RESEARCH REPORT

Institute of Transportation Studies | UNIVERSITY OF CALIFORNIA

Strategies to Preserve Transit-accessible Affordable Housing in Southern California

Madeleine E.G. Parker, MPA, Ph.D. Candidate, Department of City and Regional Planning, University of California, Berkeley
Karen Chapple, Ph.D., Professor Emerita, Department of City and Regional Planning, University of California, Berkeley
Yuju Park, M.C.P., Technical Assistance Manager, Housing Solutions Lab, NYU Furman Center

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16. Abstract This report highlights risk and prioritization factors for housing developments with expiring affordability protections, focused on preserving transit-accessible affordable housing. It presents a regional framework for identifying and preserving subsidized affordable housing in the Southern California Association of Governments (SCAG) region (Los Angeles, Imperial, Orange, Riverside, San Bernardino, and Ventura counties). First, we analyze data from the California Housing Partnership (CHPC) and the National Housing Preservation Database (NHPD) to understand risk factors for expiring housing units, and design a prioritization tool for entities in the region to use when prioritizing developments to focus preservation and anti-displacement efforts. Second, we highlight affordable housing preservation policy solutions and characteristics unique to the Southern California context. Third, we draw on the strategies and experiences of other jurisdictions in the United States with experience strategizing around affordable housing preservation efforts to present key lessons and takeaways.		
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Table of Contents

Table of Contents

List of Tables

Abbreviations

CalHFA	California Housing Finance Agency
CHPC	California Housing Partnership
HCD	California Department of Housing and Community Development
HUD	U.S. Department of Housing and Urban Development
NHPD	National Housing Preservation Database
OPR	California Governor's Office of Planning and Research
TCAC	California Tax Credit
USDA	United States Department of Agriculture

Executive Summary

Executive Summary

California has thousands of affordable rental units where the original developers of these properties entered into covenants with government entities agreeing to rent (or sell) their units at affordable, below market rates for a set time period in exchange for tax credits.[1] Many of these agreements, or affordability covenants, will be expiring in the next ten years, many located near transit and in high resource areas. In the Southern California region alone, there are over 17,000 units at risk of losing affordability in the next ten years, almost 70 percent of which are in high-quality transit areas. If their owners cannot be encouraged to renew their covenants, or to sell the development to a non-profit or other entity whose mission is to maintain their affordability, these units will enter the open market (lose affordability), likely leading to the displacement of many lower-income residents from their housing and neighborhoods. This research examines the risk factors and prioritization factors that can help government housing agencies identify developments with expiring affordability protections and prioritize them for outreach efforts.

We analyzed historic data on affordable housing conversion to market rate units to understand risk factors for expiring housing units. We found that several building characteristics are associated with a building losing its affordability covenants and entering the open market (as opposed to continued affordability), including: units targeted towards families (as opposed to other populations, such as elderly or disabled residents); an owner or manager who is a for-profit entity; unit types including two or more bedrooms; and low inspection scores. Developments with over 50 units, over 50 affordable units, or a last construction date before 1980 were all associated with the preserving affordability with continued affordability covenants. The associations with neighborhood characteristics were more mixed. We also looked at neighborhood characteristics and found that the presence of public housing in a census tract was associated with preserving affordability, and in one dataset, losing affordability protections was associated with higher neighborhood median house values and rents.

Building on the role of the Southern California Association of Governments (SCAG) in providing technical support in the region, we developed a data tool to assist with prioritizing affordable housing developments for preservation and anti-displacement outreach efforts. The tool identifies those developments most likely to lose affordability protections, and those where preserving affordability would align best with the state's housing, transportation, and greenhouse gas emission goals. The tool may also be useful for SCAG's work with transit agencies in housing planning at station areas. The tool accounts for several building and neighborhood characteristics including: ownership type (for-profit or non-profit); number of units; number of affordable units; the type of government housing finance program the development was built with; neighborhood house values; and proximity to public housing. Additional factors for prioritizing developments include access to high-quality

[1] These time periods were often fifteen or thirty years; since 1990, the California Tax Credit Allocation Committee has mandated a 55-year term for most developments using tax credits. Certain jurisdictions require 99-year terms.

transit; transit access to jobs (at peak and off-peak times); local job access; location in high opportunity areas; and areas undergoing gentrification.

Policy Considerations in the Southern California Context

Housing Element Preservation Provisions: Currently, local jurisdictions in the state can use preservation of at-risk housing, conversion to affordable housing, and rehabilitation of substandard rental housing, to fulfill up to 25 percent of their Regional Housing Needs Allocation (RHNA) residential sites requirement in their Housing Element. In California, every jurisdiction's general plan must contain a Housing Element, which identifies the city's housing needs and establishes goals, objectives, and policies surrounding the city's housing strategy. One component of the Housing Element is setting specific housing production targets through the RHNA process. However, the Housing Element provision regarding affordability preservation has generally gone unused, in part because of the complexity of the specific qualifying requirements regarding financial commitments, and their timing relative to the required periodic housing element update. Addressing statutory barriers to its use, including possibly increasing the credit allowed for sustaining preservation units, would provide a greater incentive for local governments to pursue program activities to preserve affordability of at-risk units. This is particularly important as an anti-displacement tool and for preservation of developments already accessible to and supporting transit use.

Local governments are accountable for implementation of their housing elements, including progress accommodating their RHNA, through the Annual Progress Report (APR) submitted annually to the state's Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR). It may be beneficial for the state to require localities to include a non-optional section on the number of at-risk units (by critical potential conversion dates) and expired units in the APR to encourage regular monitoring of these units to reduce the risk of loss of affordable housing and displacement of low-income residents.

The Preservation Notice Law: Recent legislation has extended the California Preservation Notice Law (AB 1521, AB 1584) for buildings with expiring affordability restrictions. While implementation is recent, the additional requirements for owners to report to tenants and public entities, and opportunities for qualified entities (a public agency, a non-profit or for-profit affordable housing developer, or a tenant association certified by HCD) to purchase expiring properties, will hopefully assist with preservation efforts throughout the state.

Community Land Trusts (CLTs): Community Land Trusts can serve as a mechanism for permanently preserving housing affordability. Cities can work with local CLTs to assist with the acquisition of buildings with expiring affordability covenants. Specifically, CLTs can become HCD-certified Qualified Entities under the Preservation Notice Law, entitling them to priority rights to purchase at-risk subsidized affordable housing. One leading example and potential model for affordable housing preservation using a CLT is CLT T.R.U.S.T. South L.A. and affordable housing developer Abode Communities' acquisition and preservation of Rolland Curtis Gardens in Los Angeles.

Lessons From Other Regions

Through interviews with affordable housing experts and government officials in California and four metropolitan areas across the United States — Washington D.C., New York City, Denver, and Boston — we compiled a review of local and regional affordability preservation programs. Some of these lessons may be useful for local governments or subregional organizations within SCAG's jurisdiction. Takeaways include challenges in contacting and persuading profit-oriented owners; challenges in maintaining updated prioritization databases; and the importance of funding mechanisms to preserve affordable housing.

Contents

Introduction

California is facing an affordable housing crisis, with an estimated shortage of over 1.2 million homes for lower income renters (CHPC 2021b). The lack of affordable housing for even middle- and upper-income groups has created new pressure on the existing housing stock in urban cores; gentrification has been blamed for causing the displacement of lower-income households to the outskirts of urban areas, resulting in longer commutes for many. Recent state legislation has provided incentives to increase production of both subsidized affordable and market-rate housing to boost the housing supply and ease the demand for affordable housing. However, it is also important to preserve existing affordable housing, especially units located near transit and in high opportunity areas.

Development of subsidized affordable housing in the United States often uses sources of federal funding from the U.S. Department of Housing and Urban Development (HUD) or the Low-Income Tax Credit program (LIHTC).[2] These programs require the owners of subsidized housing developments receiving these funds to enter into agreements, known as affordability covenants, to maintain affordable rents on those units for a period of time, often fifteen to thirty years. Many existing subsidized affordable housing projects were built during the 1970s, 1980s and 1990s (Jordan and Poethig 2015), and presently nearly 2.2 million federally subsidized units nationally will have their affordability covenants expire by 2025 (Joint Center for Housing Studies 2015, Howell et al. 2018). Though owners of these subsidized affordable developments can choose to renew their affordability agreements (for example, to refinance their properties to repair or remodel them), they may often feel financial pressure to increase revenues (particularly in hot real estate markets) by allowing covenants to expire (or in select cases, by prepaying subsidized mortgages) and charging market rate rents. These protected units primarily house lower-income seniors and families who will risk losing their homes should that occur. Despite the potential imminent loss of desperately needed affordable units, state policymakers have yet to turn their full attention to effective strategies for ensuring the future of the current affordable housing stock.

Thousands of affordable rental units across the state, many located near transit and in high resource areas, have affordability covenants that will be expiring in the next ten years, and are at risk of being turned into market-rate developments. Los Angeles (LA) County has a significant number of at-risk subsidized rental units. As low-income renters are pushed out of LA County when they can no longer afford their homes, surrounding jurisdictions in the Southern California region are also affected.

Active outreach by public authorities may be able to convince owners to renew their covenants or help arrange a sale of the properties to non-profit organizations or others whose mission is to provide affordable housing. Given limited resources, it is crucial that localities be able to identify properties that are at risk of being

[2] Qualified developments can receive federal income tax credits for providing affordable housing, which can then be sold to private investors to obtain funds for construction.

converted to market rate early enough to intervene before the covenants expire and to prioritize efforts to target developments for preservation.

Conducted in coordination with the Southern California Association of Governments (SCAG), this research highlights factors for identifying housing developments at risk of losing affordability protections and establishes a regional framework for identifying and preserving subsidized affordable housing in the Southern California region (Los Angeles, Imperial, Orange, Riverside, San Bernardino, and Ventura counties). This framework has been incorporated into a data tool to assist localities with prioritizing affordable housing developments for preservation and anti-displacement outreach efforts.

SCAG is the United States' largest metropolitan planning organization, representing six counties and 191 cities. It plays a significant role in planning and coordination in the region, primarily focused on transportation but it is also involved in planning related to meeting the region's housing goals. This report, and the accompanying data tool, supports SCAG's role in data sharing and providing technical support for coordinated planning in the region. Some findings will hopefully be directly useful for SCAG, and other findings, particularly in the third section, are more directly relevant for the subregional organizations and local jurisdictions it supports.

The report has three main parts. First, we analyze data from the California Housing Partnership (CHPC) and the National Housing Preservation Database (NHPD) to understand risk factors for expiring housing units and present our data tool for entities in the SCAG region to use when prioritizing developments on which to focus preservation and anti-displacement efforts. Second, we highlight policy solutions and characteristics unique to the Southern California context, such as California's Housing Element process. Third, we draw on the experiences of other jurisdictions in the United States that have faced this issue to recommend strategies for undertaking affordable housing preservation efforts.

Background

According to a recent CHPC report, LA County lost 6,156 subsidized affordable rental homes from 1997 to 2020 due to owners deciding not to renew their affordability requirements and either selling or converting their developments to market-rate housing (CHPC 2021c). LA County is one of the most expensive rental markets in the country, further exacerbating the desire and pressure for owners of subsidized housing to sell or convert their properties to market-rate housing. Most of these lost homes had been subsidized through HUD funding, and 38 percent had received LIHTC funds (CHPC 2021c). As of 2021, 8,520 homes in LA County are currently at very high or high risk of conversion to market rate housing in the next five years. Most of these homes have expiring HUD-based affordability requirements (CHPC 2021c).

Many at-risk subsidized affordable housing developments are in high resource areas with high-quality transit and low poverty rates. The loss of subsidized housing in these neighborhoods would undoubtedly displace low-income residents and families and contribute to patterns of residential segregation and widening income disparities as they are priced out of their communities and likely lose access to high-quality public transit (CHPC 2021c). Access to transit is particularly important for lower-income communities, who are more likely to rely on transit, a trend that has continued through the pandemic (Parker et al. 2021). The amount of rental housing stock affordable for low-income households is simultaneously decreasing, and only one in four of 11.4 million extremely low income (ELI) households nationally receive affordable housing assistance despite their eligibility (NLIHC 2017; Howell et al. 2018). To prevent widespread displacement of low-income families, efforts must be made to preserve and extend the affordability of subsidized housing.

Though increased production of more subsidized affordable homes is needed, preservation efforts are just as important. Preservation efforts are typically more cost-effective than demolition and new construction (Howell et al. 2018, Treskon and McTarnaghan 2016, CHPC 2021c). Preserving subsidized affordable housing is also more environmentally sustainable because it makes use of existing infrastructure and reduces building material waste (Howell et al. 2018).

In LA County, preservation costs have increased at a fast rate in the last decade. Median total development costs to preserve a subsidized affordable home by acquiring and rehabilitating a development increased 83 percent between 2012 and 2020, with an approximate cost of $436,000 per unit (and $205,000 per bedroom) in 2020 (CHPC 2021c). With the high costs of preserving subsidized housing, and limited available funding, there is a need to prioritize which subsidized units receive preservation attention (Jordan & Poethig 2015), especially for at-risk homes in high-opportunity neighborhoods.

Jurisdictions can make use of a variety of strategies to preserve subsidized rental units. Gathering data on at-risk units is critical if local government and community partners wish to develop strategies for acquiring and preserving these units. CHPC has outlined key best practices in local government in California, including developing local government capacity, expanding technical assistance, strengthening regulatory protections, and developing better financial tools (CHPC 2019).

Affordable housing preservation strategies can be approached differently based on the type of housing stock, including HUD Project Based Section 8[3], LIHTC funded properties, public housing, and Naturally Occurring Affordable Housing (NOAH)[4]. For example, preserving a LIHTC-funded development may involve different actors and actions than preserving a multifamily development receiving HUD subsidies. With several types of affordable housing stock to preserve, it is important to remember that not every preservation strategy works for every type of affordable housing.

CHPC plays an important role in maintaining a Preservation Clearinghouse database of information on federally and state subsidized housing properties in California. In addition, the National Housing Preservation Database operates at a national level, gathering information on federally subsidized affordable housing properties. Both data sources allow housing advocates, researchers, and other affordable housing stakeholders to identify which properties are at risk; advocate for at-risk properties; identify which regulations apply to the property based on which subsidies were provided; and select properties for acquisition and prospective development for preservation (NHPD 2021).

[3] In the HUD Project-based Section 8 program, HUD contracts with privately owned and managed apartment buildings to provide subsidized affordable housing.

[4] "Naturally Occurring Affordable Housing" is a term used to describe housing that is affordable without subsidies or restrictions like rent regulation. NOAH is outside of the scope of this research, which focuses on subsidized affordable housing.

Research Approach

This research focused on the following questions: First, where is preservation of affordable housing developments with expiring covenants most critical? Second, what strategies are most effective at preserving this affordable housing, and how might a regional entity best facilitate this process?

First, we used CHPC's Preservation Clearinghouse database and NHPD's database to examine properties at risk of losing affordability protections in the next ten years. We conducted a statistical analysis to identify building and neighborhood characteristics associated with past property conversion from affordable to market rate housing. We then combined these identified risk-related characteristics with other neighborhood characteristics including transit access to prioritize areas for targeting preservation efforts. This work builds on previous research analyzing displacement (Chapple et al. 2017), and CHPC's Preservation of Affordable Homes Near Transit Toolkit for the Bay Area, expanding it to Southern California and placing an additional focus on transit access (CHPC 2015).

Second, we examined specific policy considerations in Southern California regarding the preservation of affordable housing, including California's Preservation Notice Law, the state's Housing Element process, and the use of community land trusts as a possible solution.

Third, we reviewed local and regional affordability preservation programs throughout the country. These programs and their financing and implementation were examined closely to determine factors that are applicable in California. We conducted interviews with affordable housing experts to determine successful outreach timing and strategies and conducted stakeholder interviews with government officials in California and four metropolitan areas across the United States: Washington D.C., New York City, Denver, and Boston. Interviewees were selected based on their experience implementing affordability preservation programs, and represented state and local government officials, technical assistance providers, research organizations, community development financial institutions (CDFIs), and nonprofit organizations.

In total, we conducted 15 stakeholder interviews after reaching out to 26 stakeholders. The respondents who shared their expertise, thoughts, and experiences participated in individual semi-structured interviews during Fall 2020 and Spring 2021. All interviews were conducted virtually via Zoom or by telephone and participation was voluntary.

Risk Analysis and Preservation Prioritization Tool

This section involves two parts to help inform the prioritization of deed-restricted affordable housing developments with expiring affordability protections. In an ideal world, all expiring developments would receive the attention and resources needed to prevent the termination of affordability covenants and subsequent displacement of current residents, and the loss of affordable units to the open market. However, prioritization may be important given limited resources, especially across jurisdictions with varying capacities. The prioritization tool described here may also be useful in SCAG's technical assistance work with transit agencies like Metro and Metrolink in housing planning at their station areas.

Table 1 andTable 2 contain summary information on affordable developments and total affordable units under LIHTC and HUD-financed programs that lost affordability protections from 1995-2019 (data provided by CHPC).

Table 1. Affordable housing developments lost by county and time period (1995-2019)

County	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	Total
Imperial	1	0	3	0	0	4
Los Angeles	27	27	39	39	5	137
Orange	1	2	2	0	0	5
Riverside	8	1	5	0	0	14
San Bernardino	1	2	3	0	1	7
Ventura	1	1	1	1	0	4
Total	39	33	53	40	6	171

Table 2. Total affordable housing units lost by county (1995-2019)

County	LIHTC	HUD	Total affordable units lost
Imperial	1,545	29	29
Los Angeles	144	3,511	5,056
Orange	120	185	329
Riverside	66	332	452
San Bernardino	60	201	267
Ventura	1,545	101	161
Total	1,935	4,359	6,294

The risk analysis described below identifies characteristics of neighborhoods and buildings that are associated with an affordable housing development being lost to the open market (as opposed to having continued affordability restrictions). The prioritization tool then includes some of these risk characteristics and combines them with key neighborhood characteristics to assist with prioritizing developments for targeted outreach.

Risk Analysis

This first section analyzes historic data relating to building and neighborhood characteristics present at the time an affordable housing development was either preserved or lost affordability, to understand how these factors influenced the outcome. We find that several building characteristics are associated with units being lost to the open market: having units targeted towards families (as opposed to other populations, such as elderly or disabled residents), having an owner or manager who is a for-profit entity, unit types including two or more bedrooms, and having a low inspection score. On the other hand, having over 50 units, over 50 affordable units, or a most recent construction date before 1980 were all associated with preserving affordability.

Our results for neighborhood characteristics are less uniform, likely relating to the difficulty of matching neighborhood attribute measures to the year(s) when buildings were either preserved or lost. In one of our datasets, losing affordability protections was associated with higher median house values and rents. The presence of public housing in a census tract was associated with buildings not losing affordability protections.

This risk analysis expands upon work by CHPC in identifying characteristics of affordable housing developments that would deem them at risk of conversion. Specifically, CHPC has identified buildings as having *very high* risk of conversion when they have affordability restrictions ending in less than a year, no known overlapping subsidies extending affordability, and lack of ownership by a stable mission-driven nonprofit developer. Those at *high* risk of conversion have affordability restrictions ending in one to five years, no known overlapping subsidies extending affordability, and are not owned by a stable mission-driven nonprofit developer. Those at *moderate* risk have restrictions ending in five to ten years, no known overlapping subsidies, and are not owned by a by a stable mission-driven nonprofit developer. Those at *low* risk of conversion have affordability restrictions extending beyond ten years, or are owned by a stable mission-driven nonprofit developer (CHPC 2021a). LIHTC housing appears to have a greater proportion of low risk developments than other programs (including HUD, HCD, USDA, and CalHFA), a factor reiterated in expert interviews. Identifying these three factors (time to expiration, overlapping subsidies, and ownership) can be very useful to local governments and other entities, and our analysis further identifies other building and neighborhood characteristics that have shown to be related to past conversion or preservation.

Data notes

The data on LIHTC developments from CHPC consisted of buildings that applied for approval from 1987-89 and whose affordability protections expired between 2007-2015 (n=53). This data was generously shared by CHPC. This data is summarized by county in Table 3.

Table 3. Summary of LIHTC housing developments that preserved or lost affordability (CHPC)

County	Preserved	Lost affordability	Total
Imperial	1	0	1
Los Angeles	11	30	41
Orange	0	1	1
Riverside	4	1	5
San Bernardino	0	2	2
Ventura	1	2	3
Total	17	36	53

The data from the NHPD (updated 05/05/2021) spanned construction years from 1910-2016. Developments were considered to have preserved affordability if the property had an active affordability requirement, at least one inactive (expired) subsidy, and a difference between subsidy start dates of at least five years.[5] These were compared to properties that lost affordability protections (had inactive subsidies and no active subsidies). Due to the differences between LIHTC and other programs, the NHPD data was separately analyzed for LIHTC developments and those without LIHTC (including those with FHA, Home, RHS, Section 202, Section 8 Project-based Rental Assistance, Section 8 Project-based Vouchers, and state funding). Both datasets only included

[5] Having at least one inactive subsidy and the gap of at least five years between subsidy start dates signals that at least one subsidy expired and a new subsidy was put in place to preserve affordability.

developments in the SCAG region: Los Angeles, Imperial, Orange, Riverside, San Bernardino, and Ventura counties. This data is summarized by county in Table 4.

Table 4. Summary of housing developments that preserved or lost affordability (NHPD)

County	LIHTC			Non-LIHTC		
	Preserved	Lost affordability	Total	Preserved	Lost affordability	Total
Imperial	4	4	8	8	10	18
Los Angeles	137	58	195	221	559	780
Orange	22	1	23	27	114	141
Riverside	32	21	53	5	40	45
San Bernardino	17	1	18	12	69	81
Ventura	11	3	14	6	20	26
Total	223	88	311	279	812	1,091

Further data notes and results tables are included in Appendix 1.

Preservation Prioritization Tool

This section describes the preservation prioritization tool we developed for SCAG. To support SCAG's role in providing technical assistance and data for local governments and stakeholders, our data tool can assist with prioritizing developments for preservation outreach by including a combination of risk-related characteristics along with geographic prioritization characteristics identified by SCAG and from previous research. The tool uses multiple measures of transit and employment access that also serve the greenhouse gas reduction objectives of Connect SoCal, SCAGs 2024-2050 Regional Transportation Plan/Sustainable Communities Strategy — a long-range visioning plan currently in development that balances future mobility and housing needs with economic and environmental and goals. The prioritization tool was provided directly to SCAG.

Prioritization characteristics

There are six primary prioritization variables included in the tool to assist SCAG and its local jurisdictions in prioritizing different developments:

- SCAG High-Quality Transit Access
- EPA Smart Location Database Transit Access
- SCAG Transit access to jobs (both at peak and off-peak hours)
- EPA Smart Location Database Local Job Access

- TCAC Opportunity Areas
- Urban Displacement Project typologies

These measures were selected as they represent key characteristics regarding access to public transit and available opportunities in the neighborhoods of affordable developments with expiring covenants. The following is a summary of included measures; full data notes are in Appendix 2.

The first transit measure used is SCAG High Quality Transit Areas (HQTAs), which are areas within one half-mile of a well-serviced transit stop or a transit corridor with 15-minute or less service frequency during peak commute hours (Connect SoCal, updated as of June 2019). Table 5 highlights the number of affordable units at risk in HQTAs and as a percentage of all at-risk units. The second transit access measure used is from the EPA's Smart Location Database (Version 3, 2021) a nationwide geographic data resource for measuring location efficiency. Our third transit measure concerns access to jobs using public transit. This measure was developed for SCAG using current (March 2021) transit access and work-location job measures by census block, measuring the number of jobs accessible from each census block containing an affordable housing development with expiring affordability restrictions during peak and off-peak periods. As a comparison, we also include a measure of transit access to jobs, describing the number of jobs within a 45-minute transit commute, from the EPA's Smart Location Database (Version 3, 2021). The local job access measures indicate the number of total jobs and jobs at under $40,000/year available within each census tract.

Table 5. Number and percent of affordable housing units at risk in High-Quality Transit Areas

County	Number of at-risk units in high-quality transit area	Percent of at-risk units in high-quality transit area	Total number of at-risk units
Imperial	24	3.0	790
Los Angeles	8,661	78.6	11,013
Orange	2,542	72.3	3,518
Riverside	298	63.5	469
San Bernardino	43	5.9	735
Ventura	408	66.6	613
Total	11,976	69.9	17,138

The last two sets of variables are based on California Tax Credit Allocation Committee (TCAC) (which administers the federal and state Low-Income Housing Tax Credit Programs) Opportunity Areas[6] and Urban

[6] These areas have been shown by research to support positive economic, educational, and health outcomes for low-income families—particularly long-term outcomes for children.

Displacement Project (UDP) (a research and action initiative of the University of California Berkeley and the University of Toronto) typologies.

The TCAC Opportunity category uses 2021 TCAC/HCD opportunity maps (adopted December 2020) to describe the type of TCAC opportunity area each development is in (Highest Resource, High Resource, Moderate Resource, Moderate Resource (Rapidly Changing), Low Resource, High Segregation & Poverty).

The Urban Displacement Project typologies were generated for the SCAG region using 2018 (five-year) US Census data. These describe the type of neighborhood each development is in: Advanced Gentrification, At Risk of Becoming Exclusive, At Risk of Gentrification, Becoming Exclusive, Early/Ongoing Gentrification, High Student Population, Low-Income/Susceptible to Displacement, Ongoing Displacement, Stable Moderate/Mixed Income, Stable/Advanced Exclusive (or Unavailable or Unreliable Data).

Table 6 summarizes the number of developments in selected categories by CHPC-designated risk level.

Table 6. Summary statistics from prioritization tool by CHPC risk level, number of developments and units (selected variables)

Risk Level	Low	Moderate	High	Very high	At risk in next 10 years
Number of developments in high or highest resource areas (TCAC opportunity category)	426	29	30	14	73
Number of developments in areas becoming exclusive or stable/advanced exclusive (UDP typology)	124	14	16	4	34
Number of developments in areas with early/ongoing or advanced gentrification (UDP typology)	364	8	27	17	52
Number of developments in areas with ongoing displacement (UDP typology)	96	1	5	14	20
Number of developments near high-quality transit (SCAG 2045)	1,446	45	90	69	204
Total number of developments	2,288	75	133	100	308
Total number of affordable units	165,958	4,874	8,211	4,053	17,138

These developments are concentrated in Los Angeles County, but there are at-risk developments and units across all SCAG counties. Table 7 shows the distribution of units at risk by county.

Table 7. Number of housing developments and affordable units at moderate, high, or very high risk by county

County	Total at-risk developments	Total at-risk affordable units
Imperial	22	790
Los Angeles	220	11,013
Orange	33	3,518
Riverside	10	469
San Bernardino	16	735
Ventura	7	613
Total	308	17,138

Risk-related characteristics

These prioritization characteristics are combined with risk-related characteristics (characteristics of buildings or neighborhoods with a greater likelihood of losing affordability status), developed through the risk analysis in the first part of this section. These include both building- and neighborhood-level characteristics. This is important in order to be able to view and weigh risk-related characteristics along with characteristics to prioritize developments for outreach for policy considerations.

Building characteristics include the CHPC risk level, ownership type, a binary variable measuring whether the building has over 50 units, the number of affordable units, and whether or not the building used LIHTC.

Neighborhood characteristics include the median neighborhood house value (2019, US Census), whether the neighborhood house value is over the regional (SCAG) median, and whether the neighborhood house value is over the county median. Two binary variables are also included indicating the presence of public housing and more than five public housing developments.

Policy Considerations in the Southern California Context

Recent legislation in California is working to make it easier to preserve affordable housing. Senate Bill 679, currently still in session, would establish the Los Angeles County Affordable Housing Solutions Agency, providing funding and technical assistance at the county level for affordable housing preservation (among other goals). While this bill focuses on Los Angeles County, it would apply to all cities within the county, helping to preserve the majority of expiring affordable units within the SCAG region. The increase in capacity as well as funding would be central to providing a base for affordable housing preservation in the region.

There have also been other ongoing attempts at the state level to find additional support for affordable preservation. Assembly Bill (AB) 2058 (2020) created a tax credit for affordability preservation for owners of affordable housing, enough to preserve approximately 25,000 affordable apartments over the next five years.

This section discusses three salient policy considerations in the Southern California context: state General Plan Housing Element requirements, the Preservation Notice Law and community land trusts.

Housing Element Preservation Provisions

In California, every jurisdiction's general plan must contain a Housing Element, which is updated periodically and is subject to review and certification for compliance with provisions of state law by HCD. The Housing Element identifies the city's housing needs and establishes goals, objectives, and policies surrounding the city's housing strategy. One component of the Housing Element is setting specific housing production targets through the Regional Housing Needs Assessment (RHNA) process. There are many critiques and suggested improvements to the RHNA process (Monkkonen et al. 2019), most of which are beyond the scope of this research. The Housing Element is required to include a detailed analysis of regulated housing developments at risk of conversion of affordable units to market rate in each jurisdiction. This includes a 10-year inventory of at-risk units, assessment of conversion risk, cost of replacement versus preservation, entities qualified to preserve at-risk developments, and financing and subsidy resources available for preservation. This information is typically gathered by and available from CHPC. Jurisdictions are also required to include a program for preserving at-risk properties, for instance through monitoring, financing, and assistance to tenants (CHPC 2019).

There has been advocacy to include more preservation incentives in the Housing Element. Currently, jurisdictions can use preservation of at-risk housing, conversion of rental units from non-affordable to affordable housing, and rehabilitation of substandard rental housing, to fulfill up to 25 percent of their RHNA residential sites requirement, using the Alternative Sites provision pursuant to Government Code Section 65583.1(c). This provision has generally gone unused, in part because of the complexity of the specific qualifying requirements regarding financial commitments and their timing relative to the timing of the housing element update. Addressing these barriers to its use, including possibly increasing the credit allowed for sustaining preservation units, would provide a greater incentive for local governments to pursue program activities to preserve the affordability of at-risk units. This is particularly important as an anti-displacement tool and for preservation of developments already accessible to and supporting transit use, addressing the greenhouse gas reduction objective of Connect SoCal. It could also be an important incentive for jurisdictions with fewer resources and without dedicated housing staff that otherwise may not focus on at-risk units.

Local governments are accountable for implementation of their housing elements, including progress accommodating their RHNA, through the Annual Progress Report (APR), submitted annually to HCD and the OPR. HCD has been modifying and improving this form and its use as a public-facing tool (HCD 2021c). Jurisdictions with programs for preservation of at-risk units are to report their progress (Table F), which often consists of a brief statement attesting to monitoring and support. It may be beneficial to require them to include a non-optional section on the number of at-risk units (by critical potential conversion dates) and expired units in the APR, to encourage regular monitoring of these units (with attention paid to minimizing the risk of speculative actions by profit-motivated purchasers impacting specific properties).

Preservation Notice Law

In 2017, California expanded its preservation notice law with AB 1521, in line with other state and local laws to preserve affordable housing (Housing Law Bulletin 2006). AB 1521 expanded requirements for tracking and enforcement of deed-restricted affordable housing with expiring affordability restrictions, requiring sellers of such developments to consider offers to purchase from qualified entities that will renew or extend the property's affordability restrictions. HCD monitors compliance with the notice law, and tenants and local governments have the right to enforce it (CHPC 2017, HCD 2021a).

Qualified entities can consist of a public agency, a non-profit or for-profit affordable housing developer, or a tenant association certified by HCD with relevant prior experience in California and current capacity to operate affordable housing, with a commitment to maintaining affordability for at least thirty years. This can be a qualified organization, or a tenant association alongside a qualified organization. Qualified entities who have certified with the state receive notices statewide or in specific counties from owners who wish to sell their subsidized developments.

As of January 1, 2021, owners of federally assisted housing developments are required to provide three-year, twelve-month, and six-month notice to tenants of their plans to end rent subsidies and restrictions, and must provide twelve-month and six-month notices to the city or county where the development is located, the local public housing authority, and HCD. They also must provide an exclusive Notice of Opportunity to Submit Offer to Purchase (NOSOP) to certified qualified entities, giving them the opportunity to submit an offer to purchase the property during the year before affordability is terminated or expires. During the first six months of the notice period, the building owners can only accept offers from qualified entities (if owners do not accept a qualified entity's bona fide market value offer, they must certify under penalty of perjury they will not sell the development for five years after the end of the one-year notice period). During the second six months, qualified entities have a right of first refusal on the same terms and conditions should an owner accept a purchase offer from a non-qualified entity. Owners must accept a qualified entity's bona fide offer unless the private offers would also retain affordability of the units (HCD 2021b; AB-1584).

A majority of multifamily rental developments receiving governmental assistance under programs listed in Government Code Section 65863.10(a)(3) are covered by this notice law, including but not limited to HUD Section 202, Section 221(d)(3), Section 236, or Section 8, USDA Section 514, 515, 533, or 538 and LIHTC or tax-exempt bonds. CA HCD, CalHFA, Redevelopment Agency financing or local government land grants, and Project-based Section 8 rental assistance, administered by local housing authorities, are also covered. There are some exemptions, including developments with four or fewer units; properties subject to rent control or rent stabilization ordinances without further affordability restrictions; housing developments with 25 percent or fewer units subject to affordability restrictions; and tenant-based housing choice vouchers (HCD 2021b).

Currently violations of this law are being enforced as reported, on a project-by-project basis, though HCD is strategizing ways to improve data collection and increase enforcement. While no community land trusts were certified as qualified entities as of February 2021, HCD has expressed interest in having conversations with them. There are also conversations about making a list of funding options public, and providing more options for funding for qualified entities and different ways to structure offers, particularly in areas with rapidly rising rents (HCD 2021b). This law holds promise; experts in California we spoke with expressed confidence in its ability to reduce the future loss of affordable housing.

Community Land Trusts

One tool, not unique to California, that has been growing in prominence to support the conversion of deed-restricted affordable housing to permanently affordable housing is the community land trust (CLT). The broader CLT model involves separating the ownership of the house from the land it sits on to ensure affordability. In residential land trusts, this involves a nonprofit organization (the trust) acquiring and maintaining permanent ownership of the land and entering into long-term leases (typically of 99 years) with prospective homeowners. When the homeowner sells, the sales price is restricted so that they earn only a portion of the increased property value, which stays with the trust, preserving the home's affordability for future purchasers.

The concept of CLTs rests upon separating the ownership or taxation of land and the buildings upon it. The CLT dates back to the late 1960s, when civil rights activists established the first CLT, New Communities, Inc., to assist Black farmers in Georgia. At present there are approximately 280 CLTs in the United States (Community Wealth 2012; Miller 2015; Gray 2008; DeFilippis et al 2018; Meehan 2014).[7]

There are multiple potential benefits to the CLT model. Research has found that CLTs may function as a tool for stabilizing neighborhoods at risk of gentrification (Choi et al. 2018). In locations in the Midwest, research found that clustering CLTs stemmed the decline in sales prices during the foreclosure crisis (Nelson et al. 2020). CLTs provide permanently affordable housing; California requires all homes sold by a CLT to be sold to households earning below 120 percent of the Area Median Income (AMI) (Decker 2018).[8]

One of the challenges of CLTs is their scale: by nature, CLTs are community-based, and can be difficult to scale up. CLTs have run into management challenges in the past and can vary greatly depending on their individual models. The structure of a CLT sometimes does not align easily with affordable housing subsidy programs (Miller 2015). Often CLTs have been formed as a result of community and tenant organizing (Engelsman et al. 2018; Davis 2014), but some scholars contend that CLTs are no longer community-controlled, but are merely a technocratic mechanism for providing affordable housing, with a focus on producing housing instead of building community (DeFilippis et al. 2018).

Local and regional governments can get involved by working with CLT networks and assisting residents/tenants who are organizing. In some cases, cities have been at the forefront of the creation of CLTs. For example, the city of Irvine created a CLT to assist with the development of affordable housing, consisting primarily of units in multifamily apartment buildings (Irvine CLT 2020). There are 25 CLTs in California that are part of the California Community Land Trust network (CACLT 2021). CLTs benefit from SB 196, exempting them from certain property taxes (2019).

Cities can work with local CLTs to assist with the acquisition of buildings with expiring affordability covenants. CLTs can become Qualified Entities under the Preservation Notice Law. One notable example of affordable housing preservation through a CLT is CLT T.R.U.S.T. South L.A. and affordable housing developer Abode Communities' acquisition and preservation of Rolland Curtis Gardens, a 48-unit affordable housing complex in South Los Angeles close to Metro's E Line light rail. In 2011, Rolland Curtis' affordability covenants expired, and the units were to be converted to market rate. While many families ended up moving away after receiving notices to vacate (and enduring numerous citations for building safety violations in the building), others

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[7] The particulars of individual CLTs differ, ranging from different lease lengths to particular agreement terms and community involvement in decision making. The principle, however, remains the same, with a dual-ownership model: the CLT owns the land and homeowners only own the house on the land. Homeowners enter into a long-term lease for the land, purchasing only the house (the cost of which is much more affordable due to separating out the land cost). When the homeowner sells the house, the homeowner only retains a portion of the increased property value, with the rest going to the CLT to preserve the affordability of the housing for the next purchaser. Many CLTs use the lease as the mechanism for restricting sale price and therefore maintaining affordability (Miller 2015; Greenstein & Sungu-Eryilmaz 2005).
[8] Additionally, in homeownership CLTs, the vast majority of CLT residents are first-time homebuyers (79%), 31 percent are non-white, and 82 percent have incomes under 50% of AMI (Community Wealth 2012).

advocated and engaged T.R.U.S.T. South L.A., which joined with nonprofit developer Adobe Communities to purchase the building and retain affordability for the housing units (HUD User 2021).

In addition to their preservation efforts, Adobe Communities and T.R.U.S.T. South L.A developed additional affordable units on the site, offering 138 total affordable units on the site in 2019 for families earning between 30 percent and 60 percent of the area median income, with monthly rents ranging from $633 to $1,757 (HUD User 2021). In addition to the project's proximity to light rail, T.R.U.S.T. South L.A. worked with the LA Mobility Advisory Council to make the area more pedestrian- and bike- friendly (HUD User 2021).

One complicating factor in T.R.U.S.T. South L.A.'s acquisition was securing the necessary funding. Adobe and T.R.U.S.T. first attempted negotiations about the complex in 2010 but found it difficult to get an agreement on the sale price (Pharazyn da Silva 2014). Preservation funding included a five-year acquisition loan from Wells Fargo Bank; a loan from the California Community Foundation's Community Foundation Land Trust; $1.8 million in acquisition grants from the Weingart Foundation, Rose Hills Foundation and The Ahmanson Foundation; and $1.5 million from Abode's Housing Fund, awarded to the developer by the U.S. Treasury's Capital Magnet Fund (Fulton 2012). This was separate from the funding used for the development of additional units, involving both 9 percent and 4 percent low-income housing tax credits, construction and permanent loans in partnership with Wells Fargo, deferred developer fees, capital contributions, and funding from the California State Department of Housing and Community Development's Affordable Housing and Sustainable Communities program, the Infill Infrastructure Grant Program, and the Multifamily Housing Program (HUD User 2021). T.R.U.S.T. South L.A. is continuing to build on its work through the Community Mosaic Multi-Family Project, to convert small multifamily developments to limited equity housing cooperatives in the northern part of South Los Angeles (T.R.U.S.T. South L.A. 2020).

Stakeholder Interviews

Key Findings

This final section lays out the key themes that emerged from stakeholder interviews. Beginning with respondents' descriptions of different staffing and governance models for affordable housing preservation, the section then describes existing working groups around preservation issues; funding strategies for affordable housing preservation; outreach strategies to owners of subsidized affordable housing; strategies and tools to track affordability covenants and prioritize developments; challenges with preserving subsidized affordable housing with expiring covenants; and the perceived challenges and benefits of a regional approach to subsidized affordable housing preservation. Some of these findings, such as those regarding financing tools, fall outside the scope of SCAG's role in offering technical support for coordinated planning. Others may be more applicable for local governments within the SCAG region. They are included here to provide a perspective on how other regions have developed preservation strategies, with the hope that they contain certain insights for SCAG and the local governments it works with.

Governance and Staffing

Staffing and governance models for affordable housing preservation vary from employing a few dedicated staff, contracting with outside organizations, and having an established agency dedicated to preservation and development of affordable housing.

The State of Massachusetts and the City of Boston contract with the Community Economic Development Assistance Corporation (CEDAC), a quasi-public organization funded by the state, to provide housing preservation support. CEDAC works directly with city staff on affordable housing and housing preservation, but staff do not exclusively work on preservation. Washington D.C. has one preservation officer who oversees contracted fund managers who steward the housing fund that can be used for subsidized affordable housing preservation.

In Denver, one staff member is responsible for administering the preservation ordinance, and there is no full-time preservation officer. However, at the statewide level, Colorado has one Preservation Program Manager who manages and advocates for preservation efforts. Stakeholders in both Colorado and Denver strongly felt the need for a committed full-time preservation officer citywide and statewide to conduct outreach to property owners and to manage preservation data properly.

Of the four metropolitan areas outside of Southern California where we conducted stakeholder interviews, New York City had the greatest number of dedicated staff towards affordable housing preservation. New York City's Department of Housing Preservation and Development (HPD) runs programs for both the development and preservation of affordable housing, along with other functions. NYC HPD has multiple programs dedicated towards affordable housing preservation, including the HUD Multifamily Program and the LIHTC Preservation

Program – Year 15. Both leverage public and private sector resources to rehabilitate, recapitalize, and preserve subsidized affordable housing, assisted with federal funding from HUD. Both programs have project teams with several dedicated staff on each.

From talking to both government officials and other stakeholders involved in affordable housing preservation, it is clear that comprehensive preservation efforts require several components: collecting and maintaining databases of affordable housing with expiring affordability covenants; conducting outreach to property owners after receiving public notification of sale provisions; managing and distributing limited loans and housing funds for housing preservation; convening stakeholders and advocating for stronger preservation policy; and implementing Opportunity to Purchase policies, giving tenants or qualified organizations the right to purchase a rental property up for sale, often with a right of first offer or right of first refusal. Most of the interview respondents in all four jurisdictions worked on preservation programs for both subsidized affordable housing and NOAH.

Working Groups around Preservation

Stakeholders in Boston, Colorado, and Washington D.C. described the activities of working groups, networks, or committees that guide preservation strategies and goals in their area and meet regularly, from every 6 weeks to annually. The membership of each group differed across cities. In Boston and Massachusetts, the Preservation Interagency Working Group is comprised almost entirely of public sector officials, including HUD regional officers and Boston City officials, meeting every six weeks. There is also a larger Preservation Advisory Committee that meets quarterly and includes attorneys, developers, nonprofit and private organizations, and advocacy groups. Both working groups have had key roles in shaping preservation policies and practices in Boston and the state.

Similarly, Denver and the State of Colorado have a working group called the Housing Preservation Network that is mainly focused in the Denver metro area. Key stakeholders in this group include the State Housing and Finance Authority, HUD regional officers, HUD officers from the City of Denver, City of Denver staff, technical assistance providers, and other housing nonprofits. The group meets quarterly and has developed a strategic plan for preservation and recommended different preservation strategies. The group uses annual meetings to identify preservation priorities for the year and meets as needed if there are high priority preservation projects that need attention. The Housing Preservation Network was the driver behind hiring a Preservation Program Manager for the state, creating a preservation database, and developing a prioritization matrix.

Washington D.C. also developed its preservation strategy and hired a dedicated staff person at the recommendation of the D.C. Housing Preservation Strike Force. Created by the mayor, this 18-person working group is composed of housing experts in D.C. and selected public stakeholders. The group was tasked with developing an action plan to preserve existing affordable housing covenants, and proposed Opportunity to Purchase legislation and establishing a Preservation Unit with dedicated staffing in the city’s Housing Department.

Many of the stakeholders we interviewed emphasized the role these groups had in their respective cities. Some of the groups have been established for as long as ten years, while others were only established a few years ago.

Funding for Preservation

Cities have a variety of funding mechanisms to preserve affordable housing. Both Washington D.C. and Boston have a revolving loan fund for affordable housing preservation. For borrowers utilizing the preservation funds, capital is due back to the city at the end of the acquisition financing term of two to three years.

Washington D.C. uses a public-private preservation fund that facilitates early investments while leveraging larger amounts of private capital for preservation efforts. Private dollars are used to increase the impact of public funding and provide gap financing for multifamily properties. The city solicits fund managers that leverage the public funding with private funding, while also marketing, underwriting, originating, and servicing the preservation loans. Fund managers continually coordinate with the Washington D.C. Department of Housing and Community Development's preservation unit.

In Boston, the Massachusetts Preservation Loan Fund was initially funded through a grant from the MacArthur Foundation as part of a philanthropic program. Colorado and the City of Denver currently do not have a preservation fund, but stakeholders indicated that the state's working group is in the process of establishing one. Funding for the preservation fund is anticipated to be financed through local financial institutions, philanthropies, and localities like the City of Denver.

Monies from these preservation funds are primarily used for property acquisition when a nonprofit organization wants to purchase an existing development but does not have the time to apply for tax credits. Loans from the preservation funds also have an affordability covenant attached. However, one of the interviewed stakeholders shared that a challenge with their preservation fund is that while projects can receive acquisition loans, there is no soft written commitment from the city to provide construction or permanent financing for the project in the long term. Because demand for the preservation fund is competitive and exceeds the limited supply, there is no guarantee that when the loans mature in three to four years the city will be able to continue to secure and provide financing.

In New York City, affordable housing with expiring affordability covenants that received LIHTC can also receive financing from the part of the city's budget allocated for preservation. Alternatively, NYC HPD's LIHTC – Year 15 program will leverage private debt and act as a subordinate lender. If a building has been well-maintained and does not require extensive rehabilitation, HPD's Year 15 Program can also release the rights to the capital reserve and extend affordability without requiring the use of any additional capital funds, though this is not a common occurrence.

In California, financing for at-risk properties is available through the primary programs for funding affordable multi-family development, including the Low-Income Housing Tax Credit (LIHTC) program of the Tax Credit Allocation Committee (TCAC), HCD's Multifamily Housing Program (MHP), Infill Infrastructure Grant (IIG), and the Affordable Housing and Sustainable Communities (AHSC) Program (TCAC 2021; HCD 2021d; HCD 2021e; HCD 2021f).

The Los Angeles Metropolitan Transportation Authority (LA Metro) Transit Oriented Communities Implementation Plan seeks to stabilize and strengthen communities around transit, offering technical assistance grants for affordable housing within a half mile of a major transit stop (LA Metro 2021; LA City Planning 2021). CHPC serves as a resource to assist with strategies for using and combining funding sources for preservation of at-risk developments, and features examples of successful preservation projects on its website (CHPC 2021d).

Outreach Strategies for Developments

Government officials and other partnering stakeholders typically conduct outreach to property owners of subsidized units with expiring covenants. Strategies varied across stakeholders. If a jurisdiction has a notice law in place that requires property owners to notify public officials of their plans to convert their property to market-rate or to sell it, city or state officials will know who to contact and reach out to and propose strategies to maintain affordability. Colorado and Denver have several email listservs of property owners who have properties that receive LIHTC and are subject to the state's preservation ordinance. Staff will then conduct outreach through their email listservs, use annual paper mailing, and send flyers to advertise resources and available funding.

In New York City, in addition to advertising HPD's LIHTC Program at an annual kickoff meeting with state partners and other stakeholders, the program uses syndicators that act as pipelines for properties they manage that are coming into Year 15, a mandatory checkpoint of their LIHTC affordability period. Stakeholders in Washington D.C. and Boston stated that mission-minded organizations will also frequently seek out the city or relevant stakeholders on their own to apply for preservation funding or technical assistance.

However, several of the stakeholders across all four locations we interviewed expressed difficulty conducting outreach to property owners. One common challenge was receiving a response back from property owners. One government official attributed the frequent nonresponse of property owners to an overload of unsolicited mail. In addition, many government officials stated that owners in higher priority and more expensive housing markets are typically less likely to respond to cold calls, emails, or mailings because they are not interested in extending affordability in a hot housing market. One government official also spoke of a significant lack of staffing capacity to conduct enough outreach, especially to property owners for whom they do not have contact information. Another stakeholder from a different jurisdiction shared that some property owners will use brokers or another insider to strike deals, which makes it difficult to conduct outreach and break into those processes.

Use of Prioritization Tools

When too many affordability covenants on subsidized affordable housing developments are set to expire in a short timeframe, jurisdictions need to decide how to prioritize which developments to conduct outreach and provide funding for. Given the lack of available funding for preservation, some jurisdictions are strategic about which developments to assist first, depending on factors such as proximity to transit or being within a high opportunity zone.

Both Massachusetts and Colorado have used publicly available data to create and maintain a housing preservation database. In Massachusetts, the database includes all existing affordable housing in the state, and the likelihood of covenants expiring for each. To prevent the use of the preservation database tool for speculation by buyers, both Massachusetts and Colorado do not publicize the database even though the data itself is publicly available. One of our interviewed stakeholders in Boston shared that a challenge has been keeping the database updated with characteristics like proximity to transit because they are constantly changing. For example, if a bus line is re-routed, the database would have to reflect proximity to the new routes instead of the previous ones. There has not been enough staff time to consistently update the preservation database with characteristics such as distance to schools or changing transportation routes.

Both states also use a preservation prioritization matrix. In Massachusetts, the matrix with various risk characteristics is now part of the state's Qualified Allocation Plan, which governs how affordable housing tax credits are allocated. The prioritization matrix is also used by developers to help them understand what the state's priorities are for housing preservation projects. Stakeholders in Denver and Colorado initially envisioned their prioritization matrix to have numbers with priority levels that could be integrated into the preservation database tool, but like the challenge our stakeholder in Massachusetts shared, they have not had enough staff time to do the data work and maintain it. Now, government officials in Denver and Colorado use the prioritization matrix mostly as a qualitative tool.

Interviewed stakeholders in New York City and Washington D.C. did not express a need to have a preservation database or prioritization matrix to prioritize their subsidized affordable housing. While city staff and nonprofits will identify affordability subsidies slated to expire, they have not yet felt a need to prioritize subsidized affordable housing developments. In New York City, the preservation department will review each property with expiring LIHTC covenants on a first come first serve basis, but our interview respondent at HPD stated that they are generally able to serve every property that applies for their preservation program.

Challenges in Preserving Subsidized Housing

Interview respondents in all four metropolitan areas described the lack of available funding as a major barrier, and often the greatest barrier, to preserving subsidized affordable housing. If a development is in a neighborhood with rising rents and high demand, jurisdictions require larger subsidies to keep up with market rates and preserve the property. In one jurisdiction, a respondent shared that because it costs more to preserve affordable housing in a hot market, there has been debate around whether the jurisdiction should shift its resources to easily-preserved affordable housing developments elsewhere.

Several interviewed stakeholders also stressed the difficulty of preserving projects with high capital needs. One respondent from a community development financial institution (CDFI) shared that it is expensive to refinance most affordable housing projects in a city with expensive development costs like New York City, because they have limited cash flow from income-limited rents and significant capital expenditure with limited replacement reserves. If the development has deteriorated to where it requires extensive rehabilitation, the city would need even more funding for preservation. Another interview respondent shared that many nonprofit owners of affordable housing developments in their area do not have real estate development capacity and often do not hire a third-party manager to manage the property. If the nonprofit owner does not make use of technical assistance and maintain the property well, it can have long-range implications for the building's capital needs and preservation efforts.

Another barrier commonly mentioned by interviewees in all four areas was convincing non-mission-minded owners and tax credit investors to extend affordability. Jurisdictions rarely have teeth to force owners to maintain affordability. Several respondents noted that it is especially difficult to negotiate with non-mission-minded owners in neighborhoods with rising housing values.

Benefits and Challenges of a Regional Approach

None of the stakeholders we interviewed in New York City, Denver, Boston, or Washington D.C. were aware of any regional efforts for affordability preservation, but they shared their perspectives on both the benefits and challenges of having such a framework.

A few of the interviewees across all four areas shared that a regional approach to preservation could be useful. One stakeholder in Washington D.C. mentioned that because housing needs are shared across the region, and policies in one jurisdiction also affect housing in adjacent jurisdictions, regional coordination and funding would be critical. However, one significant barrier to a regional preservation approach is coordinating each jurisdiction's local policies, governance structure, and funding streams. For the Washington D.C. metropolitan area, this is especially challenging because neighboring jurisdictions are in two entirely different states. The same situation exists in the New York City metropolitan region which encompasses portions of Connecticut and New Jersey. Interviewed stakeholders also shared that another challenge would be having to coordinate and implement a regional fund for preservation: Where would regional funding come from, and how would jurisdictions work together to allocate that money? If certain funding could only be used in the locality it originated from, how would that affect the regional fund? An additional barrier one interviewee pointed out was incentivizing local jurisdictions to cooperate in preservation efforts. With funding already limited for preservation, many localities might prefer not to share their own funding resources but to use them to preserve as much affordable housing as possible in their jurisdictions first.

The interviews we conducted demonstrated the complexity of addressing affordable housing preservation. Because different types of affordable housing stock require different types of preservation strategies, funding, and stakeholders, there should be appropriate staffing and governance structures in place. NYC HPD stood out as a leading example of how best to structure and staff an organization to preserve different kinds of affordable housing. For example, NYC HPD has separate programs with dedicated staff for both LIHTC and HUD Multifamily funded developments. Though Denver, Boston, and Washington D.C. had preservation programs of their own, none were as fully staffed and comprehensive as New York City's.

Conclusion

California is in the midst of a housing affordability crisis, exacerbated by the COVID-19 pandemic impacting households' incomes, particularly those of lower-income households. At the same time, over 17,000 deed-restricted affordable homes in the Southern California region are at risk of losing affordability in the next ten years (CHPC 2021c). Preserving this affordable housing is essential to reducing displacement and retaining affordable housing; preservation efforts are typically more cost-effective than demolishing and building new construction (Howell et al. 2018, Jordan & Poethig 2015, CHPC 2021b). Additionally, many of these at-risk subsidized affordable housing developments are in high-resource areas with high levels of transit access and low poverty rates; over half of at-risk units in the Southern California region are near high-quality transit. Preserving this subsidized housing is of utmost importance to reduce displacement and maintain affordable housing for the many residents who need it.

This report aims to assist SCAG in supporting local jurisdictions preserving at-risk affordable housing. Building upon the significant work of CHPC, this research first examined risk factors related to losing affordable housing to the open market, and used these results along with other characteristics to develop a tool to prioritize at-risk affordable housing developments. In addition, it analyzed several policies to preserve affordable housing in the SCAG region, and reviewed local and regional preservation programs in several metropolitan regions.

The future of affordable housing preservation in California looks brighter than the past. The recent expansion of California's Preservation Notice Law will hopefully help stem the loss of affordable homes. Experts we spoke to noted that current affordable housing development financing is now structured so fewer affordable homes will be lost to the open market. Still, there are currently a significant number of affordable homes at risk of losing affordability, and strategizing how to keep the greatest number of homes affordable in a region as large as Southern California will be pivotal in helping the state climb out of its housing crisis. Preserving homes near transit is essential to support transportation access for lower income residents as well as for greenhouse emissions goals. To prevent continued displacement of low-income families, there must be additional efforts to preserve and extend the affordability of subsidized housing.

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Appendices

Appendix 1: Risk Analysis Data Notes and Results

As an analysis of past conversion relies on data of previous property conversion and preservation, we made use of multiple data sources in order to balance data constraints. In particular, we analyze three sets of data separately: data on LIHTC developments provided by CHPC, data on LIHTC developments from the NHPD, and data on non-LIHTC developments from the NHPD. There are limitations to our analysis related to incomplete data, and not having all variables across observations and datasets. Due to these limitations, and the relative strength of the association with building characteristics over neighborhood characteristics and loss of affordability protections, we present the following associations as individual t-test results as opposed to logistic regressions.

Building characteristics were within each property dataset. Census neighborhood characteristics were downloaded for respective decennial or American Community Survey years from Social Explorer and were crosswalked to 2010 census tract boundaries and adjusted for inflation to 2019 dollars. Census data from 2000 and 2019 (five-year) were used instead of 2010 due to the inclusion of the 2008 foreclosure crisis influencing 2010 housing data. Census tracts were used as a proxy for neighborhoods. Data on public housing buildings was downloaded from HUD's open data portal and summarized by tract. Data on Urban Displacement Typologies was shared by the Urban Displacement Project. While race/ethnicity data was not available by development or region, in California, LIHTC units are on average 25 percent white alone, 18 percent Black or African American, and 38.6percent Hispanic (HUD User 2018).

Building characteristics

As seen in the tables at the end of this section, several building characteristics were associated with buildings being more likely to lose affordability and not have affordability preserved: being targeted towards families (as opposed to other populations, such as elderly or disabled residents), having an owner or manager who is a for-profit entity, unit types including two or more bedrooms, and having a low inspection score were all significantly associated with units being lost to the open market. On the other hand, having over 50 units, over 50 affordable units, or a last construction date before 1980 were all associated with having preserved affordability (less associated with losing affordability).[9] All three datasets showed similar results, with different variables available by dataset.

[9] Last construction date refers to the latest listed construction date for buildings in the development in the NHPD; if a building was added to a property, this date represents the construction date of the newest building at the property.

Neighborhood characteristics

Historic demographic characteristics were analyzed to understand the most important neighborhood characteristics at the time when buildings had expiring affordability protections. From the CHPC dataset, losing affordability protections was associated with a higher median neighborhood house value (1990 & 2000), having a median neighborhood house value over the regional median (1990 & 2000), having a median neighborhood house value over the county median (1990 & 2000), having a neighborhood median rent above the county median rent (2000), and having above the county median percent change of percent people of color (2000-2019). Most of these associations are in line with expectations from the literature; higher house values and rents indicate properties would be more valuable to be sold on the private market.

On the other hand, having above county median percent change household income (1990-2000), above regional median percent change house value (1990-2000), above county median percent change house value (1990-2000), above regional median percent change median rent (1990-2000), above county median percent change median rent (1990-2000), above county median percent people of color (1990), and above county median percent people of color (2000) were negatively associated with losing affordability (were associated with having affordability preserved). These results are contradictory to the prior findings, potentially indicating that base year characteristics are more important in influencing selling versus preservation decisions than changes in value across years, or lagging perceptions or measures of housing value change.

Neighborhood characteristics showed much more variation across datasets, indicating the difficulty of matching neighborhood attribute measures to the year(s) when buildings previously had affordability requirements expiring and were either preserved or lost. The NHPD dataset results are likely less reliable than those from the CHPC dataset, due to the wide range of years when buildings were preserved or lost, and the lack of information on which year that occurred.

The association between transit access and transit access to jobs and affordability preservation varies across datasets. There is no relationship seen in the LIHTC dataset from CHPC. Transit accessibility and transit access to jobs are both positively associated with losing affordability status in LIHTC developments in the NHPD dataset. This is a significant concern, as both transit access and transit access to jobs are very important for lower-income populations living in affordable housing. In the non-LIHTC NHPD dataset, there is a negative association between transit accessibility and transit access to jobs with losing affordability status, indicating that there may be other dynamics related to siting and programs beyond transit access that are affecting loss of affordability in these developments. We have included multiple transit access and transit access to jobs measures in the prioritization tool in the following section.

Neighborhood characteristics measured are measures of transit access and transit access to jobs, from the EPA's Smart Location Database (Version 2, 2013). The transit access variable uses available GTFS feeds to form a measure of aggregate frequency of transit service around census block groups, per hour during the evening peak period, measured per square mile and averaged by census tract. The transit access to jobs variable describes the number of jobs within a 45-minute transit commute, using travel time through a walk network and transit GTFS schedules, averaged by census tract. The presence of public housing, either a single development or multiple, was negatively associated with losing affordability in the LIHTC dataset (CHPC) and having over five public housing developments in the tract was negatively associated with losing affordability for non-LIHTC buildings as well (NHPD). This is in line with literature surrounding the stabilizing impacts of public housing (Bradway Laska et al. 1982).

Table A1 below demonstrates the results of t-tests, measuring the differences in building characteristics between those buildings that had affordability preserved and those that lost their affordability restrictions. In the table, +++ indicates a positive association between the variable and a building losing affordability ($p < 0.01$); ++ indicates a positive association ($p < 0.05$); + indicates a positive association ($p < 0.1$); --- indicates a negative association between the variable and a building losing affordability ($p < 0.01$); -- indicates a negative association ($p < 0.05$); - indicates a negative association ($p < 0.1$).

Table A1. Associations between housing development characteristics and loss of affordability by program type and data source

LIHTC (CHPC) **Total n=53**	**Lost affordability (total n=36)**
Tenant type: Family	+++ (n=28)
Over 50 units	-- (n=35)
Over 50 affordable units	--- (n=36)

LIHTC (NHPD) **Total n=311**	**Lost affordability (total n=88)**
Either owner or manager is a for-profit entity	+++ (n=66)
Tenant type: Family	+ (n=39)
Over 50 units	--- (n=86)
Unit type includes two bedrooms or more	(n=3)

Non-LIHTC (NHPD) **Total n=1,091**	**Lost affordability (Total n=812)**
Either owner or manager is a for-profit entity	+++ (n=87)
Tenant type: Family	++ (n=14)
Over 50 units	--- (n=806)
Unit type includes two bedrooms or more	++ (n=14)
Last construction date before 1980	--- (n=11)
Inspection score under 25th percentile	+++ (n=26)

Appendix 2: Preservation Prioritization Tool Full Data Notes

The first transit measure used is SCAG High Quality Transit Areas (HQTAs), within one half-mile of a well-serviced transit stop or a transit corridor with 15-minute or less service frequency during peak commute hours. This binary measure indicates whether or not a development is within the SCAG HQTAs (2045 plan, updated as of June 2019).

The second transit measure used is from the EPA's Smart Location Database (Version 3, 2021). This transit access variable uses available GTFS feeds to form a measure of aggregate frequency of transit service around census block groups, per hour during the evening peak period, measured per square mile.

Our third transit measure concerns access to jobs using public transit. This measure was developed using current (March 2021) transit access and work-location job measures by census block. We used General Transit Feed Specification (GTFS) feeds for all transit agencies in SCAG counties,[10] to create a network dataset at both peak and off-peak hours (sampled at 8am-8:30am and 8pm-8:30pm). This was then used in combination with LEHD Origin-Destination Employment Statistics (LODES 2018) data on jobs by census block to create a jobs accessibility measure, measuring the number of jobs accessible from each census block containing an affordable housing development with expiring affordability restrictions.[11] This jobs accessibility measure sums the number of jobs accessible within an hour of travel time via public transit (from the center of each census block, with a departure time from 8am-8:30am or 8pm-8:30pm on the year's busiest transit day).These two measures were then additionally turned into decile measures, from 1-10 (10 indicating the 10% of developments with the greatest number of jobs accessible by public transit, 1 indicating the 10% of developments with the fewest jobs accessible by public transit). As a comparison, we also include a measure of transit access to jobs, describing the number of jobs within a 45-minute transit commute, using travel time through a walk network and transit GTFS schedules, from the EPA's Smart Location Database (Version 3, 2021).

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[10] The following GTFS feeds were included in our analysis: Anaheim Transportation Network, Beach Cities Transit (City of Redondo Beach), City of Glendale, City of Los Angeles Department of Transportation, City of Pasadena, Culver City Municipal Bus Lines, Foothill Transit, Gold Coast Transit, City of Gardena Transportation Department, Long Beach Transit, Los Angeles County Metro, Montebello Bus Lines, Norwalk Transit System, Omnitrans, Orange County Transportation Authority, Riverside Transit Agency, Santa Monica's Big Blue Bus, SunLine Transit Agency, Torrance Transit System, Ventura Intercity Service Transit Authority, and Victor Valley Transit Authority.

[11] We created this accessibility matrix using the Calculate Accessibility Matrix function within the Transit Network Analysis Toolbox, an extension of ESRI's ArcGIS Pro. This tool works with the Network Analyst toolbox to calculate the number of accessible jobs from a set number of "origins" and "destinations." In this case, origins represented the centroids of census blocks where housing projects with expiring affordability restrictions are found. Destinations represented the centroid of census blocks containing over 50 LEHD-measured jobs (what we called "job centers"). Accessibility was tested every minute at both peak (8 am to 8:30 am) and off-peak (8 pm to 8:30 pm) hours. Total accessible job counts represent the total number of jobs accessible at least once by public transit within the time limit (one hour) and within the designated time window (peak or off-peak).

The local job access measures indicate the number of total jobs and jobs at under $40,000/year available within each census tract. This uses summed LEHD Origin-Destination Employment Statistics (LODES) data on jobs by census block. These two measures were then turned into decile measures, from 1-10 (10 indicating the 10% of developments in census tracts with the greatest number of jobs, 1 indicating the 10% of developments in census tracts with the fewest number of jobs).

The TCAC Opportunity category uses TCAC/HCD opportunity maps (2021, adopted December 2020) to describe the type of TCAC opportunity area each development is in (Highest Resource, High Resource, Moderate Resource, Moderate Resource (Rapidly Changing), Low Resource, High Segregation & Poverty).

The Urban Displacement Project (UDP) categories were generated for the SCAG region using 2018 US Census data. These describe the type of neighborhood where each development is located: Advanced Gentrification, At Risk of Becoming Exclusive, At Risk of Gentrification, Becoming Exclusive, Early/Ongoing Gentrification, High Student Population, Low-Income/Susceptible to Displacement, Ongoing Displacement, Stable Moderate/Mixed Income, Stable/Advanced Exclusive (or Unavailable or Unreliable Data). The criteria for these neighborhoods is available in Figure A2 below.

MODIFIED TYPES	CRITERIA
LOW-INCOME/SUSCEPTIBLE TO DISPLACEMENT	• Low or mixed low-income tract in 2018
ONGOING DISPLACEMENT OF LOW-INCOME HOUSEHOLDS	• Low or mixed low-income tract in 2018 • Absolute loss of low-income households, 2000-2018
AT RISK OF GENTRIFICATION	• Low-income or mixed low-income tract in 2018 • Housing affordable to low or mixed low-income households in 2018 • Didn't gentrify 1990-2000 OR 2000-2018 • Marginal change in housing costs OR Zillow home or rental value increases in the 90th percentile between 2012-2018 • Local and nearby increases in rent were greater than the regional median between 2012-2018 OR the 2018 rent gap is greater than the regional median rent gap
EARLY/ONGOING GENTRIFICATION	• Low-income or mixed low-income tract in 2018 • Housing affordable to moderate or mixed moderate-income households in 2018 • Increase or rapid increase in housing costs OR above regional median change in Zillow home or rental values between 2012-2018 • Gentrified in 1990-2000 or 2000-2018
ADVANCED GENTRIFICATION	• Moderate, mixed moderate, mixed high, or high-income tract in 2018 • Housing affordable to middle, high, mixed moderate, and mixed high-income households in 2018 • Marginal change, increase, or rapid increase in housing costs • Gentrified in 1990-2000 or 2000-2018
STABLE MODERATE/MIXED INCOME	• Moderate, mixed moderate, mixed high, or high-income tract in 2018
AT RISK OF BECOMING EXCLUSIVE	• Moderate, mixed moderate, mixed high, or high-income tract in 2018 • Housing affordable to middle, high, mixed moderate, and mixed high-income households in 2018 • Marginal change or increase in housing costs
BECOMING EXCLUSIVE	• Moderate, mixed moderate, mixed high, or high-income tract in 2018 • Housing affordable to middle, high, mixed moderate, and mixed high-income households in 2018 • Rapid increase in housing costs • Absolute loss of low-income households, 2000-2018 • Declining low-income in-migration rate, 2012-2018 • Median income higher in 2018 than in 2000
STABLE/ADVANCED EXCLUSIVE	• High-income tract in 2000 and 2018 • Affordable to high or mixed high-income households in 2018 • Marginal change, increase, or rapid increase in housing costs

Figure A2. Urban Displacement Project (UDP) typologies for the Southern California region (Chapple and Thomas 2021)