ordinance allows developers to build on both multifamily and commercially zoned lots, thus creating less restrictive and more attractive conditions for building.

Steinacker's (2003) research into the connection between infill development and housing costs found that areas with greater infill development had more expensive housing units in the cities than in the surrounding suburbs. Steinacker (2003) concluded that infill housing development is "only feasible in booming metropolitan areas with high levels of population growth and strong housing market overall" (497). Due to the return-to-the-city movement, housing markets in cities like Los Angeles have become increasingly strained. Solutions like small lot development provide an avenue by which to house more people, but the question of who can afford these homes has not been answered yet. The fact that infill development is associated with higher housing prices in the city suggests that small lot development will only be affordable for high-income households.

### ***Infill Development and New Build Gentrification***

Infill development is also controversial as a type of new-build gentrification. Davidson and Lees (2005) describe new build gentrification as the construction of high-income housing in urban areas, especially on brownfields. In recent years, some scholars have argued that new build gentrification is not a form of classic gentrification because it creates more housing units compared to classical gentrification in which higher-income residents move into already present housing in the city, displacing former residents.

Davidson and Lees (2010) discuss how business savvy cities are working to attract higher-income residents by promoting infill development. Through the narrative of smart growth, new build gentrification has become increasingly prevalent, especially in European cities. Government policies played an important role in third-wave gentrification (new build gentrification), especially through destruction of public housing to build “mixed income” developments (Davidson and Lees 2010). Davidson and Lees (2010) argue that government promotion of third-wave gentrification was especially present in the “Homeownership and Opportunities for People Everywhere” (HOPE) program in 1998. This program promoted the integration of mixed-income households into public housing to lessen the perception of public housing as a hostile environment (Davidson and Lees 2010). The researchers argue that this strategy led to displacement and homelessness for people who needed low-income housing the most.

Davidson and Lees (2010) contend that infill development causes indirect displacement. Indirect displacement is when the price and presence of high-income development causes neighborhood price shadowing that excludes low-income households from the neighborhood

where the development is located (Davidson and Lees 2010, 398). Additionally, indirect displacement can result from a loss of socio-cultural agency within the community (Davidson and Lees 2010, 398). Infill development as an agent of price shadowing has troubling implications for the neighborhoods in which small lot development is located.

Scholars who argue that new build gentrification is not gentrification claim that instead reurbanization is occurring (Buzar, Hall, and Ogden 2007). Davidson and Lees (2010) define reurbanization as “the stabilization of inner-city residential districts by increasing in-migration (of new or nontraditional household types with explicitly city-minded housing preferences) and decreasing outmigration after a long period of time” (398). Buzar, Hall, and Ogden’s research on Bologna found that the demographic transition in the area is not gentrification because there are no newly built housing units and the housing is spread through the city equally (2007).

To argue that new build gentrification is not reurbanization, Davidson and Lees (2010) examined the two London adjacent cities of Brentford and Wandsworth. The researchers asked long-term working-class residents about their perspectives on the large-scale high-income development projects in these two cities (Davidson and Lees 2010). The residents described how the new developments did not provide any positive benefits to them except for temporary blue collar employment (Davidson and Lees 2010). Additionally, many residents had fears that their children would not be able to buy homes in the neighborhood that they grew up in due to rising home values (Davidson and Lees 2010). One interviewee described the new development as “not our space now” (Davidson and Lees 2010, 406). Davidson and Lees (2010) concluded that when neighborhood change is determinant on social class the phenomenon is definitely gentrification. Communities in Los Angeles, as in Wandsworth and Brentford, are changing to fit their new

demographic of young, high-income, educated people. Small lot development could be contributing to this change in neighborhood character.

### *Density*

Historically, scholars such as Ellickson (1981) have argued that the best way to increase housing for low- to moderate-income households is to build more high-income housing. The logic is that building more high-income housing filters down the supply chain and increases housing options for moderate-to low-income households. Thus, many cities are looking to this idea of “just build more” to alleviate housing market tensions. Infill development is frequently a tool of this economic idea. Recently, the San Francisco Bay Area Renters Federation mobilized for maximum development on all projects as a way to alleviate the housing crisis (Li 2015). However, this goes against (as discussed previously) the idea of indirect displacement. The building of high-income housing changes the dynamics of a neighborhood and can lead to gentrification and displacement.

The proliferation of new buildings as a form of densification has been prompted by the return-to-the-city movement. As young professionals choose to live in the city as opposed to the suburbs, traditional urban dwellers are being pushed out. Harwood and Myers (2002) write that in the 1980s, the City of Santa Ana used a higher density redevelopment plan to change the demographics of the city from low-income homeowners to high-income renters. The city removed single family homes to create high density redevelopment and attract “yuppies” (Harwood and Myers 2002). During this time period, single family housing units in Santa Ana decreased from 83% of the housing stock in 1960 to 59% of the housing stock in 1990 (Harwood



and Myers 2002, 75). Although small lot development relates to homeownership as opposed to renter-ship, the use of densification to dramatically alter the makeup of a city is troubling in the context of the Small Lot Development Ordinance. The use of new build gentrification as a tool of infill development and intentional neighborhood change has problematic implications for low-income communities.

### ***Small Lot Development in Los Angeles***

Small lot development has been seen as a tool of smart growth and densification, both of which are politically popular with the young, professional demographic moving back to the City of Los Angeles. However, this development pattern is complicated by the question of equity. Who is benefitting from infill development, new build gentrification, and smart growth? Is building cities “smarter” intrinsically tied to building them richer? Additionally, will smart growth policies displace current residents? These questions are becoming increasingly important as cities such as San Diego, Burbank, and Glendale begin adopting similar Small Lot Development Ordinances.

### **Methodology**

My research question is: How successful has the Small Lot Development Ordinance been in increasing the affordable housing stock in the City of Los Angeles? I answer this question through a comparative analysis of price per square foot, geographical spread, and sale price of small lot development (SLD) homes versus other homes sold in the City of Los Angeles between 2005-2015. For this study, I define SLD as residential developments approved and built in the City of Los Angeles between 2005–2015 using the provisions of the Small Lot Development Ordinance. These developments can only be built on commercial or multi-family lots, with a maximum of 47 dwelling units per lot (LoGrande 2014). The homes must have a minimum area of 600 square feet and be at least 16 feet wide (LoGrande 2014). Before development begins, city planning officials approve each proposal and convene a public hearing. The Los Angeles City Planning Department (DCP) reported that 1,556 small lot development projects were approved between 2005-2013, with 629 built between 2006-2012 (Pastucha 2014).

My null hypothesis is that there is no significant difference between the median price per square foot (PPSF) of SLDs versus the median PPSF of other homes sold in the City of Los Angeles between 2005–2015. I answered my research question by comparing the PPSF of SLDs sold in Los Angeles with the PPSF of all homes sold in the City of Los Angeles on a year by year basis. I used the median price for the SLD data to avoid the influence of extreme outliers. I also compared the sale price of SLDs versus other homes sold in the City between 2005-2015.

Data regarding the addresses of permitted SLDs are accessible through the Los Angeles City Planning Department (DCP). The DCP keeps records of developments within the City. Data regarding the sale price of the small lot homes and the square footage exist through the Los

Angeles County Office of the Assessor and the real estate website Zillow. Zillow is a “living database” that contains home and neighborhood specific data surrounding square footage, sale price, amenities, etc. (Zillow 2016). By dividing the sale price of the SLDs by the square footage, the PPSF for each home was computed and recorded. This PPSF provides a normalized value by which to evaluate the affordability of the SLDs.

Citywide and neighborhood specific data regarding real estate prices and PPSF are available via Zillow’s home price tracking system. Although Zillow contains a majority of the home sales in Los Angeles, homes that are not marketed via the Internet may not appear within the Zillow data. Thus, the Zillow data is limited. Once compiled and organized, the data will show the difference (if any) between the median PPSF of SLDs versus the median PPSF of other homes sold in the City of Los Angeles as a whole. The Zillow data did not contain an aggregate median sale price nor aggregate median PPSF for home sales within the City of Los Angeles as a whole. Thus, I averaged the twelve Zillow median monthly sale prices and PPSF(s) to compute a Los Angeles City mean of medians value for each year.

In this study, I use Neil Smith’s (1982) definition of gentrification as the process by which “...working class residential neighborhoods are rehabilitated by middle class homebuyers, landlords and professional developers.” (139). The difference between the sale price of SLDs versus the value of nearby city/neighborhood homes was analyzed to determine if the small lot projects cause indirect displacement by raising the real estate values in a given neighborhood. Data regarding the home values within one mile of a given small lot development are accessible via the American Community Surveys 2009-2013 projections and 2015 Esri estimates. Esri is a

supplier of Geographical Information Software (GIS), and provides demographic data to overlay onto GIS mapping. The geographical spread of SLDs was analyzed using ArcGIS.

## **Findings**

### ***Data Collection***

The data collection, culling, and curation process for this study was challenging and strenuous. Originally, I designed my study as an analysis of the entire population of small lot development homes in the City of Los Angeles. The data I gathered are a robust sample of this population. At the beginning of the data collection process, the Los Angeles City Planning Department (DCP) provided me with a database containing a list of permitted small lot development (SLD) addresses from 2005-2015. After cross checking this list with data from the Los Angeles County Assessor's Office, I realized that the DCP data contained a large number of repeated addresses, addresses that did not exist, and addresses still under construction. The gaps in the 2013-2015 permit data are mainly due to the fact that a large portion of these projects were not completed by December 2015 (when my data sorting process began). However, the inconsistencies in the 2005-2012 data reveal the faults in the DCP tracking system. This database only contained permits for development projects that listed "small lot" in the project description. The DCP permitting system did not have another way of tracking SLDs. Table 2 displays the difference between the DCP data and the confirmed SLD data. I confirmed the presence of an SLD house by both looking at the Assessor's Parcel map and searching for the house on Google Street Viewer. On the Assessor's Parcel map, the SLDs have a distinctive gridded pattern which is easy to discern next to lots that are not subdivided. On Google Street Viewer, the SLDs were recognizable because of their identical architectural styles and paint colors.

**Table 2 Disparities between DCP data and Confirmed SLDs**

<b>Year Permitted</b>	<b>2005-2012</b>	<b>2013-2015</b>	<b>Total</b>
DCP Number of Addresses Given	629	304	933
Unique Addresses (no repeats)	237	120	357
Confirmed Small Lots	196	41	237

The total of 237 confirmed SLD homes is vastly different than the DCP reported numbers of between 629-1,500 small lots in the City of Los Angeles. The reported number of 629 may reflect the addresses in the spreadsheet I received (Table 2). After I expressed concerns about gaps in the data, the DCP sent me a second database with a list of entitlements for SLDs. The Urban Land Institute’s David Farmer defines entitlements as, “legal rights conveyed by approvals from governmental entities to develop a property for a certain use, intensity, building type or building placement” (Farmer 2012). This entitlement database was more reliable and extensive because the DCP entitlement data system has a specific identification number for SLDs. However, as the DCP expressed to me, the database is not complete because some of the projects listed in this database were never permitted due to land use problems, property sales, neighborhood backlash, etc.

Additionally, the entitlement address in the database often did not correspond to the address where the SLD project was actually built. SLD complexes that contain upwards of five homes usually include the creation of new streets with addresses completely different than the addresses originally proposed by the developer. These new addresses were not included in the entitlement list. In other cases, the developer proposed more or fewer SLDs than were actually permitted by the DCP which further skews DCP reported numbers of SLDs.

As with the original DCP database, I followed up with all of the entitlements on this second database. This follow up process included using both the Assessor database and Google Street Viewer to verify that the entitlement address corresponded with SLDs. However, these data were more difficult than the original address list due to the fact that the SLD addresses did not match up with the original entitlement data. After the entitlement was given and the project built, the original address associated usually did not exist anymore. For example, if a 20 unit SLD project was authorized at 205 Pierce Street and included the creation of new roads, there is no longer a 205 Pierce Street. In its place are three new streets that have addresses that do not correspond with Pierce Street. Therefore, I had to create a process that would ensure that I could determine if the Pierce Street development happened.

I would start this process by searching for 205 Pierce Street on Google Maps. If the address showed a physical location on Google Maps, I would try entering the address into the Assessor Database. If the Assessor Database did not come up with any results, I would go back to the Google Street Viewer and find a property near 205 Pierce Street to use as a reference point in the Assessor's Property Assessment Information System feature. I would look up this nearby address on the Assessor's Website, and then manipulate the parcel map to the location of 205 Pierce Street as shown in relation to the reference address. Through the use of this reference address method, I could identify the SLDs and accurately record them by the new street for a large number of the entitlement addresses. This process was complicated by the fact that in some cases the Property Assessment Information System Map showed an un-subdivided lot where a SLD should have been. Often, the large lot contained the information for all of the subdivided pieces, but the map had not been updated to display these small lots individually.

This process of zooming in and out of the two websites while trying to use addresses that the Assessor data would recognize was extremely time consuming. After following up on every entitlement, a large number had never been built, never been subdivided, or had been turned into condominiums/apartment buildings. There were several instances in which an SLD plan was approved, and then the property was for sale as both the property and the approved project. One of the entitlements was given to a man deemed one of the worst slumlords of Los Angeles by legal firm Bet Tzedek.

The inefficient process required to discern the SLDs illustrates that the DCP does not have an effective way of ensuring that land use ordinances, such as SLD, are tracked for outcomes. Of the 231 entitlement addresses, 56 had completed SLDs associated with them. Additionally, some SLDs, such as the widely publicized “Blackbirds” by Barbara Bestor, were missing from both the entitlement and permit data. After adding the individual address information from the entitlements as well as widely publicized SLDs, I had an additional 291 individual addresses for my sample.

After accounting for repeats, my sample size was 528 individual properties (including the three in 2016). Table 3 shows the breakdown of the year in which the SLD was sold and the sample size for that year. As shown in Table 3, the number of SLDs has increased over time, particularly since 2012. This sample was determined by the availability of the Zillow sale price and square footage data. Thus, the 528 properties are a convenience sample.



**Table 3 SLD Year Sold**

<b>Year Sold</b>	<b>Sample Size</b>
2005	0
2006	0
2007	29
2008	9
2009	16
2010	32
2011	32
2012	98
2013	67
2014	106
2015	136
2016	3

### *Ground Truthing Observations*

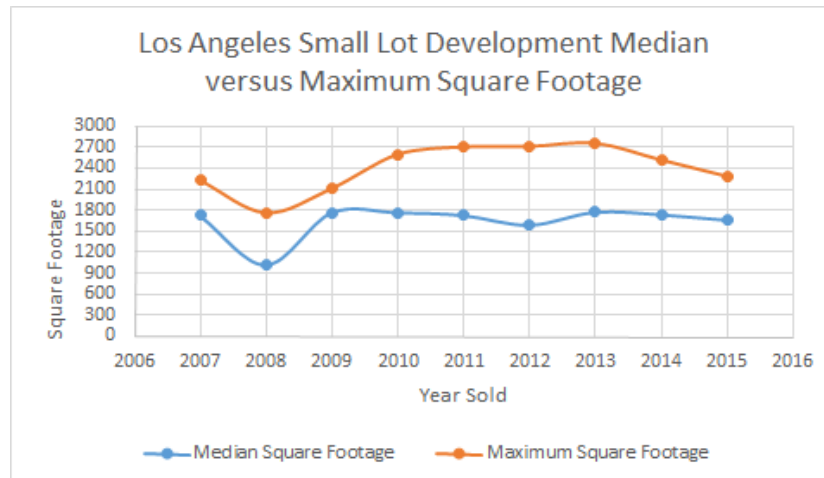
Due to the disparity between the DCP data and the SLDs I was able to account for, I visited several SLD sites to ensure the accuracy of my data. Through these trips, I made several observations about SLD.

### *Small lots are not small*

Although SLDs are built on small pieces of subdivided lots, the physical structures are definitely not small. As shown in Figure 1, the median size of these SLD homes (per year sold) ranges from 1022 square feet to 1773 square feet. Additionally, the maximum square footage ranges from 1766 to 2761 square feet. Although the lot size is smaller than regular single family homes, the SLDs are typically three or four stories high. This relates to Steinacker's (2003) assertion that in order to lure middle income residents from the suburbs, infill developments have to have characteristics that suburban homeowners expect, including a fairly large amount of square footage. Thus, urbanist arguments about people living with less through new ways of development are not accurate in the case of SLD. Additionally, SLDs are not significantly

smaller than the rest of the Los Angeles housing stock and thus the price per square foot measure will be an accurate comparison point.

**Figure 1 Los Angeles Small Lot Development Median Versus Maximum Square Footage**



Some community leaders believe that the increasingly large size of the physical SLD structures is contributing to the “mansionization” of Los Angeles. In Venice, these leaders filed a petition to impose a moratorium on SLD (Venice Coalition to Preserve our Unique Community Character 2015). The Venice Coalition to Preserve our Unique Community Character writes that if SLDs and other development projects in Venice continue, “soon Venice will be all 3-story compounds with very little sun or air between the buildings” (2015). Figure 2 displays this mansionization effect in an SLD development called “Morton Village.”

**Figure 2 Morton Village Small Lot Development**



Source: Gallegos 2015

### *Neighborhood Disparities*

In the 2005 Small Lot Development Ordinance, SLD homes are described as “detached townhouses” (HUD 2015e). In some neighborhoods, mainly Pacoima and Tujunga, the developments actually look like detached townhomes, with mainly Spanish style architecture (Figure 3). These SLD homes are fairly modest, and are oftentimes mistaken for condominiums in both advertisements and on their Zillow profiles. The majority of the SLDs in the North Valley are gated communities comprised entirely of SLD homes. The gates further display the exclusivity in SLD projects, and many of the Zillow profiles include persuasive language about “being a part of a community.”

**Figure 3 11363 Believe Lane, Los Angeles 91331**



Source: Google Maps

However, in neighborhoods such as Echo Park, Silverlake, and Venice, the SLDs look more modern and less like traditional townhomes (Figures 4 and 5). Development groups and design firms, such as Modative, have developed a business around these types of projects. Unlike the North Valley SLDs, these homes look more outlandish and are part of development designs with names such as “The Bento Box” (Modative 2015). The disparity between the designs in the North Valley versus Venice and Northeast Los Angeles indicate that developers are picking neighborhoods in which to build large-scale development projects based on clientele. The design properties of the homes shown in Figures 4 and 5 would suggest that developers are building these SLDs for a young, high-income demographic. The majority of development sites that contain more than 4 SLDs have gated entrances in Northeast Los Angeles as well.

Additionally, through looking at the physical design of the buildings, there are several issues that could occur in the coming years with regard to shared ownership of the communal

driveway space and shared aesthetic qualities. If one homeowner wants to paint his/her Fuller Drive complex home (Figure 4) purple, will the neighbors protest? The issue of shared spaces without a formal homeowners association may become problematic in the future.

**Figure 4 1400 Fuller Drive, Los Angeles 90046**



Source: Google Maps

**Figure 5 728 East California Avenue, Los Angeles 90291**

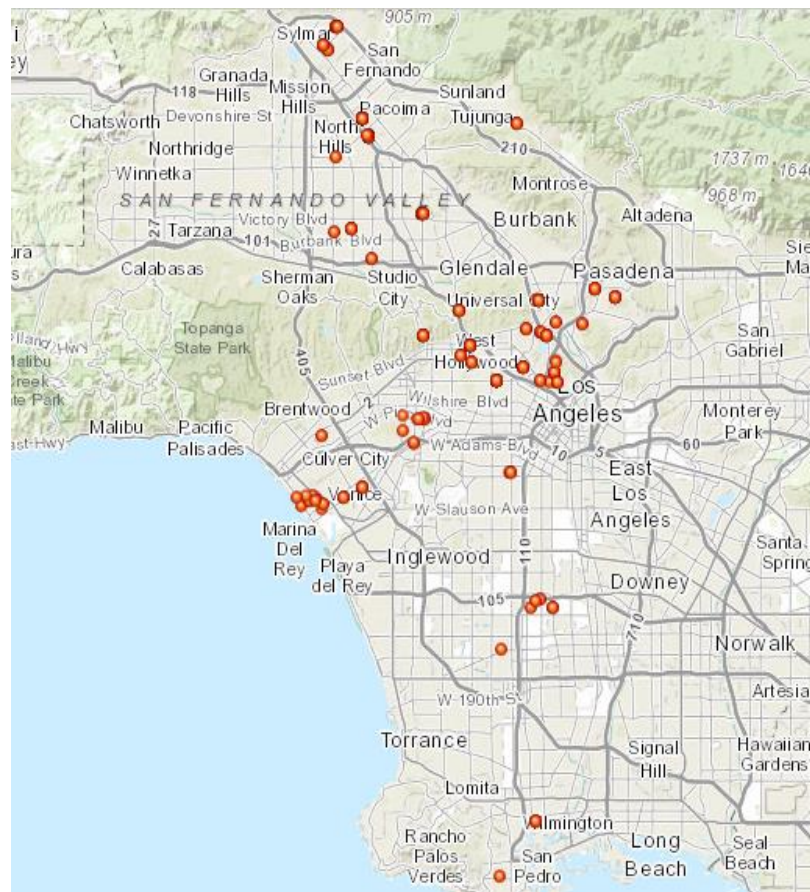


Source: Google Maps

### *Geographical Diversity*

The 525 SLDs included in the 2005-2015 sample are not equally geographically dispersed throughout the City of Los Angeles. There are neighborhood clusters in the North Valley, Westside, and Northeast Los Angeles. Few, if any, are located in South Los Angeles and East Los Angeles (Figure 6).<sup>1</sup> Although the majority of the SLD press coverage highlights the proliferation of SLD in Northeast Los Angeles, the Valley SLDs comprise a surprisingly large proportion of the sample population.

**Figure 6 Geographical Distribution of SLD**



Source: ArcGIS

<sup>1</sup> Figure 6 shows the location of each development site not each individual home. Therefore, one dot could represent anywhere from 1-47 SLDs

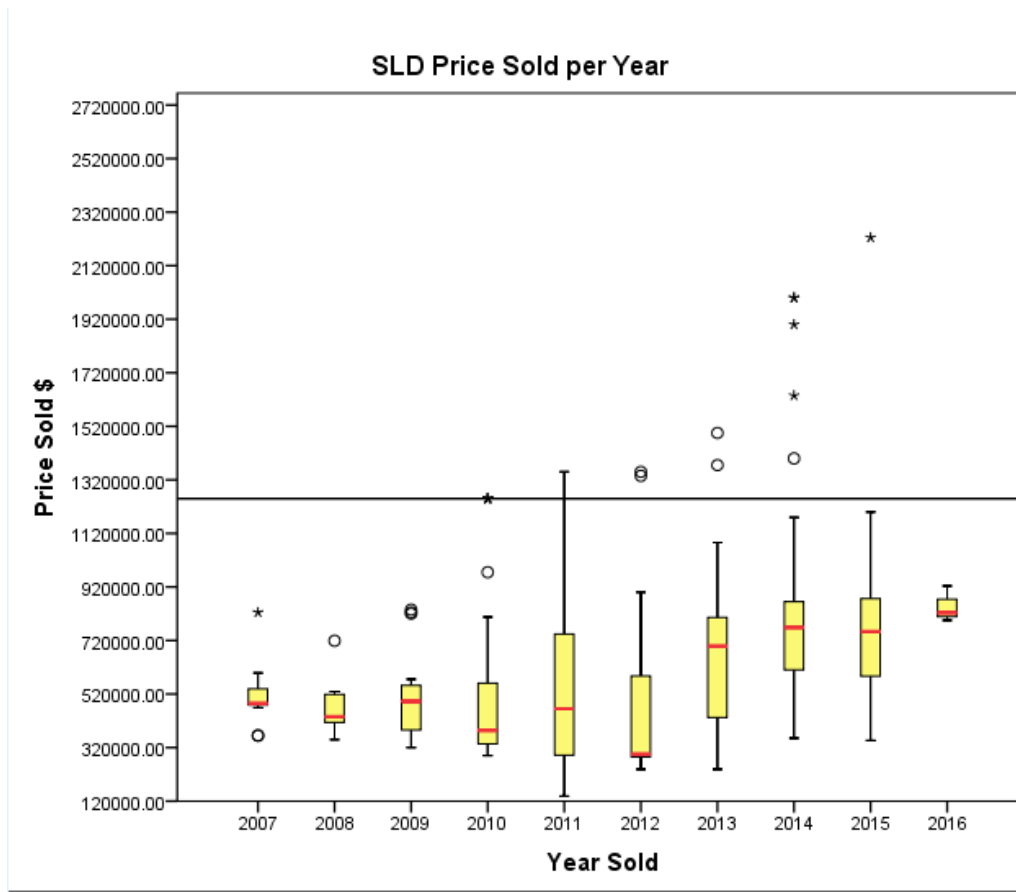
### *Descriptive Statistics*

The data were analyzed based on the year sold of every SLD home from 2007-2015. Due to the timing of the ordinance, no SLD homes in my sample were last sold in either 2005 or 2006. The 2016 sample only has three properties associated with it because I ended my data collection in late January. As shown in Table 4, the median sale price was lowest in 2012 at \$295,750 after fluctuating between \$383,000 and \$493,000 between 2007-2011. After 2012, the median sale price increases drastically to \$699,000 in 2013 and up to \$768,507 in 2014. The low 2012 median sale price is due to the geographical distribution of the 2012 SLDs. In 2012, 47.9% of the SLD homes were sold in Pacoima which has a weaker real estate market than other areas of Los Angeles. Table 4 shows the median sale price and Figure 7 shows comparative boxplots for the years 2007-2015. Eight of the years have outliers in the form of large sale prices, and only one year has an outlier near the lower bound of the interquartile range.

**Table 4 SLD Median Sale Price per Year Sold**

<b>Year Sold</b>	<b>SLD Median Sale Price</b>
2007	\$485,000
2008	\$435,004
2009	\$493,000
2010	\$383,750
2011	\$465,000
2012	\$295,750
2013	\$699,000
2014	\$768,507
2015	\$753,007

Figure 7 SLD Price Sold Per Year Boxplot



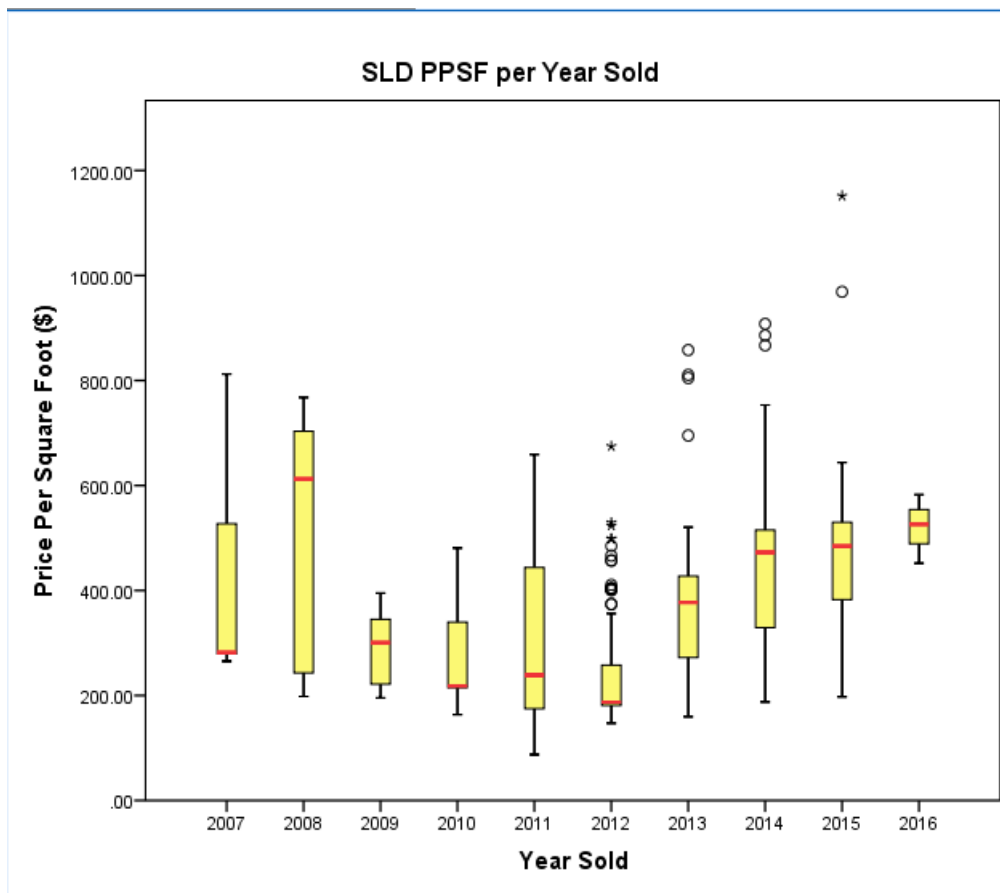
The price per square foot (PPSF) data shows similar trends. The PPSF median peaks in 2008 at \$612.43/square foot with a low in 2012 at \$187.34/square foot. There are fewer outliers in this data set, all occurring in the high range from 2012 to 2015. Table 5 shows the median PPSF and Figure 8 shows comparative boxplots for the years 2007-2015.



**Table 5 SLD Median PPSF per Year Sold**

Year Sold	Median PPSF City of Los Angeles Small Lots
2007	\$281.81
2008	\$612.43
2009	\$300.59
2010	\$217.89
2011	\$238.6
2012	\$187.34
2013	\$376.96
2014	\$472.49
2015	\$484.55

**Figure 8 SLD PPSF per Year Sold Boxplot**



## ***Comparison with the Los Angeles Housing Market***

### *Sale Price*

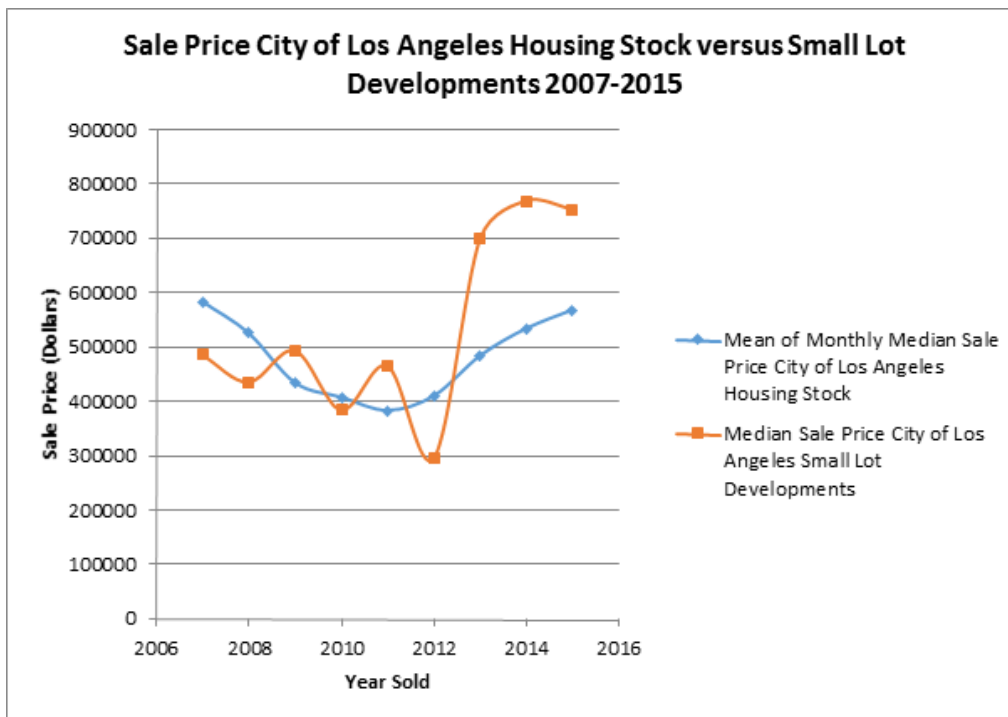
In order to determine if SLDs are affordable compared with the rest of the City of Los Angeles housing stock, I did a comparative analysis using sale price and price per square foot (PPSF). Figure 8 shows the sale price comparison. The Los Angeles City Housing Market data was calculated by averaging the monthly median sale price of all home sales in the City of Los Angeles for each given year. This data was obtained through Zillow.

As shown in Figure 9 and Table 6, the SLD median sale price fluctuates at above and below the Los Angeles City Housing Mean between 2007-2012, before dramatically rising from 2013-2015. The drop in the year 2012 is due to the concentration of development in the Pacoima area. The gap between the LA City mean and SLD median is the largest in the year 2014 (at \$234,674). The results of this graph indicate that SLD has become more expensive than market rate housing and thus not “affordable” to people who could not have normally entered the LA Housing Market. These findings relate to the concept of indirect displacement. In a 2015 Small Lot Subdivision site tour, design and development firm Modative’s chair Chris Navar is reported to have said, “Small Lot Subdivisions are not intended to be ‘affordable housing’, but by being more affordable (in today’s market) than a comparable home standing alone on a large lot in the same neighborhood, he prefers the term ‘attainable’ housing” (Los Angeles Urban Institute 2015). My findings indicate that SLDs are not “more attainable” than the rest of the homes in the City of Los Angeles Housing Market based on sale price.

**Table 6 SLD Sale Price versus Los Angeles City Data Table**

Year Sold	Mean of Monthly Median Sale Price City of Los Angeles Housing Stock (Zillow)	Median Sale Price City of Los Angeles Small Lot Developments
2007	\$583,083	\$485,000
2008	\$525,166	\$435,004
2009	\$434,000	\$493,000
2010	\$407,083	\$383,750
2011	\$383,000	\$465,000
2012	\$409,583	\$295,750
2013	\$483,750	\$699,000
2014	\$533,833	\$768,507
2015	\$568,000	\$753,007

**Figure 9 SLD Sale Price versus Los Angeles City**



Source (for LA City data): Zillow 2016

*Price per Square Foot*

The price per square foot (PPSF) data follows a similar pattern. The SLD median PPSF was above the LA City mean of the monthly median PPSF in 2008, 2013, 2014, and 2015. This trend indicates that, particularly in recent years, the PPSF of SLD is greater than that of other housing in Los Angeles and is thus above “market rate.” (Figure 10 and Table 7). This statistic matters because it indicates that even when normalized for square footage, in recent years the PPSF of SLD is not even market rate. Because the housing is not market rate, it cannot be considered affordable. Therefore, particularly in recent years, SLDs are not providing affordable options for people struggling to enter the housing market. Instead, these developments are at a higher PPSF than other LA City homeownership options, even after accounting for the large square footage of the developments.

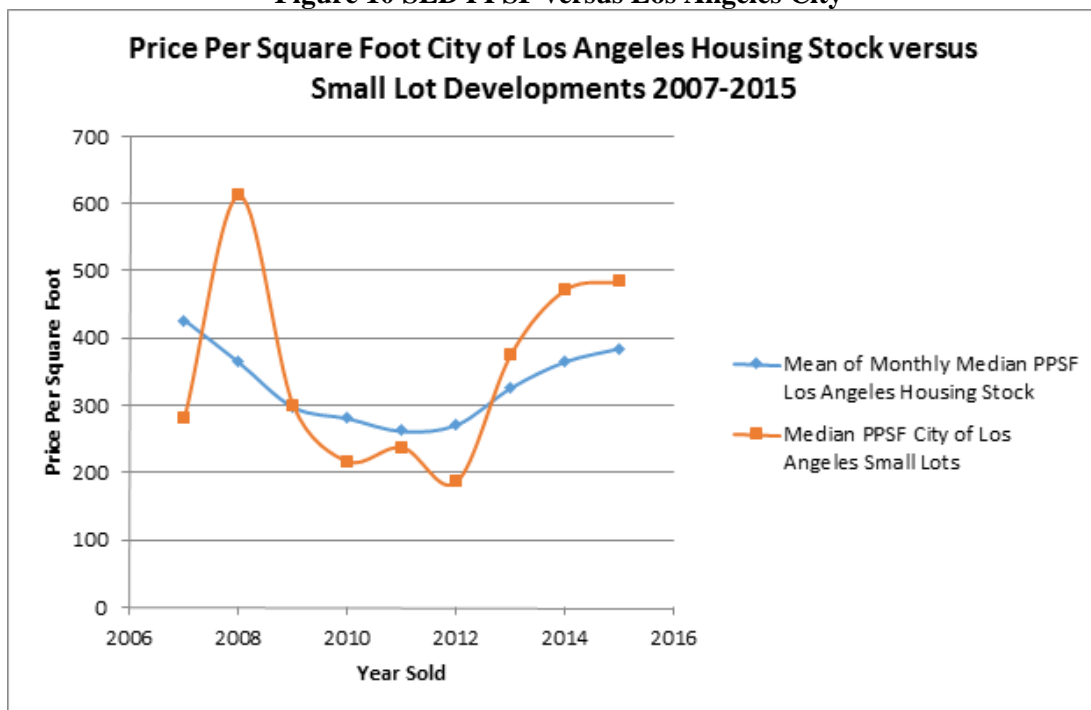
The finding is also significant given that most homes in Los Angeles City are built on larger lots than SLD. Therefore, Los Angeles City homebuyers are paying for both the square footage of the physical house and the rest of the lot (backyard, front yard, etc.) while SLD buyers are not getting the lots associated with most other Los Angeles City housing options. On a price per square lot basis, this higher SLD PPSF trend would likely be even more pronounced. Therefore, Piasky is incorrect in the assertion that, “Small Lots provide an affordable alternative for working families seeking the benefits of homeownership” (Piasky 2015).

**Table 7 SLD PPSF versus Los Angeles City Data Table**

Year Sold	Mean of Monthly Median PPSF Los Angeles Housing Stock	Median PPSF City of Los Angeles Small Lots
2007	\$426.6666667	\$281.81
2008	\$364.1666667	\$612.43
2009	\$298.0833333	\$300.59
2010	\$281.4166667	\$217.89
2011	\$262.5	\$238.6
2012	\$272	\$187.34
2013	\$326.5833333	\$376.96
2014	\$365.1666667	\$472.49
2015	\$384.75	\$484.55

Source (for LA City): Zillow

**Figure 10 SLD PPSF versus Los Angeles City**



Source (for LA City data): Zillow

*The 2012 exception*

The 2012 data are inconsistent with the pattern of SLD as less affordable than market rate housing in the City of Los Angeles. Unlike the other years in which SLD price per square foot

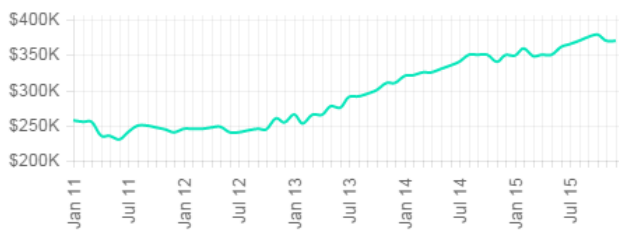
(PPSF) is below market rate, the year 2012 has a large sample size and mirrors the square footage trends from 2007-2015. The geographical distribution of SLDs sold in 2012 explains this inconsistency. Forty-seven of the ninety-eight SLDs (47.9%) sold in 2012 were sold in Pacoima. The SLDs in Pacoima that were sold in 2012 are located on 4 streets of the same development complex: Inspire Lane, Dream Lane, Believe Lane, and Freedom Lane. On the whole, homes in Pacoima are sold at lower prices than comparable homes in most other parts of the City of Los Angeles. In September 2012, the median sale price in Pacoima was \$245,000 and the median in the City of Los Angeles was \$430,000 (Trulia 2016). The lower median sale price (and large number of SLDs within this lower housing market) contributed to the results in the year 2012. Figure 11 displays the characteristics of the Pacoima (91331) housing market in 2012.

**Figure 11 Pacoima (91331) Median Sale Price**

### Median Sales Price in 91331

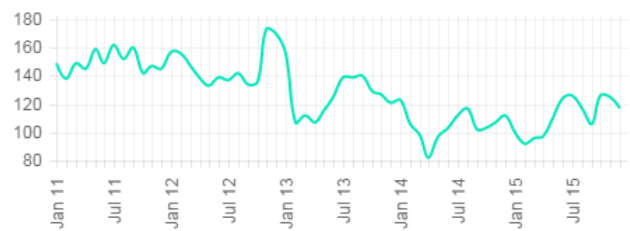
1 Br 
  2 Br 
  3 Br 
  4 Br 
  All properties

#### Median Sales Price



● All properties

#### Number of Sales



● All properties

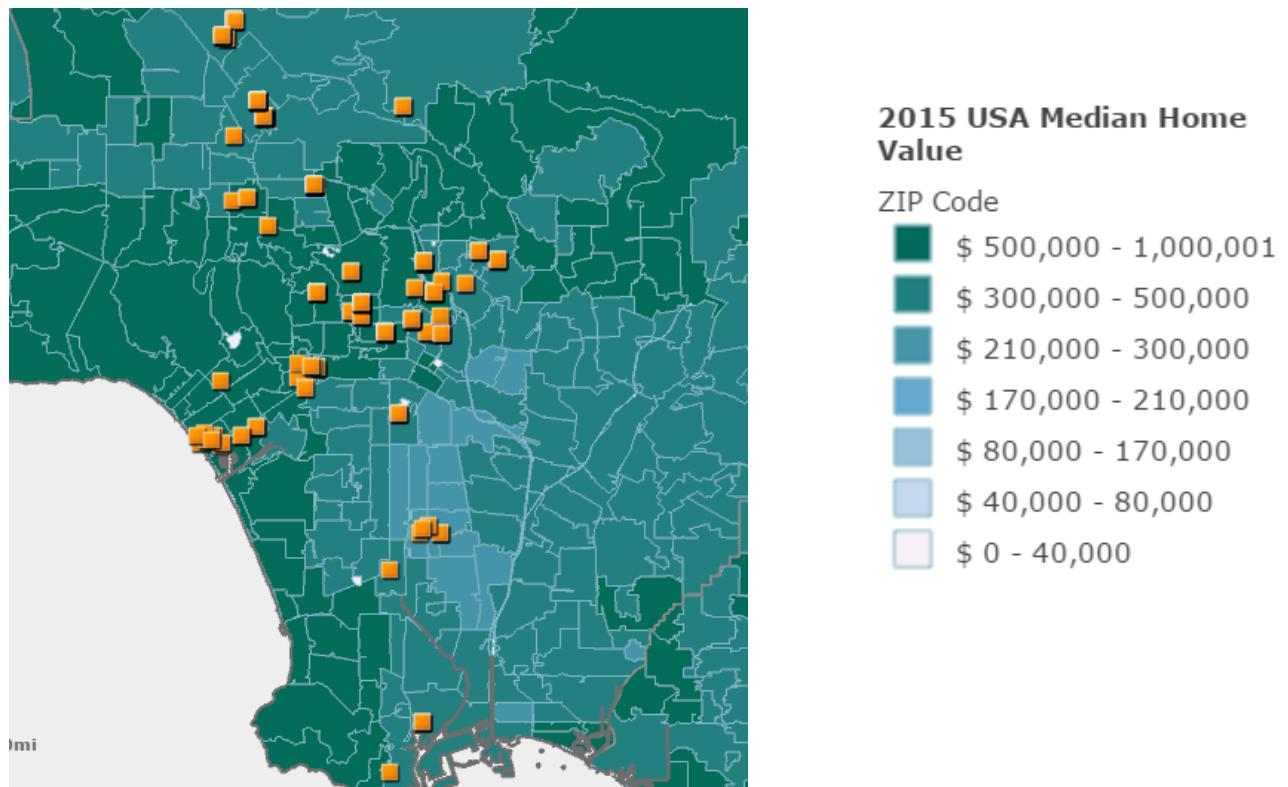
Source: Trulia 2016

## *SLD Impacts on the Surrounding Community*

### *General Trends*

As shown in Figure 12, SLDs are generally in neighborhoods with moderate-high home values. A large proportion of SLDs are located on the border between an area with the highest classification of home values and the second highest. The lighter areas of the map, and consequently the areas with lower home values, are devoid of SLDs (with a few exceptions). This suggests that infill developments, such as SLDs, may contribute to neighborhood gentrification. Davidson and Lees (2010) comment that indirect displacement is when the price and presence of high-income development causes neighborhood price shadowing that excludes low-income households from the neighborhood where the development is located (398). In the case of SLD, these developments are generally not in neighborhoods that have housing for first time homebuyers. The location of these developments shows that, in areas in Northeast Los Angeles and Venice, neighborhoods are chosen based on their ability to attract people and turn already valuable land into even more valuable land. A developer can take a lot in Venice that could garner \$1 million from a single family home and instead create 3 homes for \$800,000 each. This finding in relation to home value does not support the argument that densification is creating more housing opportunities for those who are struggling to become first time homeowners.

Figure 12 SLD Median Home Value



Source: ArcGIS 2015 Esri estimates

### *Difference Calculation*

In order to more accurately discern the influence of SLDs on the surrounding community, I did a comparison between the median home value within 1 mile of a given SLD compared to the SLD price sold. I calculated the average of these differences for the years 2009-2015. The median home value information from 2009-2014 was from the American Community Survey 2009-2013 projection. The SLDs in the year 2015 were compared with an Esri estimate of median home value within that year. The data was limited in that ArcGIS could only recognize 456 out of a possible 487 individual SLDs (as shown in Table 8).

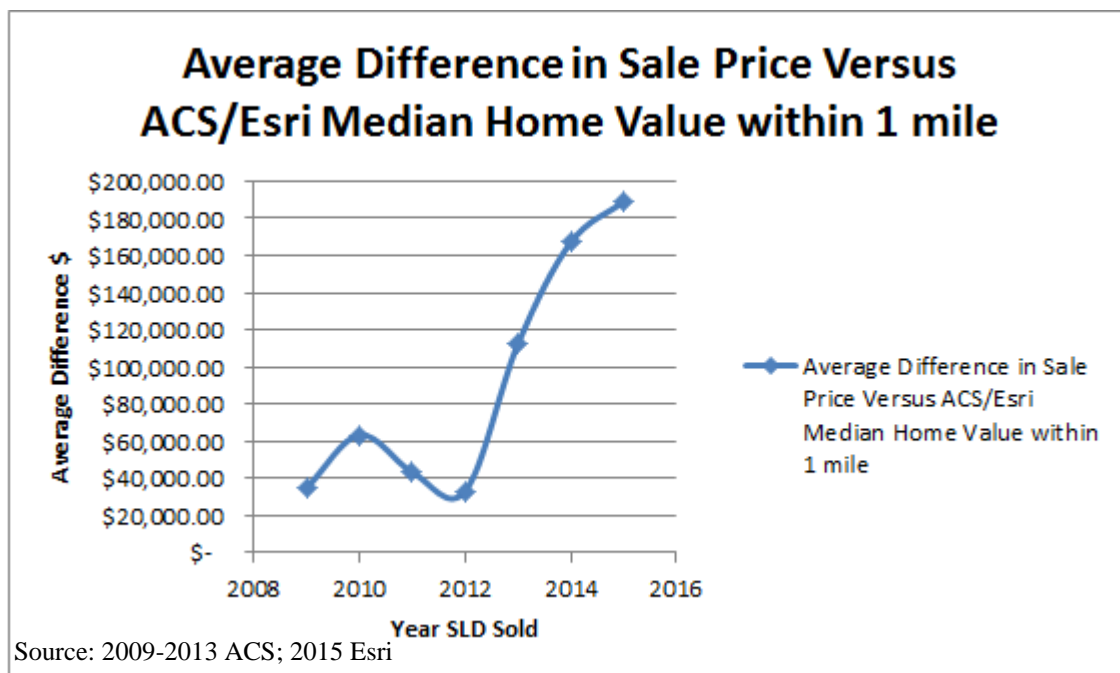


The data indicate that, on average, SLDs are significantly more expensive than the home values within a one-mile radius of them. Additionally, the gap between the SLD sale price and median home value is increasing. This gap reflects the theme in previous graphs that the difference is least pronounced in 2012 and gets more pronounced (generally) over time (Figure 13). This finding is also important in that it debunks the notion that SLDs are affordable for the neighborhood in which they are located and has implications for SLD as a mechanism of gentrification.

**Table 8 ArcGIS Sample Size SLD 2009-2015**

Year Sold	Total Sample Size	ArcGIS Information Available
2009	16	12
2010	32	21
2011	32	29
2012	98	96
2013	67	64
2014	106	104
2015	136	130

**Figure 13 SLD Difference in Sale Price versus Home Value in the Surrounding Community**



### *Data Limitations*

My data are limited in that my sample size is not complete. There were approximately 70 confirmed small lots that I could not find any Zillow information on. Usually, these homes were one home out of a larger scale development project. Additionally, although I was able to parcel through the DCP entitlement database, I could not find information for more than half of the entitlements. This is probably due to the fact that the majority of the homes were never built, but some could have slipped through the cracks. Additionally, for the City of Los Angeles Data, I could not find an aggregate median sale price or aggregate price per square foot on any real estate websites. I could only find a median (sale price and PPSF) per month value, therefore I took the mean of all of those values for each given year.

Due to the fact that the majority of SLD homes are part of a large scale development project, the data points are not technically independent. However, each individual home is placed on the market and competing with other Los Angeles City housing options. Although the SLD homes in the same development influence each other, they do not change the fact that home-seekers are choosing between individual homes in the city. The ordinance's focus on these homes as completely autonomous, without adjoining walls or homeowners association fees, contributes to this idea of each home as an independent unit.

Additionally, the argument could be made that the reason that SLDs are more expensive than other homes in the market is due to the fact that they are entirely new construction as opposed to older homes. There was no database available with solely newly constructed homes in the City of LA. However, again, this relates to the argument about SLD homes competing on

the market with other homes for first time home buyers. If these homes are supposed to be “attainable” for first time home buyers, the construction should not be a factor.

The last limitation of my data is that, through Zillow, I only had access to the last date of sale for each property. So, especially for the properties permitted early, my data could be for the second (or third) sale as opposed to the original sale price.

### *Summary*

Small lots are geographically clustered in Northeast Los Angeles, the Valley, and Venice. The homes are spatially large and architecturally distinct, especially within developments of more than four homes. In terms of affordability, small lots are generally not more price attainable for first time homeowners than the average home on the Los Angeles housing market. Since 2013, the small lots have had both a higher median sale price and price per square foot than other single family homes sold in the City. This difference is most pronounced in the year 2015, where the median price per square foot of small lot development is \$99.80 higher than the mean of monthly median price per square foot of homes on the entire Los Angeles City housing market. At the neighborhood level, on average, small lot development homes have higher home values than other homes in the neighborhood in which the small lots are built. Small lot development, as a tool of smart growth and infill development, is not a viable solution to the affordable housing crisis in Los Angeles.

## **Recommendations**

### ***Create Small Lot Development Tracking System***

The DCP needs a more effective and up to date tracking system in order to ensure that land use policies, such as small lot development, are used in an appropriate way. In terms of small lot development (SLD), this tracking system should involve information regarding the new addresses created through SLD as well as the status of SLD projects (sold, under construction, etc.). My data collection process was unnecessarily difficult due to the lack of an up to date system. Additionally, if there is no accurate database of SLD addresses, then there is no way for the city to evaluate the outcomes of the ordinance.

### ***Adopt Proposed Amendments to Current Small Lot Development Ordinance***

In the last two years, community members have pressured Los Angeles City politicians to change the guidelines regarding small lot development (SLD). On July 1, 2015, Los Angeles City Councilmembers Mike Bonin and Mitch O'Farrell introduced a motion calling for the Los Angeles City Planning Department (DCP) to propose updates to the Small Lot Development Ordinance and Design Guidelines. The motion acknowledges that the ordinance "... has often resulted in the development of high-end, luxury townhomes rather than for sale housing that is more affordable" (O'Farrell and Bonin 2015).

According to the DCP, the amendments include, "... enforceable development standards, followed by a Small Lot Code Amendment that will require greater yard setbacks in the front and the rear. Additional design standards will be created to enhance the buildings' overall look and functionality" (Los Angeles Department of City Planning 2016, 1). The DCP believes that these

design guidelines will reduce the “massing” of the homes by 10-20%, create more open spaces, and more fully “integrate Small Lot Subdivisions into existing single family neighborhoods zoned for multi-family uses” (Los Angeles Department of City Planning 2016, 1). There are also reforms slated for the larger scale (20 +) SLD complexes. The DCP deems these to be “Small Lot Communities” and the developers of these complexes, “will be required to provide open space, bike parking, and additional design features. Guest parking will be required on site for projects creating 8 or more Small Lot Homes” (Los Angeles Department of City Planning 2016, 2). As shown by the nature of these proposed updates, the DCP and neighborhood SLD reform discussion centers around the concept of neighborhood cohesion and integrity.

While the DCP and community members are correct in their observation that SLDs often do not integrate well into the surrounding community, the conversation of affordability reform within SLD has been absent from the DCP updates to the ordinance. Through visiting and analyzing these homes, I agree with the new DCP guidelines that reduce the massing allowed and increase the size of yard setbacks. These amendments to the SLD ordinance will help preserve neighborhood character and lessen the “mansionization” effects of large scale SLD projects.

Through reducing the massing of the SLDs, the homes may be more likely to attract a less affluent homebuyer who does not need a 2000 square foot house with a rooftop deck. Additionally, if the design guidelines make SLDs smaller then the price points will likely be lower than those currently built. However, if the intentionality of the ordinance was to clear the way for first-time homeownership, I am doubtful that this recommendation would help significantly. Senior City Planner Jae Kim commented regarding large SLD complexes (of

twenty or more homes), "If you're going to build much larger ones, then give us something back. Give us some guest parking spaces. Give us some open space and some bike racks" (quoted in Huang 2016). While these features are important, they do not take an aggressive enough stance at the affordability issue. The developers can "give us something back" in the form of affordable homeownership options for middle-income households.

### ***Mandate Affordability Requirements in Small Lot Development Proposals***

Recently, an Elysian Park developer proposed a SLD project of thirty homes with two designated as affordable. By using this affordability angle, the developer asked the DCP to approve the project even though the proposal violates the height and density restrictions in Elysian Park (The Eastsider 2016). The developer also failed to elaborate as to how this measure of affordability would be determined. Technically speaking, housing is "affordable" if a household spends no more than 30% of their income on housing. Thus, any price point of a SLD home could be considered affordable for someone. If these "affordable" homes are just affordable in relation to the other 28 homes in the development, minimal progress will be made in the effort to make affordable housing policies a priority in Los Angeles.

Currently, the SLD ordinance does not contain any affordable housing stipulation. I believe that in SLD developments of more than 2 houses, one out of every 3 should be "affordable." This affordability measure could be determined by a buyer's income verification at or below the Area Median Income of Los Angeles County, as well as a price per square foot (PPSF) at 20% lower than the rest of the developments in the complex. The DCP could also

stipulate that the affordable units would have to be a certain percentage below the market rate of the previous month, year, etc.

These measures are flawed, with many potentially problematic situations in which developers could upsell the PPSF in the rest of the development to allow for the PPSF of the “affordable housing” to still be relatively unaffordable. Additionally, with the income requirements, families still might not be able to afford any type of homeownership. However, steps need to be taken to make a more sustainable path to affordability within ordinances (such as SLD) whose function was intended to be affordability.

### ***Adopt Affordable Housing Policies That Actually Create More Affordable Housing***

The affordable housing crisis in Los Angeles cannot be solved by one policy or program. Affordable housing requirements need to be integrated into all development plans in the city. The “Build Better LA” coalition, led by labor unions such as the Los Angeles County Federation of Labor, recently submitted a ballot proposal that would require developers to provide affordable units in projects in which they apply for, “...to be eligible for zoning changes or other exceptions that would allow them to build bigger, taller or denser residential buildings than allowed under current rules” (Quach 2016). This initiative would create more affordable housing as a quasi-inclusionary zoning policy. However, this initiative runs counter to another ballot proposal called the “Neighborhood Integrity Initiative” which would limit developers’ ability to apply for these zoning changes (Quach 2016). This illustrates the inherent conflict between efforts to “preserve neighborhood character” versus attempts to ensure the creation of affordable housing. A more general inclusionary zoning policy would do more to increase affordable

housing in Los Angeles, but has been hampered by the Palmer decision (Wang 2015). Using the momentum of the recent San Jose decision, the City of LA should push for an expansive inclusionary zoning policy throughout the City.

Local governments should also subsidize affordable housing construction, create land trusts, promote and expand rent control, increase the number of Section 8 vouchers, and encourage federal construction of more public housing. Again, these policies are all flawed and will not individually solve the housing crisis. However, by adopting and expanding these policies, local governments can help provide more housing opportunities for families.

Overall, the City of Los Angeles should take steps to create affordable housing policies that actually result in the production of affordable housing. These policies should yield units and homes sold at (at least) below market rate.



### **Conclusion**

Small lot development (SLD) is not a successful affordable housing policy. Instead of providing opportunities for first time homeownership at affordable prices, the ordinance has enabled the creation of development complexes that compromise neighborhood character and cater to high-income households. In 2015, the median price per square foot of SLDs was \$99.80/sqft higher than the mean of monthly median price per square foot of the Los Angeles housing stock as a whole. This statistic shows that the ordinance has failed to provide “affordable” or “attainable” housing for first time homebuyers. In describing the problems of the 1999 housing market in Los Angeles, the Housing Crisis Task Force report states that, “higher income households are driving out lower income households in the homeownership market” (Housing Crisis Task Force 2000, 8). Small lot development, which was intended to curtail this problem, has instead perpetuated it. The Los Angeles City government is promoting policies to create neighborhoods in which homes that are sold for \$800,000 are marketed as “price attainable for first time homebuyers.” This professed innovative land use policy is robbing Angelenos of their right to the city.

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