

UCLA ECONOMIC LETTER

REAL ESTATE AND THE MACROECONOMY



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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, C.J. Gabbe, a recent alumnus of the UCLA Luskin School of Public Affairs Ph.D. in Urban Planning program and incoming assistant professor of environmental studies at Santa Clara University, analyzes new data showing where higher-density housing is allowed in Los Angeles and offers insights into the City's current planning debates.

UCLA Ziman Center's [recent forum](#), "Never Let a Good Crisis Go to Waste," shed additional light on many sides of the issue.

Where Residential Density Is Allowed – and Isn't – in Los Angeles: A Fresh Look at Zoning Changes

By [C.J. Gabbe](#)

The City of Los Angeles is expected to grow by more than 300,000 households over the next few decades, according to the Southern California Association of Governments [growth forecast](#). Where will these new people live? If local and regional plans come to fruition, they will live in some of Los Angeles' most transit-oriented neighborhoods. But, the City – like many others – is in the midst of a contentious public debate about how to grow.

"A parcel in a neighborhood with a high homeownership rate was about 96% less likely to be upzoned than a parcel in a neighborhood with a low homeownership rate."

One view is that the pace of housing development is *too slow*, and a lack of housing supply is fueling a housing affordability crisis. Mayor Eric Garcetti, for example, announced ambitious plans to build 100,000 new housing units by 2021. An alternative view is that Los Angeles' pace of housing development is *too fast*. To this point, the Neighborhood Integrity Initiative, scheduled for the March 2017 ballot, argues that there is already too much rezoning to allow new high-density development. All seem to agree that Los Angeles' community plans are sorely out of date and must be updated.

What no one has done, however, is to quantitatively examine where and to what extent Los Angeles has already been changing permissible density of its parcels and neighborhoods. Based on my recently completed research, this UCLA Economic Letter adds empirical evidence about the prevalence of L.A.'s recent zoning changes, and examines why parcels have been upzoned. My research shows, for example, that, upzoning is much more rare than indicated by the alarm sounded by anti-density advocates. It also shows that upzoning tends to occur in neighborhoods with smaller shares of single-family homeowners, suggesting that political opposition to density has effectively directed the City's growth.

HOW COMMON ARE ZONING CHANGES?

My zoning analysis is based on a comprehensive dataset of Los Angeles parcels. I created this dataset by assigning each parcel in Los Angeles (more than 780,000 of them) with its municipal zoning designation in 2002 and 2014. If the zoning designation in 2014 allowed more residential density than in 2002, the parcel had been "upzoned." If the reverse had occurred, then the parcel had been "downzoned."

Zoning designations were largely static: On average, the City upzoned 225 acres and downzoned 216 acres annually between 2002 and 2014. (Los Angeles' total land area is about 300,000 acres.) That is less than two-tenths of one percent of its land area every year. And, many of these changes, particularly the downzonings, were more administrative than substantial changes to the City's residential development capacity.

L.A.'s zoning changes represent far fewer than those of New York City, which upzoned 5% and downzoned 6% of its parcels between 2003 and 2009, according to research from New York University. New York City also made other non-density related zoning changes: The researchers estimated the total area of regulatory change covered 20% of New York City. In the future, we need more data points to define a "normal" amount of zoning change. But signs show that Los Angeles is at the low end of the spectrum.

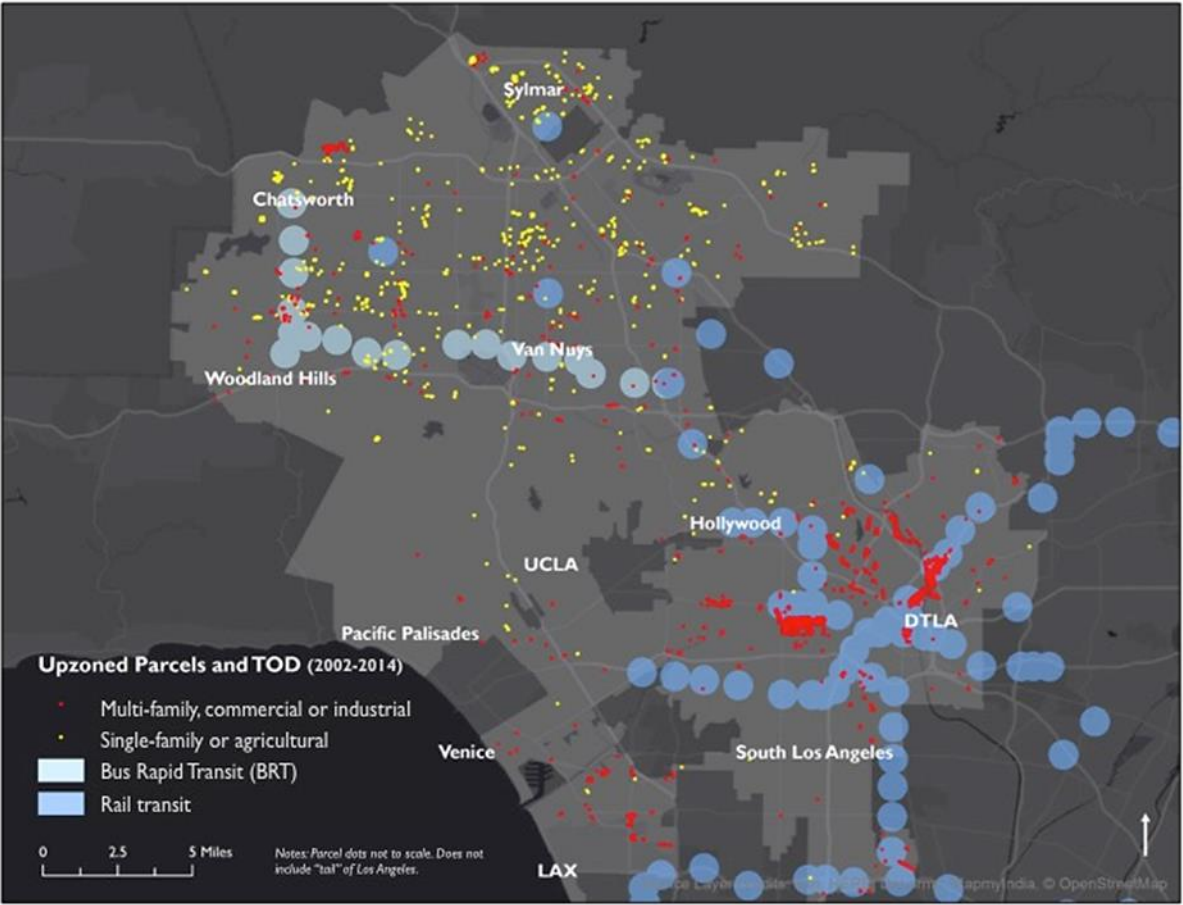
EXPLANATIONS FOR UPZONING

It is not known why some Los Angeles parcels were upzoned and not others. The City should be increasing housing densities near public transit and in other neighborhoods where growth enables the City's goals, including helping to mitigate climate change.

But it is clear that upzoning in Los Angeles follows the path of least political resistance and most development opportunity. Upzoning was most likely on well-located parcels near freeways, and on parcels previously zoned for low-intensity uses like manufacturing and parking. For every mile farther from a freeway ramp, the odds of a parcel being upzoned were nearly halved. The odds of upzoning were 85% higher for a parcel where housing wasn't allowed in 2002 (e.g., parcels zoned for manufacturing, parking etc.).

Meanwhile, upzoning was least likely in neighborhoods with average or higher shares of homeowners coupled with desirable amenities such as proximity to the beach and high-performing schools. A parcel in a neighborhood with a high homeownership rate was about 96% less likely to be upzoned than a parcel in a neighborhood with a low homeownership rate. (High homeownership neighborhoods were defined as the City's top quartile in terms of ownership and low ownership neighborhoods were those in the bottom quartile.) For every mile farther from the beach, the odds of a parcel being upzoned increased by 56%. Lastly, every 100 point increase in a parcel's local elementary school Academic Performance Index score decreased the odds of being upzoned by 15%.

The map below shows areas where upzoning happened. (For formatting purposes I have cut off Los Angeles' "tail" to the port.) As shown, some of the zoning change occurred through property-owner initiated rezonings (e.g., much of the rezoning in the San Fernando Valley). Other zoning changes were the results of community plan updates or new specific plans (e.g., downtown's Cornfield Arroyo Seco Specific Plan). Some of the upzoning was near major transit, while much of it was not. There was little upzoning on the Westside, with the notable exception of Playa Vista.



IMPLICATIONS FOR POLICY

The current political dynamic in Los Angeles, and undoubtedly many other American cities, is one in which the most desirable areas are also the most difficult to upzone. Homeowners, particularly those with access to valuable amenities, appear to have been very successful in maintaining the existing urban form, as shown by Los Angeles' current regulatory stasis.

Is it possible to overcome this barrier to using infill development to focus urban growth? I take a cautiously optimistic view. My research shows that change is possible in Los Angeles, and the City is engaging in a number of policy efforts, ranging from re:code LA zoning code update to a set of new transit neighborhood plans. However, it will clearly require strong political will for Los Angeles to break its current zoning logjam and to better align its plans and regulations with its future vision.