

REPORT OF THE CHIEF LEGISLATIVE ANALYST

September 27, 2005

TO: Honorable Members of the Housing, Community and Economic Development Committee

FROM: Gerry F. Miller *GFM* *gmk*
Chief Legislative Analyst

Preservation of Single Room Occupancy Housing

SUMMARY:

In October, 2004 a Motion (Perry-Villaraigosa-Garcetti) was introduced directing the Los Angeles Housing Department (LAHD) to report with recommendations on measures which the City can implement to preserve the thousands of affordable Single Room Occupancy (SRO) housing units throughout the City. SRO hotels are described structures with six or more guest rooms in which 30% or more of the units do not have a private bath and toilet within the unit, as distinguished from other residential hotels with private bathroom facilities. The City has a history of taking measures to ensure the short-term preservation of such housing as an important component of the City's affordable housing stock.

LAHD has provided a report in response to the introduction of the subject Motion outlining the City's history relative to SRO preservation measures as well as measures taken by other cities to preserve their SRO housing stocks. LAHD recommends that residential hotels be included in the preservation plan it is instructed to prepare for Council due to their similarity to SRO hotels as a component of the City's affordable housing stock that is also often the "housing of last resort" to low-income tenants. Residential hotels that are not SRO's often include restrooms in their units and allow cooking and other activities that are not allowed in SRO hotels.

The Department recommends that Council:

1. Review the policy options detailed in their report;
2. Instruct LAHD to work with the Community Redevelopment Agency, the Los Angeles Homeless Services Authority, the Housing Authority of the City of Los Angeles, the Department of City Planning and the City Attorney to develop necessary ordinance(s) and programmatic details, including funding recommendations, needed to preserve residential and SRO hotel units in Los Angeles; and
3. Instruct LAHD to report to the Housing, Community and Economic Development Committee within 120 days with a draft residential and SRO hotel preservation strategy, ordinance and/or program.

While no specific plan is recommended by the Department at this time, options are provided for consideration. These options are based on the Department's research, the experience of the Department's Residential Hotel Unit (a unit within the Systematic Code Enforcement Program (SCEP)), and analysis of similar efforts of other cities, including San Francisco and San Diego. The Department reports that the

most effective method to preserve existing SRO housing is a comprehensive preservation plan that includes:

1. outreach and education for owners, operators and tenants of SRO hotels,
2. code enforcement,
3. compliance with existing tenant rental protections, and
4. a citywide ordinance requiring replacement housing or payment of an in-lieu fee for all SRO units lost to the market.

The Department also provides more detailed descriptions of potential individual components of the above comprehensive preservation plan, including:

- A citywide program which would, by ordinance, require one-for-one replacement of existing residential hotel/SRO units currently housing very low income residents, or, allow payment of an in-lieu fee equivalent to the cost of replacing such units;
- An education and outreach program to operators and tenants of residential hotel units relative to health and safety code and rent stabilization ordinance protections;
- Enforcement actions to deal with health and safety violations; and
- Incentives for ownership of SRO properties committed to long-term affordability for current residents.

We have reviewed the LAHD report and recommend approval of the LAHD recommendations. In addition, it is further recommended that the City's Department of Building and Safety also participate as needed in the development of programmatic details relative to the preservation of Residential and SRO hotel units inasmuch as the Department's inspection activities involve these facilities. We also recommend that the preservation plan to be developed by LAHD in conjunction with the named departments include specific actions to address the loss of SRO units as a result of their conversion to market rate housing as well as demolition. It is further recommended that the preservation plan also include recommendations relative to maintaining and enhancing the long-term affordability of SRO units as well as ensuring that nuisance properties identified in the course of the proposed enforcement activities are brought into compliance and thereby avoid closure.

RECOMMENDATIONS:

That the Council INSTRUCT the Los Angeles Housing Department (LAHD) to:

1. Work with the Community Redevelopment Agency of the City of Los Angeles (CRA), the Los Angeles Homeless Services Authority (LAHSA), the Housing Authority of the City of Los Angeles (HACLA), the Department of City Planning and the Department of Building and Safety, with the assistance of the City Attorney to develop the necessary programmatic details and ordinance(s), including funding recommendations, needed to preserve Residential and Single Room Occupancy (SRO) hotel units in Los Angeles;
2. Report to the Housing, Community and Economic Development Committee within 120 days with a draft Residential and SRO hotel preservation strategy, ordinance and/or program; and
3. INSTRUCT the LAHD to include in its Residential and SRO hotel preservation strategy the following:
 - a. Recommendations to address the loss of residential and SRO units as a result of their conversion to market rate housing;
 - b. A citywide economic profile of residential and SRO hotel tenants and recommendations for maintaining and enhancing the long-term affordability of SRO units; and
 - c. Recommendations to ensure that nuisance hotels identified in the course of enforcement activities to are brought into compliance thereby avoid closure.

FISCAL IMPACT:

There is no impact to the General Fund resulting from these actions.

BACKGROUND:

The study conducted by the Los Angeles Housing Department (LAHD) in response to the Motion (Perry-Villaraigosa-Garcetti) describes the history of City moratoria that have prohibited the demolition and/or conversion of SRO hotel units. Between 1987 and 1994, ten such moratorium ordinances were adopted by the City, two of which (165144 and 170399) were specific to Skid Row. The last of these ordinances expired in November, 1994.

All of these ordinances prohibited the demolition of SRO units, and required replacement of all demolished SRO units or payment to the Replacement Housing Trust Fund of an in-lieu fee in the amount of \$25,000 per unit demolished. While ordinances enacted after 1990 included prohibition of conversion of SRO units to other types of housing, the replacement and in-lieu payment requirements were not applied to conversions.

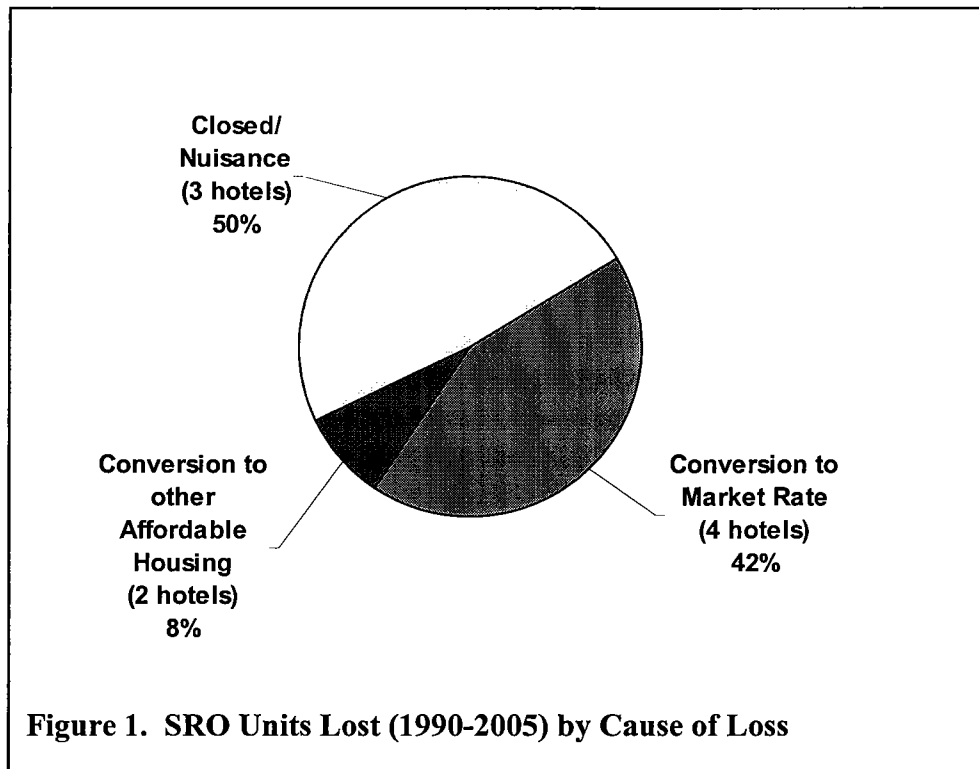
Analysis of demolition and conversion activities at SRO hotels:

In its report, the LAHD provides a list of SRO hotels with recorded demolition and/or conversion activity between 1990 and 2005. According to this data, all demolition activities completed during the times that moratorium ordinances were in effect were granted hardship exemptions, and therefore no in-lieu fee was paid. All SRO hotels demolished in the course of these activities were either rebuilt as SRO housing or rebuilt as other affordable housing.

The data describe twenty properties, twelve of which involve losses of SRO units. The activities undertaken on these twelve properties account for the loss of 1250 SRO units, which is offset by a net gain of 5 units across 5 SRO hotels that underwent rehabilitation and remained in use as SRO hotels. The data supplied by the LAHD is presented in Attachment 1 to this report.

Figure 1 below illustrates that the two largest causes of SRO units lost were closure and conversion to market rate housing. This is underlined by LAHD's report that they are monitoring seven additional residential and SRO hotels representing 2,270 units that are at risk of sale or conversion to market rate housing. It is therefore recommended that the preservation plan developed by LAHD pursuant to adoption of this report include recommendations that address both the loss of SRO units due to conversions to market rate housing as well as the ensuring that nuisance hotels are brought into compliance to prevent their closure.

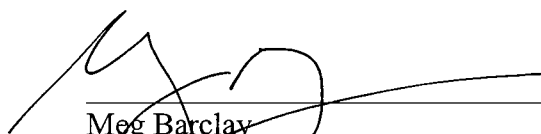
The LAHD reports that nuisance hotels are identified by the Residential Hotel Unit that operates within the LAHD's Systematic Code Enforcement Program (SCEP). This unit was created in July, 2004.



Of the specific components for inclusion in a potential preservation plan presented by LAHD, the ordinance requiring one-for-one replacement of existing residential hotel/SRO units currently housing very low income residents, or allowing payment of an in-lieu fee equivalent to the cost of replacing such units would address the loss of SRO housing units to conversion. The LAHD reports that this strategy is based on San Francisco's Housing Conversion Ordinance that has been recently upheld by the United States Supreme Court (*San Remo Hotel, L.P. et al. v. City and County of San Francisco, California, et al.*)

SRO Resident Profile:

The LAHD report includes a profile of residents of SRO hotels arrived at through consultation with two large SRO housing providers in Skid Row. It is reported that the average income of an SRO household served by these two providers is 10% of Area Median Income (AMI) or \$4,588 per year. Based on the housing affordability standard of 30% of income, this means that the average SRO household can afford to pay approximately \$114 per month. In another scenario, an SRO tenant whose only source of income is General Relief can afford to pay \$66 monthly for rent. (This figure was mistakenly reported for Supplemental Security income in the LAHD report.) The LAHD reports that SRO unit rents range from \$280-350. In neither of these cases is the rent for an SRO unit affordable to these tenants. We therefore recommend that the LAHD's SRO Preservation plan include a citywide profile of residential and SRO hotel tenants and options to ensure the long-term affordability of SRO units for these tenants.


 Meg Barclay
 Analyst

Attachment A: SRO Hotel Demolition and Conversion Activity (1990-2005):

Property Name:*	# of Units	Demolished		Not Demolished		Net Change in # SRO units
		Replaced with SRO	Converted	Replaced with SRO	Converted	
Winston Hotel	54			41		-13
1115 S. Wall St.	32		7 (3-4 br units)			-32
Weldon Hotel	60	58				-2
Selby Hotel	31			29		-2
Senator Hotel	90	99				9
Rector Hotel	72		190 Sr Units			-72
Yankee Hotel	80			80		0
Barbizon Hotel	55			55		0
Eads Apartments	36			36		0
New Terminal Hotel	44			44		0
Bristol Hotel	103				boutique hotel	-103
San Julian	25	38				13
Frontier Hotel	150				lofts (partial)	-56
El Dorado/Pacific Grand	264				lofts	-264
Clark Hotel	513				closed	-513
Rivers Hotel	76			76		0
Lyndon Hotel	62				62 (nuisance closing)	-62
Ross Hotel	40				40 (nuisance closing)	-40
La Salle Hotel**	108				adapt. re-use	-108
TOTAL:	1895	TOTAL NET LOSS OF SRO'S:				-1245
		PERCENT SRO'S LOST:				-66%

* One property included by LAHD (936 S. Wall St.) is not included due to lack of information on the number of units at the property.

** The La Salle property is reported as an adaptive re-use project being undertaken by the CRA. For the purposes of this report, it is assumed that there will be no SRO units included in the finished project, however this has not been confirmed at the time of this report.