RECOMMENDATIONS FOR UNITE HERE! LOCAL 11 TO ADDRESS THE AFFORDABLE HOUSING SHORTAGE IN LOS ANGELES COUNTY

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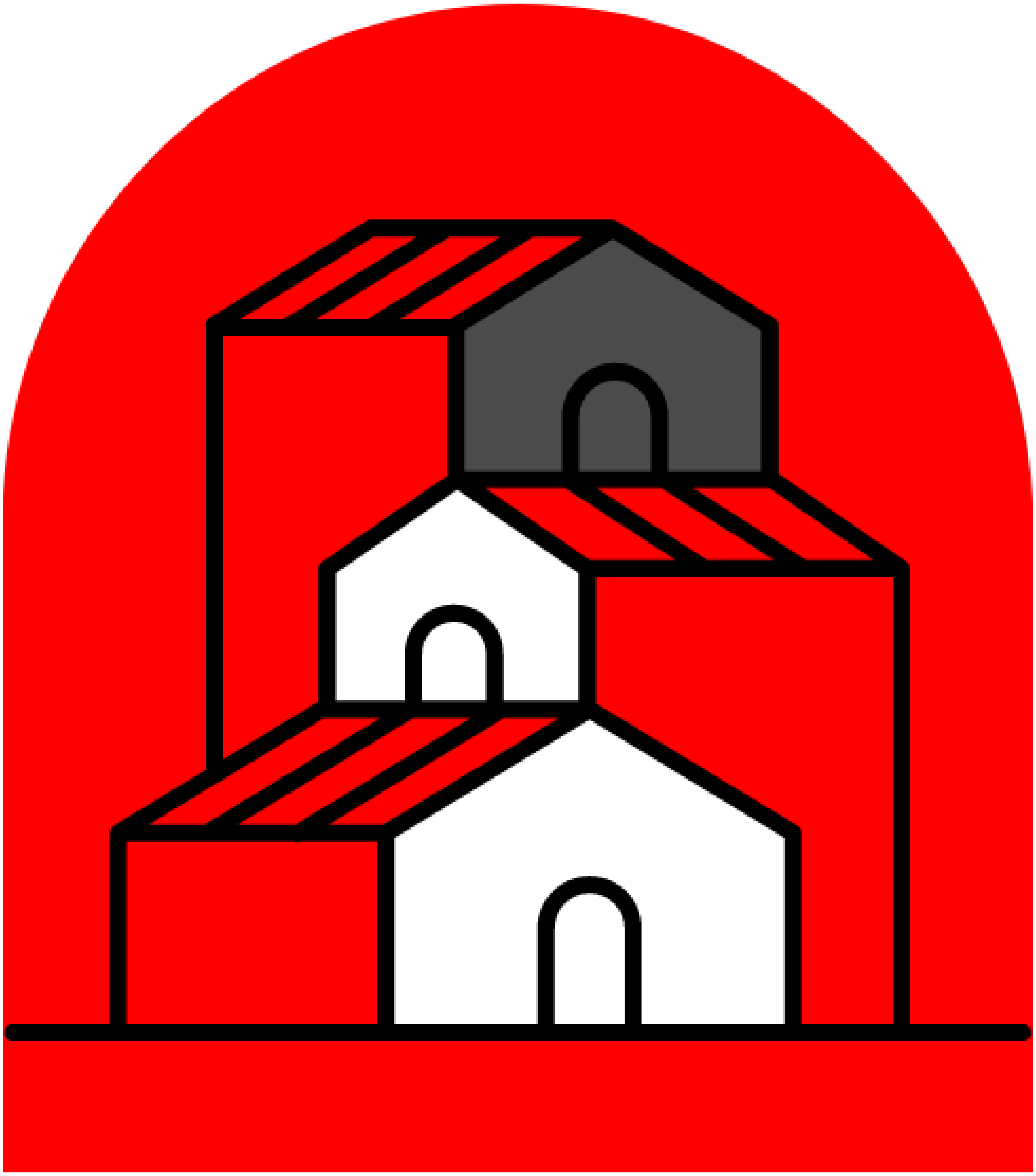

UCLA Luskin School of Public Affairs
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INEQUALITY AND DEMOCRACY
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EXECUTIVE SUMMARY

Los Angeles County is in a housing crisis. Facing an acute shortage of affordable housing, working class Angelenos are struggling to afford their housing costs, with many displaced to the cheaper outskirts of the county, forced to live in overcrowded housing, or left to live on the streets. Finally coming to terms with the severity of the crisis, the State of California and some local jurisdictions are prioritizing efforts to increase the affordable housing stock, but progress is slow and insufficient numbers of units are being added to address the need.

With the government and private sector unable to solve the crisis on their own, and with their members regularly citing housing insecurity as their top concern, many labor unions in California are looking for ways to get involved. Our client, UNITE HERE Local 11 (UH11) – the representative of over 32,000 hospitality workers employed in hotels, restaurants, airports, sports arenas, and convention centers in Southern California and Arizona – has been at the front line of unions leveraging their political and financial might to address the housing crisis.
In addition to winning its members higher wages through collective bargaining and supporting major policy efforts to address issues of affordability, UH11 is also looking into creative solutions to address the housing crisis. UH11 is particularly interested in solutions that can quickly create new housing at scale. One such strategy is the conversion of hotels and motels into housing, which, by taking advantage of existing buildings, may be faster than traditional housing development. UH11 is also interested in exploring homeownership models that would make ownership more feasible for its members and other hospitality workers. To do this, UH11 has expressed interest in reviving a model that unions have used to support the homeownership ambitions of the working class – housing cooperatives.

This report assesses these two models – hotel/motel conversion and housing cooperatives – and explores actions UH11 can take to advance them in Los Angeles County. Specifically, the report pursues the following research questions: **How should UH11 (1) support the transition of small hotels/motels into housing in Los Angeles County and (2) structure initiatives to establish cooperatives to be owned by its members and other hospitality workers in the county?**

Methods

We employed a mixed methods approach to research these questions. This involved a review of the academic and professional scholarship on the county's affordable housing shortage and the hotel/motel conversion and housing cooperative models, a document analysis of relevant regulations and housing development financing options, data and spatial analysis of hotels and motels in the county, and semi-structured expert interviews and a focus group with UH11 members for additional insights.

This research yielded a handful of policy options, which we evaluated using a Criteria Alternative Matrix (CAM) analysis. The criteria we used to conduct this analysis were political feasibility, administrative feasibility, financial feasibility, and effectiveness/impact. Our final recommendations – with one set for hotel conversions and one for housing cooperatives – were the high scoring, non-exclusive policy options emerging from this analysis.

Policy Recommendations

To advance efforts to convert hotels and motels into housing for UH11 members and other hospitality workers in the county, our top recommendation is for UH11 to take an active role in piloting conversion projects. Collaborating with a developer, UH11 could be a valuable partner in getting these projects off the ground. Doing so would increase the county's affordable housing stock and help build support for legislation to make these conversions more feasible. Concurrently, UH11 should lobby select local jurisdictions to pass legislation that streamlines key regulatory processes that make conversions more difficult. Finally, UH11 should work with local administrators to carry out plans to expand eligibility criteria for an existing hotel/motel conversion program.

Regarding cooperatives, with existing financial, tax, and legal challenges stymying the establishment of cooperatives, we recommend that UH11 partner with an existing Community Land Trust to lay the groundwork for the eventual establishment of housing cooperatives.

INTRODUCTION

INTRODUCTION

Los Angeles County's housing crisis and how unions can help

Over the years, developers and politicians have attempted to construct an image of Los Angeles as a perfect suburbia in the Mediterranean of the American West. But underneath this fantasy, massive income and racial inequalities exist. These inequalities are especially pronounced in the realm of housing – where mansions and luxury sit beside homelessness and insecurity. Significant numbers of Angelenos struggle to afford their housing costs, with many displaced to the cheaper outskirts of the county, forced to live in overcrowded housing, or left to live on the streets.

As shown in Figure 1, approximately 57 percent of Los Angeles metropolitan area renters are rent-burdened, defined as paying more than 30 percent of one's income on housing. This is slightly higher than the national average for metropolitan areas of 50 percent.[1] Further, the incidence of rent burden increases at lower income levels: 55 percent of Low Income households (households with incomes between 50 percent and 80 percent of area median income),[2] 82 percent of Very Low Income (between 30 percent and 50 percent), and 90 percent of Extremely Low Income (less than 30 percent) spent at least 30 percent of their income on housing in the City of Los Angeles in 2021.[3] This state of affairs "stems from" the lack of affordable housing options.[4] Los Angeles County estimates that it faces an affordable housing shortage of 500,000 units.[5]

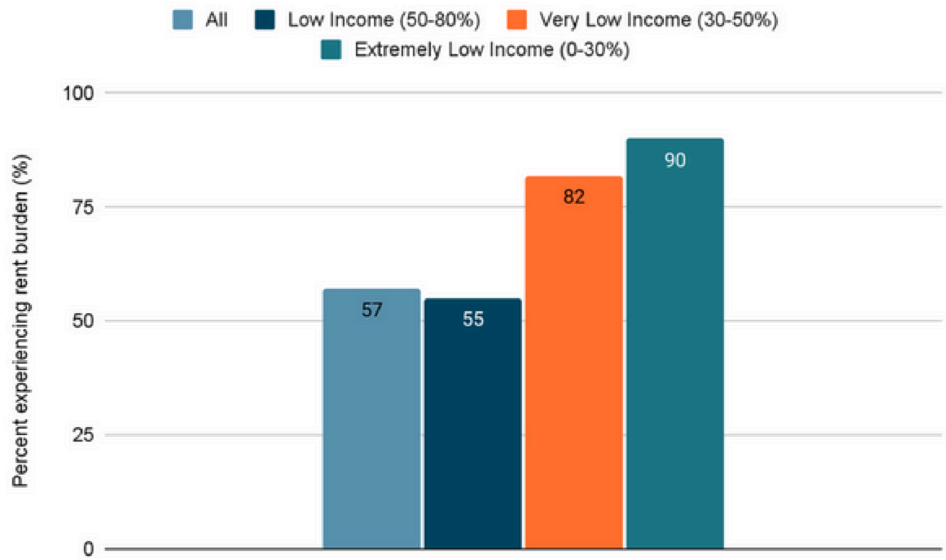


Figure 1: Percent of households experiencing rent burden in Los Angeles area by Area Median Income (AMI) level

Recognizing the severity of the crisis, the State of California and some local governments are taking action to increase the housing stock. Despite these efforts, insufficient numbers of units are being added to address the state's shortage.[6] **With the government and private sector unable to solve the crisis on their own, and with their members regularly citing housing insecurity as their top concern, many labor unions in California are looking for ways to get involved.** Unions, with their long history of working to improve the conditions of the working class – winning better working conditions, wages, and benefits for members and non-members alike – see addressing the housing crisis as the next frontier in this pursuit. Our client, UH11, has been at the front line of unions leveraging their political and financial might to address the housing crisis for its members and the rest of the region's working class.

UNITE HERE Local 11 & Housing

UH11 is a labor union that represents over 32,000 hospitality workers employed in hotels, restaurants, airports, sports arenas, and convention centers in Southern California and Arizona.[7] UH11's membership is composed mostly of women and people of color,[8] including many immigrants and undocumented workers, who work in a traditionally low-wage industry. The union is well known for its engaged membership, aggressive advocacy campaigns, and collective bargaining practices that extend beyond traditional workplace issues.

Though UH11 has a history of engagement around housing issues, its efforts to address these issues for its members have been particularly evident in its contract fight and advocacy work of the past year. Since its contracts with hotels in the region expired at the end of June 2023, UH11 members have gone out on sporadic strikes at hotels where the union and employers have not reached a new agreement.[9] Securing provisions to better the housing situation of members and the rest of the working class is a chief aim of the contract campaign.[10] UH11 has set out a number of provisions with this end in mind, most notably the imposition of a 7 percent fee on all hotel bookings, the funds of which would go towards a new hospitality workforce housing fund.[11] Outside of bargaining, but still a part of their efforts to leverage their power in the hospitality industry to address the housing crisis, UH11 qualified a City of Los Angeles ballot measure for the 2024 ballot that would have required hotels to temporarily house individuals experiencing homelessness in their vacant rooms. After a vigorous campaign against the measure by the hospitality industry, the City Council removed the measure from the ballot in exchange for a series of regulations on building new hotels, including requiring hotel developers to replace any housing lost in the development of new hotels.[12]

Now, UH11 is looking to press ahead and find other ways to help ease the housing crisis. **Recognizing the acuteness of the crisis for its members and other hospitality workers in the county, speed is a top consideration of UH11 as it searches for housing production strategies.** One strategy to increase affordable housing availability that UH11 is looking into is the conversion of hotels and motels, as this is a faster and less costly option than building new housing.

Supporting initiatives that make homeownership more feasible is another key housing-related objective of UH11. Homeownership, as both a signifier of achieving the American Dream and a critical instrument of wealth generation, is extremely important to UH11 members. Unfortunately, owning a home within a reasonable distance of their workplace is nearly impossible for UH11 members and other hospitality workers in the county.

As of December 2023, the median home value in Los Angeles County was $839,409.[13] For hospitality workers, whose annual incomes range from $32,000 to approximately $50,000,[14] these prices are exorbitant. UH11 is interested in exploring homeownership models that would make ownership in areas of the county more proximate to work more feasible for its members and other hospitality workers. To do this, UH11 has expressed interest in reviving a model that unions used to support the homeownership ambitions of the working class – housing cooperatives.

Policy Questions

This report provides research and recommendations to inform UH11's efforts to address the lack of affordable home rental and ownership options for local hospitality workers. In particular, this report investigates small hotel and motel conversion and housing cooperative models and provides recommendations for how UH11 can expand these efforts in the county. The report asks and answers the following questions:

> *How should UH11 (1) support the transition of small hotels/motels into housing for its members and other hospitality workers and (2) structure initiatives to establish housing cooperatives to be owned by its members and other hospitality workers?*

Structure of Report

- We start with the **problem definition** – a detailing of the rental and homeownership affordability challenges facing hospitality workers in Los Angeles County, the causes of this state of affairs, and what the future likely holds if nothing is done;
- We explore the **opportunities** for converting hotels and motels into housing and establishing housing cooperatives for hospitality workers as well as the **challenges** in doing so;
- We present a series of **policy option**s that UH11 could employ to advance hotel/motel conversion and housing cooperative establishment efforts;
- We delineate the **criteria for evaluation** we use to assess those policy options and how we apply them;
- We discuss the **evaluation** of each policy option using these criteria; and
- We provide our **final recommendations** for UH11.

Ultimately, we propose UH11 undertake a few complementary options related to converting hotels and motels and establishing housing cooperatives in order to mitigate the housing unaffordability crisis facing its members and other hospitality workers in the county.

METHODS

METHODS

Our research began with conversations with UH11 leadership about potential solutions for addressing the housing crisis facing the union's members and other hospitality workers. As such, our research followed an unconventional path: we decided which housing models to focus on – hotel/motel conversions and housing cooperatives – prior to beginning the research into the nature of the crisis.[15] Also in these early conversations with UH11 leadership, we decided to limit the scope of our research to Los Angeles County (even though hospitality workers in adjoining counties face similar housing challenges) due to our time and resource constraints.

To define our problem – the ongoing housing crisis in the county, its causes, and its projected future – we first needed to clearly identify the population we were looking at. We knew we were looking at hospitality workers but, without a dataset that expressly detailed the housing challenges of hospitality workers in the region, we needed to come up with an income range of a population that we could use to estimate the circumstances of hospitality workers. As discussed in Appendix B.1, our client did not provide us with information on the typical incomes of UH11 members and other hospitality workers in the county, so we estimated their incomes using publicly available information.

Once we defined our population, we conducted a literature review to understand the housing circumstances of our population of interest. We supplemented this literature review with original data analysis, document analyses of existing affordable housing programs, and a focus group with UH11 members.

Next, to identify the challenges and opportunities for hotel/motel conversions and housing cooperatives, we used a mixed methods approach consisting of a combination of the following methods:

- *Literature review* (in which we reviewed the scholarly and professional literature on hotel/motel conversions and housing cooperatives);
- *Document analysis* (in which we analyzed regulations, laws, programs, and financing that affect the feasibility of converting hotels and motels into housing and establishing housing cooperatives);
- *Data/spatial analysis* (in which we analyzed county data to identify the number and location of small hotels and motels); and
- *Semi-structured expert interviews* (that supplemented the rest of our analysis by checking the information we collected and identifying any missing key information or issues).[16]

The policy options we identified flowed out of our analysis of the challenges and opportunities for converting hotels/motels into housing and for establishing housing cooperatives.

Finally, to evaluate the policy options that emerged from our analysis, we employed a CAM analysis. In CAM analysis, key criteria are identified and given a weight before each policy option is scored along those criteria. The criteria we selected were: political feasibility; administrative feasibility; financial feasibility; and effectiveness/impact. For more details on how we defined our criteria and scored the policy options along the criteria, see the Criteria for Evaluation section and its corresponding appendix.

After grading each policy option, we selected the high scoring, non-exclusive policy options as our recommendations for our client to employ to address the housing affordability crisis facing its members and other hospitality workers in the county.

PROBLEM DEFINITION

PROBLEM DEFINITION

The working class is facing profound housing challenges in Los Angeles County. In this section, we look at a particular segment of the working class – hospitality workers – and their difficulties securing affordable housing in Los Angeles County.

Our client was not able to provide us with household income data for its members and other hospitality workers in the county, so we estimated the range of household incomes of local hospitality workers using publicly available data. The full details of how we made those estimates can be found in Appendix B.1. In short, we estimate that hospitality worker households make between $32,000 and $100,000 per year, which, for most households, places them in the 30 to 80 percent AMI range.[17] **In this section (and in the rest of this report), we use the 30 to 80 percent household AMI range for our population of interest.**

To supplement our analysis of this 30 to 80 percent AMI population's housing challenges, we also conducted a focus group of nine UH11 members. A summary of the findings from that focus group can be found in Appendix B.2.

Rental Unaffordability

In the rental market, there were just 53 affordable units available for every 100 households at or below the 80 percent AMI threshold in the Los Angeles metropolitan area in 2021.[18] An affordable unit has rent and utility costs that are not more than 30 percent of the household's income. In other words, **about half of renter households below 80 percent AMI do not have access to an affordable unit.** Reflecting this, according to a survey UH11 conducted of its members, 53 percent of members responded that they have had to move recently or expect to need to move soon due to rising housing costs.[19]

Those renters in the 30 to 80 AMI range forced to rent unaffordable units largely must do so without public rental assistance. To qualify for rental assistance from the Los Angeles County Development Authority (LACDA), household income cannot exceed 50 percent AMI.[20] The City of Los Angeles' income limit for rental assistance is also 50 percent AMI.[21] Even for eligible hospitality workers, eligibility is not synonymous with receipt: rental assistance programs are discretionary, not entitlements, so with limited funding, not everyone who qualifies for assistance receives it. In 2019, only 20 percent of eligible City of Los Angeles residents received subsidies.[22]

Households in the 30 to 80 percent AMI range that are unable to find affordable units or win the lottery of receiving rental assistance are faced with two main options: (1) stay in the area and face rent burden (pay more than 30 percent of one's income on housing costs); or (2) move further away where affordable options are more plentiful but the commute to work is longer.[23] Both come with their own set of consequences:

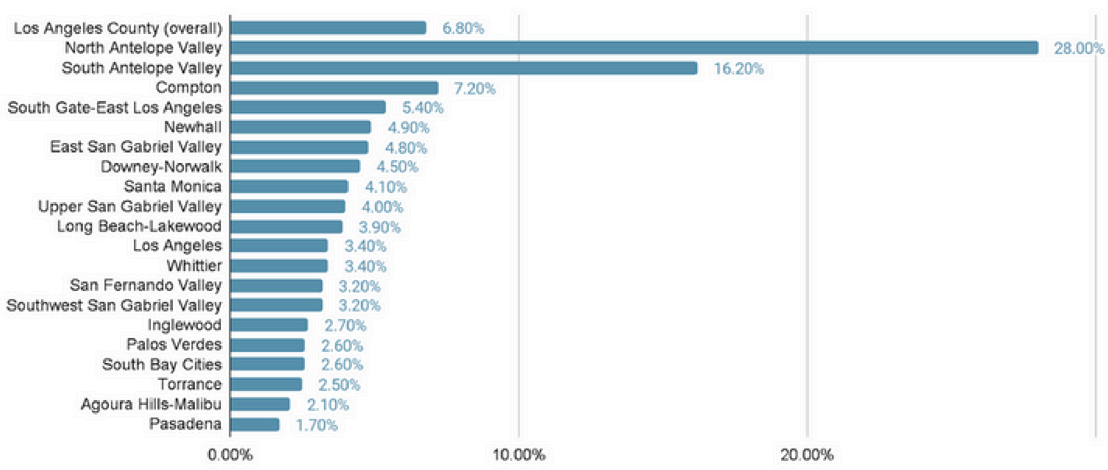
1. Rent burden takes a damaging toll on households. It forces many households to cut back on spending for essentials like food, clothing, and medicine, which has obvious negative effects on the physical and mental health of both adults and children.[24] Rent burden also forces households to cut back on spending for other important expenditures like education for children.[25] Some households grapple with rent burden by taking on greater debt,[26] as they are left with no choice but to risk greater financial precarity. But finding ways to limit consumption is no surefire way of ensuring housing stability. Rent-burdened households that cut spending are still at a higher risk of eviction and experiencing homelessness as many lack the resources to pay for unexpected, unavoidable expenses that so often come up.[27]
2. To spend a smaller portion of their income on housing, many households are choosing to move to cheaper housing at the periphery of the county or in adjacent counties.[28] With Los Angeles union hotels near the center of the metropolitan area, living further away results in much longer commutes. One NPR article profiled Brenda Mendoza, a UH11 member, who, faced with unsustainable rental costs in Koreatown, moved her family to Apple Valley in the Antelope Valley. She now has to wake up at 3 a.m. to drop off her husband and son at work and make her 7 a.m. shift.[29] Research shows that longer commutes have negative effects on emotional well-being and sleep quality.[30] For some hospitality workers, commutes have become so unbearable that they are sleeping in their cars close to work during their work weeks.[31] Further, in a car-dependent region like Southern California, longer commutes also mean more climate change-contributing carbon emissions.[32]

Ownership Unaffordability

There is also a dearth of affordable homeownership options in Los Angeles County for most hospitality workers. In December 2023, the median home in the county was valued at $839,409.[33] Prospective buyers are typically advised not to consider homes valued at more than two to three times annual household income.[34] **Thus, to afford the median home in the county, using the more generous 3x-income rule, a household must make nearly $280,000 annually.** This is much higher than the household income of even the highest income hospitality worker households ($100,000). For these households, a $300,000 home is their maximum.

As suggested by the median home value, homes at or below this value are hard to come by in the county. Figure 2 verifies this suggestion, showing that just 6.80 percent of homes in the county are valued below $300,000.[35] There is also wide variation in availability by section of the county. By and large, subdivisions of the county near the metropolitan core are at or below the county average. The only area of the county that has a sizable proportion of homes valued under $300,000 is the Antelope Valley – the part of the county furthest from the metropolitan core.

Figure 2: Percent of homes valued under $300,000 in Los Angeles County by county subdivision



Source: Authors' analysis of American Community Survey 2022 5-Year Estimates.

Still, even this is likely an overestimate of the homes that are affordable for the highest income hospitality workers. Assuming a conventional 20 percent down payment,[36] a $300,000 home would require a $60,000 down payment. With regular expenditures taking up an ever-larger portion of income, it is very difficult for households in the 30 to 80 percent AMI range to save sufficient assets for a cost of this size.[37] Moreover, first-generation homebuyers and prospective homebuyers of color are far less likely to receive intergenerational wealth transfers, which are critical to white and wealthier households' capacity to afford home down payments.[38]

Prospective homebuyers who lack the assets for a 20 percent down payment may try to finance their home by taking out a bigger mortgage, but this approach is not without challenges and risks. First, lower income borrowers (and lower income borrowers of color in particular) have a harder time securing home financing.[39] And if approved, bigger mortgages come with larger monthly costs, increasing cost burden and the risk of default.[40]

Recognizing these barriers, various jurisdictions have created downpayment assistance programs for low income homebuyers. Many local jurisdictions in Los Angeles County and the State of California have such programs.[41] However, the scale of these programs is quite small with assistance only reaching a small percentage of eligible households.[42]

Given this state of affairs, **most aspiring homeowners in the 30 to 80 percent AMI range are left with three options: (1) not purchase a home and continue to rent; (2) buy an unaffordable home and face the risks; or (3) purchase a home far outside the metropolitan core. All three options come with significant consequences**:

1. Beyond it being an important dream and source of fulfillment for many hospitality workers, homeownership has major economic benefits. Homeownership is a key way for households to build wealth and enhance economic security.[43] Conversely, being forced to forego homeownership prevents households from realizing the benefits of homeownership. At a societal level, gaps between the homeownership rates of lower income households and households of color and higher-income households and white households widen wealth inequality and the racial wealth gap.[44]

2. If they can secure the financing, some households may choose to purchase an "unaffordable" home. In putting less down for a downpayment, households will see their monthly mortgage payments increase, often to a point where they are housing cost-burdened – spending 30% or more of their monthly income on housing costs.[45] As with renters, greater housing cost burden leads homeowners to restrict consumption and endure the consequences of cost burden previously discussed. Housing cost-burdened households also face greater risk of delinquency, default, and foreclosure.[46] Foreclosure is a devastating outcome for households and their communities.[47]
3. Finally, prospective homebuyers might seek affordable options further from the metropolitan core where prices are lower, like the Antelope Valley. As with the renters making similar decisions, this would increase these members' commute times significantly, bringing with it a range of personal and environmental health consequences.

What has caused this lack of affordable housing options?

The ongoing affordable housing crisis for Low Income Angelenos is largely a result of the underproduction of affordable housing.[48] This underproduction has a host of causes, which, in the state's telling, includes:

1. Historical patterns of housing segregation and exclusion
2. Opposition to neighborhood change (see Box 1)
3. Numerous, varied, and opaque regulatory hurdles (see Box 1)
4. Insufficient land zoned and available for housing
5. Federal support has not kept up with need
6. Affordable production constrained by financing limitations
7. High costs[49]

Box 1: Key regulatory barriers to housing productions

In California, there are two, main regulatory processes that regularly work to stymie efforts to build new affordable housing: local review and environmental review.

Local review: Many of the decisions around land use and housing development are made at the local level. Under conventional "discretionary review" processes, proposed projects must be publicly reviewed and approved by local representative bodies like city councils. This gives individuals or groups who are against the building of new housing a venue in which to express their displeasure, and they are often successful in blocking or stalling developments.

Environmental review: New development must also clear the requirements of the California Environmental Quality Act (CEQA). CEQA requires building plans to go through a time-intensive and stringent process that was created with the purpose of protecting the state's natural environment. However, opponents of building affordable housing often abuse CEQA to slow or stop production.

Though these processes can serve defensible purposes like forcing changes to or halting inadvisable development, they are often used or abused to stop the development of desperately-needed housing.

Though not named by the state, a few other factors deserve some of the blame for the housing shortage:

- Inadequate levels of state funding for affordable housing production: Though funding began reversing direction in 2019, between 2013 and 2018, state investment in affordable housing dropped by over 60 percent.[50]

- Non-optimally-used land and properties: though California, and especially its coastal communities, is generally lacking in unused land to site housing,[51] there is a lot of non-optimally-used land and properties. Prodded by housing advocates, the City of Los Angeles identified over 100 sites of public land that are underutilized and good candidates for housing development.[52] A 2022 study from RAND found that if all underutilized commercial properties in the county were converted into housing, the repurposed units would meet 9 to 14 percent of the county's goals for new housing in the next eight years.[53]

Finally, the ongoing loss of previously affordable units compounds the problem. One state law – the Ellis Act – allows landlords to evict their tenants if the landlord plans to "go out of business."[54] In some cases, the Ellis Act has been used by landlords to evict tenants from rent-controlled units before bringing the units back at market rates. Between 2001 and 2019, over 26,000 rent-controlled units were lost through use of the Ellis Act.[55] The state has also lost affordable units recently through the loss of some federal housing subsidies and the expiration of covenants governing the affordability of government-financed developments.[56]

With respect to homeownership specifically, recent changes to lending practices and macroeconomic developments have made it even more difficult for lower income households to finance homes. After the Great Recession, many banks were required to tighten their lending standards. While this was beneficial for reigning in some of the predatory lending practices of these banks, it has also made it more challenging for lower income households interested in buying homes to be approved for financing.[57] The Federal Reserve's interest rate hikes that began at the start of 2022 have also increased mortgage rates and hampered affordability.[58]

Are there likely to be sufficient affordable housing options in the future?

Though the state and many jurisdictions have taken many steps to address the lack of affordable options in recent years, the pace of change is insufficient. Every eight years, the state initiates the Regional Housing Needs Allocation (RHNA) process where the state estimates changes to housing needs by the end of the cycle and requires jurisdictions to create plans to meet this need.[59] Through the end of 2022, about 15 percent of the way through the ongoing RHNA cycle, just 2.5 percent of the goal for new Low Income units was permitted in Los Angeles County.[60] While we are still early in the cycle, and recent regulatory, financial, and programmatic changes to housing production are likely to augment production going forward, the County still has a very long (and likely too long of a) way to go to bring supply in line with demand. Worsening the outlook, the county continues to lose affordable units. In 2022, the county was at risk of losing nearly 8,000 previously affordable rental units.[61] Without sufficient affordable housing options, the county's crises of burden, displacement, and homelessness are likely to persist.

The outlook for hospitality worker homeownership is not rosier. The median home price in the City of Los Angeles is projected to increase to $1,375,638 by 2030,[62] a 67 percent increase from the current level.[63] The wages of hospitality workers will certainly not increase by that much, likely making homeownership even more infeasible.[64]

What's needed?

Absent (unlikely) fundamental rehauls of the affordable housing production regimes and home ownership financing programs, creative solutions are needed to increase the number of affordable rental units and make homeownership more feasible for workers in the 30 to 80 percent AMI range in Los Angeles County. The rest of this report considers two such models – the conversion of hotels and motels into housing and the establishment of limited equity housing cooperatives.

CHALLENGES & OPPORTUNITIES

CHALLENGES AND OPPORTUNITIES

There are underused, innovative models of housing production that, if employed well, can help address the immediacy of the housing unaffordability crisis. One such model, converting hotels and motels into housing, takes advantage of these properties' existing architecture – private rooms, bathrooms, and sometimes kitchenettes – to produce housing more quickly and cheaply than ground-up development.

Hotel/motel conversion

Recent efforts facilitating conversion

For the past few years, the State of California and some local jurisdictions have provided significant funding and eased regulatory requirements to facilitate the conversion of hotels and motels into housing. However, by and large, **hotel/motel conversion has been conceived narrowly as a solution for addressing homelessness in California rather than as a broader solution to the state's affordable housing shortage.**

This orientation is reflected in the design of the state's most prominent hotel/motel conversion initiative – Homekey.[65] Homekey-funded sites can only house "individuals and families experiencing Homelessness or who are At Risk of Homelessness."[66] Homekey uses the Federal definition of "at risk of homelessness," which holds that the individual or family must have an annual income below 30 percent AMI, does not have a support network they can rely upon to temporarily house them, and is experiencing one of a few other specific characteristics of housing instability. Many hospitality workers in Los Angeles are thus unlikely to be eligible to live in Homekey sites.[67]

Aside from Homekey, the state and many local jurisdictions have passed other policies aimed at easing regulatory hurdles that make converting hotels and motels into housing more challenging. However, as with Homekey, **most of these policies do not facilitate conversions that can house those in the income range of most Los Angeles hospitality workers (30 to 80 percent AMI) – housing which we are calling "workforce housing."**

The key characteristics of these policies are shown in Table 1.[68] The bulk of these policies only facilitate conversions to supportive, transitional, or emergency housing for those “experiencing or at risk of homelessness,” reflecting the dominant framework for conversions as a homelessness solution and not a broader affordable housing solution. Pasadena’s legislation is an exception that we will discuss further later.

Table 1: Key characteristics of state law and local ordinances facilitating hotel and motel conversions

Jurisdiction	Law	Main effect	Type of housing	Permanent or temporary conversion	Eligibility	Zones allowed
State of California	SB 450/SB 91	CEQA exemption	Supportive or transitional housing	Either	Low Income (0-80% AMI)	N/A
Los Angeles County	Ordinance No. 2021-0017	Changes review process to ministerial review	Emergency, transitional, or supportive housing	Temporary or permanent	Low Income (0-80% AMI)	Temporary: all Permanent: select[1]
City of Los Angeles	Ordinance No. 185489	Changes review process to ministerial review	Supportive or transitional housing	Temporary	Experiencing homelessness or at risk of homelessness[2]	All
Long Beach	Ordinance No. 20-0041	Changes review process to ministerial review	Supportive or transitional housing	Either	Experiencing homelessness or at risk of homelessness[3]	All
Pasadena	Ordinance No. 7333	Review process includes public hearing	Supportive housing, transitional housing, single-room occupancy, multi-family housing	Either	Moderate income and less (0-120% AMI)	All

Note: [1] Permanent conversions may proceed by-right in the following zones: R-2, C-H, C-1, C-2, C-3, C-M, CM-J, and

Table 1 (continued)

Jurisdiction	Law	Main effect	Type of housing	Permanent or temporary conversion	Eligibility	Zones allowed

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[2] Determination of these definitions is left to the local public agency that the developer establishes a contract with.

[3] Based on other documentation from the city, we believe the city uses the same definition for "at risk of homelessness" as the state – 30 percent AMI or less and other conditions.

Opportunities for conversions

Still, these recent programmatic and legislative changes have opened up some opportunities to convert hotels and motels into workforce housing.

The first route is through Homekey. Homekey funds can be used to fund the acquisition and conversion of all units in a project or a portion of the units in a project. The units that are not acquired and converted with Homekey funds do not need to serve the same target population as Homekey.[69] That means **a developer could combine Homekey funds with other funds to finance conversions that serve both 0 to 30 percent AMI and 30 to 80 percent AMI households.**

Homekey administrators are also considering making tweaks to Homekey eligibility rules to address challenges Homekey projects have had securing sufficient funding for operating properties. Typical affordable housing properties fund operating costs with a combination of rent payments and subsidies. But with Homekey's resident population paying little-to-no rent, Homekey projects have relied on subsidies. Projects have been able to access up to two years of operating funds from Homekey, and have otherwise relied on philanthropic and other federal, state, and local public dollars. But many projects have struggled to secure enough funding.[70] To fill this funding gap threatening the sustainability of Homekey projects, **key Homekey administrators have indicated that they are considering "income-mixing."**[71] **"Income-mixing" means allowing Very Low Income households (30 to 50 percent AMI) experiencing or at risk of homelessness to live in Homekey properties.**[72] By housing a few more of these slightly higher income households in Homekey projects, these projects would bring in greater rental revenue to subsidize the lack of rent payments coming from its Extremely Low Income tenants.

In addition, as shown in Table 1, one local jurisdiction's (Pasadena) legislation facilitating hotel and motel conversions has terms that include workforce housing. Passed in 2018, **Pasadena's ordinance removes some regulatory barriers to facilitate the conversion of hotels and motels with 80 or fewer guest rooms into supportive housing, transitional housing, single-room occupancy, multi-family housing, or some combination of these housing types.**[73] The units must be rented or sold to "low or moderate income" people based on the state's definition – 120 percent AMI or less.[74] So, conversions into multi-family housing for households between 30 percent and 80 percent AMI are allowable under the ordinance. However, another unique aspect of the Pasadena ordinance is that, though approval of projects is granted by the City's Hearing Officer, all proposals must go through a public hearing,[75] perhaps making it easier for community opposition to derail projects. This is unlike the other ordinances which stipulate a purely ministerial process with no public review.

Candidates for conversions in Los Angeles County

Another opportunity for conversions is the ubiquity of small hotels and motels in Los Angeles County. Our analysis of Los Angeles County Office of the Assessor data revealed that **there were 1,995 properties classified as hotels and motels in the county in 2023.**

Not all these properties are equally good candidates for conversion though. Many of these properties – like union hotels – provide quality jobs to its employees, making these properties poor candidates for conversion. To identify hotels and motels that provide lower quality jobs, and thus are better candidates for conversion, we used size as a proxy for job quality.

All but three of the hotels that have collective bargaining agreements with UH11 have over 100 rooms. Moreover, in recent years, UH11, in partnership with other organizations, has shepherded through legislation and ballot propositions in several cities in Los Angeles County that have raised the minimum wage for hospitality workers at properties of certain sizes. The City of Los Angeles' law (along with Santa Monica and Glendale's which follow LA's) applies to workers at hotels with 60 or more rooms. See Appendix Table B.1.1 for more details on hotel-specific minimum wage policies in Los Angeles County.

UH11 also does not want to facilitate the conversion of properties regularly used by tourists, thereby creating a market incentive for the production of new hotels that may come about through the replacement of housing.[76] Here, too, size is a good way to assess which properties to target. Hospitality properties with under 75 rooms are typically motels or limited service hotels,[77] and tourists or business travelers tend to make up a much smaller percentage of the clientele of these properties.[78]

As such, good candidates for conversion may be properties with under 100 or under 60 units. Our analysis of the Assessor data suggests **there are 1,588 non-union hotels and motels with 100 or fewer rooms and 1,363 with 60 or fewer rooms in Los Angeles County.**

Size alone should not be the only criteria though. In its hotel conversion initiative, Minnesota's Hennepin County used two other sensical criteria for identifying properties: proximity to (1) high-quality public transportation; and (2) access to resources to fulfill basic needs (e.g., grocery stores, health providers, etc.).[79] In our case, where properties are for a certain class of workers, selected properties should also be in relatively close proximity to union hotels or other large hotels. In addition, the condition and age of the property should be taken into consideration. Older properties are likely to be in worse condition and not up to current code, thereby requiring more extensive renovations. On the flip side, older properties are also not subject to the same regulatory requirements, as in certain Americans with Disabilities Act (ADA) stipulations, perhaps eliminating some renovation requirements.[80]

The ability to actually acquire a property must also be a key consideration when selecting properties. Unfortunately, whether an owner lists a property for sale is not a good enough marker for whether a property is acquirable. Though there are hotel/motel properties listed as for sale online,[81] not many are, and many past conversion projects like Homekey have tended to identify properties through informal means rather than through formal listings.[82]

Finally, the price of acquisition may make certain properties better or worse candidates for conversion. Homekey took advantage of the lower values of hospitality properties during the pandemic. Now though, there is concern that the post-pandemic period's tourism recovery (along with several megaevents in the region on the horizon) could increase the values of hospitality properties to a point where owners will not want to sell or will raise the price too high for conversion projects to remain feasible.[83] Data from STR – an analytics company focusing on the global hospitality industry, shows that demand for the overall hotel market in Los Angeles County has recovered to pre-pandemic levels. However, data on the area's economy chains – small or midsize properties that offer limited services – tell a different story. **In the last two years (2022 and 2023), while the overall hotel market in the county has seen an 18 percent increase in demand, economy chains have seen an 11 percent *decrease*.**[84] This suggests that these types of hotels/motels – many of those the ones under 100 or 60 rooms previously identified – may currently be and may remain candidates for acquisition and conversion.

Available financing for workforce conversions

Our research has also revealed another major opportunity: **in the City of Los Angeles, it may be possible to finance conversions of hotels and motels into workforce housing, even without Homekey dollars.**

To estimate the cost of an example conversion, we used the budget of the conversion of a 70-unit motel into PSH in Anaheim, California.[85] This budget is shown in Table 2. The property, called Buena Esperanza, was converted by the non-profit developer Jamboree Housing. Notably, this project's per unit cost of

$347,600 is significantly lower than that of new multi-family development in Los Angeles County, which UC Berkeley’s Terner Center estimated at $594,000 per unit in 2023.[86]

We selected this property because its budget was publically available, because it is located in Southern California, and because it had a similar unit size (70) to our target range. Still, the project is different from the average workforce conversion project in Los Angeles County in several important ways. For one, construction costs are likely to be different in Los Angeles County versus Orange County. Secondly, conversions into workforce housing would require more extensive renovations than that into PSH. For example, to be suitable for a family, hotel/motel rooms would likely need to be combined and new walls would need to be constructed to better replicate the layout of multi-person households. Oddly though, the conversion of another 46-room motel into workforce housing in San Diego County in 2020 only cost $27,005 per unit.[87] While we presume that workforce conversions would be more expensive than PSH conversions, the fact that one project was actually cheaper suggests that, at the very least, the difference may not be that large.

Table 2: Project cost estimates and financing options

Estimated costs			Estimated financing options		
Acquisition and renovation					
	Total	Per unit		Total	Per unit
Purchase price	$9,520,000	$194,286	Loans	$6,258,278	$89,404
Hard construction costs	$7,000,000	$100,000	LIHTC	$2,800,000	$40,000
Developer compensation	$2,520,000	$36,000	Measure ULA*	$10,500,000	$150,000
Marketing/ furnishing/ soft costs	$2,380,000	$34,000	Proposition HHH	$9,100,000	$130,000
Construction loans/ financing fees	$1,610,000	$23,000	CDBG	$2,196,320	$31,376

Table 2 (continued)

<table>
<tr><td>Impact/ permit fees to local government **</td><td>$1,001,000</td><td>$14,300</td><td rowspan="2">HOME</td><td rowspan="2">$4,408,180</td><td rowspan="2">$62,974</td></tr>
<tr><td>Design/ engineering fees</td><td>$1,001,000</td><td>$14,300</td></tr>
<tr><td>Total:</td><td>$24,332,000</td><td>$347,600</td><td>Total:</td><td>$35,262,778</td><td>$503,754</td></tr>
<tr><td colspan="6">Operation (annual)</td></tr>
<tr><td>Operating costs</td><td>$700,000</td><td>$10,000</td><td rowspan="2">Rent with 95% occupancy rate</td><td rowspan="2">$1,355,270</td><td rowspan="2">$19,361</td></tr>
<tr><td>Loan payment</td><td>$504,000</td><td>$7,200</td></tr>
<tr><td>Total:</td><td>$1,204,000</td><td>$17,200</td><td>Total:</td><td>$1,355,270</td><td>$19,361</td></tr>
<tr><td colspan="6">NOTE: * Funding not currently available; see Appendix C.3 for more information.
** As discussed in the policy options section, these fees could be waived by local jurisdictions.</td></tr>
</table>

Table 2 also displays the results of our analysis of funding availability, showing that it may be possible to secure sufficient funding for acquisition, conversion, and operations. See Appendix C.3 for a full discussion of our funding analysis.

<u>Other challenges facing conversions</u>

Still, despite the significant opportunities available for hotel/motel conversions, those interested in furthering these projects are likely to face some roadblocks.

- **NIMBY opposition:** NIMBYs (not-in-my-backyard) are typically local residents who do not want affordable housing (and the people who occupy it) in their neighborhoods. These parties have opposed homeless housing projects across the state, and have even tried to derail Homekey projects that are exempt from the local review processes that traditionally give NIMBYs opportunities to oppose affordable housing.[88] Thus, even if local legislation to grant ministerial review processes to hotel/motel conversion projects and defang NIMBY opposition were secured, proponents of these projects should still expect opposition and interference. And where there are discretionary processes, the viability of conversion projects is likely to be encumbered.

- **Displacement of existing residents:** Converting hotels and motels into workforce housing will also need to contend with the fact that many of these candidates for conversion are a vital source of deeply affordable housing for individuals who are not allowed to rent or cannot afford to rent elsewhere.[89] With average budget hotel room prices in the City of Los Angeles at $103 per night (or over $3,000 per month),[90] these units are likely to cost far more in their current form than as workforce housing where rent prices could be fixed to 30% or less of income. Still, converting these units into housing while kicking these residents out is not a solution to the region's housing shortage. Efforts to convert hotels and motels into workforce housing must take precautions to avoid displacing existing residents. One popular option for doing so is granting current residents a "right to return" to the units after conversion.

Cooperatives

Low income communities of color, such as Los Angeles County hospitality workers, have largely been shut out from traditional homeownership. **The social housing model, which includes cooperatives and community land trusts, grants this population opportunities to have an ownership stake in its housing.** While there are a multitude of barriers to their creation, this model has gained momentum recently in the state and county.

Alternative homeownership models

In addition to the other factors previously listed, another underlying cause of the housing crisis is the commodification of housing. The private market has failed to provide adequate housing for low income communities of color. Social housing removes speculative landlords and real estate investors from controlling the price and conditions of shelter, instead vesting that power in the state (public housing) or in communities (community housing). Community housing consists of two primary models:

1. Limited equity housing cooperatives (LEHCs)
2. Community land trusts (CLTs)

LEHCs make homeownership a collective right rather than an individual one, providing the opportunity to own a home and build wealth to people who can not afford traditional homeownership. The blanket mortgage of a residential cooperative property, ranging from a multi-family apartment building to a collection of mobile homes, is distributed amongst residents through membership shares.[91] This share allows that member to live in a unit, have a vote in the governance of the property, and build limited equity as the value of the property increases over time through land appreciation and physical renovations.[92] A board of directors, consisting of elected cooperative members, is in charge of managing the property and ensuring its financial viability over the long-term. Housing cooperatives could be market-rate units with no cap on the equity that a resident can build. However, limited equity housing cooperatives put a cap on the appreciation of the value of a share price so units stay affordable for generations. See Appendix C.4 for more details on LEHCs.

While LEHCs consist of the collective ownership of a property, CLTs own the land underneath the property. Ownership of the land is typically granted to the non-profit in charge, while the governance of the land includes community members and CLT residents.[93] Properties on a CLT can include rental housing, typical single-family homes, and LEHCs, all of which are price-restricted by the CLT. For aspiring homeowners, a CLT can grant a 99-year lease of a home to a family that can be resold to the trust, providing limited equity gains to the household.[94] See Appendix C.5 for more details on CLTs.

Both models are valuable tools for low income tenants in gentrifying neighborhoods to use to fight back against displacement;[95] these models have been used by residents to take control of buildings on the brink of foreclosure, subject to mass eviction notices, or threatened with large rent increases.[96] As a result, **in the most expensive places to live in the United States, some of the most affordable homes with the lowest resident turnover are LEHCs or CLTs**.

LEHCs and CLTs are primarily established by community organizations and nonprofits, providing an opportunity for a labor union to get involved in the creation of social housing for its members. UNITE HERE has a history of establishing LEHCs in New York City in the early- to mid-20th century. Using their union pension funds and other city resources, they were able to construct several cooperatives that still exist today. The formation of the United Housing Foundation (UHF), a nonprofit made up of over 60 trade unions and community groups formed in New York City in the 1950s, also financed dozens of cooperatives.[97]

There are about 200,000 LEHC units left in the United States. 32 percent of these were built under the New York City Mitchell-Lama program and just 5 percent are in California.[98] LEHC development in California has been largely nonexistent in the past few decades. No LEHCs over 40 units have been built in California since 1990.[99] A 2021 California Center for Cooperative Development report found that there are 224 housing cooperative projects in the state (of which 110 are LEHCs), and there are just 16 active limited equity housing cooperatives in Los Angeles County.[100] Ground-up construction of LEHC projects are particularly rare, although one project proposed by the Northern California Land Trust in Berkeley, CA has 24 LEHC units and 41 limited equity condominium units.[101]

Challenges to LEHC development

The establishment of LEHCs in California has been hindered by several financial, tax, and legal challenges, which will be outlined in the following paragraphs.

Funding challenges

LEHCs are funded using a combination of sources, including equity from the sale of shares to members, private loans from banks or Community Development Financial Institutions,[102] and public funding from local, state, and federal sources. Additional equity can be secured if the LEHC is built on CLT land.[103] However, public funding is difficult to attain. **Housing cooperatives are not recognized by the state of California as affordable housing properties and therefore are not eligible for many of the existing statewide affordable housing subsidy programs.**[104] Moreover, many homeownership funds for lower-moderate income households are difficult for LEHCs to attain.

The decrease in LEHC development coincides with the decrease in federal support for affordable housing that started around the 1970s with cuts to HUD

funding.[105] As with a multitude of government programs, affordable housing development was privatized to cut costs. Most affordable housing projects today are financed using Low-Income Housing Tax Credits (LIHTC), which grant tax breaks to developers building below-market-rate housing.[106] Affordable housing financing has thus been tied to profits for real estate development corporations.

This decrease in HUD spending has made federal money difficult to come by for cooperative projects, leaving cooperative projects reliant on state and local government subsidies, loans, and grants.[107] While LEHCs are a form of affordable housing, “restrictions make it almost impossible to use LIHTC for cooperative development in California.”[108] LIHTC is only eligible for rental properties, and cooperatives are not classified as rental properties by the state. Although there are other strategies for funding LEHCs, affordable housing developers have become so dependent on tax-credit funding that they no longer believe that affordable housing can be developed without it.[109]

Moreover, most banks avoid lending to LEHCs due to a lack of knowledge about their structure and risk.[110] Traditional banks offer a variety of products in New York City, where housing cooperatives are much more commonplace, but California has very few successful cooperative developments to point to, particularly those built recently or by labor unions.

Lastly, UH11 is a union representing mostly low-wage workers and therefore may not have a large amount of capital to contribute to a cooperative project. While unions have funded LEHCs with their pension funds in the past,[111] the extremely high cost of creating affordable housing in California might require UH11 to obtain most of the financing from outside sources.[112]

Tax challenges

Housing cooperatives are eligible for the homeowner’s exemption from state property tax, as owning a share in the cooperative is seen as akin to owning a home by the California Board of Equalizers. However, LEHCs are not afforded the welfare exemption, which applies only to low income rental housing. The Board of Equalizers “does not recognize situations in which someone can be both a renter and a homeowner,[113]” and therefore LEHCs that match the same income composition of affordable rental housing do not receive the welfare exemption granted to the rental housing. **Without this welfare tax exemption, many rental properties seeking to convert to a LEHC become financially unfeasible, as they would have to pay a much larger amount in property taxes.**[114] Several interview subjects for this project cited this as a major issue to LEHC development in California.

Legal challenges

California's restrictive laws make the development of housing cooperatives difficult. **A few laws that govern how cooperatives are built, how memberships are sold, and how bylaws are regulated make creating a LEHC a cumbersome process and discourage development.**

The Subdivided Map Act, for example, regulates the conversion of existing property into housing cooperatives, requiring a subdivision map to be submitted and approved by the local jurisdiction.[115] Because housing cooperatives are, by definition, a single parcel under a single blanket mortgage, it does not make sense to subdivide the land. Cooperatives differ from condominiums, which are split up into separate parcels and owned separately as their own entities. However, under state law, both are grouped together within the same category.[116] While this law does not apply to the construction of housing cooperatives on new land, most new housing cooperatives in Los Angeles County would be created through the conversion of existing properties due to the limited availability of new land and the high cost of new construction.

Local condominium conversion ordinances can also hinder LEHC development, as some cities legally group LEHCs and condominiums.[117]

The Roberti Act is another legislative hurdle that requires the sale of surplus properties owned by the California Department of Transportation (Caltrans) to be given higher priority to resident groups forming LEHCs.[118] However, the short timelines for bidding and lack of technical assistance make it nearly impossible for LEHC groups to purchase these properties.[119]

Another legal challenge to cooperatives is California Code 817,[120] which dictates that membership shares can not be more than 10% of the development cost of a unit in a LEHC.[121] As a result, the largest share prices for cooperatives in California are around $40,000. Moreover, according to interview subjects, most banks will avoid lending any more than this amount for share loans in California. For Los Angeles County hospitality workers, the higher end of the income range can likely afford a $40,000 share price should they receive a share loan. However, even with a share price this large, it may not be a worthwhile alternative to wealth-building as traditional homeownership.[122] For the lower end of the income range, a $1,000-$5,000 share price would build almost no equity. For hospitality workers aspiring to build comparable wealth to traditional homeownership, a share in a LEHC would not be a viable option until share prices can compare to condominium prices. Potential LEHC members would have to weigh other benefits to cooperative living, such as greater housing security and lower monthly costs, in their decision to leave their rental unit and join a cooperative.

Opportunities for LEHC development

While LEHC development has been particularly difficult in the state of California, recent efforts from a coalition of housing and worker justice organizations have opened up opportunities for community ownership of housing, forging a path for the eventual creation of large-scale, union-sponsored LEHCs in Los Angeles County. UH11 has been at the forefront of addressing the region's housing crisis through collective bargaining tactics and partnerships with organizations focused on housing and economic justice. Moreover, many other labor unions in the region are following suit in recognizing landlords and real estate interests as enemies to their members' livelihoods. Labor unions are increasingly utilizing Bargaining for the Common Good, realizing their ability and duty to fight not only for their union rank-and-file but for the community as a whole. The United to House LA coalition, made up of over 200 organizations, including UH11, dozens of labor unions and worker centers, tenant unions, environmental, racial and economic justice organizations, and community groups, has taken shape in recent years to combat the housing crisis.

The seeds are planted for a rebirth of the United Housing Foundation – a coalition of regional organizations with a labor focus working to pool together resources to create a stock of housing decoupled from the private market. UH11 can use existing regional partnerships to fund large-scale social housing projects for hospitality workers and other low income communities of color in Los Angeles County. Currently, this coalition has already been at the forefront of the growing movement for social housing in California, with several legislative actions passed in the last few years encouraging the growth of LEHCs and CLTs, particularly aimed at the acquisition of existing properties. These are:

- Senate Bill 555: Passed by the California state legislature in October 2023, this is the first bill passed in the US to conduct a study on the feasibility of social housing, "embracing the view that speculation is a major source of the housing crisis."[123]

- Measure ULA: This is one of the best local opportunities to fund social housing in the City of Los Angeles, with a large proportion of non-administrative funds specified for the construction or acquisition of affordable housing projects for LEHCs and CLTs.[124] Up to 45 percent of ULA funds are proposed to be used for construction/acquisition, operating costs, and technical assistance for these two housing options.[125]

- Community/tenant opportunity to purchase acts (COPA/TOPA):[126] This law provides residents of rental properties and nonprofit affordable housing developers with the first chance to make a purchase offer on a building being sold. This affordable housing preservation strategy allows tenants or community groups to purchase market-rate housing, rehabilitate it, and convert it into social housing, preserving its affordability for the long-term and providing tenants with homeownership opportunities.[127] Several cities in California have passed opportunity to purchase acts in the past few years, including San Francisco and San Jose. Last year, Los Angeles County passed its own TOPA applying to unincorporated areas within the county.[128] Cities such as Los Angeles, Pasadena, Santa Monica, and Long Beach, however, do not have any such law.[129]

- Senate Bill 1079: Passed in 2021, this grants certain buyers of foreclosed properties with priority. These buyers include former/current tenants of the foreclosed property, community land trusts, and limited equity housing cooperatives.[130]

- Foreclosure Intervention Housing Preservation Program (FIHPP): Coinciding with SB 1079 is a new large pot of money won by social housing advocates in 2021. FIHPP provides $500 million in state funds to fund SB 1079 acquisitions and rehabilitation of 1-25 unit properties.[131] Community land trusts have been identifying properties around the county in stages of foreclosure as potential FIHPP acquisitions, but the funding is currently being delayed by the state.

- Senate Bill 9 and 10: Both passed in 2021, these bills ease the process of creating accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) on single-family lots.[132] The acquisition of single-family properties is FIHPP eligible, while construction costs are eligible for CalHOME[133] funds. This provides UH11 with an opportunity to purchase single-family homes in some stage of foreclosure and convert it into a multi-family property with 3 or 4 additional units.[134] The Transit-Oriented Communities Incentive Program, passed by the City of Los Angeles in 2016, would allow these conversions to include even more units if the property built was near a transit zone.[135]

- Assembly Bill 1657: Known as the Affordable Housing Bond Act of 2024, this is a $10 billion bond measure that will be on the ballot in November 2024.[136] This fund allocates $1.5 billion to the Community Anti-Displacement and Preservation Program, a program administered by HCD, for the acquisition and rehabilitation of housing and to attach long-term affordability restrictions.[137] This would allow community land trusts or other organizations to purchase an existing building from a private owner, prevent the displacement of existing residents, and keep the price affordable in perpetuity.

- Los Angeles County Pilot Community Land Trust Partnership Program:[138] Passed in September 2020 by the LA County Board of Supervisors: This program is comprised of five CLTs, three of which were created in the past seven years. These CLTs have been actively purchasing land and buildings to create a stock of permanent affordable housing for communities in need. The program began with an initial county investment of $14 million, leading to the purchase of 8 properties with 43 total units, with 95 percent BIPOC occupancy, although there were issues housing Black households, in particular. Appendix C.5 has a more thorough explanation of this program and how CLTs can be used as an avenue for LEHC development. Growing interest in community land trusts represents not only another opportunity for UH11 to provide hospitality workers in the region with social housing, but also a chance to create cooperative housing, in particular. Moreover, UH11 can utilize its already strong partnerships with statewide CLTs to realize this goal.

POLICY OPTIONS

POLICY OPTIONS

Given the context described in the preceding section, actions must be taken to make hotel/motel conversions and housing cooperatives more feasible housing models for hospitality workers in Los Angeles County. The policy options that follow are some actions that UH11 could undertake.

Hotel/motel conversion

Expand Homekey eligibility: Homekey-funded units are only available to those experiencing homelessness or “at risk of homelessness” (which has a 30 percent AMI threshold). To address the operating cost deficits that many Homekey projects are experiencing, state and local officials charged with implementing Homekey have signaled openness to “income-mixing” – opening up Homekey eligibility to households experiencing or at risk of homelessness in the 30 to 50 percent AMI range. UH11 should work with their allies in county and local government to encourage those tasked with implementing Homekey at the county and city level to advance income-mixing initiatives in Homekey sites. This could open up these converted units to some hospitality workers and support the viability of these projects.

Establish a state-wide program for converting small hotels and motels into workforce housing: Homekey has proved to be an effective model for converting hotels and motels into housing for those experiencing or at risk of homelessness. UH11 should advocate for the state to create a similarly structured program that focuses on converting hotels and motels into workforce housing – housing for households between 30 percent and 80 percent AMI. This program should feature similar funding and regulatory streamlining measures, though it would likely not require the same operating cost subsidies as tenant rent could cover operating costs.

Expand existing regulatory exemptions for conversions and pass new exemptions in promising jurisdictions: The policies that the state and several local jurisdictions have passed to ease certain regulatory requirements for converting hotels and motels largely do not allow for conversions into housing types suitable for the typical hospitality worker. Most hospitality workers do not require PSH and most hospitality worker households exceed the relevant income eligibility maximums. Pasadena's ordinance is the major exception, but, while it allows for the most expansive set of options for conversions (including multi-family housing) and allows households up to 120 percent AMI to live in these units, it does not fully waive local review as a public hearing for project approval is still required. This opens up these projects more to community opposition. As such, *UH11 should work with their allies in jurisdictions that have already passed policies facilitating conversions to expand the types of housing for conversions that can receive regulatory relief and to open up this housing to hospitality worker households*. Table 3 shows the key provisions that these policies should include.

UH11 should also try to get these local review reforms passed in other jurisdictions that have not passed any sort of conversion ordinance yet. UH11 could prioritize which cities to lobby based on how proximate they are to union hotels, how many motels and hotels they have with 100 or fewer rooms, and whether the city has signaled interest in conversions in the past. These "conversion friendly" jurisdictions, shown in Appendix Table D.1.1, are considered as such if they have had a Homekey conversion done in their jurisdiction in the past or if they have discussed interest in conversions in official public documents like Housing Elements.

Table 3: Ideal key characteristics of state and local laws facilitating hotel and motel conversions

Law	Type of housing	Type of hotel/motel	Permanent or temporary conversion	Eligibility	Zones allowed	Fee waivers
State CEQA exemption	Supportive housing, transitional housing, single-room occupancy, multi-family housing, or some combination of these housing types	Fewer than 100, 80, or 60 units	Either	Low Income (0-80% AMI)	N/A	N/A
Local review reforms	Supportive housing, transitional housing, single-room occupancy, multi-family housing, or some combination of these housing types	Fewer than 100, 80, or 60 units	Either	Low Income households (0-80% AMI)	All	Impact and permit fees

Taking an active role in developing conversions: As discussed in our analysis of available financing for conversions, even without these regulatory changes, it may be feasible to convert hotels or motels into workforce housing in the City of Los Angeles. These conversions could be done in zoning areas that allow for multi-family housing, though they would have to be carried out without any local review and CEQA streamlining. Indeed, "pilots" of workforce conversions may be necessary to build support for legislative changes to facilitate these conversions. This is what happened in the City of Los Angeles, where the City's Interim Motel Conversion ordinance was designed to build on the success of a pilot led by the housing non-profit Brilliant Corners.[139] So, to build momentum for legislative changes to make workforce conversions easier and to build more housing, *UH11 should start or join projects to convert hotels and motels into workforce housing.*

UH11 could take an active role in conversion projects by:

- Partnering with developers: Because UH11 does not have the capacity to lead a housing development project, the union will need to partner with developers who have experience carrying out hotel/motel conversions. Experienced developers will have an easier time securing funding and will know the ins and outs of the development process. Appendix D.2 has a list of potential partners.

- Securing funding for conversions: A key contribution that UH11 could make to development projects is opening up or directly providing sources of funding. As discussed in our funding analysis in the preceding section, Measure ULA funds and other public funds will be critical to the financial feasibility of hotel/motel conversions. However, expenditure plans for these funds are subject to change each year, so, to make sure these funds are available for conversions, UH11 should take advantage of their relationships with key public officials to make sure funds are available for conversions. UH11 could also attempt to secure funding for conversions from philanthropic donors – particularly those who made their fortunes in the hospitality industry – by applying public pressure that juxtaposes the fortunes amassed by these individuals and the housing crisis facing hospitality workers. Further, UH11 should continue to try to directly secure funding for housing development through collective bargaining. Finally, UH11 should explore directly providing equity for these projects from its pension funds.

- Identifying properties for conversion: UH11 should also play a major role in identifying the specific properties to be targeted for conversion. Its choices should balance two key factors: properties that meet criteria members set and that are located in jurisdictions UH11 has relationships with key elected officials in. To the first factor, the union should engage its members through surveys and workshops to identify their preferences on location, pricing, and design. To encourage active participation in the decision-making process, the union should establish member committees that focus on listening and advocating for member interests. To the second factor, by selecting properties in jurisdictions that UH11 has relationships with key elected officials in, UH11 may have more success leaning on these relationships to facilitate a project's passage through local review processes.

- Organizing its members and their communities to support conversions: One of UH11's great strengths is the organization of its members and its members' ability to mobilize themselves and their communities. The union should mobilize its members and their community allies to support their conversion efforts. This mobilization could be useful at several points of projects. For one, if UH11 identifies properties of interest that are seen as "nuisance" motels/hotels by the surrounding community, UH11 could seek to activate community support to force the sale of the property to their developer partner. Second, when projects come up for review in front of land use bodies, UH11 could mobilize its membership and allies to voice support for the project, hopefully drowning out NIMBY voices.

Cooperatives

While there are lots of resources available for acquisition of housing, UH11 needs to create additional units to avoid displacing existing residents. We identified two potential options to create LEHCs for hospitality workers in Los Angeles County. *Our first option assesses how UH11 can create a LEHC from ground-up construction or conversion of existing properties,* utilizing a variety of public funds and private financing to build a pilot cooperative housing project. *Our second option involves the union partnering with a CLT to create a stock of rental housing kept affordable in perpetuity*, eligible to hospitality workers ranging from 30 percent to 80 percent AMI, which can eventually be converted into an LEHC for wealth-building opportunities.

Create a limited equity housing cooperative (LEHC): UH11 has two paths for the creation of an LEHC. It can purchase land and build from the ground-up, taking into account member preferences for architectural features and communal spaces. It can also acquire an existing building and convert it into a LEHC, building additional units to accommodate hospitality workers eager to move in and preventing displacement of existing residents. This pilot cooperative housing project can use a variety of public funds and private financing outlined in this report, but it should take into account eligibility restrictions with each source. Before development, UH11 should inquire into who would be interested in living in a LEHC and who is most in need. Based on the income ranges and demographics of the interested households, it may be possible for UH11 to tailor a capital stack with mostly private sources that do not restrict potential tenants. Additionally, it is crucial for UH11 to consider the restrictions imposed by public programs on undocumented residents,[140] especially since many hospitality workers in the county fall into this category.

UH11 must first identify partners with experience in affordable housing development, which will help determine where to build and how to form their capital stack. These organizations must understand the complexities of a mostly BIPOC lower income workforce and be well-connected to the broader community in which they plan to develop. They must also be well-connected to potential capital partners to get the development off the ground. Nonprofit affordable housing developer Abode Communities would be an excellent partner for this project due its experience developing social housing targeted for BIPOC households. In 2019, it partnered with T.R.U.S.T. South LA in the development of Rolland Curtis Gardens, a project with 138 affordable rental units in South-Central Los Angeles. This is the largest CLT project in the city.[141] See Appendix D.3 for more information on total cost and the project's capital stack.

Based on a proposed LEHC project in Berkeley, CA, we estimated ground-up construction cost of a 65 unit LEHC built in the Koreatown neighborhood in Los Angeles to be $1.15 million per unit. See Appendix B.9 for more information on that project.

Moreover, UH11 would do well to consider creating a new, Los Angeles version of the United Housing Foundation (UHF). This organization, which may mirror many of the same collaborations of the United to House LA Coalition, can pool resources to create new social housing projects eligible to the unhoused, the working-poor, and moderate-income individuals. There is a political opportunity in Los Angeles County, where homelessness and high housing costs are seen as the most pressing issue, for a collection of organizations to recreate what UHF did in New York City.

Partner with a CLT to build affordable rental housing for eventual co-op conversion: While new funding exists, and a variety of programs increase the feasibility of UH11 creating LEHCs, other options exist to create social housing for its members. Hospitality workers may not find LEHCs worth it due to the small equity gains they could achieve on their cooperative ownership shares. Moreover, concerns about communal living were expressed by our focus groups participants.

Our second option is to provide affordable rental housing to members through collaboration with a CLT, granting residents some form of democratic control of their housing. UH11 should partner with one of the existing CLTs (see Appendix C.5) in Los Angeles that have experience in purchasing land and managing affordable housing properties on their land. Hospitality workers would still benefit from living in affordable housing kept off the market and affordable in perpetuity. They would also have a democratic voice in how the property is managed and use the savings accrued from lower rent to purchase co-ownership in the property.

CRITERIA FOR EVALUATION

CRITERIA FOR EVALUATION

For our CAM analysis, we used four criteria to evaluate the proposed policy options. These criteria are:

1. Political feasibility
2. Administrative feasibility
3. Financial feasibility
4. Effectiveness/impact

To assess each policy option along each of the criteria, we further divided each criteria into sub-criteria. Table 4 – the rubric for grading – displays these sub-criteria, how we assigned scores for each sub-criteria, and the weights assigned to each sub-criteria. For additional explanation about the criteria and how we assigned them weights, see Appendix D.1. After assigning all policy options scores for the sub-criteria, we multiplied these scores by their weights (shown in Table 4) and added up the weighted scores. This gave us an overall score for each policy option. Each policy option's score is shown in the next section.

Many of our options are non-exclusive or complementary. This means that UH11 can or even should pursue multiple of these policy options in combination with one another. However, resource scarcity is real – with UH11 having limited personnel, finances, political capital, and other resources like any other organization – so we do not recommend options that scored consistently lower in our analysis, as that suggested insufficient feasibility.

Table 4: CAM assessment rubric

Criteria	Score			Weight
	Low (1)	Medium (2)	High (3)	
Political feasibility				
Record *Has this option been proposed in the past? What kind of support and opposition has this option received in the past? Is this option likely to face similar dynamics if proposed today?*	The policy option was proposed previously and did not receive sufficient support. The political context at the time the policy was previously proposed is similar to that of today.	The policy option has never been proposed before. OR The policy option was proposed previously and received some support or opposition. However, the political context may have been different at the time it was proposed than it is today.	The policy option has been proposed in the past and received significant support. The political context at the time it was proposed previously is similar or less favorable to that of today.	0.04

Table 4 (continued)

Criteria	Score			Weight
	Low (1)	Medium (2)	High (3)	
Estimated opposition *Is this option likely to draw political opposition? Who might oppose this option? To what extent is this opposition likely to be determinative in stymying approval?*	There are groups opposed to the policy and their opposition is likely to be determinative.	There are some groups opposed to the policy but it is not clear whether their opposition will be determinative.	There are few to no groups opposed to the policy and their opposition is unlikely to be determinative.	0.08
Estimated support *Is this option likely to draw political support? Who might support this option? To what extent is this support likely to be determinative in winning approval?*	There are few groups supportive of the policy and their support is unlikely to be determinative.	There are some groups supportive of the policy but it is not clear if their support will be determinative.	There are groups supportive of the policy and their support is likely to be determinative.	0.08
Political feasibility total:				0.2
Administrative feasibility				
Authority *Does the relevant entity have the authority to implement the proposed option?*	The relevant entity has little to no authority to implement the proposed policy option.	The relevant entity has some authority to implement the proposed policy option.	The relevant entity has a majority authority to implement the proposed policy option.	0.04

Table 4 (continued)

Criteria	Score			Weight
	Low (1)	Medium (2)	High (3)	
Commitment *Does the proposed option have the commitment of key staff of the relevant entity?*	The proposed policy has little to no commitment from key staff of the relevant entity.	The proposed policy has some commitment from key staff of the relevant entity.	The proposed policy has a majority commitment of key staff of the relevant entity.	0.01
Capacity *Does the relevant entity have the resources to implement the proposed option, in terms of staff, skills, money, training, expertise, etc.? Can it serve the estimated population in the proposed policies? Will new staff be needed?*	The relevant entity has little to no resources to implement the proposed policy.	The relevant entity has some resources to implement the proposed policy.	The relevant entity has more than sufficient resources to implement the proposed policy.	0.05
Administrative feasibility total:				0.1
Financial feasibility				
Cost *Does the option require significant resources?*	This option requires significant resources.	The option requires a moderate amount of resources.	The option does not require significant resources.	0.1

Table 4 (continued)

Criteria	Score			Weight
	Low (1)	Medium (2)	High (3)	
Securing funding *Are sufficient resources likely to be secured to make the option feasible?*	The resources required for this policy option are unlikely to be secured.	The resources required for this policy option may be secured.	The resources required for this policy option are likely to be secured.	0.1
Financial feasibility total:				0.2
Effectiveness/impact				
Impact *How many units will this option create?*	This policy option will create a few units.	This policy option will create some units.	This policy option will create many units.	0.15
Speed *How quickly do we expect the option to produce results or impact the issues we are trying to address?*	The policy option will have a slow impact on the issues at hand. Implementation may take an extended period, and noticeable results are not expected in the short term.	The policy option will yield moderate results within a reasonable timeframe. The impact may take some time to happen.	The policy option is designed for quick and impactful results, addressing challenges promptly and efficiently.	0.175

Table 4 (continued)

Criteria	Score			Weight
	Low (1)	Medium (2)	High (3)	
Equity *Does this option effectively serve those experiencing the most severe housing insecurity while minimizing burdens on existing residents and impacted communities?*	The policy option does not consider those experiencing the most severe housing insecurity and imposes significant burdens on existing residents and impacted communities.	The policy option partially serves those experiencing the most severe housing insecurity and imposes moderate burdens on existing residents and impacted communities.	The policy option effectively serves those experiencing the most severe housing insecurity and provides support to existing residents and impacted communities.	0.175
Effectiveness/impact total:				0.5
Overall total:				1

EVALUATION

EVALUATION

Tables 5 and 6 show the results of our analysis. For a full discussion of how we arrived at these scores, see Appendix F.1. Though the weights given to each sub-criteria were informed and reasoned out (as discussed in the preceding section and its corresponding appendix), these weights still have a level of subjectivity. To address this, we conducted a sensitivity analysis – an assessment of how our scoring would change if the weighting for each sub-criteria were different. The results of that analysis can be found in Appendix F.2.

Table 5: Evaluations of hotel/motel conversion policy options

		Expand Homekey eligibility		Workforce Homekey program		Regulatory streamlining		Taking an active role	
Criterion	**Weight**	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Political Feasibility									
Historical Record	0.04	3	0.12	2	0.08	2	0.08	3	0.12
Estimated Opposition	0.08	2	0.16	1	0.08	2	0.16	2	0.16
Estimated Support	0.08	2.5	0.2	1	0.08	3	0.24	3	0.24
Total:	*0.2*	*7.5*	*0.48*	*4*	*0.24*	*7*	*0.48*	*8*	*0.52*
Administrative Feasibility									
Authority	0.04	3	0.12	3	0.12	3	0.12	3	0.12
Commitment	0.01	3	0.03	2	0.02	3	0.03	3	0.03
Capacity	0.05	1.5	0.08	2	0.1	2.5	0.13	3	0.15
Total:	*0.1*	*7.5*	*0.23*	*7*	*0.24*	*8.5*	*0.28*	*9*	*0.3*
Financial Feasibility									
Cost	0.1	3	0.3	1	0.1	3	0.3	2	0.2
Securing Funding	0.1	3	0.3	3	0.3	3	0.3	2.5	0.25

Table 5 (continued)

		Expand Homekey eligibility		Workforce Homekey program		Regulatory streamlining		Taking an active role	
Criterion	Weight	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
Total:	*0.2*	*6*	*0.6*	*4*	*0.4*	*6*	*0.6*	*4.5*	*0.45*
Effectiveness/Impact									
Impact	0.15	1	0.15	2	0.3	3	0.45	2	0.3
Speed	0.175	3	0.53	2	0.35	2	0.35	3	0.53
Equity	0.175	2	0.35	2.5	0.44	2	0.35	3	0.53
Total:	*0.5*	*6*	*1.03*	*6.5*	*1.09*	*7*	*1.15*	*8*	*1.35*
Overall total		**27**	**2.33**	**21.5**	**1.97**	**28.5**	**2.51**	**29.5**	**2.62**

Table 6: Evaluations of cooperative housing policy options

		Create an LEHC		Partner with a CLT	
Criterion	**Weight**	**Score**	**Weighted score**	**Score**	**Weighted score**
Political Feasibility					
Historical Record	0.04	2	0.08	2.5	0.1
Estimated Opposition	0.08	1.5	0.12	1.75	0.14
Estimated Support	0.08	2.5	0.2	3	0.24
Total:	*0.2*	*6*	*0.4*	*7*	*0.48*
Administrative Feasibility					
Authority	0.04	1.25	0.05	1.75	0.07
Commitment	0.01	1.25	0.01	2.75	0.03
Capacity	0.05	1.5	0.08	2.75	0.14
Total:	*0.1*	*4*	*0.14*	*6.75*	*0.24*
Financial Feasibility					
Cost	0.1	1.75	0.175	1.75	0.175
Securing Funding	0.1	1.75	0.175	2.25	0.225
Total:	*0.2*	*2.5*	*0.35*	*4*	*0.4*
Effectiveness/Impact					
Impact	0.15	1.25	0.19	2	0.3
Speed	0.175	1.5	0.26	2.25	0.39

Table 6 (continued)

		Create an LEHC		Partner with a CLT	
Criterion	**Weight**	**Score**	**Weighted score**	**Score**	**Weighted score**
Equity	0.175	2	0.35	2	0.35
Total:	*0.5*	*5*	*0.80*	*6.25*	*1.04*
Overall total		**17.5**	**1.69**	**24**	**2.16**

RECOMMENDATIONS

RECOMMENDATIONS

Based on the results of our CAM, we recommend that UH11 pursue the policy options displayed in Table 7. The "top recommendations" uniformly scored highest in their category for our weighted CAM, unweighted CAM, and for a large majority of runs in our sensitivity analysis. Further, the top recommendations scored highest in our top priorities of overall impact (amount of new housing created), speed (how quickly new housing got online), and equity (minimizing displacement of more housing insecure populations than our target population). As a result, our top recommendations are clear "winners" that UH11 should pursue first.

Table 7: Final policy recommendations

Top recommendations	**Hotel conversions**
	Take an active role in conversion projects
	Cooperatives
	Partner with a CLT to create affordable rental housing for eventual LEHC conversion
Also recommended	**Hotel Conversions**
	Urge Homekey administrators to expand Homekey eligibility to address operating costs issue
	Lobby local jurisdictions for expansions of regulatory streamlining for workforce conversion

The “also recommended” options were a close second- and third-ranked option in the weighted and unweighted CAM analysis for hotel/motel conversion options, and even ranked first a few times in runs of our sensitivity analysis. Moreover, because there are no obvious barriers to UH11 pursuing these “also recommended” options in addition to the top ranked active role option, and, because, in fact, pursuing these options would likely complement the top recommendation, we also recommend them.

Though we do not recommend two options – lobbying for a statewide Workforce Homekey program and creating an LEHC – in the near term due to their consistent low scores in our CAM analysis, we think that the feasibility of these options (and thus their scores) will be improved as UH11 pursues the policy options we do recommend. As such, UH11 should keep these options in the back of their mind as they pursue our recommended options.

Hotel/motel conversion

On the conversion side, we recommend that UH11 take an active role in piloting a conversion of a hotel or motel. Given UH11’s lack of housing development experience, it will be necessary for the union to partner with an experienced housing developer – and there are several non-profit developers with hotel/motel conversion experience operating in the region. UH11 could add value to these partnerships in several ways: by securing or providing funds for conversions, by identifying properties that meet the preferences of members and are located in jurisdictions in which the union has more political sway, and by organizing members and their communities to publicly support the conversion projects. Each project could create dozens of new units of affordable housing for hospitality members in the region and could build support for legislative efforts to facilitate hotel/motel conversions into workforce housing.

At the same time, we recommend UH11 pursue two lobbying efforts. UH11 should urge Homekey administrators to follow through with suggestions to implement “income mixing” in Homekey projects. This would open up housing opportunities to households at the 30 to 50 percent AMI income level that are experiencing or at risk of homelessness. Some hospitality workers would be included in this widened eligibility field. Widening eligibility would also support the threatened long-term viability of Homekey projects. Second, UH11 should urge select jurisdictions to pass measures to streamline regulatory processes to facilitate the conversion of hotels and motels into workforce housing. This could open a lot more underused hospitality properties up to conversion (in the tens of thousands at the high end of the range of estimates), thereby making a meaningful dent in the county’s affordable housing shortage.

Cooperatives

The best path forward for UH11 to establish an LEHC for hospitality workers in the county is to partner with a CLT, creating a stock of affordable rental housing for eventual conversion to a LEHC. A myriad of policies passed in the last few years have bolstered the possibilities of a CLT acquiring existing rental units and expanding on that property to accommodate new residents and prevent displacement of original residents. It may be difficult to immediately convert rental units into a LEHC due to state regulations, which make conversion burdensome and costly while preventing potential cooperative members from building significant equity on their units. While ground up construction of an LEHC would have the largest impact, a lack of financing options for the high cost of new construction make this option infeasible.

CONCLUSION

CONCLUSION

In closing, there are sensical and likely effective steps that UH11 can take to advance the creative housing models of hotel/motel conversions and housing cooperatives. The expansion of these models could meaningfully and quickly increase affordable housing opportunities for UH11 members and other hospitality workers in the county, all while minimizing displacement of other populations also facing severe housing instability. Through these efforts, UH11 could lead the way for other unions whose members here in Los Angeles and in many other high-cost metropolitan areas around the country are facing similarly desperate housing crises.

APPENDIX

APPENDIX A.1: EXPERT INTERVIEW SUBJECTS

We conducted eleven semi-structured interviews with the experts shown in Appendix Table A.1.1 on the topics of this report.

Appendix Table A.1.1: Expert interviewees

Name	Title and Association
Amy Hines Shaikh	Co-Founder of Wildcat Consulting affiliated with UH11 and the California Community Land Trust Network
Christina Oatfield	Attorney specializing in legal support for cooperatives
Gilda Haas	Executive Director of SAJE (Strategic Actions for a Just Economy); Co-Founder LA Co-op Lab; Faculty UCLA Labor Studies Program
Jan Breidenbach	Professor, Occidental College; Union activist and affordable housing advocate
Karen M. Tiedemann	Attorney specializing in cooperative development; founder of numerous LEHCs; Board Member for the California Center for Cooperative Development
Leo Goldberg	Co-Director for Policy and Capacity Building at the California Community Land Trust Network
Mike Manville	Professor of Urban Planning at UCLA specializing in local public finance

Name	Title and Association
Richard Marcantonio	Attorney at Public Advocates specializing in affordable housing
Robert Fogelman	Professor of History, Urban Studies at MIT; author of Working Class Utopias
Sandra McNeill	Consultant with the Los Angeles Community Land Trust Coalition and former Executive Director of T.R.U.S.T. South LA
Suzanne Kim	Director of Real Estate Development at the Northern California Land Trust

Hospitality-specific wage levels in Los Angeles County

A few cities in Los Angeles County have special minimum wage laws in effect that specifically apply to hotel workers. Appendix Table B.1.1 displays the details of these laws.

Appendix Table B.1.1: Hotel worker-specific minimum wage laws in Los Angeles County by jurisdiction

	Hourly wage	Hotel types
City of Los Angeles*	$19.73	60 or more hotel rooms
Long Beach^	$17.55	100 or more hotel rooms
Santa Monica**	$19.73	Not specified
Glendale**	$19.73	60 or more hotel rooms
West Hollywood	$19.08	Not specified

Sources: "Citywide Hotel Worker Minimum Wage Rate," City of Los Angeles, Revised May 2023, https://wagesla.lacity.org/sites/g/files/wph1941/files/2023-05/2023%20CHWMWO%20Wage%20Chart.pdf.
"California City & State Minimum Wages," California Payroll, Last updated December 18, 2023, https://californiapayroll.com/california-minimum-wage/.
"Minimum Wage," City of Santa Monica, n.d., https://www.santamonica.gov/minimum-wage.
"Hotel Workers Protection Ordinance," City of Glendale, n.d., https://www.glendaleca.gov/government/departments/community-development/hospitality-worker-workplace-protections.
"Minimum Wage," City of West Hollywood, n.d., https://www.weho.org/business/operate-your-business/minimum-wage.

Notes: * There is a proposed bill in front of the city council to immediately raise the minimum wage for workers at hotels with more than 60 rooms to $25 per hour and to incrementally raise it to $30 per hour by the start of the 2028 Olympics in Los Angeles (Alejandra Reyes-Velavarde, "Tourism workers seek $25 minimum wage before Olympics, World Cup in Los Angeles," *CalMatters*, June 1, 2023, https://calmatters.org/california-divide/2023/06/california-minimum-wage-2/).
^ In March 2024, Long Beach voters approved Measure RW, which will raise the wage of hotel workers to $23 on July 1, 2024 and then incrementally increase their wages to $29.50 by July 1, 2028 (Dawn McIntosh, "City Attorney's Impartial Analysis of Measure '_'," City of Long Beach, n.d., https://www.longbeach.gov/globalassets/city-clerk/media-library/documents/elections/2024/hotel-worker-minimum-wage/impartial-analysis---hotel-worker-minimum-wage-revised).
** Minimum wage for hotel workers follows the City of Los Angeles'

APPENDIX B.1: ESTIMATING RANGE OF HOUSEHOLD INCOMES OF HOSPITALITY WORKERS IN LOS ANGELES COUNTY

Much of the research on housing circumstances is segmented by household income and percentage of AMI. Eligibility for affordable housing programs and funding is dictated similarly. As a result, to do our research, we needed figures on the household incomes and AMI levels of hospitality workers in Los Angeles County. However, our client was unable to give us its data on its members. So, we relied on publicly available information to estimate the typical household incomes and AMI levels for UH11 members and other hospitality workers in the county.

Hospitality workers in Los Angeles are subject to different wages depending on their union membership status and where their employer is located. UH11 members' wages are subject to the union's collective bargaining agreements (CBAs). The minimum wages of non-union hospitality workers are set by the minimum wage statutes of the jurisdiction their employer is located in. In Los Angeles County, some jurisdictions have hotel worker-specific minimum wages that are higher than the jurisdiction's general minimum wage and the state minimum wage, some jurisdictions have general minimum wages that are marginally higher than the state minimum wage, and other jurisdictions just follow the state minimum wage. The subsequent sections of this appendix provide details on UH11's CBA wages and those of the various minimum wages in effect around the county. After we collected data on these different wage levels, we selected a wage level to serve as the estimate for that category. Then, we assessed where households of different sizes fall in relation to the AMI for these different wage estimates.

Union wages

We were able to access a Local 11 contract that expired in June 2023 from the Department of Labor's Office of Labor-Management Standards. At the end of the collective bargaining agreement between UH11 and the Viceroy Santa Monica Hotel that ran from February 2019 through June 2023, the contract's average hourly wage was approximately $25.[142] Working 40 hours per week for 50 weeks in a year at this wage level amounts to a $50,000 annual wage. Thus, we are assuming that the annual household income of the average one-income household where the wage earner is a UH11 member is $50,000 and the annual household income of the average two-income household where both wage earners are UH11 members is $100,000.

As the City of Los Angeles has the most qualifying employers – and several other jurisdictions follow its lead – we chose to use $19.73 as the estimate for the average hourly wage earned by a hotel worker making a hotel-specific minimum wage (or "elevated minimum"). Again, assuming a work year of 40 hours per week for 50 weeks, a worker making this hourly wage makes approximately $39,460 annually.

Areas with elevated minimum wages and state minimum wage

Several cities (and the county itself) have minimum wages slightly above the state level. Los Angeles County has a minimum wage of $16.90 that applies to all establishments in its unincorporated areas.[143] Malibu and Pasadena have $16.90 and $16.93 minimum wages, respectively.[144] Because these wages are so close to the state minimum wage of $16,[145] we chose to consider all workers making these minimum wages to be at the $16 level for our analysis. A worker making this wage ("minimum") makes approximately $32,000 annually.

Estimating household AMIs

With these three wage levels in hand – "union income" ($25/hour), "elevated minimum" ($19.73), and "minimum" ($16) – we estimated how households with varying numbers of earners and dependents measure up to the AMI. These estimates are shown in Appendix Table B.1.2.

Appendix Table B.1.2: Household income as a percentage of area median income (AMI) by hospitality worker household type

Wage types	**Yearly household income**	**AMI by dependents**			
		1	**2**	**3**	**4**
Two union income household	$100,000	Slightly above 80%	Just under 80%	Slightly under 80%	Between 60% and 80%
One union wage, one elevated minimum wage	$89,460	Just under 80%	Between 60% and 80%	Slightly above 60%	Just above 60%

Wage types	**Yearly household income**	**AMI by dependents**			
		1	**2**	**3**	**4**
One union wage, one minimum wage	$82,000	Slightly below 80%	Slightly above 60%	Just below 60%	Slightly below 60%
Two elevated minimum wages	$78,920	Between 60% and 80%	Just above 60%	Slightly below 60%	Slightly above 50%
One elevated minimum, one minimum wage	$71,460	Just above 60%	Just below 60%	Just above 50%	Just below 50%
Two minimum wages	$64,000	Just below 60%	Just above 50%	Just below 50%	Slightly below 50%
One union income	$50,000	Just below 50%	Slightly below 50%	Between 30% and 50%	Slightly above 30%
One elevated minimum	$39,460	Between 30% and 50%	Slightly above 30%	Just above 30%	Just below 30%

<table>
<tr><th rowspan="2">Wage types</th><th rowspan="2">Yearly household income</th><th colspan="4">AMI by dependents</th></tr>
<tr><th>1</th><th>2</th><th>3</th><th>4</th></tr>
<tr><td>One minimum wage</td><td>$32,000</td><td>Just above 30%</td><td>Just below 30%</td><td>Slightly below 30%</td><td>Slightly below 30%</td></tr>
<tr><td colspan="6">Source: “2023 Adjusted Home Income Limits, State: California,” U.S. Department of Housing & Urban Development, n.d., https://www.huduser.gov/portal/datasets/home-datasets/files/HOME_IncomeLmts_State_CA_2023.pdf.

Notes: “Just above” or “just below” means that yearly household income was within $5,000 of the income represented by the percentage of AMI listed.
“Slightly below” or “slightly above” means that yearly household income was between $5,000 and $10,000 of the income represented by the percentage of AMI listed.
“Between…” means that yearly household income was more than $10,000 away from the income represented by the percentage of AMI listed.
When a yearly household income fit multiple criteria – i.e., within $5,000 of one level and within $10,000 of another – we listed the percentage of AMI to which the income level was closest.</td></tr>
</table>

As shown in the table, all household types besides two union income households with 1 or fewer dependents, one elevated minimum income households with 4 or more dependents, and one minimum income household with 3 or more dependents are within the 30 percent to 80 percent AMI range. Thus, we will be using the 30 percent to 80 percent AMI range as our population of interest in this report.

APPENDIX B.2: FINDINGS FROM FOCUS GROUP WITH UH11 MEMBERS

In March 2024, we conducted a focus group with nine UH11 members who are employed at Universal Studios. The purpose of this interview was to gather information about the housing issues facing UH11 members directly from the source. The details of the responses to each of our questions can be found in Appendix Table B.2.1 With respect to their housing circumstances, our most notable findings were:

- The majority of those interviewed had previously faced homelessness and were worried about becoming homeless again.
- The majority of those interviewed face severe rent burden – at least 50% of their monthly income goes towards paying their rent.

We also asked the focus group participants about their thoughts on hotel/motel conversions and housing cooperatives. We found the majority of focus group members expressed interest in our policy recommendations. They were excited about the idea of lower housing costs from hotel conversions as it reminded them of living in apartments. For housing cooperatives, the group expressed interest in owning a piece of the property they live in. However, UH11 members raised some concerns about communal living related to privacy, membership, and accountability. Further details on the participants' responses to our questions about hotel/motel conversions and cooperatives can be found in Appendix Table B.2.2.

Appendix Table B.2.1: UH11 member responses to March 2024 focus group questions

Question	**Answer**	**Notes**
Do you rent?	7 out of 9 said YES	1 staying with family, 1 hotel hopping and car sleeping
Do you receive rent subsidies?	100% said NO	

Question	Answer	Notes
Have you had your rent raised?	7 out of 9 said YES	$100-$400 raise in monthly rent in the past couple of years
What percentage of your income goes towards rent?	3 - 50% 1 - 55% 1- 60% 1 - 70% 1 - 75%	1 pays about $100 per night at hotel, but often sleeps in car to save money
Do you think your rent is affordable?	100% said NO	
How long is your commute?	3 - 15 minutes 2 - 30 minutes 1 - 90 minutes	1 does not commute as they sleep in car and park near job
What would be a realistic amount to pay for rent?	$500 for a room $1,000 for 1 bed 1 bath	
Are you worried about becoming unhoused?	100% said YES	
Do you currently work more than one job?	2 out of 9 said YES	Some cannot due to inflexible hours at their current job
Have you experienced homelessness?	7 out of 9 said YES	One worker was homeless for over 4 years

Question	Answer	Notes
Have you had to have more than one job to pay rent?	100% said YES	$100-$400 raise in monthly rent in the past couple of years
Do you have positive feelings towards your landlord?	1 out of 9 said YES	1 pays about $100 per night at hotel, but often sleeps in car to save money
Do you think your rent is affordable?	100% said NO	Reason included: fixed bed bug issue in a timely manner
Do you have negative feelings towards your landlord?	7 out of 9 said YES	Reasons included: harassment, flooding, rat infestations, no communication, broken utilities, refusal to do repairs, no alerts of when utilities will be off, does not provide rent receipts

Appendix Table B.2.2: UH11 Workers' Thoughts on Policy Recommendations

Question	**Answer**	**Comments/ questions**	**Quotes**
Would you prefer living in a converted hotel or motel over your current situation?	7 out of 9 said YES	• Concerns about kitchens, laundry • If greed can be controlled then it could work • Company owned leads to greed	"It's a great idea. I've lived in hotels already, but it's expensive to be able to actually get a place." "[Workforce housing] is a good idea because those who work get looked past [for other affordable housing opportunities]."
Would you prefer living in a cooperative over your current situation?	6 out of 9 said YES	• Questions about funding and timeline • Mindset of tenants is important • Who determines how you get in? • How does it work for seniors?	

APPENDIX C.1: PROJECT HOMEKEY

In March 2020, at the start of the shutdowns, the state launched Project Roomkey (the precedent to Homekey).[146] Project Roomkey provided county and city-level agencies with Federal Emergency Management Agency (FEMA) funding to lease vacant hotel and motel rooms to temporarily house individuals experiencing homelessness. The primary purpose of Project Roomkey was to reduce the chances of COVID-19 spreading in crowded shelters and amongst unsheltered Californians.[147] In the first few months of the program, agencies leased over 16,000 hotel and motel rooms.[148]

Sensing an opportunity to put a more permanent dent in its deeply affordable unit shortage, the state launched Project Homekey in July 2020. In the first round of the program (Homekey 1.0), the state's Department of Housing and Community Development (HCD) allocated $800 million to local public housing agencies to acquire hotels and motels and convert them into interim and permanent supportive housing (PSH) for people experiencing or at risk of experiencing homelessness. Over 6,000 units in 94 properties were acquired and converted into housing units in Homekey 1.0, housing over 8,000 individuals.[149] In Los Angeles County specifically, over 1,600 units at 20 properties were acquired, converted, and occupied in the first year of the program.[150] To top it off, this work was done with significant cost savings. On average, in Homekey 1.0, it cost about $200,000 per unit to acquire and convert units into interim housing and about $270,000 for permanent supportive housing. On its surface, this sounds like a lot, but compared to the $378,000/unit price tag for conventional acquisition/rehabilitation projects and over $500,000/unit for new construction, it is clear how cost-effective Homekey projects were.[151]

Based on this success, the state put $2.75 billion towards the second round of Homekey – Homekey 2.0 – in 2021.[152] By July 2022, nearly $2 billion was awarded to fund the acquisition and conversion of 116 projects, creating 6,863 units of housing. Approximately $679 million of these funds went to 2,218 units in 34 projects in Los Angeles County.[153] And again, in 2023, the state dedicated $736 million to fund the ongoing Homekey cycle – Homekey 3.0.[154] About $605 billion of these dollars have been awarded to fund the acquisition and conversion of 2,235 units in 35 projects. 876 of these units are in Los Angeles County.[155] Given the program's success, future rounds of funding are expected.

Evaluators and practitioners of Homekey have attributed the program's productivity, speed, and cost-effectiveness to three main features. First, Homekey's authorizing language waived two regulatory requirements that are typical barriers to affordable housing development in California. Homekey-funded projects are not subject to Article XXXIV of the California State Constitution, which requires that all affordable housing projects that receive state money must be approved by the voters of the jurisdiction in which the project is located.[156] Though cities and counties have found ways around Article XXXIV's requirements in the past, it has still made it more difficult to develop affordable housing and has led projects to be abandoned.[157] Exempting Homekey-funded projects from Article XXXIV – also called "local review" – and only requiring them to receive the approval of the local planning department – allowing them to proceed "by-right" – allowed projects to proceed much more quickly and without the fear of being blocked by local voters.

Critically, Homekey projects are also exempted from CEQA. This has allowed projects to forego CEQA-required processes that are lengthy and complex in their own right, and which are often made more burdensome by groups against affordable housing development who seek to block projects by filing suits claiming projects are in violation of CEQA. To get a sense of the severity of CEQA abuse, in 2020 alone, CEQA suits were filed against an estimated 48,000 units of new housing.[158] Exempted from CEQA, Homekey-funded projects cannot be stalled or blocked by these tactics.

Homekey's funding structure has been another major facilitator of the program's success. Typical affordable housing projects require developers to secure multiple funding streams to finance the project. This slows the development of projects and adds to their costs, as it requires more budget and labor to secure these funding streams.[159] Homekey, by contrast, made sufficient funding needed for the acquisition and conversion of properties available in one place, saving its grantees the hassle of trying to "layer" many different funds.[160] This saved projects time and money.

Finally, Homekey ensured its grantees moved quickly by mandating ambitious deadlines for when funds had to be spent. In Homekey 1.0, capital funds – the money used for acquisition and conversion – had to be spent by the end of December 2020. This gave grantees about 6 months to acquire and convert these units.[161] Under Homekey 2.0 and 3.0, grantees had eight months to acquire properties, another four months to finish construction and rehabilitation, and another three months to fully occupy the property.[162] These requirements forced grantees to move and find occupants for units very quickly.

APPENDIX C.2: NON-HOMEKEY REGULATORY STREAMLINING FOR CONVERSIONS BY JURISDICTIONS IN CALIFORNIA

Regulatory changes at the state and local level have also lowered hurdles to converting hotels and motels without Homekey funds.

In 2019, the State passed SB 450, which exempted projects converting hotels or motels into supportive or transitional housing from CEQA requirements until January 1, 2025.[163] PSH is a type of housing that pairs permanent housing with supportive services and is for individuals who have experienced chronic homelessness and have disabilities or health conditions.[164] Transitional housing, also known as interim housing, is temporary housing for individuals or households experiencing homelessness that pairs short-term housing with supportive services such as housing search assistance.[165] Transitional housing is typically time-limited with typical ranges of allowed stays of between 6 and 24 months.[166] SB 91, passed in 2023, extended SB 450's indefinitely.[167] This exemption, though it only applies to supportive and transitional housing projects, makes conversions easier and faster.

Several jurisdictions in Los Angeles County have passed ordinances that change local regulatory processes to facilitate the conversion of hotels and motels into housing.

In 2021, the County of Los Angeles Board of Supervisors passed its Interim and Supportive Housing Ordinance, which sought to ease barriers to conversions in the unincorporated areas of Los Angeles County. County zoning code only has jurisdiction over unincorporated areas.[168] The ordinance includes provisions related to the temporary conversion of hotels and motels into housing and to permanent conversion.

The ordinance stipulates that temporary conversions must operate as transitional or emergency housing for Low Income households (0 to 80 percent of AMI) for at least 10 years, but not more than 20 years.[169] This code "permits and streamlines" temporary conversions of hotels and motels into transitional or emergency housing. It "permits" these conversions by significantly expanding the zones that these conversions are allowed in, allowing them in almost every zone, including R-1 (single family residence zones).[170]

For permanent conversions, the ordinance stipulates that conversions may operate as supportive, transitional, or emergency for the same target population. The ordinance allows permanent conversions in the following zones: R-2, C-H, C-1, C-2, C-3, C-M, CM-J, and MXD-RU (though not in any overlapping Very High Fire Hazard Severity Zones).[171]

The code also changes the approval process for hotel/motel conversions to ministerial review. Ministerial review only requires that projects secure approval from relevant county officials that the project is in line with planning and zoning code.[172] This change exempts projects from the more onerous discretionary review process, which can require public hearings and open up projects to public opposition, thereby increasing the likelihood that these conversions happen.

Some cities in the county have passed similar ordinances:

- The City of Los Angeles passed its own Interim Motel Conversion Ordinance in 2018. The city's ordinance makes it easier to temporarily convert hotels and motels into supportive or transitional housing for as long as the operator has a supportive housing or transitional housing contract with a "local public agency."[173] The ordinance restricts eligibility for converted units to "experiencing homelessness or those at risk of homelessness," and leaves determination of this standard to the local public agency.[174] The ordinance eases conversions by changing the review processes and zoning use restrictions: it makes conversions subject to ministerial rather than discretionary review,[175] and allows conversions in all zones.[176]
- Long Beach's 2020 Interim Motel Conversion Ordinance made projects seeking to convert motels into supportive or transitional housing for people experiencing homelessness or at risk of homelessness subject to ministerial review. It allows conversions in all zoning areas.[177] The ordinance does not state how it defines "at risk of homelessness," but other public documents from the city use the same definition as the state does for Homekey – those with incomes at or below 30 percent AMI, without access to supports to avoid homelessness, and meeting several other conditions of housing instability.[178]

Santa Monica, by contrast, passed an ordinance in 2015 that prohibits the conversion of hotels or motels into condominiums or cooperative apartments.[179]

APPENDIX C.3: IDENTIFICATION OF FINANCING OPTIONS FOR SAMPLE WORKFORCE CONVERSION PROJECT

We estimated the availability of funding for a project seeking to convert a hotel or motel into workforce housing. We did this by reviewing affordable housing programs that provide funding for projects that provide housing to households with incomes up to 80 percent AMI. We also consulted literature on housing development finance to assess how much a project of this kind could expect to get as private loans. In the sections that follow, we describe the funding sources we identified and how we landed on the numerical estimates listed in Table 2.

Given our study is looking at Los Angeles County as a whole, we did not set out to solely assess the feasibility of funding a conversion project in only the City of Los Angeles. However, two of the key funds we identified – Measure ULA and Proposition HHH funds – are City-specific funds. If the County-level sales tax hike to fund housing initiatives gets on the ballot and then passes in November, this type of project may become financially viable in other cities in the county.

<u>Development costs</u>

Loans

We estimated the maximum loan amount for a project of this kind using assumptions from the UC Berkeley Terner Center for Housing Innovation's report, *Making It Pencil: The Math Behind Housing Development (2023 Update)*.[180] The Terner Center report states that lenders require a debt service coverage ratio (DSCR) of 1.3 to make a loan. The DSCR is "calculated by dividing the project's net operating income (NOI) by the anticipated loan payment, and the NOI is found by subtracting the project's operating expenses from the project's income (that comes from rent or rental subsidies). In other words:

$$DSCR = \frac{NOI}{loan\ payment} = \frac{(income - operating\ costs)}{loan\ payment}$$

To estimate the project's rental income, we averaged the nine different household income combinations for hospitality workers in the county (see Appendix B.1), yielding an average household income of $67,933. With a rental payment of 30% of household income (the rent burden level), the project would receive an average yearly rent payment of $20,380 per occupied unit, and $19,361 per unit with a conventional 95% occupancy rate.

Using this annual per unit rental amount, an average occupancy rate of 95%, and the estimated annual per unit operating cost of $10,000, we calculated an annual per unit NOI of $9,361. To calculate the monthly per unit NOI, we divided this by 12 to get $780. Plugging $780 into the DSCR, with the minimum DSCR of 1.3, we arrived at the estimate that the maximum monthly per unit loan payment for the property is $600.

Then, we used the formula for calculating monthly payments:

$$M = P\frac{i(1+i)^{n}}{(1+i)^{n-1}}$$

where M is the monthly payment, P is the loan amount, i is the annual interest rate divided by 12, and n is the number of monthly payments.[181] Assuming a total monthly payment of $42,000 ($600 x 70 units), an 8% annual interest rate, and a 30-year mortgage (360 months), we found that the maximum principal amount the property could secure under these conditions is $6,258,278 or $89,404 per unit.

Local funding in the City of Los Angeles

Measure ULA

Measure ULA – passed in November 2022 – increased the tax on sales of homes valued at over $5 million to fund the development and preservation of affordable housing options and provide rental assistance to the residents of the City of Los Angeles. The funds devoted to the production of new housing are to be used to prioritize production for Low Income households (0 to 80 percent AMI).[182] Measure ULA is thus a potential source of funding for housing production for the population we are focused on.

The measure specifies that no more than 8 percent of annual expenditures can go towards “compliance, implementation and administration” – the rest (at least 92 percent) must go towards affordable housing and homelessness prevention programs. The measure stipulates that 22.5 to 25 percent of non-administrative spending must annually go to the construction or acquisition of affordable housing projects.[183] When these funds are allocated to a project, eligible costs include acquisition costs, predevelopment costs, construction and rehabilitation costs, soft costs, and operating costs.[184] The amount a project can receive varies by project type, and while we were unable to ascertain an estimate for acquisition and rehabilitation projects, we found information that suggests that conventional projects might be able to secure up to $150,000 per unit.[185]

However, in Measure ULA's first expenditure plan this year (FY 2023-2024), the Council appropriated zero dollars towards the construction or acquisition of affordable housing projects. Instead, the Council appropriated 54 percent of the $150 million annual expenditure towards homelessness prevention programs like short-term emergency assistance and eviction defense, about 7 percent towards administration, and the balance towards multifamily affordable housing production programs. A higher proportion of annual funds went towards homelessness prevention than was prescribed by Measure ULA (30 percent) due to the pressing need arising from the expiration of the eviction moratorium. The Los Angeles Housing Department (LAHD) also urged the council to allocate the funds towards Multifamily Affordable Housing programs rather than to acquisition and rehabilitation to prioritize supporting "shovel ready" projects. LAHD justified this by noting the uncertainty of the future of Measure ULA due to the litigation that threatened it, and said that the longer-term strategy represented by the acquisition and rehabilitation programs should be pursued upon "successful resolution of the pending litigation." Indeed, in LAHD's proposed expenditures for FY 2024/2025, the construction or acquisition funding category is funded to its ULA-prescribed levels.[186] Still, as this past year's funding process attests to, these levels are not set in stone, and to ensure these funds are available for housing production, Local 11 should lobby the City to stick with the measure's original prescription levels.

Proposition HHH

Proposition HHH funds can be used towards new construction or adaptive reuse of nonresidential structures, along with construction and permanent financing expenses.[187] The average Proposition HHH subsidy has been capped at around $134,000 per unit.[188] The proposition allows funding to be expended to fund "affordable housing units for individuals and families who are (1) "extremely low income" up to 30% of the Area Median Income, or (2) "very low income," and/or; "low income" which includes income up to 80% Area Median Income."[189] Hotel conversions for most hospitality workers would therefore be eligible under the proposition's requirements.

However, Proposition HHH has been criticized for being slow and ineffective. After the measure was approved in 2016, city officials made promises that voters would see results within six months. In reality, the first HHH-funded project did not officially open until late 2019.[190] We anticipate that the extended amount of time to receive funding may be one of the challenges that UH11 and its developers run into.

Federal funding

Low-Income Housing Tax Credit (LIHTC)
LIHTC is a federal program that provides tax credits to developers to subsidize affordable housing construction, acquisition, or rehabilitation.[191] In California, about 80 hotel properties in California have used LIHTC funds to convert part or all of their units.[192] As one of the largest affordable housing funding programs in the country,[193] LIHTC has the potential to make significant strides in improving the affordable housing crisis in the state. Households that earn up to 80 percent AMI can live in LIHTC-funded housing so long as the average income of all subsidized units is below 60 percent AMI.[194]

We calculated our estimate by looking at the California Tax Credit Allocation Committee's project report for Jordan Downs, a LIHTC-funded project that was "recommended [in 2022] for a reservation of $2,857,924 in annual federal tax credits to finance the new construction of 76 units of housing serving families with rents affordable to households earning" 20 percent to 80 percent AMI.[195] We selected this project because it mirrors the qualities we seek in UH11 conversion projects: 60 to 100 units and funding eligibility up to 80 percent AMI.

It typically takes around 2 to 3 years to obtain LIHTC funds, but partnerships with experienced developers may help speed up the process.[196]

HOME Investment Partnerships Program and the Community Development Block Grant Program (CDBG)

Other potential funding sources are two federal block grant programs: the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant Program (CDBG). HOME provides funding to states and localities for affordable housing projects,[197] while CDBG funds the development of adequate housing and assists low- to moderate-income households.[198] HOME and CDBG grants have a 80 percent AMI limit for who can be served with their funding.

We arrived at our estimates for CDBG and HOME funding through an analysis of HUD data on projects that received funding provided to select properties from 1987 to 2011.[199] To arrive at our CDBG estimates, we filtered this dataset by properties in Los Angeles that received CDBG funding and then calculated the average CDBG funding amount received per unit by those properties. The average CDBG funding received per unit of these 12 properties was $31,376.

Similarly, to arrive at our HOME estimates, we filtered the dataset by properties in Los Angeles that received HOME funding and then calculated the average HOME funding amount received per unit by those properties. The average HOME funding received per unit by those 57 properties was $62,974.

Other possible sources of funding

In the event that a developer is unable to secure the funding listed in Table 2, it will need to pursue other sources of funding. The following are potential sources.

Housing production funds won through collective bargaining

As part of last year's bargaining campaign for new contracts, UH11 pushed for the imposition of a 7 percent fee on all hotel bookings, the funds of which would go towards a new hospitality workforce housing fund. According to Kurt Petersen, co-president of UH11, a fee of this size would yield $150 million annually.[200] Though UH11 was unsuccessful in winning this contract provision in this campaign, we urge the union to continue to push for this in the future. If successful, a portion of the resulting funds could be dedicated to funding conversion projects.

Philanthropy

Philanthropic financial assistance has been an important source of funds for affordable housing. Specifically with regard to hotel/motel conversions into affordable housing, philanthropic support was key to closing operating cost funding gaps in some Homekey projects. Homekey 1.0 projects received $46 million in funds from Kaiser Permanente, Blue Cross/Blue Shield of California, and the Chan Zuckerberg Initiative.[201] In 2016, a group of philanthropies participated in the Accelerating Permanent Supportive Housing Initiative, where the foundations committed a combined $63 million to build 1,000 units each year.[202] Participating foundations included the California Community Foundation (CCF), Conrad N. Hilton Foundation, The Kresge Foundation, and the Weingart Foundation. Going forward, funding from private sources – perhaps hospitality corporations or their executives' foundations – could play a role in providing funds for hotel/motel conversions into affordable housing.

APPENDIX C.4 - ADDITIONAL LEHC INFORMATION

LEHCs operate at cost, which reduces monthly carrying charges (the replacement for paying rent) for maintaining the cooperative.[203] Furthermore, most cooperative residents choose to participate in the maintenance of the building through a set of prescribed chores, further decreasing operating costs. Because LEHCs cannot be purchased as an investment, they are cheaper than condominiums, which bear closer resemblance to owning a traditional home, by an average of about 10 percent.[204]

For residents, share prices are typically limited to 1-4% annual appreciation to ensure affordability for the next resident.[205] There is evidence that, for low income households in particular, limited equity is a viable option for building wealth with less risk.[206] Additionally, it can often create enough wealth over time for that household to purchase their own market-rate home. While these homeowners are making smaller but stable gains on equity, they are also able to use their additional spending power on wealth-building tools, such as higher education and investing.[207]

The LEHC model grants more control over the eligibility requirements for members. Rather than a single landlord deciding who can live in a property, members of the cooperative have a say in who can join. Some cooperatives can have strict guidelines for who can join to ensure the long-term stability of the cooperative and maintain harmony among the members. However, this is contingent on the financing sources for the cooperative–public subsidies and some private loans have their own eligibility restrictions. The Fair Housing Act also has its own restrictions to prevent discrimination. The International Longshoremen’s and Warehousemen’s Union (ILWU), which constructed an LEHC in the 1960s with the help of local funds, even restricted membership to residents with a union connection.

Cooperation among members is an essential aspect to LEHCs. In order to ensure the long-term stability of an LEHC, members need to participate in the democratic governance of the property and the physical maintenance of the building. This can be discouraging to renters who may prefer to remain a renter to avoid the hassle and conflict of collective governance. Our focus group participants identified this as a major concern with the prospect of living in an LEHC. Most of the participants have had tenuous relationships with housemates in the past and therefore are worried about the idea of a communal and participatory housing situation.The most successful LEHCs usually have a well-trained board of directors and membership-base. While there are a wide variety of resources available to train members and foster a successful LEHC, active participation and cohesion of the membership can make or break an LEHC.

APPENDIX C.5: COMMUNITY LAND TRUSTS AND THE LOS ANGELES COUNTY CLT PILOT

Community land trusts (CLTs) are typically owned by a nonprofit organization with professional staff experienced in managing and obtaining financing for development projects[208] and governed by a board of directors with positions evenly split between residents, community members, and experts on affordable housing.[209] This organization is commonly the sole owner and manager of the land and has control over the properties that are permitted to exist on the land, which can range from single-family homes, small businesses, parks, and limited equity housing cooperatives. CLTs are often financed in part by government subsidies, which can affect the eligibility restrictions on who can live on the land. However, unlike traditional affordable housing subsidies, which eventually expire and risk the once-affordable home being sold at market rate, CLTs can take the subsidy and keep all the properties on the land affordable in perpetuity.[210] Leases of 99 years are typically granted to building owners on the CLT at an affordable price with a requirement that the home can be sold with a fixed interest rate at an appreciation tied to the increased area median income.[211]

Building an LEHC or converting existing properties into an LEHC may be most feasible under a CLT. The trust owns the land and leases it to the cooperative, collaborating with the cooperative to manage it and maintain solvency. The board of the CLT may include both residents of the cooperative and community members who have a stake in maintaining the affordability and integrity of the specific cooperative properties, as well as the community as a whole. Moreover, the CLT has a staff of nonprofit employees with greater knowledge of securing land and managing the property.[212] While laws in California prohibit LEHCs from selling their building to real estate developers, a CLT would theoretically prevent residents of the cooperative from acting in their self-interest to the detriment of the property and broader community.

Moreover, CLTs ensure that the cooperative remains solvent, raising operating costs when necessary where an LEHC board would possibly opt to focus on the short-term benefits of lower monthly fees.[213] Moreover, CLTs receive a welfare exemption for five years after initial purchase of the real estate.[214] While members of a limited equity housing cooperative would normally have to pay property tax without the welfare exemption, a cooperative property could benefit from the welfare exemption if owned and leased by a CLT. Senate Bill 196, passed in 2019, changed the tax code so CLTs are taxed on the affordable housing sale value of its properties rather than the market value. CLTs also receive an exemption from property tax during the time between the acquisition and sale of a residential property.[215]

Los Angeles County Pilot CLT Partnership Program

The Pilot Program passed in 2020 allowed the five existing Los Angeles County CLTs to expand from acquiring tax-defaulted properties to also acquiring unsubsidized multi-family housing, preventing lower-income renters from falling into homelessness during the height of the pandemic.[216] The targeted properties were primarily in gentrifying areas with high risk of the displacement of people of color, including the neighborhoods of Boyle Heights, Koreatown, and University Park. Properties acquired and rehabilitated under the Pilot Program averaged $327,523 per unit, a significantly lower cost than new construction and 39 percent lower than the cost of projects financed by LIHTC.[217]

T.R.U.S.T South LA, established in 2005, is the largest CLT in Los Angeles County. In 2019, it acquired and constructed Rolland Curtis Gardens, an affordable housing complex with 138 units with prices used to accommodate residents in the 30-60% AMI range.[218] Project costs totaled around $517,000 per unit. More information on financing of this project can be found in Appendix D.3. Despite its relative success creating a large stock of affordable housing in South Central Los Angeles, affordable housing eligibility restrictions from LIHTC forced Rolland Curtis to accept anyone who entered the lottery system, replacing many existing residents with people deemed more eligible despite moving from outside the community.[219]

The Beverly Vermont Community Land Trust was created in 2008, and owns one of Los Angeles's only LEHC projects, Urban Soil/Tierra Urbana Co-op. Around 40 members live in the cooperative, including both shareholding owner-occupants and renters. This specific CLT has a total of four residential properties with a total of 48 homes and 75 tenants in County Supervisorial Districts 2 and 3.[220]

Liberty Community Land Trust was started in 2019 by South LA organizers, and has acquired eight properties from May 2021 to October 2022. In collaboration with the Los Angeles County Pilot CLT Program, LCLT acquired two multi-family homes in Hyde Park & Harbor Gateway. They are also currently in plans to build a new affordable housing project with community-serving ground floor retail directly across from the Leimert Park Village Metro station.[221]

El Sereno Community Land trust was founded in 2017 when a local small-business, Eastside Cafe, raised over $200,000 with the help of the nearby community to purchase the property it was located in. The trust owns five other pieces of land, including one residential property, an 8-unit apartment building acquired through the Pilot Program.[222]

Fideicomiso Comunitario Tierra Libre, located in East Los Angeles, was formed in 2019 by community members with the intention of combating gentrification. In

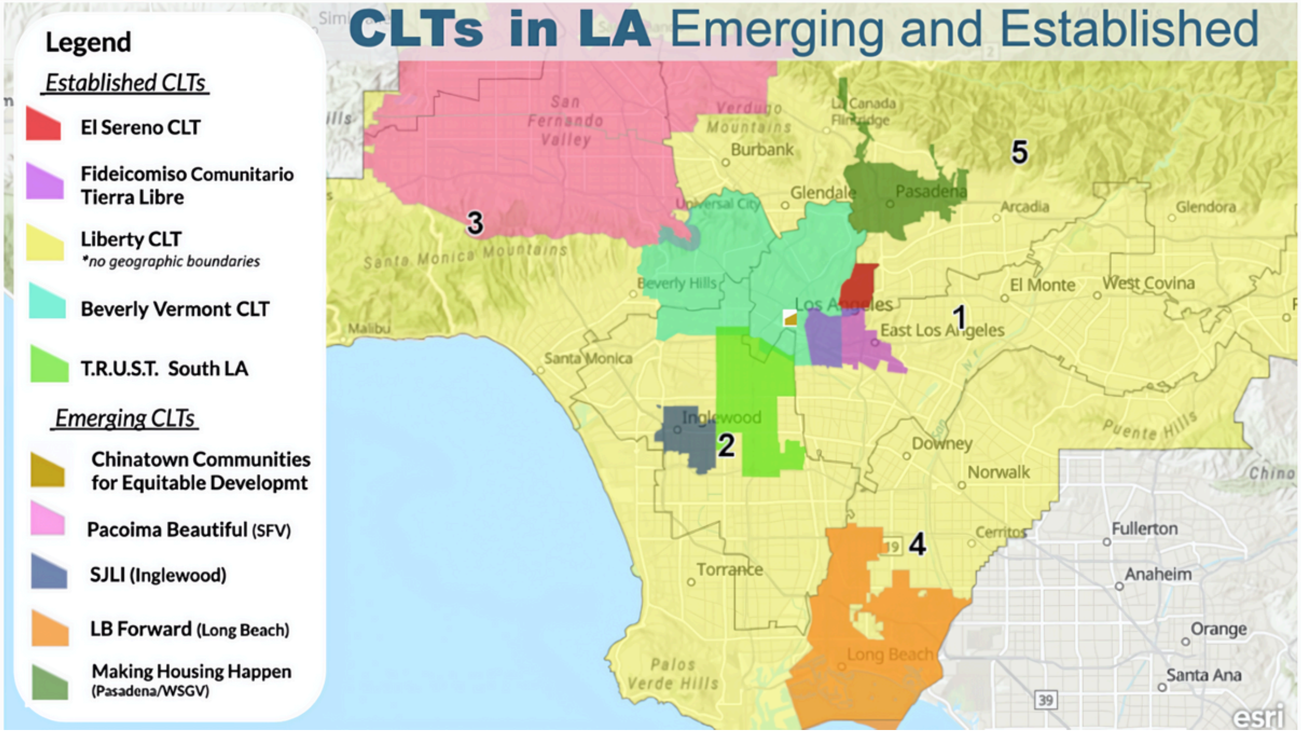
2022, the trust partnered with the Little Tokyo Service Center Community Developer Corporation and acquired an 11 unit multi-family building in East Los Angeles. They are currently working on renovation before turning over ownership to the current tenants.[223] More information on this project can be found in Appendix D.3.

Inclusion of Black Residents

One shortcoming of the Los Angeles County Community Land Trust Partnership Program identified by a report assessing the success of the program was its inability to house Black residents.[224] Out of the 43 units that were acquired through the program, only three homes were occupied by Black households. According to the CLT partners, the challenges in engaging more Black residents stemmed from the program's requirement to identify properties in each supervisorial district and the obstacle of having to rapidly acquire them. The process of identifying buildings to reach the CLT's racial equity objectives was hindered due to the sense of urgency to acquire buildings. Lack of existing data on which buildings would be the best to ensure the inclusion and prevent the displacement of Black residents could prove to be a continuing obstacle in the creation of future cooperatives.[225] Therefore, this data should be created and identified prior to the acquisition of buildings.

Appendix Figure C.5.1, below, shows land owned by CLTs in Los Angeles County.

Appendix Figure C.5.1: CLTs in LA



Source: “Hello, neighbor!,” TOPA 4 LA, n.d., https://topa4la.squarespace.com/la-clt-coalition-1

APPENDIX C.6: EXAMPLES OF SOCIAL HOUSING MODELS FIGHTING EVICTIONS

- The San Francisco Community Land Trust prevented the displacement of 14 residents in 2014 through the purchase of a property at risk of getting flipped by an outside investor.[226]
- The Bay Area Community Land Trust purchased a 13-unit building in Berkeley in 2022 after residents received Ellis Act eviction notices.[227]
- T.R.U.S.T South LA, a CLT in Los Angeles, purchased a 138-unit Section-8 property nearing the end of its expiration date in 2013, bidding against a billionaire developer who was trying to force residents out to create market-rate housing.[228]
- Through Washington, DC's TOPA law, community members purchased an 8-unit property at-risk of being sold with all the residents evicted in 2021. Baldwin House Cooperative is one of the first successful cases of Washington, DC's TOPA (passed in 1980), however, the property has faced difficulty with finances.[229]

APPENDIX C.7: A HISTORY OF COOPERATIVE DEVELOPMENT AND LABOR UNIONS

Many of the most prominent LEHCs that still stand today were created by the Amalgamated Clothing and Textile Workers Union (ACTWU) and the International Ladies Garment Workers Union (ILGWU) in New York City. These two unions would later merge to become the Union of Needletrades, Industrial, and Textile Employees, or UNITE! In the 1920s, these two unions came together with tenant leagues and religious organizations to conclude that "the housing problem of the working class could only be solved by applying the principle of 'collective self-help'," thereby eliminating landlords and their excessive profits.[230] This foundation led to the creation of the United Housing Foundation, a nonprofit housing investment trust made up of over 60 trade unions and community groups. Founded in the 1950s, the UHF funded the construction of numerous housing cooperative projects throughout New York City to address the housing shortage for union members who were not eligible for public housing but also could not afford market-rate New York City rents.[231] Many of these buildings still stand today at affordable prices. Appendix Figure C.7.1, below, shows Penn South, a 2,820 unit LEHC built in 1962 by UHF and the International Ladies' Garment Workers' Union. Appendix Figure C.7.2 below shows Amalgamated Houses, a 303 unit LEHC built in 1927 by the Amalgamated Clothing Workers of America. This was the first LEHC ever built.

Appendix Figure C.7.1: Penn South.

Source: Robert Fogelson, Working Class Utopias (New Jersey: Princeton University Press, 2022).

Appendix Figure C.7.2: Amalgamated Houses

Source: Robert Fogelson, Working Class Utopias (New Jersey: Princeton University Press, 2022)

Many cooperative projects built in the 20th century were financed by the UHF and a variety of state laws that encouraged the development of cooperatives. The New York State Limited Dividend Housing Companies Act of 1927 supported broad types of affordable housing, providing property tax exemptions, "the right for municipalities to condemn land for large-scale construction, and rents regulated and limited by the newly created Housing Board."[232] Thirteen cooperatives were built under this act in New York City, including the Amalgamated Cooperative projects.[233] Amalgamated financed the project using donations from a Yiddish-language newspaper, loans from the Metropolitan Life Insurance Company,[234] and the union's own funds.[235] A third of the capital came from membership shares, which were priced at roughly $1,750 a household,[236] or $31,000 in today's dollars.[237] Total cost of the project, including purchase of vacant land in the Bronx and construction of 303 apartments across six buildings equaled $2 million,[238] or roughly $35 million in today's dollars.[239]

Around one-quarter of affordable housing cooperatives in the country were built in New York City between 1945 to the 1960s, primarily under the UHF and the New York Limited Profit Corporations Law, better known as the Mitchell-Lama Act.[240] The Mitchell-Lama Act, passed in 1955, created around 60,000 affordable cooperative units in the 1950s and 1960s by encouraging "the development of moderate-income housing through property tax exemptions and low-interest loans (financed by state revenue bonds) to developers who agreed to restrict their dividends."[241]

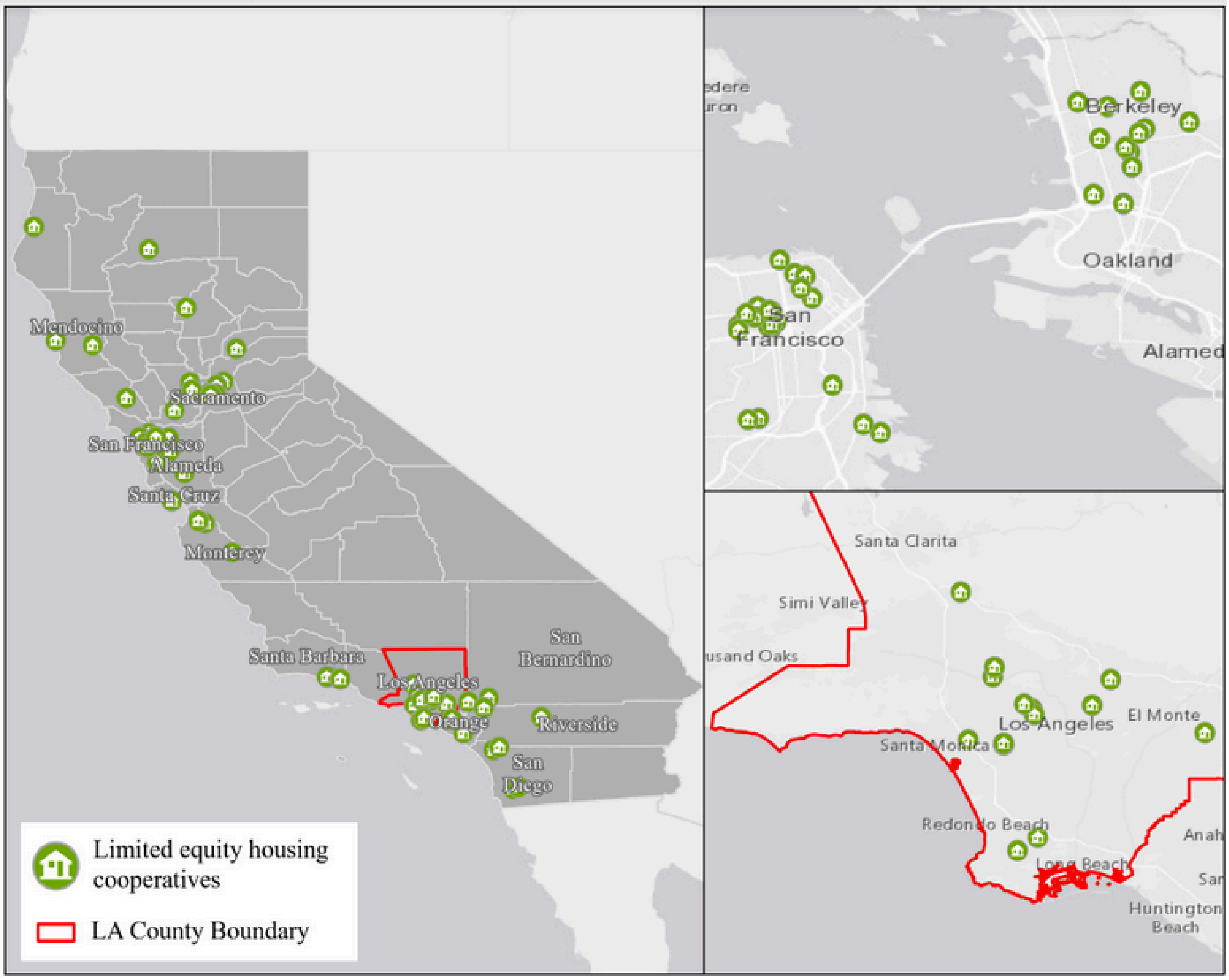
Federal funding was instrumental in the establishment of many cooperatives around the country in the mid-20th century, as many public housing projects were privatized and turned into cooperative housing. Over half the affordable housing cooperatives built in this country were financed by federal programs, and nearly every cooperative outside of New York City used federal funding.[242]

Cooperative developments in New York City in the 20th century were primarily tailored to middle-class, mostly white, union members who were not eligible for public housing and not wealthy enough to afford traditional homeownership in the suburbs. Made possible by strong partnerships with the government, which was often most interested in developments that facilitated urban renewal and slum clearance[243] in the inner-city, these projects were used as a tool for improving the tax base of dwindling neighborhoods in NYC, displacing existing residents who were mostly low income people of color. Penn South in Manhattan was one such project that displaced thousands of existing residents,[244] "in which the opposition (to the development) claimed that the residents were being 'moved into slums, not out of them.'"[245] Financed with federal and state funds, "Penn South became part of the (New York City's) larger strategy to remove blight and to attract and retain the middle class."[246] Just a few years after the construction of Penn South, the UHF broke ground on Co-op City, the largest housing cooperative in the world. While the project avoided mass displacement of existing residents, it was only made possible by the city's massive investment in urban renewal. Co-op City would go on to house 60,000 residents, costing $285 million for the acquisition of vacant land in the Bronx and for the construction. Around $263 million of this cost was financed by the New York's State Housing Finance Agency. Share prices were $450 a room with $23 carrying charges,[247] or $4,475 and $229 in today's dollars.[248] While partnership with government and powerful real estate developers helped New York City's unions build dozens of affordable workforce housing, these developments largely "drove a lasting wedge between historically working class unions and the working poor."[249]

St. Francis Square, a limited equity housing cooperative in downtown San Francisco built during the Civil Rights Era by the International Longshore and Warehouse Union, was a more successful example of working class solidarity. In response to slum clearance and urban renewal policies, increasingly segregating the city by race, ILWU sponsored the creation of a racially diverse and affordable 299-unit housing cooperative.[250] Largely funded using the union's pension fund, the complex still offers some of the most affordable homes in one of the most expensive neighborhoods in the country.

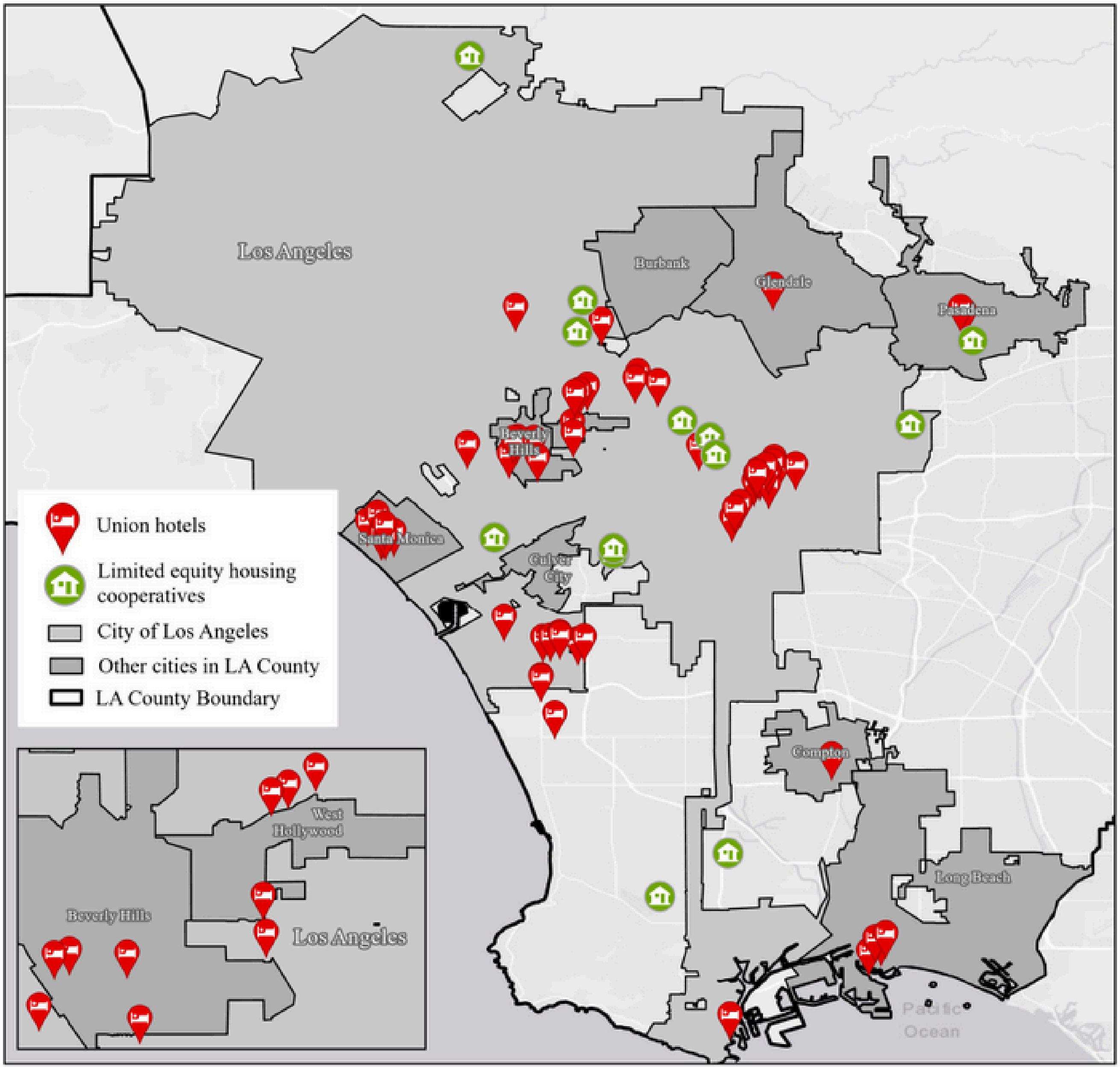
APPENDIX C.8: MAPS OF LEHCS IN THE STATE AND LOS ANGELES COUNTY

Appendix Figure C.8.1: LEHCs in California, Bay Area, and Los Angeles



Source: Authors' visualization of 2021 California Center for Cooperative Development data[251]

Appendix Figure C.8.1: LEHCs in California, Bay Area, and Los Angeles



Source: Authors' visualization of 2021 California Center for Cooperative Development data and UH11 data

APPENDIX C.9: MODEL LEHC CONSTRUCTION- WOOLSEY GARDENS AND PROPERTYRADAR ANALYSIS

The City of Berkeley, CA recently entitled a site to the Northern California Land Trust (NCLT) to construct a 65-unit community-ownership housing project, named Woolsey Gardens.[252] Every unit will be a limited equity condominium or a LEHC, with 33 units targeted toward 80% AMI or lower and the rest targeted toward 120% AMI or lower. NCLT plans on partnering with local community organizations to select and prepare eligible households, centering racial equity in the selection process. It will target households excluded from homeownership or displaced from the increasingly unaffordable South Berkeley neighborhood. The ground floor of the building is also planned to be leased to local nonprofit agencies fighting homelessness.

If the project receives the necessary funding, Woolsey Gardens will be one of the largest LEHC projects built from the ground up in California in a few decades, with 24 proposed LEHC units.

This project has a $70 million pre-development cost, with a per-unit cost of about $1.08 million. So far, it has officially received a $1 million predevelopment grant from the California Energy Commission and a $1 million predevelopment loan from the City of Berkeley. NCLT's Director of Real Estate Development, Suzanne Kim, provided additional information regarding the financing of the project. A large amount of the financing will come from public subsidies and membership shares, primarily for the limited equity condominium units. Around $5 million in downpayment assistance from CalHOME is granted only to the condominium units. Moreover, these units are exempt from certain state cooperative regulations that limit the amount share prices can contribute to the capital stack. Kim specified that the NCLT is working on making the LEHC units eligible for CalHOME, as well.

The Northern California Land Trust states that this building would be a replicable solution to meet the affordable housing demand. Woolsey Gardens would be built on a small parcel lot of 8,000 square feet using mass timber construction, a faster and cost-efficient method of building. Moreover, this building can bypass burdensome regulatory requirements that hinder affordable housing development. The site is 0.25 miles from a BART station, deeming it eligible for the Bay Area Transit Oriented Communities policy, which allows for higher-density housing projects to be built in transit zones. Moreover, the project is eligible for the SB 35 entitlement process, which allows for CEQA exemption for properties built on certain multi-family housing projects built on infill sites[253] in jurisdictions that have not met their Regional Needs Housing Allocation.[254]

The LEHC units will be fully furnished studios with kitchenettes, full bathrooms, and access to a full shared kitchen located in a central common area on each floor. The condominium units will be 1-bedroom or 2-bedroom apartments.

Based off the replicability of this project and the similar land values between Berkeley and the following proposed Los Angeles site, we used Woolsey Gardens as a model for the ground-up construction of an LEHC in the Koreatown neighborhood of Los Angeles. Using PropertyRadar.com, a property search tool used by CLTs, we found a foreclosed property on a similarly sized parcel (7,852 feet) with an assessed value of $4,713,040, located at 3900 W 6th Street. While this land is commercially zoned, with a 2-story commercial building still standing on the lot, Assembly Bill 2011 (effective July 2023) allows certain residential developments to be constructed on commercially-zoned land as well as be exempt from CEQA. This would require the proposed LEHC to be 100% affordable with all units dedicated to lower income households.[255] Moreover, this land is located within a block of the Wilshire/Western Metro station,[256] defined as a major transit stop by the Los Angeles County Transit Oriented Communities program.[257] With roughly $5 million acquisition cost[258] and a $70 million construction cost (based off Woolsey Gardens), a 65-unit LEHC could be built in the heart of Los Angeles for around $1.15 million per unit.

APPENDIX C.10: POTENTIAL PRIVATE FUNDS FOR LEHC DEVELOPMENT

For UH11 to develop a LEHC in Los Angeles County, their capital stack would require a large proportion of private financing. Moreover, for minimum co-op membership restrictions, UH11 would need to finance most of their project with private funds to avoid the eligibility restrictions of public funds.

Penciling out the pre-development cost of a project would require a partnership with affordable housing developers and the city to determine which sites to purchase and how to construct the property. This report, instead, identifies sources of private financing, besides traditional banks, and gap funding[259] for both ground-up construction and conversion that could potentially be used for the project. Appendix Table C.10.1 lists several private lenders (as alternatives to traditional banks) with experience financing CLTs and LEHCs or potential interest in funding a project sponsored by a labor union.

Appendix Table C.10.1: Private lenders with CLT and LEHC experience or interest in a labor-sponsored affordable housing project

<table>
<tr><td>Genesis LA
• The Genesis Capital Investment Fund (GFIC) provides real estate projects for underserved communities with a maximum loan of $4 million for acquisition, predevelopment, construction, and permanent financing.
• The GCIF provided $525,000 for Community Mosaic, a 4-unit multi-family house in South Central Los Angeles owned by T.R.U.S.T. South LA. GCIF also provided $2 million to Corazon Del Valle, an 180-unit affordable housing project for households between 30% and 60% AMI located in Panorama City, a 20-minute drive from Universal Studios.</td></tr>
<tr><td>Community Ownership for Community Power (COCP) Fund
• The COCP Fund, created in 2023, is a $22 million philanthropic grant program focusing specifically on shared equity housing projects for low income communities of color in California. All five land trusts in the Los Angeles County CLT Pilot Program are partnered with this fund.</td></tr>
</table>

Local Initiatives Support Corporation (LISC) • LISC is a large national CDFI with offices in dozens of major cities, including Los Angeles. It offers several loan products including predevelopment, acquisition, and construction loans, with maximum loans of $10 million and 7.85% interest rates. It has financed 9 affordable housing projects in Los Angeles County with a total investment of over $92 million. • LISC has financed LEHC projects around the country, such as LA Union Buena Vista Apartments in Washington, DC. In 2022, LISC provided a $6.66 million acquisition loan for a 34-unit building being purchased by its tenants using TOPA for them to convert into an LEHC.
Enterprise Community Loan Fund • The ECLF is a CDFI under the national nonprofit, Enterprise Community Partners, that offers similar loan products as LISC and has been known to finance shared equity developments. Through a partnership with the LA Housing Department, its New Generation Fund provides up to $10 million of acquisition loans "to preserve or establish long-term affordability in existing rental housing properties in the City of Los Angeles." This fund provided nearly $9 million in new construction loans to Abode Communities and T.R.U.S.T. South LA for the Rolland Curtis Apartments project. • In 2019, Enterprise provided a $3.2 million loan to the Bay Area Community Land Trust for the purchase of a 13-unit apartment building with plans to soon convert into a cooperative this year.
National Cooperative Bank (NCB) • While not a CDFI, this bank provides funding to cooperative businesses, cooperative housing, and underserved communities who are commonly shut out of loans from traditional banks. In 2022, it provided nearly $130 million in loans to affordable housing projects. • NCB partnered with the state of California to finance dozens of LEHCs in the 1980s and 1990s, but since then, "most jurisdictions and nonprofits in California moved to use their limited resources to develop affordable rental housing with tax credits as the key financing tool." Today, it focuses on market-rate housing cooperatives, and eligibility is limited to cooperatives already in existence for at least 2 years.

Shared Capital Cooperative • Shared Capital Cooperative is a national CDFI that provides financing specifically to cooperative businesses and cooperative housing for low income communities. In 2023, 33 loans totaling $13.2 million were dispersed under this program.
Sources: “Genesis Capital Investment Fund,” Genesis LA, n.d., https://genesisla.org/gcif/. “Portfolio,” Genesis LA, n.d., https://genesisla.org/portfolio/. “Affordable Housing,” LISC, n.d., https://www.lisc.org/our-initiatives/affordable-housing/. “LISC Resource Library,” LISC, n.d., https://www.lisc.org/our-resources/?categories=14#resource-library. “Rolland Curtis Apartments Project Summary,” New Generation Fund LLC, n.d., https://static1.squarespace.com/static/5140e3b6e4b089f4051fb2c1/t/58011c1c579fb39d6518b629/1476467751233/RollandCurtis.pdf. “Affordable Housing Preservation Loan Term Sheet,” New Generation Fund LLC, n.d., https://static1.squarespace.com/static/5140e3b6e4b089f4051fb2c1/t/63fcd604184ac63994b4fa25/1677514244763/FINAL+COMBINED+TERM+SHEETS+2+27+2023.pdf. Heather Bromfield, “A Golden Opportunity Could Reshape California's Pursuit of Affordable Housing,” Enterprise Community Partners, Inc., January 25, 2024, https://www.enterprisecommunity.org/blog/golden-opportunity-could-reshape-californias-pursuit-affordable-housing. David J. Thompson, “This California limited equity housing cooperative model could create affordable housing nationwide,” NCBA CLUSA, January 15, 2019, https://ncbaclusa.coop/blog/this-california-housing-co-ops-ownership-model-could-create-affordable-housing-nationwide/. “About United States of America,” Housing International, n.d., https://www.housinginternational.coop/co-ops/united-states-of-america/. “Catalyze the Community Ownership Movement,” Community Ownership for Community Power Fund, n.d., https://communityownership.fund/. “About,” Shared Capital Cooperative, n.d., https://sharedcapital.coop/about/.

APPENDIX C.11 - CONDOMINIUM CONVERSION ORDINANCES IN LOS ANGELES COUNTY

Local condominium ordinances further conflate condominiums and cooperatives by restricting the number of condominiums that could be constructed to preserve affordable housing, incorrectly extending these limitations to housing cooperatives as well. Most cities mentioned group stock cooperatives with condominiums, however, per California Business and Professional Code § 11003.2 , this does not include LEHCs.[260]

Appendix Table C.11.1: Condominium Conversion Ordinances

Jurisdiction	**Ordinance Details**
County of Los Angeles	The County of Los Angeles has a condominium conversion ordinance that includes stock cooperatives
City of Los Angeles	The City of Los Angeles has condominium conversion regulation that includes stock cooperatives.
City of Pasadena	Pasadena has a condominium conversion ordinance that includes stock cooperatives.
City of Santa Monica	Santa Monica has a lengthy set of requirements for condominium conversions. Moreover, there is a $1,000 per unit tax for the construction or conversion of/into condominiums. The Santa Monica Municipal Code does not distinguish housing cooperatives from condominiums, thereby applying both the condominium tax and other legal requirements. There is no exemption for LEHCs - “a cooperative apartment will be subject to the same restrictions, conditions and taxes as condominiums and community apartments.”

Jurisdiction	Ordinance Details
City of Long Beach	The City of Long Beach has a condominium conversion ordinance that includes stock cooperatives.
Sources: CA Bus & Prof Code § 11003.2 (2020). County of Los Angeles, Code of Ordinances, Chapter 8.48 (1979). City of Los Angeles, Municipal Code SEC. 47.06 (2007). City of Pasadena, Code of Ordinances § 16.08.085 (19980). City of Santa Monica, Municipal Code § 9.24.040 (2015). City of Santa Monica, Municipal Code § 6.76.010 (1978). City of Santa Monica, Condominium and Cooperative Tax Law § 6.76.020 (1978). City of Long Beach, Municipal Code Chapter 20.32 (2023).	

APPENDIX C.12: AVAILABILITY OF MEASURE ULA FUNDS FOR COOPERATIVE HOUSING

The feasibility of establishing shared equity housing cooperatives in Los Angeles has been buoyed by the passage of Measure ULA. The measure includes specifications for how dollars going to programming must be spent, with some of these specifications making funding and resources available to shared equity housing cooperatives.

As discussed in Appendix C.3, 22.5 to 25 percent of non-administrative funds must annually go to the construction or acquisition of affordable housing projects. The measure specifies the types of organizations that are allowed to own the properties that are constructed or acquired with these funds. The measure lists public entities, local housing authorities, 501(c)(3)s, community land trusts, and limited equity housing cooperatives.[261] Recent estimates suggest that Measure ULA will collect approximately $150 million annually,[262] meaning a minimum of approximately $31 million must go toward construction and acquisition.

Another 10 percent of non-administrative funds (approximately $14 million at minimum) must annually go towards the acquisition and operation of existing affordable housing units. The same stipulations around ownership that include CLTs and LEHCs apply to this directive, too.[263]

Finally, the measure annually dedicates 10 percent of non-administrative funds (again, approximately $14 million at minimum) for three purposes that specifically support social housing models. One is to provide funds to “support single family and cooperative homeownership opportunities” through avenues like but not limited to “down-payment assistance, shared equity homeownership, and redevelopment funding.” Another stipulates that “capacity-building” funding should be provided to CLTs “and other organizations that serve and have representative leadership from Disadvantaged Communities and facilitate tenant ownership.” The third calls for “long-term operating assistance” funds to be provided, with priority given to “projects housing Acutely Low Income Households and/or Extremely Low Income Households” and those that “maintain non-profit ownership, Community Land Trust stewardship, and/or shared-equity tenant ownership.”[264]

If the City Council upholds these principles in its annual spending plans for ULA dollars, the feasibility of establishing and maintaining shared equity housing cooperatives in Los Angeles should be greatly improved.

APPENDIX D.1: “CONVERSION FRIENDLY” JURISDICTIONS AND CANDIDATES FOR LOBBYING WITHIN 3 MILES OF A UNION HOTEL

Appendix Table D.1.1: “Conversion friendly” jurisdictions and candidates for lobbying within 3 miles of a union hotel

Jurisdiction	**Sign of friendliness**	**Union hotels within 3 miles**	**Motels and hotels with 100 or fewer rooms in the city**
Culver City	Converted motel into interim and permanent supportive housing through Homekey	21	21
West Hollywood	Converted motel into interim housing through Homekey	14	12
Inglewood	Converted motel into permanent supportive housing through Homekey	10	50
Burbank	Professed openness to hotel/ motel conversions in its active five-year homelessness plan	6	16
Carson	Converted motel into permanent supportive housing through Homekey	5	6

Jurisdiction	Sign of friendliness	Union hotels within 3 miles	Motels and hotels with 100 or fewer rooms in the city
Redondo Beach	Converted hotel into permanent supportive housing through Homekey	2	10
Compton	Converted motel into interim housing through Homekey	1	10
South Gate*	Discussed redeveloping hotels and motels, identified good candidates, and pledged to "actively pursue" Homekey funding in its active Housing Element	0	29
Note: * There is not a union hotel within three miles of South Gate but the city is close to Downtown Los Angeles and Compton and has good public transportation options to the LAX area where there are union hotels.			

APPENDIX D.2: POTENTIAL PARTNERS FOR CONDUCTING HOTEL/MOTEL CONVERSIONS

As the practice of hotel/motel conversions has emerged in the state and around the country in recent years, developers have established proficiency in the practice. Appendix Table D.2.1.shows a few developers who might be good partners for a conversion project.

Appendix Table D.2.1.: Los Angeles area developers with hotel/motel conversion experience

Abode Communities • Nonprofit affording housing developer in the Los Angeles area • Participated in the conversion of Project Homekey project Vista Dorada
Jamboree Housing • Nonprofit affordable housing developer • 12 years of experience with hotel and motel conversions • Secured $55.3 million in Homekey funding thus far
Thomas Safran & Associates • Affordable housing developer and manager • Participated in the Dunbar Hotel conversion project
Coalition for Responsible Community Development • Los Angeles community developer • Participated in the Dunbar Hotel conversion project
National Community Renaissance CORE • Nonprofit community developer that specializes in affordable, mixed-income, senior, workforce, and special needs housing • Involved in the Casa Luna conversion during the COVID-19 pandemic

Sources: “2023: A Year of Firsts,” Abode Communities, n.d., https://abodecommunities.org/2023-a-year-of-firsts/.

“Motel Conversions: Proven solution to end homelessness throughout California,” Jamboree Housing, n.d., https://www.jamboreehousing.com/pages/what-we-do-housing-development-motel-conversions.

“30 Years of Transforming Lives and Communities,” National Core, https://nationalcore.org/.

Donna Kimura, “Historic L.A. Hotel Becomes Affordable Seniors Housing,” Affordable Housing Finance, July 9, 2014, https://www.housingfinance.com/developments/historic-l-a-hotel-becomes-affordable-seniors-housing_o.

APPENDIX D.3: RENTAL AND LEHC PROPERTIES OWNED BY CALIFORNIA CLTS

Appendix Table D.3.1 lists residential properties, either rental or LEHC, owned by California CLTs. This is meant to provide UH11 with a sense of how much the acquisition and renovation of these properties cost and how much the share prices and monthly charges are for residents.

Appendix D.3.1: Rental and LEHC properties owned by California CLTs

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Solano Avenue Cooperative Apartments Berkeley	13 rental units owned by Bay Area Community Land Trust	2022	$7.1 million for acquisition and rehabilitation / $550K per unit	$3.2 million from Enterprise Community Loan Fund $3.9 million from the City of Berkeley's House Trust Fund	X	X

Appendix D.3.1 (continued)

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Purple House San Francisco	10 LEHC units owned by San Francisco Community Land Trust	2012	X	Mortgage provided by ClearingHouse CDFI Individual lenders provided short-term bridge loans for down payment and closing costs SFCLT covered remaining costs	X	X
Fairview House Berkeley	9 LEHC single-room units with a shared kitchen and bathrooms owned by the Northern California Land Trust. Restricted to 60% AMI or lower.	X	X	X	$1,100 plus one month deposit	$695 (combination of room cost, food/household supplies, and utilities)

Appendix D.3.1 (continued)

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Addison Court Housing Cooperative Berkeley	10 LEHC units owned by North California Land Trust eligible for 50%, 60%, and 80% AMI	1996	X	X	$4,712-$6,277	$1,097 - $1,326 (based on AMI level)
285 Turk St San Francisco	40 rental units owned by the San Francisco Community Land Trust (plans to convert into LEHC). Average tenant is 30% AMI.	2021	$10.1 million for acquisition and renovation / $252,500 per unit	$4.5 million loan from the Self Help Federal Credit Union $3 million loan from the Bay's Future Fund (managed by LISC) $1.37 million in equity from SFCLT Private donations	X	X

Appendix D.3.1 (continued)

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Merry-Go-Round House San Francisco	14 bedrooms, two shared kitchens, 4 shared bathrooms. Rental units owned by the San Francisco Community Land Trust eligible for 60% AMI or lower.	2014	$1.7 million for acquisition / $121,428 per bedroom	$390,000 short-term loan provided by previous building owner Boston Private Bank & Trust Company provided the rest of the financing	X	$800 average rent
Ninth Street Co-op Berkeley	5 1-bedroom LEHC units owned by the Bay Area Community Land Trust	1986	X	X	$5,500	$430-690
Vecinos 23 Los Angeles (1 mile north of USC)	Rental duplex owned by T.R.U.S.T. South LA	2021	$824,231 for acquisition / $412,115 per unit	$724,231 grant from Los Angeles County $60,000 CDFI loan from Genesis LA $40,000 private grant	X	X

Appendix D.3.1 (continued)

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Reclamar La Tierra Los Angeles (Pico Union)	Rental 4-plex owned by T.R.U.S.T. South LA	2022	$1,442,026 for acquisition / $360,506 per unit	$1,273,000 grant from Los Angeles County $44,026 projected loan from Genesis LA $125,000 UNIDAD CBA grant	X	X

Appendix D.3.1 (continued)

Name & Location	Description	Year	Total cost / Per unit cost	Capital stack	Share price	Monthly carrying charges/rent
Rolland Curtis Gardens Los Angeles (Exposition Park)	138 rental units owned by T.R.U.S.T. South LA eligible for 30-60% AMI	2019	$8.33 million for acquisition, $63 million for construction of 90 additional units / $517,000 per unit	LIHTC Permanent and construction loans from Wells Fargo California HCD Affordable Housing and Sustainable Communities program, Infill Infrastructure Grant Program, and Multifamily Housing Program	X	$633-$1,757 for 1-3 bedrooms
700 Simmons Ave East Los Angeles	11 rental units owned by Fideicomiso Comunitario Tierra Libre	2021	$2,790,250 for acquisition and rehabilitation / $260,477 per unit	$75,000 in pre-development funds from SPARCC and Genesis LA	X	X

Sources: Heather Bromfield, "A Golden Opportunity Could Reshape California's Pursuit of Affordable Housing," *Enterprise Community*, January 25, 2024, https://www.enterprisecommunity.org/blog/golden-opportunity-could-reshape-californias-pursuit-affordable-housing.

Appendix D.3.1 (continued)

<table>
<tr><th>Name & Location</th><th>Description</th><th>Year</th><th>Total cost / Per unit cost</th><th>Capital stack</th><th>Share price</th><th>Monthly carrying charges/rent</th></tr>
<tr><td colspan="7">“Our Approach,” SFCLT, n.d., https://www.sfclt.org/our-approach1#our-buildings.
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Adizah Eghan, “Mission Tenants Avoid Eviction and Gain a Long-Term Home,” KQED, February 18, 2015, https://www.kqed.org/news/10375692/mission-tenants-avoid-eviction-and-gain-a-long-term-home.
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“Ninth Street Co-op,” Bay Area CLT, n.d., https://www.bayareaclt.org/our-houses/ninth-street-co-op.</td></tr>
</table>

Appendix D.3.1 (continued)

"Ninth Street Co-op," Bay Area CLT, n.d., https://www.bayareaclt.org/our-houses/ninth-street-co-op.

"Community Land Trust Conference" (PowerPoint presentation, Community Land Trust Conference, California Community Land Trust Network, CA, October 13-14, 2022), https://www.cacltnetwork.org/wp-content/uploads/2022/10/CLT-Innovations-Slides.pdf.

"The New Rolland Curtis Gardens Preserves and Expands Transit-Adjacent Affordable Housing in Los Angeles," HUD User, April 19, 2021, https://www.huduser.gov/portal/pdredge/pdr-edge-inpractice-041921.html.

Stephen Sharp, "Rendering vs. Reality: Rolland Curtis Gardens Redevelopment," *Urbanize Los Angeles*, July 24, 2019, https://la.urbanize.city/post/rendering-vs-reality-rolland-curtis-gardens-redevelopment.

"700 Simmons Ave," Enterprise Community Partners, n.d. https://preservation-next.enterprisecommunity.org/fideicomiso.

APPENDIX E.1: EXPLANATIONS OF CRITERIA FOR EVALUATION

Political feasibility

Political feasibility is a critical consideration when assessing whether to recommend a policy option. Political feasibility refers to the likelihood that a policy option will receive the support or avoid the opposition necessary to be approved by the individuals or bodies that have the power to approve or disapprove a policy or project. For example, a policy option that calls for a new ordinance to be passed by a city might be said to be “politically feasible” if it is likely to secure the support of a majority of city councilmembers and the city’s mayor. If an option is politically infeasible, depending on its score along other criteria, it may make little sense to pursue the option as it is unlikely to be achieved. If an option is politically feasible, depending on its score along other criteria, it may make more sense to pursue the option as it is likely to be achieved.

To assess political feasibility, we will evaluate the policy option along the following sub-criteria: record, estimated opposition, and estimated support. For each sub-criteria, we assign a policy option a score based on our assessment of which scoring measure the option hews most closely to. We will multiply this score by its sub-criteria weight.

We have assigned a weight of 4 percent for record and a weight of 8 percent to both expected opposition and support because, while historical reception of a policy is important, present dynamics are more important in determining the political success or failure of a policy. The estimated ease or difficulty of garnering political support can impact it as well.

Political feasibility is an important criteria because all our policy options require the buy-in of political figures, and without this buy-in, the overall feasibility of an option is likely to be significantly impaired. However, estimating political feasibility is not a fool-proof exercise, and recognizing that our assessment of the political feasibility of an option could be incorrect, we have not tried not to over-weight it. Therefore, we have assigned political feasibility an overall weight of 20 percent – higher than the administrative feasibility criteria but well below the chiefly important effectiveness/impact criteria weight.

Administrative feasibility

Administrative feasibility refers to the likelihood that the relevant entity – e.g., a government agency, developer, union, etc. – can implement a policy option successfully. To assess administrative feasibility, we will evaluate each policy option based on three sub-criteria: authority, commitment, and capacity.

A policy option will score highly along the authority sub-criteria if the entity responsible for implementing the policy has the legal right to do so. A policy option will score highly along the commitment sub-criteria if the relevant entity has leadership who are interested in implementing the option. A policy option will score highly along the capacity sub-criteria if the relevant entity has the organizational resources required to implement the policy option. After we assign each policy option scores for the three sub-criteria, we multiply these scores by the weighting given to each sub-criteria. The sub-criteria weights are determined by what we believe is more crucial to the implementation and management of the policy options.

The sub-criteria of authority has a weight of 4 percent. The relevant authority to implement the proposed policy option must be considered as, if they do not have the legal authority to carry out the option, the project will be far less feasible. Commitment has a low weight of 1 percent because, if ordered, we believe that the relevant entity's staff will carry out the policy as they likely share the goals of leadership to build out more housing. Capacity has a weight of 5 percent because of the importance of sufficient resources to successfully carry out the policy recommendations.

The overall administrative feasibility weight is the lowest of all the criteria. This is because administrative feasibility is highly dependent on personnel, and without access to that information, our estimates of these scores are rough. As a result, we weight administrative feasibility at 10 percent.

Financial feasibility

Cost is a tremendous hurdle to solving the housing crisis. The disparity between the increase in the county's population and the dwindling housing supply has sent housing costs skyrocketing, making many affordable housing projects financially infeasible. Moreover, obtaining funding for an affordable housing project through assistance from federal, state, and local programs is extremely complicated. For UH11 to facilitate the conversion of small hotels and motels into affordable housing and the creation of shared equity housing, an analysis of the costs and funding options is necessary to measure the feasibility of these opportunities. This section evaluates the financial feasibility of our aforementioned policy options in two ways: if the policy option requires significant resources and how likely it is for these resources to be secured.

An option will receive a higher "financial feasibility" rating if the option does not require UH11 to expend a significant amount of their resources (time, staffing, funding, etc.), and there are sufficient outside resources that can be secured to push the project forward. To assess financial feasibility, we will evaluate the policy option along a few sub-criteria, shown in Table 4. The sub-criteria are: cost and securing funding. We have assigned a weight of 10 percent for both sub-criteria, assigning them equal weight in determining our financial feasibility.

Financial feasibility has an overall weight of 20 percent because financing will be necessary for all of the policy recommendations. Without financing, a policy option is unlikely to succeed or even begin. Due to limited funding streams, it is important to make sure the option recommended will make the most use out of it. Still, because our different policy options require widely varying scales of funding, we do not want to over-value financial feasibility in our analysis.

Effectiveness/impact

Effectiveness and impact are important to consider in evaluating the viability of policy options. We will look at effectiveness, which is the extent to which the policy option achieves its intended goals, and impact, which gauges the overall influence and lasting consequences on the issues at hand. Each sub-criterion will be assigned a score based on our evaluation of how closely the option aligns with low, medium, or high impact. These scores will be multiplied by their respective sub-criteria weights. We will sum up the resulting multiples, yielding a composite score that signifies the option's overall effectiveness and impact.

To assess effectiveness and impact, we will consider sub-criteria such as impact, speed, and equity. Equity has a weight of 17.5 percent. Our evaluation will consider equity as it applies to union and community members, particularly those experiencing the most severe degrees of housing insecurity and economic need. We pay close attention to the distribution of burden, cost, and afforded services, with special consideration for the intersectional identities of UH11 members. Disparities in access to housing resources in Los Angeles County based on factors such as race, ethnicity, gender, age, and disability are well documented. Patterns of racism, segregation, and structural inequity contribute to differential housing outcomes and service experiences. It is important to us that our policy recommendations do not contribute to or reproduce these existing issues. Additionally, we intend to provide equitable housing solutions that limit community displacement and do not contribute to further burden on affected populations.

UH11 wants to help as many hospitality workers as possible and has the responsibility as a union to help their members which is why overall impact will be considered and has a weight of 15 percent. UH11 also wants to help as many hospitality workers in the shortest amount of time because of the immense impact of the housing crisis. Evictions and homelessness are on the rise, the faster a solution can work the more of this it can prevent. That is why speed has a weight of 17.5 percent. UH11 also cares deeply about not worsening the housing crisis for those facing housing insecurity as it seeks to address the crisis facing its members and other hospitality workers. That is why equity has a weight of 17.5 percent. These are UH11’s top considerations, and their weighting reflects that. All together, the effectiveness and impact criteria has a weighting of 50 percent. This reflects the criteria’s chief importance to UH11.

APPENDIX F.1: POLICY OPTION EVALUATIONS (HOTEL/MOTEL CONVERSIONS)

Option 1: Expand Homekey eligibility

Political feasibility

There is some interest in expanding Homekey eligibility. In light of the difficulties Homekey projects have faced in securing sufficient operating costs, evaluators and key administrators of Homekey have suggested expanding eligibility for some units in Homekey projects. UC Berkeley's Terner Center for Housing Innovation and Enterprise Community Partners, Inc. both called for more "income-mixing" as a way to address the operating cost deficits many Homekey projects are facing.[265] Several key administrators have also voiced interest in greater "income-mixing." Ann Sewill, the General Manager of the Los Angeles Housing Department, and Timothy Lawless, a Branch Chief of the California Department of Housing and Community Development, have both publicly indicated support for greater income mixing, with Mr. Lawless speaking on behalf of the agency.[266] Sewill, though, has only indicated interest in small adjustments in eligibility – allowing the inclusion of some households at risk of homelessness with 30-50 percent AMI incomes.[267] The support of these organizations and administrators suggests that other policy organizations and administrators could favor expansion, which would be valuable to efforts to expand eligibility. (Record: 3) (Estimated support: 2.5)

Advocates focused on the interests of people experiencing homelessness might oppose "income-mixing," arguing that it will result in less housing available to Extremely Low Income households experiencing or at risk of homelessness. These groups' opposition might be mitigated if they were presented with information about how insufficient operating costs are threatening Homekey projects, and how many units Extremely Low Income households stand to lose if Homekey projects cease operation. These advocates might be more supportive if only enough "income-mixing" was allowed to raise sufficient operating funds. Moreover, homelessness advocates are likely to be interested in opening up housing opportunities for the population that is being considered for eligibility – Very Low Income households also experiencing or at risk of homelessness – so they may even be supportive of income-mixing. That said, these advocates might argue that a better way to address the operating costs issue is for jurisdictions to provide more operating cost subsidies. (Estimated opposition: 2)

Administrative feasibility

We were not able to confirm that Homekey administrators could implement “income mixing” without legislative action. However, based on how key administrators have spoken about the possibility of “income mixing” publicly, we believe that it is possible to do so without additional actions of the legislature. (Authority: 3)

Based on the public comments by key administrators, there seems to be interest and commitment to implementing this policy option among key decision-makers. (Commitment: 3)

This policy option would not require significant changes to how Homekey is already administered. Though there would be changes to the target population in terms of income, Homekey could still use the CES system for intake as the program would still be focused on households experiencing or at risk of homelessness. However, Homekey properties are, by and large, configured for single room occupancy (SRO), which may not be the appropriate housing type for multi-person workforce households. (Capacity: 1.5)

Financial feasibility

This policy option would not require additional funding and would improve the financial viability of Homekey projects. (Cost: 3) (Ability to secure funding: 3)
Impact/effectiveness

Expanding eligibility to allow some households with incomes between 30 and 50 percent AMI who are experiencing or at risk of homelessness would provide a few more housing opportunities for hospitality workers in Los Angeles County. Specifically, single-income households at all wage levels (union wage, hospitality-specific minimum wage, and state minimum wage) with one or more dependents, and double-income households making state minimum wages with 3 or more dependents all sit in the 30 to 50 percent minimum wage category. If 10 percent of the Homekey 3.0 units in Los Angeles County were made available to these Very Low Income households, roughly 100 units of housing would be made available. (Impact: 1)

Given the speed with which Homekey projects come online, this option would quickly make units available. Moreover, this option could be implemented at Homekey properties that are already online. (Speed: 3)

Income-mixing would replace some Extremely Low Income tenants with Very Low Income tenants, which, at first glance, has negative equity implications. However, despite the difference in income, these Extremely Low Income tenants would also be experiencing or at risk of homelessness, indicating they are also experiencing the most severe housing insecurity. Moreover, income-mixing would improve the long-term viability of Homekey projects housing Very Low Income tenants. Still, the fact that some Extremely Low Income tenants would lose out must weigh down this option's equity score. (Equity: 2)

Option 2: Establish a Homekey-like program for workforce conversions

Political feasibility

A Homekey-like program with a focus on hotel and motel conversions for workforce housing has not been proposed before in California. (Record: 2)

In the current fiscal environment, we do not foresee an entirely new program with a similar price tag to Homekey's being especially politically feasible. Much of recent housing legislation has focused on streamlining rather than new funding.[268] In fact, with an expected budget deficit, the Governor's initial budget proposal this year has called for cuts to housing programs.[269] This is not final and housing advocates may be able to shift budget priorities, but an entirely new program on the scale of Homekey seems infeasible in the current deficit environment. Advocates may be more focused on retaining spending levels for existing programs than calling for new ones. Perhaps this calculus will change in a different fiscal environment. However, even in a different fiscal environment, some advocates might still be against it, arguing that hotels and motels should remain as a housing option for Extremely Low Income households as they have in response to past bills that have sought to open up hotels and motels for wider housing uses.[270] (Estimated support: 1) (Estimated opposition: 1)

Administrative feasibility

As the legislature had the authority to pass the legislation that created Homekey, so too would it have the authority to pass legislation to create a Homekey-like program focused on establishing workforce housing. (Authority: 3)

We do not foresee any issues related to the commitment of officials tasked with implementing a program of this kind. (Commitment: 2)

Much of the necessary infrastructure for a workforce housing-focused Homekey program already exists. Government agencies and developers' lessons from Homekey would have great relevance to a workforce program. A different intake system for tenants would be required, however, as the CES system used for Homekey would not be relevant. (Capacity: 2)

Financial feasibility

A new workforce Homekey program would carry a significant price tag. The most recent Homekey cycle, Homekey 3.0, carried a $736 million tag.[271] Even with the new program not requiring operating subsidies thanks to the target population's capacity to pay higher rent amounts than the original Homekey population, the program's price tag would still be in the hundreds of millions of dollars range. (Cost: 1)

The program would provide acquisition and conversion costs. Rent would provide more than enough operating costs. Average per unit rent payments of $19,361 (see Appendix C.3) is nearly double our estimated annual per unit operating costs of $10,000. As such, these projects would have some room to lower rent or to accept a higher proportion of lower income tenants. (Ability to secure funding: 3)

Impact/effectiveness

The last complete round of Homekey – Homekey 2.0 – created 2,218 units in Los Angeles County.[272] With a similar amount of funding, a workforce Homekey program could be expected to produce half as many units – approximately 1,100 – as the SRO model employed by Homekey would not fit for the workforce population. Instead, two units would have to be combined to provide more apt housing for this population. (Impact: 2)

The high cost of a workforce Homekey may be prohibitive for the political feasibility of this program in the current fiscal environment. As such, it may be several years before passage of a new program of this size is possible. Once passed, using Homekey 3.0's timeline, we could expect funds to be allocated within 8 months,[273] and, using timelines of other motel-to-workforce-housing conversions, expect projects to come online in around 6-8 months.[274] All told, this would equate to a timeline of a few years. (Speed: 2)

Small hotels and motels are often used as housing of last resort for individuals experiencing housing instability.[275] If a workforce Homekey program were established, selected properties would not be available for these uses. To mitigate this, a workforce Homekey program should consider three requirements: only allowing motels or hotels to be converted that have been vacant for a specified period of time (e.g., a month); giving all long-term tenants of properties entering conversion to a right to return, and/or granting the original Homekey program an initial opportunity to consider and acquire a property. These requirements, alone or in combination, would mitigate some of the equity concerns of a workforce Homekey program. (Equity: 2.5)

Option 3: Pass regulatory streamlining policies for workforce conversions in promising jurisdictions

Political feasibility

Regulatory streamlining legislation for workforce conversions has not been proposed in most of the promising jurisdictions we have identified, except for Pasadena where it was passed. Much of the conversion facilitation legislation that has been passed in these jurisdictions has been proposed and passed as part of a larger effort to address homelessness. For example, the City of Los Angeles' legislation was passed to fulfill part of its Comprehensive Homeless Strategy.[276] If UH11 were to further highlight the issue of the deficit of workforce housing and move these jurisdictions to incorporate strategies to address this shortage into their governing housing plans, this could improve the political feasibility of these conversion ordinances.

UH11, other unions and worker organizations, and developers are likely to be supportive of ordinances of this sort. UH11 should work with other unions and worker organizations to flex their political might to get these pieces of legislation passed. Developers are only likely to be supportive up to a point, depending on the extent of the inclusionary requirements written into the legislation. When the California Apartment Association sponsored AB 2580 in the 2020-2021 legislative session and SB 621 in the 2021-2022 session – bills that would have streamlined and reduced regulatory hurdles to converting hotels and motels into multifamily housing statewide – they only wrote in requirements that at least 10 percent of units had to be income-restricted for households at 80 percent AMI and below.[277] As a result, a sizable coalition of housing and homelessness advocacy organizations opposed these bills, citing that the affordability requirements were insufficient. According to the coalition, without greater affordability requirements, the most substantial effect of this legislation would be the removal of "older, lower-cost hotels and motels," a source of deeply affordable housing, from the market.[278] More research is necessary to assess inclusionary requirements that would garner the support of both parties. Still, even if a balance could be struck between developers and affordability advocates, legislation of this sort would have to contend with NIMBY groups, likely to oppose legislation that changes land review processes. Indeed, in Pasadena, the Council and Planning Commission adopted a ministerial process that included public hearings, due to worries about public backlash.[279] (Record: 2) (Estimated support: 3) (Estimated opposition: 2)

Administrative feasibility

Jurisdictions have the legal authority to pass this legislation. State-level legislation waiving CEQA review might not be necessary, as past legislation that has sought to streamline hotel and motel conversions into housing to address homelessness has found that these conversions are exempt from CEQA review. (Authority: 3)

We do not foresee any issues with administrative commitment to implementing these policies. (Commitment: 3)

The most significant challenge related to capacity would be the added demands on jurisdictions to enforce affordability requirements in converted buildings. Agencies tasked with enforcing the jurisdictions' housing laws may require additional resources to ensure that building operators are conforming to affordability standards. Perhaps worker and community organizations could assist with the enforcement of these affordability standards. (Capacity: 2.5)
Financial feasibility

As discussed in the Challenges & Opportunities section, hotel and motel conversions into workforce housing are financially feasible with existing sources. Streamlining regulatory hurdles would only make projects cheaper and pencil out more easily. Moreover, streamlining legislation costs jurisdictions little except any fees it waives as part of the regulatory streamlining process. (Cost: 3) (Financial feasibility: 3)

Impact/effectiveness

These policies could result in a significant increase in workforce units. As shown in Appendix Table E.1.1, If every hotel or motel with under 100 rooms were converted into workforce housing in the jurisdictions we recommend UH11 target, over 12,000 units could be made available for workforce housing. We arrived at this number by dividing the total number of current units by 2 to reflect the combinations that would likely have to occur to make the units suitable for workforce housing. (Impact: 3)

Appendix Table E.1.1: Property and unit estimates in target jurisdictions

Jurisdiction	**Motels and hotels with 100 or fewer rooms in the city**	**Units in motels and hotels with 100 or fewer rooms in the city ***
Burbank	16	398
Barson	6	143
Compton	10	219
Culver City	21	422
Inglewood	50	1,596
Long Beach	95	2,099
Los Angeles	627	15,018
Pasadena	23	818
Redondo Beach	10	326
South Gate	29	500
Unincorporated areas	77	2,477
West Hollywood	12	457
Total	976	24,473
NOTE: * This is likely an undercount as some properties are missing unit count data. Those properties only record if the property has more than or fewer than 50 units.		

Passing this legislation would not immediately create new housing. After passage – which itself could take several years – nonprofit and for-profit developers would then need to go through the entire development process, from acquiring the property through renovation. A project in San Diego County which converted a limited service motel into workforce housing had a total redevelopment period of 14-18 months. However, this project had to go through a typical redevelopment process without the regulatory streamlining that this policy option would institute. As such, we anticipate that these projects could come online in between the 6-8 months it took the San Diego project to complete renovations and the 14-18 months its non-streamlined development process took.[280] All told, it would take several years for projects enjoying this regulatory streamlining to come online. (Speed: 2)

Further research is needed to ensure this legislation does not have adverse equity implications. For one, those interested in advancing this legislation should obtain a count of the scale of the usage of hotels and motels as long-term housing by low income tenants around the county. Any legislation that facilitates the conversion of hotels and motels should include a right to return for existing long-term tenants, but estimates of the long-term population might change UH11's strategy in pressing for these policies. For example, if a jurisdiction's hotels and motels have an especially high long-term population, UH11 might choose to refrain from advancing these policies incentivizing conversions in these areas. This legislation should also include right-of-refusal clauses to allow Homekey the first opportunity to buy and convert hotels and motels. In addition, more research is needed to assess minimum developer requirements for market-rate allowances to ensure developers take on these projects. (Equity: 2)

Option 5: Taking a more active role in developing conversions

Political feasibility

Homekey creates precedent for these sorts of projects. As such, key political stakeholders will likely be familiar with and amendale to conversions. (Record: 3) UH11 may run into some NIMBY opposition to these projects depending on where the projects are located. However, this opposition may be mitigated if properties are selected that local residents do not like as hotels or motels. These residents, often disposed towards opposing affordable housing development, may prefer workforce housing to budget motels in their neighborhood. (Opposition: 2) Ensuring housing affordability remains a top priority for UH11 members, other hospitality workers, and much of the Los Angeles community, so we anticipate a wide coalition of support will form to advance these projects. (Support: 3)

Administrative feasibility

There are no legal barriers preventing UH11 from undertaking a project of this kind. (Authority: 3) We see no reason why, if UH11 and a developer decided to undertake a project of this kind, there would be nothing less than full commitment. As discussed, housing affordability issues have been at the forefront of union member and low-wage worker struggles all across the United States.[281] (Commitment: 3) Strong partnerships between developers, especially those with experience with small hotel and motel conversion, and less experienced organizations are essential to a project's administrative feasibility. As shown in Appendix D.2, there are many developers experienced with hotel/motel conversions that UH11 could partner with. (Capacity: 3)

Financial feasibility

As discussed in our funding analysis, the funds exist to perform a project of this kind in the City of Los Angeles. The projects are also far less costly than ground-up development. Still, though the funds exist, a major challenge will be braiding these funds as these programs often operate on distinct timelines.[282] Partnerships with developers with experience braiding funding streams will help though. (Cost: 2) (Securing funding: 2.5)

Impact/effectiveness

Individual projects would not create a large number of units. However, a successful workforce conversion could create a replicable framework for future conversion projects and build support for legislation that would facilitate conversions. The City of Los Angeles' efforts to facilitate motel and hotel conversions into housing to address homelessness was conceived to facilitate the work of a pilot program run by Brilliant Corners.[283] Similarly, if UH11 were to pilot a conversion project for workforce housing it could demonstrate the feasibility of a model and build future support for more conversions (and legislation to facilitate them). (Impact: 3)

This policy option would likely house people the fastest aside from the option expanding Homekey eligibility. This is because it would immediately start the redevelopment process rather than attempt to pass new legislation first. Though without this regulatory streamlining the projects would be slowed, using the same workforce conversion project from San Diego County as an example, we could expect a total redevelopment period of 14-18 months.[284] However, pre-development challenges – actually securing funds and properties – as well as any Los Angeles-specific land use delays would likely extend this timeline. (Speed: 3)

UH11 and their partner developer could select properties that do not have long-term residents. Further, with stake in the projects, UH11 could work to ensure that protocols are set where tenants with higher levels of housing security would have their rental applications prioritized. (Equity: 3)

APPENDIX F.1: POLICY OPTION EVALUATIONS (COOPERATIVES)

Option 6: Creating an LEHC

Political feasibility

Cooperative development by labor unions has many successful historical examples in the 20th century. Although the political landscape and funding options available during the creation of these cooperatives were vastly different, there is a possibility for these practices to be replicated with certain policy changes. Recent history, however, has seen no examples of LEHC development in the state of California, and labor unions have not been involved in LEHC development for several decades. (Record: 2)

LEHC development faces similar challenges to any affordable housing development. NIMBY opposition could play a factor in developing additional multi-family affordable housing. Acquisition of existing units may garner opposition from local community groups who are wary of the gentrifying effects of new development or from existing residents of buildings being acquired for conversion. It is essential for UH11 to take into account the needs of the communities they wish to serve, which will be discussed more in the effectiveness/impact section below. Moreover, acquisition of existing rental housing for LEHC conversion would require support from existing residents, who must not be displaced and must be on board for the conversion before additional units can be added to accommodate new hospitality workers. Additional opposition may arise in the form of corporate real estate developers, who have engaged in fighting more progressive housing policies such as Measure ULA, and would be bidding against UH11 for the purchase of land or existing properties. (Estimated opposition: 2)

UH11 has a wide range of support systems to help them develop an LEHC, including CLTs, affordable housing developers, favorable local officials, and organizations that comprise the United to House LA coalition. The possibility of cooperative development is most buoyed by this broad range of support. Moreover, an opportunity to create a new United Housing Foundation (UHF) would greatly enhance the potential for creating LEHCs for hospitality workers, opening up new sources of funding and partnerships. (Estimated support: 3)

Administrative feasibility

Constructing a LEHC from the ground up is an expensive, time-consuming, and burdensome process that has not been accomplished in California on a large scale in more than three decades.[285] In general, building large multi-family affordable housing projects is extremely difficult. It involves identifying a site, purchasing the land, conducting a feasibility analysis, obtaining approval from the local government and financing from various sources, and constructing the property. With high and rising land and construction costs and a myriad of other legal and financial hurdles for cooperative development, there are many challenges to the administrative feasibility of UH11 sponsoring their own LEHC.

As mentioned in the Challenges and Opportunities section, numerous legal, tax, and financial hurdles exist for LEHC development in California. Prolonged political advocacy from UH11 may be required to change these state laws.

Ground-up construction of a LEHC may be easier in many ways than the conversion of an existing building. The Subdivided Map Act, which treats converted cooperative properties as a condominium rather than a single parcel entity, and the Subdivided Lands Act, which requires going through the cumbersome process of acquiring approval from the Department of Real Estate, make LEHC conversion more difficult than ground-up construction.[286] Moreover, ground-up construction allows UH11 more flexibility in deciding exactly how their pilot LEHC property would be structured, with the opportunity for potential members to give input on their living preferences. However, there are many opportunities for UH11 to acquire, rehabilitate, and expand existing multi-family or single-family properties. New construction and acquisition will be reflected in the Administrative Feasibility and Financial Feasibility as one composite score.

UH11 has no expertise in developing cooperatives. Every project developed by early iterations of UH11 were many decades ago in completely different regulatory, political, and financial environments. While there are various affordable housing developers that can steward UH11 through the process, the score reflects solely UH11's ability to sponsor a LEHC. (Authority: 1.25)

Our client contacts from UH11 express a strong interest in LEHC development, however focus group participants expressed some doubt and confusion. Cooperatives require full commitment from potential members and assistance from the sponsor for long-term viability, and without strong partnerships, commitment is strongly lacking. (Commitment: 1.25)

UH11's strongest resource for LEHC development is its pension fund and partnerships with other housing advocacy groups and elected officials. Besides that, they have very few resources for LEHC development. (Capacity: 1.5)

Financial feasibility

While there is very limited data on the cost of constructing a LEHC in California, construction costs would likely be very similar to building a traditional affordable rental property, which has reached upwards of $1 million a unit across the state.[287] Appendix C.9 provides a cost estimate of a model LEHC construction project in Berkeley, CA, with per unit costs of $1.07 million. Ground-up construction is an extremely expensive process that may be out of reach for UH11. For UH11 to pencil out construction of a new LEHC, a large proportion of funds must come from philanthropic donations and public subsidies. As mentioned prior, public subsidies can restrict who UH11 can choose to live in the property, although there are options to market aggressively to potential members. While financial analysis of a hypothetical project is outside the scope of this project, we can determine based on other projects that ground-up construction is much more costly than acquisition and rehabilitation of existing units. Through partnership with developers, UH11 would need to figure out the most cost-effective and impactful method of acquiring and adding units. Some options are single-family home purchase with ADU/JADU additions or large multi-family apartment purchase with expansion using Transit Oriented Communities. Unfortunately, losing the welfare tax exemption on an affordable rental property through conversion to a cooperative makes many of these ideas financially infeasible. Taking into account the high cost of ground-up development and the much lower cost of acquisition and rehabilitation, as well as the need for large public subsidies that have not been utilized yet, this option gets a relatively low composite score. (Cost: 1.75)

Public funding options for LEHC development are scarce but buoyed by recent policies that have not yet come into effect. Private financing is also difficult, but a variety of CDFIs and community-interest lenders may be interested in a UH11 LEHC project. Ground-up LEHC construction funding would be more difficult to secure than acquisition-rehabilitation funding, as most of the newer public funding options listed in this report are tailored toward conversions of existing buildings. (Securing funding: 1.75)

Effectiveness/Impact

A UH11 LEHC pilot program would be small-scale. Because there has been no large-scale LEHC development in California for a few decades, UH11 would do well to create a pilot project with less than 40 units. Due to the aforementioned difficulties of LEHC development, starting small would enhance the speed of the project, which could otherwise easily become a decade-long project. While the quality of this affordable housing should come into consideration for the impact, this criteria is focused solely on the amount of units the option can create. (Impact: 1.25)

This will likely be a multi-year project. Acquisition and rehabilitation may speed the process by a great deal, but it will still be a relatively long process given the urgent need for affordable housing in the region (Speed: 1.5)

There is potential for this option to replicate what housing cooperatives often did in the past, contributing to gentrification and displacement (see Appendix C.7). This option focus on providing additional affordable housing to hospitality workers, avoiding any negative externalities of new development. Local community groups may see new construction or rehabilitation as contributing to gentrification and rising local property values, leading to higher rents for nearby tenants. Moreover, acquisition of existing rental housing for LEHC conversion would require support from existing residents, who must not be displaced and must be on board for the conversion before additional units can be added to accommodate new hospitality workers. Moreover, those experiencing homelessness and housing insecurity must remain the top priority. UH11 is focused on housing hospitality members, who are shut out from many of the existing state housing programs aimed at those especially housing insecure. However, our clients have emphasized that this LEHC must be completely additive to the county's housing landscape. (Equity: 1.75)

Option 7: Partnering with a CLT to build rental housing for eventual LEHC conversion

If UH11 chooses to avoid sponsoring a LEHC in the current landscape, they can avoid all the legal and financial hurdles that have prevented cooperative development in the state until now. There is momentum for social housing legislation in California, and the regulatory changes needed for easier LEHC development may be on the horizon. Until that point, UH11 can take advantage of the broader support for CLTs in the county and the state.

Political feasibility

While UH11 does not have a history of partnering with CLTs in housing development, they currently have connections with the CLTs in the Los Angeles CLT Coalition and the California CLT Network. CLTs have a strong track record of development for lower income communities of color in Los Angeles County and California, and would receive a high score on the historical record category. This creates a relatively high composite score. (Record: 2.5)

The forces that may be in opposition to development of rental properties under a CLT are similar to that of option 6. However, it would be easier to convince existing residents of an acquired property to stay, as LEHC conversion would not begin for at least several years. (Estimated opposition: 1.75)

The estimated political support for this project would be similar to that of option 6, however, there has been more local support for CLTs than LEHCs, evident by the County's passage of TOPA and the CLT Pilot Partnership Program. (Estimated support: 3)

Administrative feasibility

There is nothing legally or politically hindering UH11 from partnering with a CLT to create new housing besides how UH11 members feel about this prospect. UH11 members have been active and enthusiastic about the union's affordable housing campaigns and would likely be supportive of a partnership with local CLTs, who already serve similar populations of lower income people of color. (Authority: 1.75)

Partnership with a CLT would remove much of the administrative burden of affordable housing production and maintenance from UH11, which must focus its resources and time on collective bargaining and organizing tactics. As a result, commitment and capacity receive high ratings, because CLTs have a vested interest in the realm of affordable housing, particularly for the demographics of most Los Angeles County hospitality workers. (Commitment: 2.75) (Capacity: 2.75)

Financial feasibility

UH11 may still be required to invest in the creation of affordable rental housing under a CLT, particularly if it wants to market exclusively to hospitality workers. Total cost of the project would be similar to option 6. (Cost: 1.75)

Building rental housing is much easier than building an LEHC, mainly due to the ability to use LIHTC. However, CLTs should avoid this financing source, as it places an ownership stake in a for-profit entity for the 15-year compliance period.[288] The goal of a CLT is community ownership of the land and properties, and thus, this would be antithetical and burdensome to the structure of the CLT. Moreover, conversion to a cooperative is not possible until the end of the 15-year period, and projects rarely become financially free from requiring LIHTC funding immediately after this period.[289] Besides tax credits, there are still many state and local funding options for lower-moderate income rental housing, however, UH11 would need to choose options that could allow them to eventually convert to a LEHC. Similar challenges to obtaining private financing arise with CLTs, as lenders are not as familiar with this model.[290] (Securing funding: 2.25)

Effectiveness/Impact

Compared to an LEHC pilot, this option will be much more far-reaching. CLTs in Los Angeles County have experience acquiring properties over 100 units and affordable housing developers have been producing large-quantity residential properties for decades in California. However, new construction of large-scale affordable housing properties, composed mostly of affordable units, are rarely built without LIHTC. A range of 40-80 affordable units for 30-80% AMI eligible households would be a successful start for this option.

While there are many benefits to partnership with a CLT, UH11 would substantially relinquish control over who can live in the units, lowering the amount of units available to the target population of hospitality workers. (Impact: 2).

Similarly, the speed of the project is greatly enhanced due to the familiarity of rental housing development. CLT acquisition of existing properties would be further simplified by removing the complications of LEHC conversion. (Speed: 2.25)

By partnering with a CLT, UH11 would relinquish some of the power they have to decide who gets to live in the property. CLTs are primarily concerned with helping community members in need, and may be opposed to prioritizing a hospitality worker moving from the outskirts of the county to someone already living in the community where the property will be built. There were equity issues with the LA CLT Pilot Program, namely providing housing for very few Black households due to program guidelines and urgency requirements, which is explained more in Appendix C.5. (Equity: 2)

APPENDIX F.2 SENSITIVITY ANALYSIS

Method

We conducted our sensitivity analysis by assigning random weights to our eleven sub-criteria 100 different times. For each "run," we normalized the random weights so that all the weights across the sub-criteria added up to 1. We then multiplied the weights by the scores assigned to our policy options for each run. Finally, we calculated the percentage of times each policy option had the highest, second highest, third highest, and lowest score across all 100 runs.

Results

Conversions

The results of our sensitivity analysis for our conversion policy options (shown in Appendix Table F.2.1) showed that, even with random weightings, our highest scoring policy option for conversions both when unweighted and with our chosen weights – "Taking an active role" – scored the highest most often. With 100 random weightings, "Taking an active role", received the highest score of the four policy options 88% of the time and had an average rank of 1.14. The most interesting finding from our sensitivity analysis was that "Expanding Homekey eligibility" rather than "Regulatory streamlining" was the second highest scoring option with 100 random weightings. Whereas "Regulatory streamlining" scored second highest in our unweighted and selected weighting analyses, "Expand Homekey eligibility" was the second highest scoring option 71% of the time in our sensitivity analysis and had an average rank of 2.09. "Regulatory streamlining" by contrast had an average rank of 2.77. The "Workforce Homekey program" scored the lowest of the four options – ranking last 100% of the time.

Appendix Table F.2.1: Results of sensitivity analysis for conversion policy options

	Expand Homekey eligibility	**Workforce Homekey program**	**Regulatory streamlining**	**Taking an active role**
1st	10%	0%	2%	88%
2nd	71%	0%	19%	10%
3rd	19%	0%	79%	2%
4th	0%	100%	0%	0%
Average rank	**2.09**	**4**	**2.77**	**1.14**

Cooperatives

The results of our sensitivity analysis for our cooperative policy options. Just as for the analysis with our chosen weights and for our unweighted analysis, the "Partner with a CLT" was the higher scoring option. The sensitivity analysis (shown in Appendix Table F.2.2) did reveal how non-sensitive this ordering was to varying weights – the "Partner with a CLT" option ranked first 100 percent of the time.

Appendix Table F.2.2: Results of sensitivity analysis for cooperative policy options

	Create an LEHC	**Partner with a CLT**
1st	0%	100%
2nd	100%	0%
Average rank	**2**	**1**

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ENDNOTES

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15. We decided to pursue the hotel/motel conversion model because of its promise of quickly making new housing available – two qualities that conventional development and increased housing subsidies (two models we also considered) did not meet. We decided to pursue the housing cooperative model because of the model's promise of maintaining affordability at resale. This was not a quality that other unconventional homeownership models we considered (like Tenancy in Common) featured.

16. Throughout this report, when our methods require further explanation, we provide these details in text, footnotes, or corresponding appendices.

17. Those who have incomes between 30 and 50 percent AMI are typically referred to as "Very Low Income" and those in the 50 to 80 percent AMI range are referred to as "Low Income." "Low Income" is also used to refer to the entire 0 to 80 percent AMI range.

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communities. Due to financial practices, foreclosures result in surrounding property values dropping, which, in housing markets segregated on the bases of wealth and race, means that the wealth of lower income owners and owners of color are disproportionately affected. Foreclosures also reduce the tax base of local governments, which many respond to by limiting services (G. Thomas Kingsley, Robin Smith, and David Price, *The Impacts of Foreclosures on Families and Communities* (Washington, DC: The Urban Institute, 2009), https://www.urban.org/sites/default/files/publication/30426/411909-The-Impacts-of-Foreclosures-on-Families-and-Communities.PDF; James H. Carr, Katrin B. Anacker, and Michelle L. Mulachy, *The Foreclosure Crisis and Its Impact on Communities of Color: Research and Solutions* (Washington, DC: National Community Reinvestment Coalition, 2011), https://ncrc.org/wp-content/uploads/2011/10/ncrc_foreclosurewhitepaper_2011.pdf).

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111. See Appendix C.7

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117. See Appendix C.11 for ordinances in the county and a few major cities within the county.

118. Abell et al., *California Cooperatives*.

119. 163 homes in El Sereno (neighborhood in East Los Angeles) purchased by Caltrans through eminent domain for the expansion of the 710 freeway were left vacant in 2017 when plans for the freeway expansion failed. Despite efforts by residents to purchase these homes for LEHC formation, the Roberti Act prevented them from doing so. These homes have been left vacant for years, with police even forcibly removing families from occupying the homes in the height of the pandemic (Damien Newton, “L.A. City and Community Land Trust Offer Competing Visions for Caltrans El Sereno Properties,” *Streets Blog LA*, June 2, 2022, https://la.streetsblog.org/2022/06/02/l-a-city-and-community-land-trust-offer-competing-visions-for-caltrans-el-sereno-properties).

120. The California Civil code includes in its definition of LEHCs an entity called a workforce housing cooperative trust, where the governing board of the cooperative is comprised of both elected residents and appointees by sponsor organizations, including a union. This workforce housing cooperative trust is also granted the ability to operate multiple LEHCs, similarly to a CLT. (Cal. Civ. Code § 817.1 (2020).); The civil code also mentions two union pension funds as sources of eligible construction cost financing for exemption from the Subdivided Lands Act: the Public Employees’ Retirement System and the State Teachers’ Retirement System.This provision in state law was made possible by Assembly Bill 1246 in 2009, which sought to incentivize employers or unions to invest in cooperative housing for workforces. (Workforce Housing Cooperative Trust, A.B. 1246 (2009).) This report could not identify any workforce housing cooperative trusts in California.

121. *Permanently Affordable Cooperative Homeownership: Scaling CLT & LEHC Partnerships* (San Francisco, CA: San Francisco Community Land Trust, 2022), https://www.sf.gov/sites/default/files/2022-02/Permanently%20Affordable%20Co-op%20Homeownership.pdf.

122. With a $40,000 share price and 3% annual appreciation, the final share price after 10 years would be $46,370.96.

123. Richard Marcantonio, “California Just Passed the First State Social Housing Legislation in the US,” *Jacobin*, October 18, 2023, https://jacobin.com/2023/10/california-social-housing-legislation-bill-555-tenant-organizations-labor-unions.

124. The greater Los Angeles area can mimic the Bay Area’s regional housing bond, a $10-20 billion measure that applies to nine counties in the Bay Area that will be on the ballot in November 2024. Raised through *ad valorem* property taxes, this bond allocates most of the funding based on the origin of taxation (either county or city level). (“FAQ,” Bay Area Housing for All, n.d., https://bayareahousingforall.org/frequently-asked-questions/.)

125. See Appendix C.12 for more details on how Measure ULA can fund social housing.

126. Washington, DC introduced the first TOPA policy in the nation in 1980, however, several factors have stunted its success, including high housing costs, lack of city investment, and a difficulty reaching consensus among tenants. (Roshan Abraham, “How ‘Tenant Stewards’ Are Using TOPA to Form a Co-op,” *Shelterforce*, January 26, 2024, https://shelterforce.org/2024/01/26/how-tenant-stewards-are-using-topa-to-form-a-co-op/.). A successful example of Washington, DC’s TOPA came in 2022 when residents of a 34-unit apartment complex in the Columbia Heights neighborhood purchased their building, with help from LISC in the form of a $6.6 million acquisition loan. They voted to form a LEHC, creating La Union Buena Vista Cooperative, to house its mostly low income Central American immigrant residents. (*Tenant and Community Opportunity to Purchase Policies* (Washington, DC: LISC, 2022), https://www.lisc.org/media/filer_public/f6/da/f6daa209-4ea4-49ec-ae86-d46605409023/pub23_topa_brief_fin.pdf).

127. Heather Bromfield, “A Golden Opportunity Could Reshape California's Pursuit of Affordable Housing,” *Enterprise Community,* January 25, 2024, https://www.enterprisecommunity.org/blog/golden-opportunity-could-reshape-californias-pursuit-affordable-housing.

128. Hilda L. Solis, Holly J. Mitchell, Lindsey P. Horvath, Janice Hahn, and Kathryn Barger, *Final Report on Developing Recommendations for a Tenant Opportunity to Purchase Act for Unincorporated Los Angeles County* (Los Angeles, CA: Los Angeles County Consumer & Business Affairs, 2021), https://file.lacounty.gov/SDSInter/bos/bc/1142362_2023-05-22FinalReportBackonTOPA_rc.pdf.

129. Santa Monica had a similar program in the past that expired. “Santa Monica Housing Commission’s Affordable Home Ownership Plans Misread the Room and Need a Lot More Work,” *Westside Voice*, September 28, 2023, https://westsidevoicela.com/2023/09/editorial-santa-monica-housing-commissions-affordable-home-ownership-plans-misread-the-room-and-need-a-lot-more-work/.

130. *California SB 1079* (Dawsonville, GA: Geraci Law Firm, n.d.), https://geracilawfirm.com/wp-content/uploads/2020/10/AAPL_Geraci_SB1079_Review.pdf.

131. Bromfield, “A Golden Opportunity.”

132. Frolic Community is a nonprofit based in Seattle, Washington that helps homeowners develop additional cooperative units on their land, taking advantage of new Seattle zoning laws that allow up to three units on single family zoned lots. These units have an average price of $310,000 with a $9,000-22,000 down payment. (“Who We Are,” Frolic Community, n.d., https://www.frolic.community/)

133. CalHOME is one of the only state funds for affordable homeownership (CalHome Coalition, n.d., https://www.calhomecoalition.org/) eligible for 50-80% AMI households. This fund is used to help lower income households become first-time homeowners through downpayment assistance and make direct loans for acquisition and construction of homes for LEHCs. ("CalHome Program," California Department of Housing and Community Development, n.d., https://www.hcd.ca.gov/grants-and-funding/programs-active/calhome#undefined). While LEHCs are listed as eligible, they rarely receive CalHOME funds.

134. "The California Home Act," California Senate Democratic Caucus, n.d., https://focus.senate.ca.gov/sb9.

135. *Transit-Oriented Communities: Los Angeles* (Berkeley, CA: Terner Center for Housing Innovation, 2019), https://ternercenter.berkeley.edu/wp-content/uploads/2020/12/TOC_Los_Angeles.pdf

136. Affordable Housing Bond Act of 2024, A.B. 1657 (2024).

137. This program would be made possible with the passage of Senate Bill 225, which is currently engrossed. (Community Anti-Displacement and Preservation Program: statewide contract, S.B. 224 (2023))

138. Joe Linton, "L.A. County Community Land Trusts Picking Up Momentum In Preserving Affordable Housing," *Streets Blog LA,* August 10, 2021, https://la.streetsblog.org/2021/08/10/l-a-county-community-land-trusts-picking-up-momentum-in-preserving-affordable-housing.

139. Communication with City of Los Angeles Housing Department staff member, March 6, 2024. More information about the Brilliant Corners pilot can be found here: https://www.jewishfoundationla.org/grant/brilliant-corners/.

140.Maggie McCarty and Abigail F. Kolker, *Noncitizen Eligibility for Federal Housing Programs* (Washington, DC: Congressional Research Service, 2023), https://sgp.fas.org/crs/misc/R46462.pdf.

141. Hupalo et al., *Perpetual Affordability.*

142. "Collective Bargaining Agreement by and between VHG Santa Monica, LLC as operator of the Viceroy Santa Monica Hotel and UNITE - HERE, Local 11: February 1, 2019 – June 30, 2023."

143. “California City and County Current Minimum Wages,” UC Berkeley Labor Center, Updated March 7, 2024, https://laborcenter.berkeley.edu/inventory-of-us-city-and-county-minimum-wage-ordinances/; Like the City of Los Angeles, there is a proposal in front of the Board of Supervisors to raise the minimum wage for hotel workers in unincorporated area hotels with 60 or more rooms to $25 at passage, and then incrementally to $30 by 2028 (Cameron Kiszla, “L.A. County considers $25 minimum wage for hotel, theme park workers,” *KTLA*, August 9, 2023, https://ktla.com/news/local-news/los-angeles-county-supervisors-propose-25-minimum-wage-for-hotel-theme-park-workers/).

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146. “Project Roomkey/Housing and Homelessness COVID Response,” California Department of Social Services, n.d., https://www.cdss.ca.gov/inforesources/cdss-programs/housing-programs/project-roomkey.

147. Mary Tingerthal, *Homekey: California’s Statewide Hotels-to-Housing Initiative* (Washington, DC: National Alliance to End Homelessness, 2021), https://endhomelessness.org/wp-content/uploads/2021/07/CA-H2H-Case-Study_7-19-21.pdf.

148. Tingerthal, *Homekey: California’s Statewide Hotels-to-Housing Initiative*

149. Carolina Reid et al., *California’s Homekey Program.*

150. *Summary and Takeaways: Implementing Homekey in Los Angeles* (Los Angeles, CA: Enterprise Community Partners, Inc., 2022), https://www.enterprisecommunity.org/sites/default/files/2022-09/Homekey_Summary_Takeaways_final.pdf.

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152. “Newsom Administration Announces $2.75 Billion Expansion of Homekey,” *Office of Governor Gavin Newsom,* September 9, 2021, https://www.gov.ca.gov/2021/09/09/newsom-administration-announces-2-75-billion-expansion-of-homekey/.

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171. Amy J. Bodek, *Hearing on the Interim and Supportive Housing Ordinance* (Los Angeles, CA: Los Angeles County Department of Regional Planning, 2020), on file with author.

172. Ordinance No. 2021-0017, Los Angeles County Code of Ordinances, Adopted April 6, 2021, https://library.municode.com/ca/los_angeles_county/ordinances/code_of_ordinances?nodeId=1077476.

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