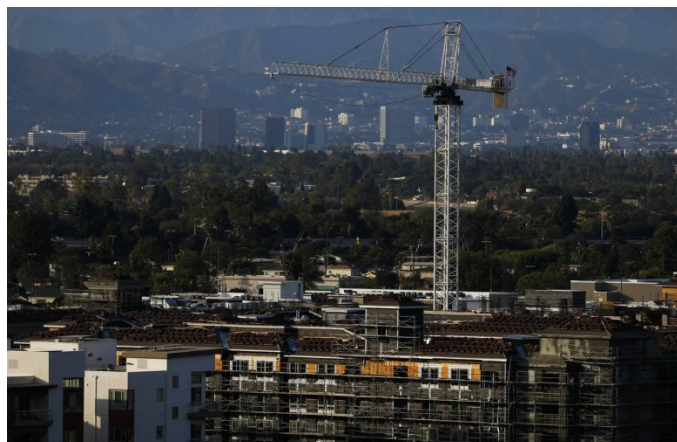


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LOS ANGELES LOOKS TO BAN MAJOR REAL-ESTATE DEVELOPMENTS

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By Laura Kusisto



Voters in Los Angeles are set to consider a measure that would impede housing developments like the Playa Vista community. PHOTO: PATRICK T. FALLON/BLOOMBERG NEWS

LOS ANGELES—Voters in the second-largest U.S. city are considering a measure that could effectively halt major real-estate projects, the most extreme example yet of a revolt against development that is breaking out across the country.

A boom in luxury development over the last five years has transformed urban America, bringing young people, restaurants, retailers and jobs back to city centers.

But construction activity has tilted toward the high end. Many longtime residents

have become resentful of new towers that cast shadows over their neighborhoods of single-family homes and push up rents. Average apartment rents nationwide have surged 26% since 2010, according to MPF Research, due in large part to strong demand after the housing crash.

Now some activists are pushing back with actions that threaten to grind housing production in some cities to a crawl.

The moves threaten to further constrict a tight supply of housing. Housing starts dropped 2.6% in January, the Commerce Department said Thursday. The number of single-family and multifamily starts per 1,000 households last month was about 36% below the 50-year average, according to Ralph McLaughlin, chief economist at Trulia.

In Los Angeles, residents in early March are set to vote on a ballot initiative that, if passed, would suspend for two years any development that requires a modification to the city's existing planning rules. Currently, such modifications are routine for new developments.

Proponents of the measure say it would affect only about 5% of projects in the city.

“People feel the system is rigged,” said Michael Weinstein, president of the AIDS Healthcare Foundation, which has poured some \$3.7 million into promoting the measure. “It’s all about billionaires getting what they want.”

Many of the patients served by the AIDS Healthcare Foundation are struggling with rising housing prices, he said.

New barriers to development are rising in major cities, either through new regulations—such as requirements that developments include affordable housing—or through increased community resistance.

San Francisco in June passed a ballot initiative that puts a 25% on-site affordable-housing requirement on most new residential buildings, which developers say will make many projects economically untenable. An independent analysis by the city’s Controller’s Office has recommended the requirement be reduced, based on the results of a soon-to-be-released feasibility study.

In Oregon, the Portland City Council in December unanimously passed a similar ordinance requiring buildings with 20 units or more to set aside 20% of units for affordable housing, although it also provides some concessions to developers like tax waivers.

In Boston, a plan by Mayor Marty Walsh to sell a city-owned parking garage to a developer to build one of the tallest residential buildings in the city is running up against stiff community opposition. Mr. Walsh said the sale would provide the city with a \$153 million revenue boost, but opponents said the tower would violate a local ordinance by blocking sunlight over the Boston Common and Public Garden.

Despite complaints in Los Angeles about a deluge of development, housing construction now is at only a fraction of the rate of the mid-20th century, before strict zoning rules were put in place. From 1950 through 1959, about 250,000 units of new housing were added in the city of Los Angeles, according to an analysis of census data by advocacy group Abundant Housing LA. From 2010 to 2015, the figure was 25,000, though the city issued permits for about 50,000 units in roughly the same period.

Permits tend to lag behind completed units by a couple of years, and not all permitted units end up getting built.

In the middle of the last century, zoning regulations were such that there was enough capacity in the city to build housing for 10 million residents, according to David Waite, a local planning lawyer.

The adoption of “community plans” in the 1970s and a ballot initiative in the mid-1980s knocked that down to 4.5 million people, meaning Los Angeles is now almost at full capacity.

Thirty-five community plans, each covering a separate neighborhood, govern how much development can occur in each. Updating community plans requires determining the anticipated

growth for a neighborhood over two decades, writing new land-use policies, getting community consensus for the changes and conducting an environmental-impact report.

The proposed rule up for vote in March, called the “Neighborhood Integrity Initiative” and referred to as Measure S, would require the city to update all community plans.

The full implications of Measure S are open to some interpretation. Some officials and developers say that, if passed, no development will be permitted until all the plans are updated, which they say could take a decade. Others say the moratorium will run for two years or until the plans are updated.

The Department for City Planning been trying for five years to update the community plan for Hollywood alone, but thus far has faced backlash from residents and a lawsuit.

Developers and city officials said Measure S would effectively impose a moratorium on everything from apartment development along transit corridors to office space for a flourishing tech community and even homeless shelters.

“This housing ban would drive investment out of L.A., kill jobs and stymie our efforts to move people off our streets,” Mayor Eric Garcetti said.

Both supporters and opponents said Measure S has a good chance of passing.

Updating the community plans will give citizens an opportunity to have input into the planning process, said Mr. Weinstein of the AIDS Healthcare Foundation.

Because the existing zoning rules make it difficult to build projects along major corridors, city officials often change rules for particular parcels.

For now, developers say the proposal is already having a chilling effect on new projects.

“L.A. has been redlined from an investment standpoint in housing until this uncertainty is known,” said Sean Burton, chief executive of CityView, a Los Angeles-based developer. He said the firm isn’t planning any new projects until after the vote.