



**TOWARD A
21ST CENTURY
CITY FOR ALL**

**PROGRESSIVE POLICIES FOR
NEW YORK CITY IN 2013
AND BEYOND**

Sustainable Growth with Equity in Practice: The Example of Community Redevelopment Agency of the City of Los Angeles

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In the last decade of its existence, the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) distinguished itself as a leader in the movement for sustainable growth with equity. It realigned its mission, goals, and policies to produce better outcomes for the disadvantaged communities it served and pioneered new approaches to leveraging the economic development roles of local government to create tangible community benefits.

Legislation aimed at resolving the California's recurring budget deficits dissolved CRA/LA and the state's 400 other redevelopment agencies on February 1, 2012 (Taggart 2001). Notwithstanding its untimely demise, CRA/LA's experience may be instructive as New York considers how to broaden the successes of Mayor Michael Bloomberg's administration for the benefit of middle- and working-class residents of the city.

1. From Urban Renewal to Community Benefits

Prior to its dissolution, CRA/LA was the oldest and largest redevelopment agency in California. With a \$750 million annual budget and a 280-person staff, CRA/LA effectively functioned as Los Angeles' economic development agency. In its 64-year history, CRA/LA master-planned and oversaw the rise of the city's downtown financial district. It built the infrastructure and laid the foundation for Hollywood's renaissance from a faded, high-crime center for drug deals, prostitution, and homelessness into a trendy hot-spot for entertainment, restaurants, nightclubs, and the creative class. It helped the San Fernando Valley rebound from the devastating 1994 Northridge Earthquake, financed the construction of nearly 30,000 units of affordable housing, and left a legacy of significant investment in public art throughout its 32 project areas.

But before it was known as a pioneer in the sustainable growth with equity movement, CRA/LA was the poster child for the old-line condemn-and-clear approach to urban renewal. Gleaming downtown skyscrapers filled with finance, banking, law, real estate, and other high-end firms were built on a bunker

hill that was cleared of thousands of units of low cost housing that would take decades to replace throughout the city.

Starting in the mid-1980s, CRA/LA began seriously to address Los Angeles' growing shortage of affordable housing and the city's expanding homelessness problem by making substantial investments in affordable housing and rehabilitation of single-room occupancy hotels in downtown in particular.

Meanwhile, on the jobs front, CRA/LA adopted a policy in 1986 that required developers to pay a prevailing wage to all construction workers employed in connection with the development of property involving a loan, subsidy, disposition, development, rehabilitation, sales, or lease agreement with CRA/LA, with a total construction cost of more than \$250,000 for residential construction or \$100,000 for non-residential construction (CRA/LA Prevailing Wage Policy, adopted February 1986).

A few years later, strategic community organizing convinced City Council leaders to deliver a deal that set a new standard for leveraging public investment for the benefit of working class people. CRA/LA's subsidy of the Hollywood and Highland Center became the leverage point for the creation of the first Community Benefits Agreement (CBA) in the country. With a hotel, 1.2 million square feet of retail space, thousands of parking spaces, and a 4,000-seat theater billed as the permanent home of the Academy Awards, the Hollywood and Highland Center was seen as a critical cornerstone to CRA/LA's efforts to catalyze a Hollywood Renaissance.

Local community, environmental, and faith-based groups and the Los Angeles Alliance for a New Economy (LAANE) negotiated a community benefits agreement with the developer that included developer investments in job training programs in construction, 70 percent first source hiring goals for construction and retail jobs, living wage goals for permanent jobs, and developer contributions towards transportation improvements. In exchange, the CBA coalition agreed to support the project and the city and CRA/LA's investment of \$90 million in public subsidy for the development (Community Benefits Agreement 2008).

At the urging of the CBA coalition and Jackie Goldberg, the councilperson representing Hollywood, the CRA/LA Board of Commissioners and the City of Los Angeles approved the deal, including a complicated subsidy package in 1999. This first CBA set the stage for labor, community and environmental groups to use CBAs to ensure that other significant CRA/LA deals delivered real community benefits.

2. Big Deals, Big Community Benefits

After Hollywood and Highland, CRA/LA and the City of Los Angeles approved projects with significant community benefit packages such as the Staples Center, NoHo Commons, LA Live, Grand Avenue, Hollywood and Vine, and Pacoima Plaza. These projects ranged in scope from sports arenas to office buildings to mixed-used developments, hotels, and retail power centers in locations as diverse as downtown, Hollywood, North Hollywood, and the Northeast San Fernando Valley.

A sample of community benefits yielded by these agreements include affordable housing units, a living wage for permanent employees, first source hiring, funds for a career ladder training program in culinary arts, funds for a high school arts program, local hiring goals for disadvantaged workers in construction

and permanent jobs, contributions to a local cultural arts fund, a Labor Peace Agreement for operation of a hotel,¹ a revolving loan fund for non-profit affordable housing developers, funds for pre-apprenticeship and other skills training for disadvantaged workers, streetscape improvements, and \$50 million for a major new public park (Grand Avenue Community Benefits Agreement).

In some cases, leadership at the City Council level or at the CRA/LA played an important role in encouraging, or in some instances, facilitating, discussions between the developer and the CBA coalitions involved in these negotiations. The common denominator was that the development at issue represented a significant financial investment on the part of CRA/LA and the project was catalytic for the economic revitalization of the community. Each successive CBA raised the expectation that public investment should deliver direct and tangible benefits to the affected local community. However, each CBA negotiation required a substantial investment in organizing and education on the community side and a commitment of time and money on the developer side – separate from the cost and time involved in securing entitlements and financial support from the city and CRA/LA.

3. From Individual Project Benefits to Agency-Wide Policy

Even as the number of successfully negotiated and implemented CBAs grew, CRA/LA moved to institutionalize some of the major, recurring terms of the CBAs by adopting them as agency-wide policies. On the one hand, CRA/LA sought to formalize the best practices being refined in successive CBAs. On the other, it sought to provide developers more certainty about the most significant elements of the agency's sustainable economic development strategy and to reduce the transaction cost of negotiating a CBA for every major real estate project of in a redevelopment area.

In 2003, CRA/LA adopted a Living Wage Ordinance that applied to developers or contractors receiving \$100,000 or more in financial assistance from CRA/LA and to service contractors with a contract for \$25,000 or more over three months. Companies subject to the policy were required to pay non-construction employees the wage set forth in the City of Los Angeles' Living Wage Ordinance and to provide compensated days off and health benefits or pay a higher wage if health benefits are not provided.

In 2005, CRA/LA adopted the Labor Peace Agreement Policy, which applied to any entity in a lease with CRA/LA to operate hotel or motel, providing lodging and other guest accommodations on CRA/LA owned property. Lessees were required to sign a peace agreement with unions that represent hospitality employees that included a no-strike pledge.

The evolution of CRA/LA from a slum clearance agency to an entity focused on sustainable growth with equity accelerated with the election of Antonio Villaraigosa as mayor of Los Angeles in 2005. Villaraigosa's appointment of an affordable housing developer, a long-time community development leader, and an official of the United Food and Commercial Workers union to join then-Executive Director of LAANE, Madeline Janis, on the CRA/LA Board of Commissioners, created a majority on the seven-member board that shared his vision of growth with equity. Within a year of the new board's

¹ Gatehouse Capital, the developer of the Hollywood and Vine project, signed a labor neutrality agreement with Hotel Employees and Restaurant Employees Union, Local 11, agreeing that the W Hotel that was the cornerstone of the project would be a union hotel (Metro 2007).

appointment, a new CRA/LA executive team set to work translating that vision into policies and practices at the agency.

The new executive team redefined the mission of the CRA/LA and set forth measurable goals in family-supporting job creation, affordable housing production, green urbanism and investment in infrastructure. It signaled its support for CBAs, facilitated discussions between developers and community groups when negotiations stalled and incorporated key provisions of the CBAs into the conditions of approval for significant projects in order to strengthen the enforcement mechanisms.

CRA/LA took a broader, more activist role in preserving and developing those industries best suited to providing good-paying jobs for disadvantaged communities. It partnered with the Department of City Planning in defending the need to preserve industrial land use for job producing businesses in the face of intense pressure to rezone areas for residential development (Planetizen 2008).² It promoted Los Angeles as a leading clean technology manufacturing center for the nation, conceived of Los Angeles' CleanTech Corridor, provided seed funding for the formation of CleanTech Los Angeles and the Los Angeles Cleantech Incubator, and sought to create a clean technology manufacturing center on a 20-acre downtown site it owned as the focal point for a investment in the region's emerging sector (CleanTech Los Angeles n.d.; Hsu 2010; Planning Report 2009; The Architects Newspaper 2009).

4. Construction Careers Policy

However, CRA/LA's signature achievement in this era was the adoption of its Construction Careers and Project Stabilization (Construction Careers) Policy. The policy aimed to ensure that construction jobs created by CRA/LA investments are available to local Los Angeles residents and local people with barriers to employment. It also sought to ensure that pathways to training and careers in the construction trades are opened to new entrants from low-income and high-unemployment areas of the city.

The Construction Careers Policy applied to three classes of projects or contracts:

- Public improvements contracts with a CRA/LA award of \$500,000 or more;
- Development projects proposed to be constructed on CRA/LA-owned real property under a CRA/LA agreement; and
- Development projects for which the developer receives \$1 million or more of CRA/LA investment in the form of a grant, loan, loan forgiveness, bond financing, sale or lease of land assembled by CRA/LA for which the developer received a land write-down, a guaranty or pledge of CRA/LA funds or waiver or reduction of fees.

Thirty percent of the total work hours and 35 to 45 percent of the total apprentice hours performed on these projects or contracts must be performed by local and community area residents who either live within three miles of the project or live in a zip code within the city with unemployment rate that is 150 percent of the Los Angeles County unemployment rate. Ten percent of the total work hours must be performed by disadvantaged workers defined as individuals with a household income of less than 50

² For more on this, see a review of the City of Los Angeles Industrial Land Use Policy.

percent of the area median income or individuals facing barriers to employment such as homelessness, being a custodial single parent, receiving public assistance, lacking a GED or high school diploma, or having a criminal record or other involvement with the criminal justice system.

In order to create the training and career pathways envisioned and to ensure labor peace on these significant development projects, the Construction Careers Policy mandated that the developers and contractors subject to the policy sign on to a master project labor agreement (PLA) executed by CRA/LA and the Los Angeles and Orange County Building Trades Council. The master PLA ensured that local and disadvantaged workers would gain entry to the building trades' apprenticeship programs, thereby giving them access to middle-class career opportunities in the trades.

5. Lessons in Leverage: Aligning Local Government's Roles

CRA/LA's evolution over the last decades of its 60-year life illustrates the ways local government can leverage and align its different roles in economic development to deliver growth with equity. As a regulator with land use authority over the properties within its project areas, CRA/LA held fast to a policy of industrial land use preservation in order to preserve Los Angeles' manufacturing base and the manufacturing firms that pay better wages than retail and low-level service operations.

Through its Living Wage Ordinance, CRA/LA sought to use its proprietary authority as a purchaser of goods and services to raise wage levels in the city. Its Living Wage Ordinance, Labor Peace Agreement, and Construction Careers Policy all sought to leverage the agency's authority as a landowner to improve wage, benefits, job training, and employment opportunities for local residents and in particular for those facing barriers to employment. It used its authority as a convener and facilitator to encourage developers and community groups to resolve disputes through CBAs rather than litigation.

Finally, whether on individual deals or through the adoption of policies like the Construction Careers Policy, CRA/LA sought to ensure a social equity return on its investment by measuring the amount of subsidy provided against the number of units of affordable housing built, the number of living wage jobs created, and the number of local, disadvantaged individuals gaining access to middle-class careers in the construction trades.

CRA/LA also stands as an example for a new mayoral administration of how it can transform an agency formed for one purpose (slum clearance and old-style urban renewal) and remake it to serve broader, contemporary goals. As the recent history of CRA/LA illustrates, these types of makeovers require executive management and any citizen oversight boards to share a common vision and commitment to change course and pursue bold initiatives.

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