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POLICY BRIEF

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Will California Lose Thousands of Affordable Homes Near Transit?

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Issue

California faces the loss of thousands of affordable rental units in the coming decade as affordability restrictions—known as covenants—expire. These agreements, signed between housing developers and government agencies, typically last 15 to 30 years and require that units be rented at below-market rates. When covenants expire, owners can convert units to market-rate housing, often displacing lower-income families.

In Southern California alone, over 17,000 affordable units are at risk of conversion, and nearly 70% of these units are located near high-quality transit. If the owners of these properties do not enter into new covenants, these units will be placed on the open market, likely leading to the displacement of lower-income residents to the urban outskirts, resulting in longer commutes and reduced access to reliable transit. To better understand the risk of losing affordable units, we analyzed historic data on affordable housing conversion and identified key factors that influence whether at-risk properties are preserved or lost.

Key Research Findings

Certain building types are at greater risk of losing their affordability status. Family-sized units, properties owned or managed by for-profit organizations, developments with multiple bedrooms, and buildings with low housing inspection scores are all more likely to convert to market-rate. By contrast, larger developments (over 50 units total or 50 affordable units), older buildings constructed before 1980, and those located near public housing are less likely to convert. In some cases, higher neighborhood rents and home values also increase risk.

Local governments rarely use preservation tools in housing plans. State law allows cities and counties to meet up to 25% of their Regional Housing Needs Allocation (RHNA) in their Housing Element by preserving at-risk housing. However, this option is rarely used due to complex financial requirements, and timing misalignment with housing element update. Addressing these statutory barriers, including increasing the RHNA credit for sustaining preservation units, would provide a greater incentive to preserve at-risk units and serve as a local anti-displacement tool.

Annual housing reports could help track at-risk units. Cities and counties are required to submit a Housing Element Annual Progress Report (APR) to the state to show progress toward housing goals, including meeting the housing needs identified in their RHNA. Requiring local governments to include the number of at-risk units (by critical potential conversion dates) and those that have already expired would improve accountability and allow for proactive preservation efforts.

The California Preservation Law creates new opportunities. Recent legislation–Assembly Bill 1521

(2017) and Assembly Bill 1584 (2019), known together as the California Preservation Notice Law—requires property owners with expiring covenants to notify tenants and public agencies, and it gives qualified entities, such as nonprofits, public agencies, and tenant associations, first rights to purchase properties. This law could become a key tool for preserving affordability.

Community Land Trusts (CLTs) offer permanent housing affordability solutions. Cities can work with CLTs to acquire buildings with expiring affordability covenants and ensure long-term affordability. Under the Preservation Notice Law, CLTs can be certified as Qualified Entities, entitling them to priority rights to purchase at-risk subsidized affordable housing.

Other regions highlight both challenges and solutions. Interviews with experts and reviews of preservation programs in Washington D.C., New York City, Denver, and Boston point to several key takeaways, including the challenges of contacting and persuading owners to renew affordability covenants, the difficulty of maintaining accurate databases of at-risk units, and the importance of identifying funding mechanisms to preserve affordable housing.

More Information

This policy brief is drawn from the report, “Strategies to Preserve Transit-accessible Affordable Housing in Southern California,” authored by Madeleine Parker, Karen Chapple, and Yuju Park. The report can be found be found at www.ucits.org/research-project/2021-29/.

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