



PENN IUR ROUNDTABLE ON ANCHOR INSTITUTIONS

# Universities and Affordable Housing

## UNIVERSITY OF SOUTHERN CALIFORNIA

CASE STUDY

JUNE 2023

Photo Credit: Randall Howard



# The Model: University Focus on Decreasing Neighborhood Housing Pressure through Increased Student Supply and Financial Resources Allocated towards Affordable Housing Funds/Projects

## INTRODUCTION/OVERVIEW

University of Southern California (USC) is located in South Los Angeles's University Park neighborhood. Historically a commuter school, USC now boasts enrollments of nearly 50,000 students, including over 42,500 full-time students and approximately 21,000 undergraduate and 28,500 graduate enrollees (enrollments based on 2021 statistics from the Integrated Postsecondary Education Data System; Ginder, Kelly-Reid, and Mann 2018). As the campus has continued to grow, so have longtime tensions with its adjacent neighborhoods as student housing demands—coupled with increasing regional housing market pressures and economic uncertainty—have contributed to shifts in local housing supplies and target markets.

Since the 2000s, USC, the City of Los Angeles, and South LA neighborhoods have engaged in ongoing conversations about the need for a new approach to university-related housing within USC neighborhoods. The creation of a university master plan for future expansion established a formal impetus for the City, in conjunction with local communities, to examine USC's place-based impacts on neighborhood housing, jobs, and economic development. The master plan was requested by the city council representative who represents the campus.

USC's development plan (drafted in 2005 and adopted in 2011) outlined its anticipated growth in the University Park Campus area (City of Los Angeles 2011b). Designed to be implemented in phases by 2030, future development entitlements provide for up to 2.5 million square feet of university-based uses (e.g., academic and research facilities), 350,000 square feet of retail and commercial uses, 2.1 million square feet of residential development, a hotel and conference center, and (potentially) a university-affiliated K-8 laboratory school (City of Los Angeles 2011b). In response, the City of Los Angeles City Council passed a motion in December 2008 for the City's Planning Department to create the USC University Park Specific Plan and a nexus study (City of Los Angeles 2011b). These studies supported a formalized agreement with the City of Los Angeles that aligned USC's plans for ongoing growth and expansion with the City's general plan and the university's adjacent community issues, concerns, and needs.

In its entirety, the City-USC process encapsulated an existing conditions analysis and forward-looking impact assessments that are formally articulated via four key documents, adopted by the City of Los Angeles in conjunction with USC, that constitute the USC Specific Plan:

- The Nexus Study (City of Los Angeles 2011b), which assessed the existing conditions and local impacts of USC's proposed development plans, extending to employment, infrastructure, facilities and services, affordable housing, open space, and transportation;
- The Environmental Impact Report (EIR), which met analytical requirements for any proposed development as established by the California Environmental Quality Act (CEQA);
- The Specific Plan (City of Los Angeles 2011a) and Development Agreement (City of Los Angeles 2013), which helped guide the implementation of USC's master plan and established specific land use regulations and development requirements to align expansion with community needs; and
- Three Core Campus Projects incorporated into Site Plan Review.





Collectively, these documents (and, in particular, the Specific Plan and Development Agreement) established the framework for a community benefits agreement (CBA) between USC and its geographic neighborhood, as defined and implemented by the City of Los Angeles. USC's housing-focused investments are largely captured by this CBA and summarized in this case study.

**BACKGROUND: USC IN THE UNIVERSITY PARK NEIGHBORHOODS**

The Nexus Study defined USC's primary neighborhood as the area bounded by Washington Boulevard (north), Main Street (east), Vernon Avenue (south), and Normandie Avenue (west) (see Figure 1; City of Los Angeles 2011b, 14). In the early 2000s, the City's analysis found that USC's adjacent neighborhoods were fundamentally distinct from the City at large. Relative to the City of Los Angeles as a whole, University Park housing trends illustrated: high rental rates (80 percent), higher shares of multi-family structures (2+ units and up; 70 percent), higher vacancy rates than the city (7 percent), older housing stock (30 percent of units were built prior to 1940), and lower median home values (\$308,000) and rents (\$950) (City of Los Angeles 2011b). These housing trends were coupled with much lower median household incomes than citywide averages (approximately \$23,500) and higher rates of overcrowding (70 percent of renter households met the Census definition of overcrowding, meaning 1.5 people per room in 2000).

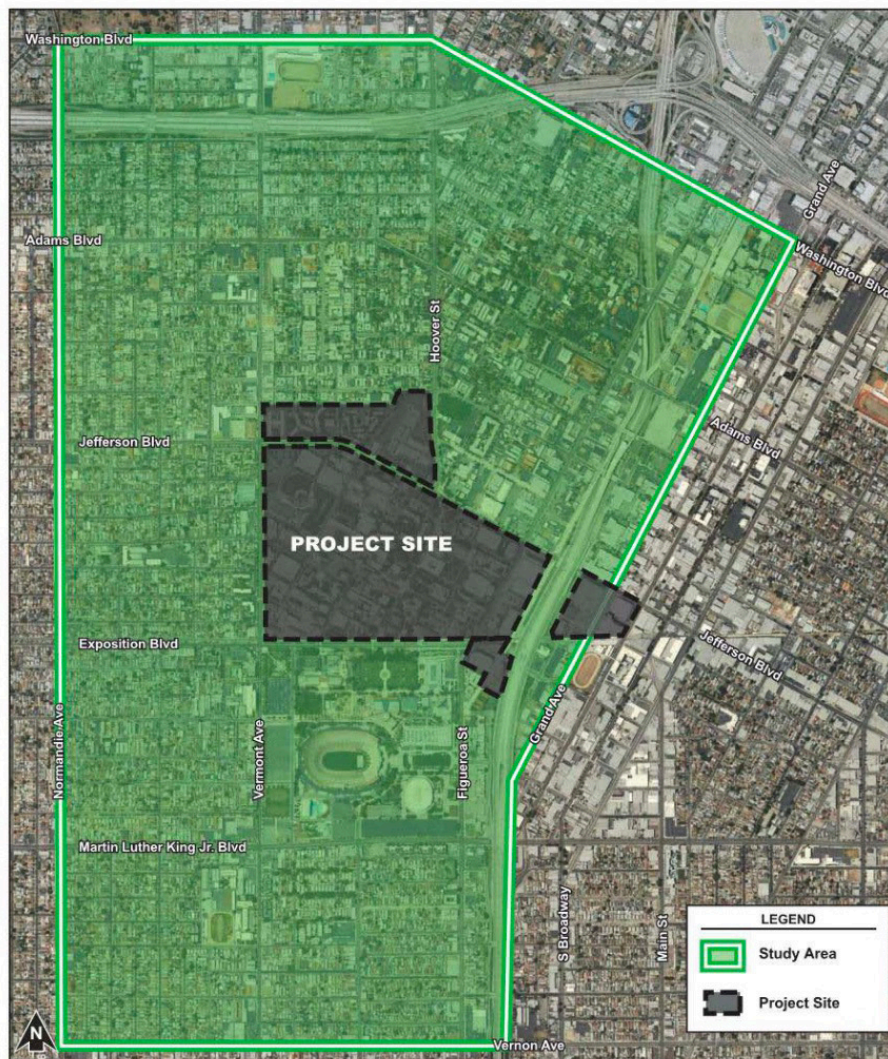


Figure 1. USC Nexus Study Area (City of Los Angeles 2011b, 14)



While the Nexus Study could not quantify the share of affordable housing utilizing the Census-provided definition that a household is not paying more than 30 percent of its income in housing costs, it did offer insights into the neighborhood's supply of housing with affordable protections. The City classified four types of affordable housing protections, including:

- Buildings subject to the **City's Rent Stabilization Ordinance**: Approximately 2,250 buildings within the study area were subject to the Rent Stabilization Ordinance in 2008, representing roughly 11 percent of all residential structures (as compared to 10 percent citywide);
- **Publicly subsidized affordable housing**, federal and other public funds (e.g., LIHTC): Approximately 1,300 units in 24 developments had public funding subsidies in 2008, which were due to expire and potentially convert to market rate housing "at some point in the future";
- **Publicly subsidized affordable housing**, Housing Authority of the City of Los Angeles (HACLA): HACLA held approximately 850 units of publicly subsidized rental housing in 12 developments within the study area zip codes; and
- **Section 8 vouchers**: Per HACLA, the neighborhood's rental housing market included approximately 1,000 units occupied by households with Section 8 vouchers (City of Los Angeles 2011b).

Beyond broad neighborhood housing trends, the City also examined USC-affiliated housing demand, identifying substantial pressures within the neighborhood (City of Los Angeles 2011b). This was due, at least in part, to the spillover from USC students who were not accommodated with on-campus or other USC-owned housing options. As of 2009, USC (inclusive of USC-affiliated entities) offered approximately 8,500 beds to its undergraduate and graduate students, with the majority of beds allocated towards undergraduate populations (see Tables B-9 and B-10, City of Los Angeles 2011b) in dormitories and apartments. Collectively, USC accommodated approximately 50 percent of its undergraduates and 3 percent of its graduate students in university-owned and affiliated beds.

For those students who were not living in university-affiliated housing, the plan estimated that approximately 70 percent of the remaining undergraduate population (i.e. 35 percent of total enrolled undergraduates) and 20 percent of graduate students sought housing within the University Park neighborhoods. This translated into approximately 5,500 undergraduate and 3,000 graduate students living near USC, generating demand for an estimated 4,000 housing units—the equivalent of roughly 33 percent of all housing demand within the Nexus Study Area (see Tables B-14, B-15, and B-16, City of Los Angeles 2011b). Lastly, using payroll records, the study identified only 4 percent of faculty and staff lived within USC-adjacent neighborhoods in the late 2000s with an assumption that most were located in rental housing.

Collectively, these were the neighborhood and housing market conditions that established a baseline for the City and USC to (1) evaluate the potential implications of USC's future campus and student expansion plans and (2) establish a series of guidelines and regulatory framework to align those plans with the City's planning goals and community-centered needs.

## **ANCHOR STRATEGIES TO ADDRESS AFFORDABLE HOUSING: THE CITY-USC DEVELOPMENT AGREEMENT**

USC's affordable housing investments and strategies are largely centered on a City-USC agreement that seeks to mitigate USC's future impacts on surrounding neighborhoods. While the Nexus Study and EIR evaluated the existing conditions and potential impacts of future university growth, the regulatory and community benefits agreements were encapsulated within (and enforced by) the City's formal adoption of (1) the Specific Plan for USC's University Park Neighborhood (City of Los Angeles 2011a) and (2) a detailed development

agreement for the Nexus study area (City of Los Angeles 2013). The Specific Plan takes a more parcel-level view of implementation, largely emphasizing broad land use and site-specific regulations that would impact the neighborhood context (e.g., parking, on and off-site alcohol consumption, and historic review regulations).

The Development Agreement is the primary tool for understanding the City-USC agreement as it relates to housing provision and community benefits (City of Los Angeles 2013). It embodies the enforcement mechanism for a 2012 community benefits agreement (CBA), which grew out of negotiations between USC, the UNIDAD Coalition, and the City of Los Angeles (T.R.U.S.T. South LA and Strategic Action for a Just Economy (SAJE) 2021). The CBA incorporated benefits related to a host of specific community-focused concerns, including housing, job training, and local hiring. The case study examines housing-focused investments below.

## TWO APPROACHES TO HOUSING IN UNIVERSITY PARK

### APPROACH 1: INCREASING STUDENT HOUSING CAPACITY AT USC

As part of its 2030 master plan, USC proposed increasing its student accommodations by a net 4,200 beds (inclusive of 1,100 demolished and 5,400 new beds), as well as the creation of 250 new residential units for faculty housing (City of Los Angeles 2011b). In total, the Nexus Study estimated this would produce roughly 2,700 new dwelling units within the university-adjacent neighborhood. Combined with projected increase in enrollment and hiring over the 20+ year implementation period, the City's study projected an overall 17 percent USC-affiliated population within the study area by 2030, including students (11 percent undergraduate and 23 percent graduate increase), faculty (10 percent increase), and staff (23 percent increase) (see Table B-20, City of Los Angeles 2011b). Relative to expectations for USC-generated dwelling units, this represented a 1,500 net increase in USC-affiliated households—a cause for concern in an already high-demand rental neighborhood. Despite this anticipated growth, however, the general consensus in the Nexus Study was that the USC Master Plan was a net positive for the neighborhood and remained consistent with the City's overall housing goals, as articulated in the General Plan and locally focused community plan. Ultimately, the study found the proposed master plan would, at least to some degree, mitigate USC-generated housing demand within the neighborhood while still enabling USC expansion. The USC Master Plan was also perceived by many in the community as an opportunity to create a new economic engine in a community that had long been economically stagnant. The key component of this economic engine was the USC Village, an old community mall the university purchased in 1999. Redevelopment of the village became the largest economic development project in the history of South Los Angeles.

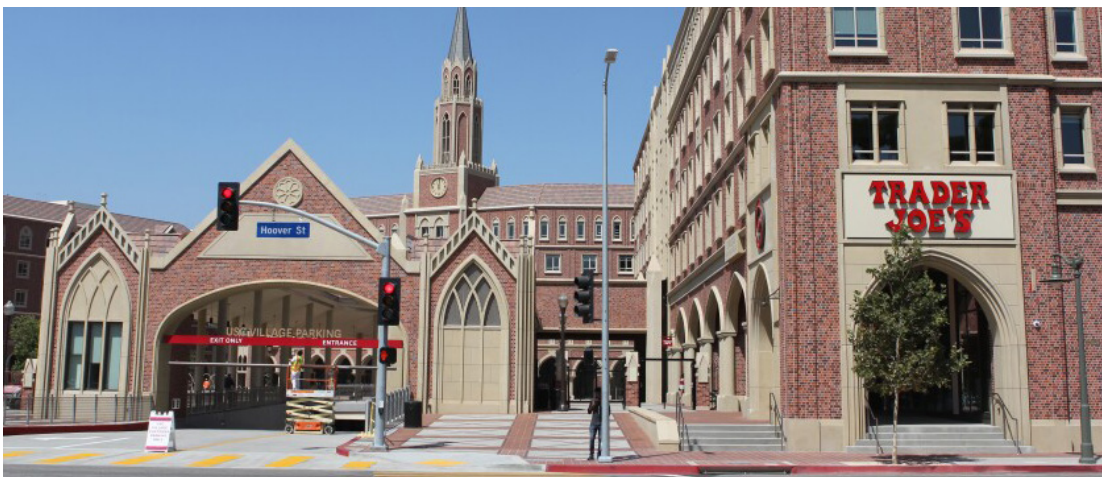


Figure 2. USC Village (Vincent 2017)





USC made a substantial step towards meeting its planned expansion of on-campus beds with the opening of its USC Village project in 2017 (“USC Village” n.d.). The \$700 million, 15-acre mixed-use project aimed to address neighborhood and university needs (Vincent 2017). From a residential perspective, USC Village incorporates 2,500 undergraduate beds across eight residential colleges. In addition, the development includes an array of community-facing retail uses, from fast-casual dining and coffee shops to a Trader Joe’s grocery, Target, banks, and other services. Collectively, the project marks USC’s the most significant major project derived from the 2030 master plan and serves as a key demonstration of the Specific Plan and Development Agreement implementation process.

Collectively with the Village, USC added approximately 1.25 million square feet of development, including interdisciplinary research, academic, dance, athletics, housing, amenities, and student serving uses. The campus has increased its square footage—without increasing its footprint—by 27 percent. Future buildings will include the historic renovation and repurposing of a church into a dramatic arts space and another interdisciplinary research building.

#### **APPROACH 2: CONTRIBUTING TO HOUSING EFFORTS IN UNIVERSITY PARK**

The expansion of USC-provided beds, whether in on-campus or USC-affiliated housing within the neighborhood, is inherently tied to a second layer of housing-focused investments for the Nexus Study Area. Using the Development Agreement as the implementation mechanism, USC and the City negotiated a series of community-focused benefits that were directly linked to the university’s commitment to produce student-focused housing and mitigate neighborhood impacts through its expansion efforts (City of Los Angeles 2013). Adopted in 2013, the Development Agreement includes three major components related to “Housing Preservation and Production,” including: (1) the creation of an affordable housing trust fund for the Nexus Study Area; (2) a commitment to produce a minimum quantity of student housing before demolishing any existing beds within a certain Specific Plan area is permitted; and (3) the establishment of a tenant support and advocacy resource within USC for the benefit of the local community. Beyond these benefits, the Development Agreement also stipulates several improvements that go beyond affordable housing issues, such as improvements to infrastructure, parks, neighborhood quality of life (e.g., buyout of liquor licenses), schools, and other amenities.

Perhaps the most significant portion of the Development Agreement is the creation of a USC-funded affordable housing program fund to be paid to the City of Los Angeles for the benefit of housing within the Nexus Study Area (City of Los Angeles 2013). In aggregate, USC committed to paying the City up to \$20 million towards affordable housing programs by 2030. USC will provide three lump sum payments, as described below:

- Ahead of the issuance of a building permit for the USC Village project (paid in 2013; project completed in 2017), the university agreed to pay an initial \$10 million lump sum payment “for the creation, preservation, or rehabilitation of Affordable Housing within the Nexus Study Area, [which was]... allocated to the LAHD’s Affordable Housing Trust Fund (AHTF) or a similar Housing Trust Fund administered by LAHD” (City of Los Angeles 2013; T.R.U.S.T. South LA and Strategic Action for a Just Economy (SAJE) 2021).
- Ten years after the effective date of the Development Agreement (i.e., 2023), USC agreed to convey a second \$5 million lump sum payment into the housing trust fund.
- Lastly, USC is required to submit a final \$5 million payment in 2033 at the conclusion of the Development Agreement, unless it meets a series of student housing-focused conditions. The City can waive this final payment if USC satisfies two conditions:



- The construction of an additional 4,038 USC-owned and operated beds (net), and
- The ability to house at least 70 percent of its undergraduate population, based on contemporary enrollment, in on-campus or USC-owned housing.

As of this case study, USC has successfully remitted the initial \$10 million payment and submitted the second payment in April 2023 on the 10-year anniversary of the Development Agreement's effective date. Looking ahead, the university anticipates it will add additional student housing to its portfolio, but it is too early to determine if USC will meet both student housing-focused conditions.

On a production front, the Development Agreement required USC to commit to a minimum increase of 3,000 net student beds before the City would allow the university to demolish any existing housing in a future phase of the USC Village project (City of Los Angeles 2013). This portion of the negotiated benefits ensured that student housing was consistently a priority throughout USC's planned expansion and the neighborhood was afforded as much protection from adverse housing impacts as possible throughout the process. USC recently conducted a student housing demand study and is assessing timing for building additional housing. The absorption of these beds will help inform USC's timing to deliver additional university-owned beds.

Lastly, the Development Agreement looked beyond the allocation of physical or financial resources to consider capacity-related supports for neighborhood housing concerns (City of Los Angeles 2013). USC agreed to establish a legal clinic at the Gould School of Law with intent of providing "legal assistance to tenants currently living in an Affordable Housing Units or Rent Stabilized Unit within the Nexus Study Area" (City of Los Angeles 2013). Broadly, the clinic would target "any and all issues" between landlords and tenants within the target area, providing representatives to inform, counsel, and represent tenants as needed. The City required USC to launch the clinic within six months of the Development Agreement execution. The clinic was established and remains operating. Over the last year, USC Gould School of Law also directly manages the clinic.

#### **USC HOUSING TRUST FUND AT WORK: SUMMARY OF ROLLAND CURTIS GARDENS AND TRUST SOUTH LA**

Tenemos que Reclamar y Unidos Salvar la Tierra - Los Angeles, otherwise known as TRUST South LA have been working with the City on plans to allocate the housing payments USC has provided to the City (T.R.U.S.T. South LA and Strategic Action for a Just Economy (SAJE) 2021). Originally founded in 2005 as the Figueroa Corridor Community Land Trust, TRUST South LA is a community-based nonprofit focused on affordable housing and community development in the neighborhoods south of downtown Los Angeles (T.R.U.S.T. South LA n.d.). Their efforts are primarily focused on the acquisition and preservation of permanently affordable housing via a community land trust (CLT) model, as well as increasing mobility and recreational opportunities within their neighborhoods and building community capacity.

In 2021, TRUST South LA, along with two allied nonprofit community organizations, authored a report to review progress within the USC Nexus Study Area (T.R.U.S.T. South LA and Strategic Action for a Just Economy (SAJE) 2021). Specifically, the report examined the efforts and outcomes towards generating equitable outcomes for low-income households and small businesses within the USC neighborhoods, particularly in the wake of the COVID-19 pandemic. The report highlights some of the acquisition strategies (and pitfalls) TRUST South LA faces in their work to preserve affordable housing in the neighborhood, which includes deploying CBA-generated resources from the affordable housing trust fund.

TRUST South LA is a champion of one of the most notable affordable housing success stories within the Nexus Study Area, Rolland Curtis Gardens. In partnership with Abode Communities, a nonprofit affordable housing developer and provider, TRUST South LA navigated a relatively contentious affordable housing acquisition process and redeveloped the property into 140 permanently affordable rental units with retail (Kim and



Figure 3. Rolland Curtis Gardens (Los Angeles Housing Department)

Eisenlohr 2022). The original 48-unit property had Section 8 affordability restrictions that were due to expire in 2011, at which time the existing property owner intended to convert the units into market rate housing. After a lengthy process that included TRUST South LA and Abode coordinating with the City to document extensive property maintenance issues at the site, the owner agreed to sell the property to TRUST South LA and Abode in 2012. This launched a development process that, eventually, resulted in the redevelopment of the property into 140 new units with permanent affordability protections via TRUST South LA's CLT. New units are affordable to households with 30 to 60 percent of area median income (AMI), with an agreement that at least 25 percent of the units (36 of 140) are reserved for those with incomes as low as 30 percent of AMI.

While TRUST South LA and Abode did not utilize any City resources to acquire the property (approximately \$10 million), they did receive \$4.9 million from the City's affordable housing trust fund to assist with redevelopment costs (total redevelopment costs were approximately \$69 million) (Kim and Eisenlohr 2022). In addition, the process included substantial relocation efforts to assist displaced tenants of the original building. Tenants actively utilized USC's housing law clinic to negotiate a fair relocation process (including higher relocation payments); approximately half of the 48 original tenants also elected to return to the newly redeveloped project when it was completed in 2019.

Critically, TRUST South LA and other community organizations note that their affordable housing efforts are neither easy nor solved. A key takeaway from their 2021 report is that affordable housing production and preservation has remained difficult within the community (T.R.U.S.T. South LA and Strategic Action for a Just Economy (SAJE) 2021). Even with monetary resources available, without sufficient political support and alignment with local government priorities, community groups like TRUST South LA's CLT are unable to move quickly enough within the existing housing market to capitalize on opportunities that would preserve affordable housing. In short, the creation of an affordable housing trust fund, on its own, is not sufficient to ensure the successful implementation of the intended housing benefit.





Figure 4 Rolland Curtis Gardens (Abode Communities)

### UNIVERSITY PARK: PROGRESS & NEXT STEPS

While a primary feature of USC's benefit agreement is a monetary contribution to an affordable housing trust fund managed by the City of Los Angeles and for the benefit of neighborhoods within the Nexus Study Area, the university continues to provide public benefits to its neighboring community in a variety of ways. USC's community-focused benefits include street improvements, graffiti abatement, programming in K-12 public schools, bicycle lanes, and important community-serving tenants, including groceries with fresh produce. USC also sponsors and manages regular and ongoing events at the USC Village, including movie nights, and community festivals celebrating Mother's Day, Thanksgiving, Halloween, Dia de los Muertos, and other holidays. In addition, USC manages the USC Community House and the USC Village Community Room both of which are available for community use.

During (and continuing) the COVID-19 pandemic, USC served as a critical support for the community, establishing partnerships with local health care providers to turn a seven-story parking into a community serving vaccination center, distribute approximately 10 million pounds of food to local residents, and develop a COVID-19 Community Fund that provided local non-profits with seed funding to help them develop their own COVID-19 response programs. In addition, USC's Community and Local Government Partnerships (CLGP) team also worked closely with the USC School of Pharmacy and the Los Angeles Fire Department to provide more than 1 million vaccinations to Angelenos through numerous vaccination sites, including Dodger Stadium. And, importantly, in addition to the initial \$10 million payment from USC for affordable housing, USC made the second installment payment of \$5 million in April 2023.

USC continues to strengthen and expand its ties within its community via ongoing partnerships. USC's University Relations employs over 230 team members dedicated to expanding community partnership opportunities with community members. For example, USC's Community & Local Government Partnerships (CLGP) team, administered through USC University Relations, engages community partners in developing a "shared vision" focused on open communication, trust, and short- and long-term relationship building. CLGP works directly with community members to ensure that USC is on the ground level and engaged in all community issues. CLGP also represents USC on a number of local boards, neighborhood councils, chambers of commerce, and business improvement districts. In conjunction with this day-to-day work, USC University Relations provides many programs to meet community needs. For instance, the USC McMorrow Neighborhood Academic Initiative (USC NAI) provides 7th to 12th grade students with an educational pathway directly into USC and other universities. USC also provides low-income childcare services and other K-12 Upward Bound educational programming through the USC School for Early Childhood Education.



As a result of these types of community-embedded activities, USC receives support from its neighborhoods—for example, more than 1,100 local residents attended City Council hearings to voice their support of the USC Village redevelopment project. USC continues to look forward to working with the City's Affordable Housing Trust to identify the best way to deploy any remaining funds from the initial \$10 million payment and the \$5 million installment within the Nexus Study area. USC also continues to evolve its outreach to focus on new issues identified by community members, including local hiring and training, community policing and safety, juvenile justice reform, and community sustainability. Finally, CLGP also connects with USC faculty and researchers to include community input into a number of timely research topics including food insecurity/food desert research, urban tree canopy, sustainability, public safety and local hiring and training.



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