

# UCLA ECONOMIC LETTER

## REAL ESTATE AND THE MACROECONOMY



*A partnership between the UCLA Ziman Center for Real Estate and the UCLA Anderson Forecast sponsored by the Ziman Center's UCLA Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics*

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Monthly condensed analyses of crucial real estate and economic issues offered by the UCLA Anderson Forecast and UCLA Ziman Center for Real Estate. Here, Stuart Gabriel, Arden Realty Chair, Professor of Finance and Director, UCLA Ziman Center for Real Estate; Tim Kawahara, Executive Director, UCLA Ziman Center for Real Estate; and Stephen Oliner, Resident Scholar at the American Enterprise Institute and a Senior Fellow at the UCLA Ziman Center for Real Estate, discuss an important community forum in which the Ziman Center played a leading role.

## The Coming Transformation of South L.A. and Inglewood: A Community Forum

*By Stuart Gabriel, Tim Kawahara, and Stephen Oliner*

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The Ziman Center recently participated in a unique outreach event that connected UCLA to residents of South Los Angeles and Inglewood. Partnering with the American Enterprise Institute (AEI) and African-American church leaders, the Center developed a program, "Our Changing Community," to address the questions and concerns of local residents about the transformational NFL stadium and related development getting under way in this part of the LA area. The forum took place on Saturday, February 6, at Zoe Christian Fellowship of Los Angeles and was hosted jointly by Bishop Frank L. Stewart of Zoe Christian and Marc T. Little, President of the Inglewood Airport Area Chamber of Commerce Learning Institute. The forum drew a large audience, nearly filling the sanctuary at Zoe Christian.

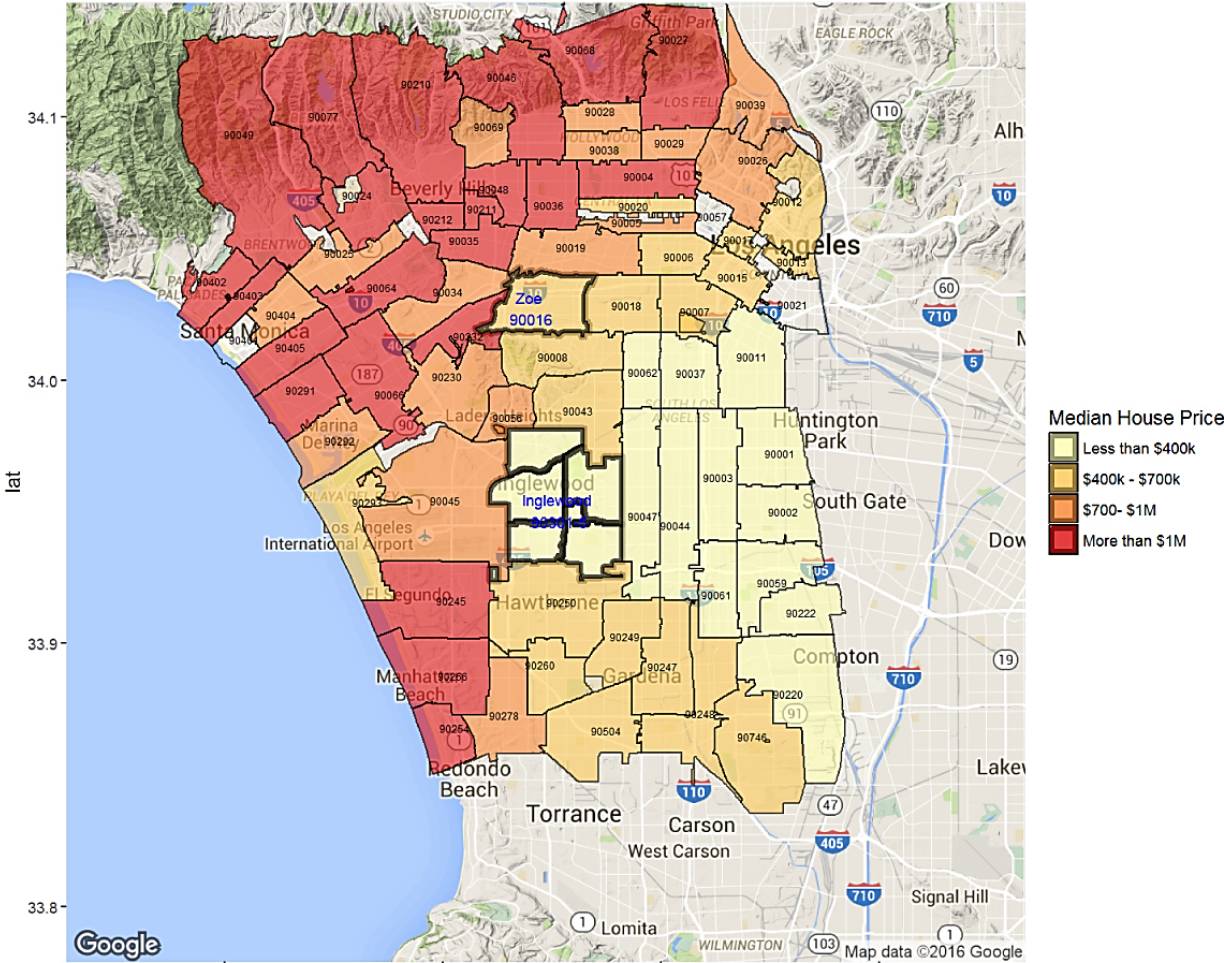
*"To exert influence, Inglewood residents need to stay informed about the development process, form coalitions with others that share their interests, attend planning meetings, and make their views known to their elected*

The speakers at the forum included two of the authors of this Letter (Gabriel and Oliner), Edward Pinto from AEI, Christopher Jackson from the City of Inglewood's Economic and Community Development Department, and two area developers – Andrew Gross from Thomas Safran & Associates and Robin Hughes from Abode Communities. The panel members brought deep expertise from a wide range of perspectives.

The initial presentation, by Stuart Gabriel, focused on the economic fundamentals driving changes in Inglewood and South L.A. As shown in the accompanying chart, many areas to the west and north of Inglewood have benefitted from a confluence of tight housing supply and strong tech and other development trends that have pushed median house prices above \$1 million. In marked contrast, Inglewood and adjoining zip codes to the east comprise some of the most affordable and well-located areas of the Los Angeles basin, with median house prices below \$400 thousand. In addition to relatively affordable prices, Inglewood is currently benefitting from:

- light-rail and related improvements in access and proximity to dynamic Mid-City, Downtown L.A., Westside, and LAX areas,
- growing spillover demand from the proximate emerging tech hub in Silicon Beach,
- high costs of commutes from outlying areas together with popular emerging preferences for urban rather than suburban locations,
- transformational local development associated with the incoming Los Angeles Rams' football stadium and related residential, commercial, and civic projects,
- increased interest among lenders and investors in inner city neighborhoods, and
- the ongoing emergence of Los Angeles as a highly desired global city.

# House Prices in Inglewood and Surrounding Areas



The combination of these factors suggests that Inglewood's "time has come" and that the City will see significant economic and real estate development.

These economic forces have prompted developers to move forward with huge new projects in Inglewood. This includes the under-construction City of Champions Revitalization Initiative, a nearly 300-acre, 4-million-square-foot mixed-use development which will be anchored by the Rams' 80,000-seat new stadium and 6,000-seat performance venue. The project will also feature a master-planned neighborhood, a luxury hotel, a revitalized casino, a retail and restaurant district, commercial office space and parks. Adjacent to the project under separate ownership is The Forum, the former home of the Los Angeles Lakers, which recently underwent a major renovation and now hosts high-profile concerts and special events. The project is estimated to deliver \$25 million in annual tax revenue to the City of Inglewood.



The meeting also covered resident concerns regarding both benefits and costs of gentrification as well as broader issues related to homeownership and wealth-building among members of the community. In his presentation, Stephen Oliner described a three-pronged approach to reliably build wealth. The first element is to buy a home that is right-sized for the borrower's budget and finance the purchase with a mortgage that pays down more quickly than the standard 30-year loan. The goal is to pay off the mortgage well before the homeowner retires. Oliner and Edward Pinto have developed such a mortgage, the Wealth Building Home Loan, which has a 15-year or 20-year term and is

structured to have more buying power than other mortgages with the same term.<sup>1</sup> The second element of the wealth-building strategy is to save through a 401(k) or similar retirement plan, preferably with an employer match. It is advisable to start saving early to allow annual compounding to work its magic. The final element is to invest in the education of one's children. In the globally competitive economy, acquiring skills valued in the marketplace is the best route to economic security.

After the opening presentations, the panel addressed questions from the audience. Most of the questions revolved around several important issues: concerns about being priced-out of the home-purchase market; the supply of affordable rental housing; traffic congestion; the potential displacement of existing small businesses; the ability of residents to influence the development process; and likely changes in the racial and ethnic composition of the population.

The panel members acknowledged that neighborhood change can be disruptive. Some residents (especially current homeowners) stand to gain from the changes, while others (lower-income renters in particular) likely will find that their options for staying in the area become more limited. And uncertainty about the future can produce anxiety today.

That said, the panel members stressed that local residents can influence development outcomes for their community. This was perhaps the most important message from the forum. To exert influence, residents need to stay informed about the development process, form coalitions with others that share their interests, attend planning meetings, and make their views known to their elected representatives. As one panel member put it, "Neighborhood meetings are important. Developers listen because they need to have projects approved before they can make money." Thus, far from being powerless, residents have leverage.

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<sup>1</sup> For a detailed description of the Wealth Building Home Loan, see the [September 2015](#) Economic Letter. Currently, the loan is offered in the Los Angeles area by the Neighborhood Assistance Corporation of America (NACA), a national nonprofit organization that supports homeownership for lower- and moderate-income households. Representatives from NACA attended the forum to answer questions about their loan program

With the forum at Zoe Christian, the UCLA Ziman Center began an important dialogue with the Inglewood and South LA community. Feedback about the recent forum has been strongly positive, and a second event is on the drawing board for June. Stay tuned!