Section One
Introduction

Next month, voters in Los Angeles will decide whether Hollywood and the San Fernando Valley should secede from the city. If the areas win voter approval to break off from Los Angeles, the result will be a fundamental change in municipal resources, in needed programs that serve residents throughout the city, and in laws that help ensure quality of life for workers and residents.

Previous analysis and media coverage of secession have often focused on what effect it may have on the remaining city. This study looks specifically at what could happen to the low-income residents of the Valley and Hollywood, and the public employees who currently serve those areas. It's another piece of the argument why Los Angeles should remain one city.

The study examines the following key issues:

- **Section Two: A Closer Look at Poverty:** Income and housing trends in Los Angeles City, and in the Valley and Hollywood secession areas; and the need to take a regional approach to fighting poverty.

- **Section Three: Charter vs. General Law Cities:** The difference in powers between charter and general law cities, and the difficulty in becoming a city with "home rule" authority.

- **Section Four: Lost in Transition? (Part I):** The major Los Angeles City ordinances protecting low-income workers and residents, and what will happen to them upon a new city's incorporation.

- **Section Five: Lost in Transition? (Part II):** The impact of tightened restrictions on municipal funding; the new cities' ability to finance services; and imperiled city programs that serve low- and fixed-income residents.

- **Section Six: A Good Job Is Hard to Find:** The threat to economic security for thousands of public employees and their families, particularly lower-earning workers of color.

- **Section Seven: Conclusion:** A brief conclusion about the failings of the two secession proposals, and the hope for meaningful public dialogue that considers positive solution's to the region's problems.

Section Two

A Closer Look at Poverty in Los Angeles

Up through the 1960s, Los Angeles was the most white and middle class of the nation's largest cities.[1] The city has undergone radical change in the past 30 years. As is frequently noted, Los Angeles is now the most diverse city in the world. It has also become a city of economic extremes, peopled by a larger and poorer low-income populace, a diminished middle-class, and the fantastically wealthy. As ethnic diversity has spanned all parts of the city[2], so has poverty, pulling down working families, recent immigrants and long-time residents, and the elderly and young in neighborhoods throughout Los Angeles.

This section documents the increasing poverty and need in the city as a whole, and in the Hollywood and Valley secession areas. In response to the regional trends outlined below, the City of Los Angeles has instituted a number of programs over the years, ranging from the Housing Trust Fund to the Los Angeles Living Wage Ordinance. Those policies and programs—and the impact secession may have on them—will be detailed in Sections Four and Five.

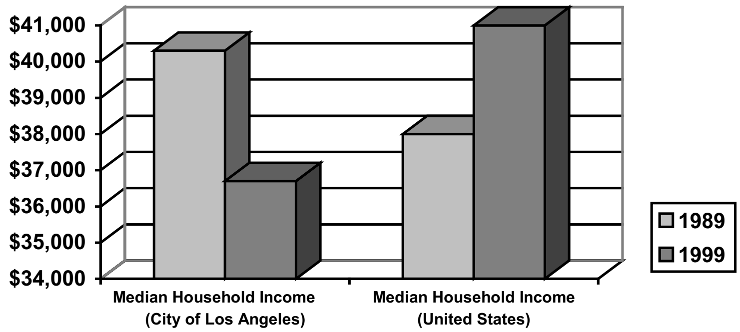
The Shrinking Middle Class

Through the mid-century, Los Angeles afforded economic opportunities for vast numbers of migrants coming from the mid-West and South. It was a period of infrastructure development, quality public education, well-paying manufacturing jobs with benefits, subdivisions of one-story homes and detached two-car garages. In 1940, the city had 1.5 million residents. By 1970, the population had nearly doubled, reaching 2.8 million people.

During the latter part of the century, the city underwent a dramatic restructuring of its economy, the result of globalization and sharp cutbacks in aerospace-defense manufacturing—for decades the backbone of the city's economy. Recently released income data from U.S. Census 2000 illustrate the decline in economic opportunity responsible for the city's shrinking middle class.

Although the 1999 median income level for the nation's households, including those in metropolitan and central city areas, showed a continued rise, median household income in Los Angeles had dropped 9 percent during the 1990s, a reflection of the deep losses in the manufacturing sector. In 1989, the median household income in the City of Los Angeles was approximately $40,300; ten years later it had dropped to approximately $36,700 (both figures in 1999 dollars).[3] By comparison, the median household income in the U.S. in 1999 was nearly $41,000, having risen 8 percent from the 1989 median household income of close to

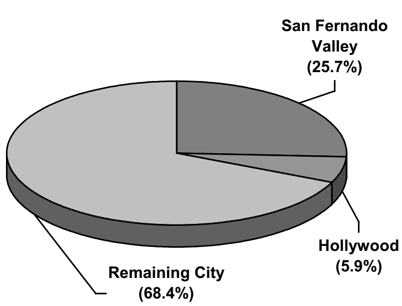
$38,000 (in 1999 dollars).[4] Middle-income households—taking in between $25,000-$100,000 annually—comprised only 51 percent of total city households, compared to the 57 percent of middle-income households nationwide.[5]



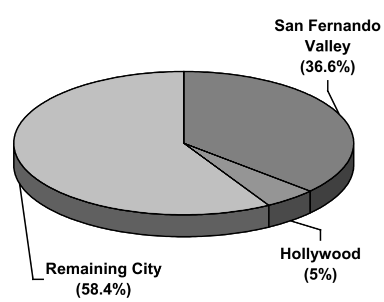
Families on the lower end of the city's economic ladder fared even worse during the 1990s. While poverty had been declining steadily across the nation, it continued to rise in Los Angeles. By the end of the decade, more than 800,000 L.A. City residents (22 percent of the population) lived below the federal poverty line, up from 644,000 city residents (19 percent of the population) in 1989. The city's poverty rate was nearly double that of the U.S. poverty rate of 11.3 percent, a figure approaching a record national low set in 1973.

The myths of the Valley and Hollywood as an archetypal middle-class suburb and wealthy entertainment capital, respectively, are belied by their own poverty data. In 1999, approximately 206,000 people were living below the federal poverty level in the Valley secession area: 15.2 percent of Valley residents and 25.7 percent of impoverished residents citywide. In Hollywood, the gap between rich and poor was even more pronounced. An estimated 47,500 Hollywood residents lived below the poverty line: 25.8 percent of area residents and 5.9 percent of impoverished residents citywide, slightly higher than the area's share of the city's population.[6]

Geographic Distribution of L.A. City's Impoverished Residents, Compared to Geographic Distribution of City's Population



Percentage of City Residents Living in Poverty



Percentage of City's Population

Although the percentage of Valley residents living in poverty is lower than its share of city residents, poverty in the Valley is worsening. During the 1990s, poverty in the Valley increased by 56 percent, nearly double the rate of poverty growth in the city as a whole. Like the rest of Los Angeles, lower-income residents in the Valley tend to live in discrete clusters, concentrated in neighborhoods such as Van Nuys, Pacoima, North Hollywood, Sun Valley, Panorama City, Valley Glen and North Hills—communities where Latino residents, in most cases, comprise the overwhelming majority, and where there are high concentrations of youth under age 18. There are also increasingly dense pockets of poverty in Reseda, Canoga Park, and Northridge. For Hollywood, poverty is found below the hills, diffused in the eastern and southern sections of the proposed secession area.

While researchers continue to assess L.A. City poverty and demographic information just released by the U.S. Census Bureau, recent studies have documented poverty in the county as a whole that elucidate problems faced by the city—particularly the rise in working poverty. Using a more expansive definition of poverty encompassing those with incomes under 200 percent of the federal poverty level (therefore, still qualified for government benefits programs), working people constitute a substantial proportion of the poor in Los Angeles. Near the end of the century, almost two-thirds of all lower-income adults and children in Los Angeles County lived in a household in which at least one member worked full-time.[7] The number of working poor in the county increased by 34.3 percent during the 1990s, grossly out of step with the less than 5 percent rise in overall employment.[8] By the end of the decade, almost 1.1 million working people had income levels low enough to still qualify them for public benefits, while 336,000 working people were considered out and out poor by federal standards.[9]

L.A.'s Housing Crisis

Recent housing data also provide a good indication of poverty in Los Angeles. In a May 2000 report to city government, the Housing Crisis Task Force warns, "The City of Los Angeles is in the grip of a profound crisis of housing affordability… The City's housing prices have risen so high that they not only devour the wages of working families, but threaten the City's continued economic growth."

In a state with the largest gap in the nation between wages and housing costs[10], Los Angeles renters, making up 60 percent of

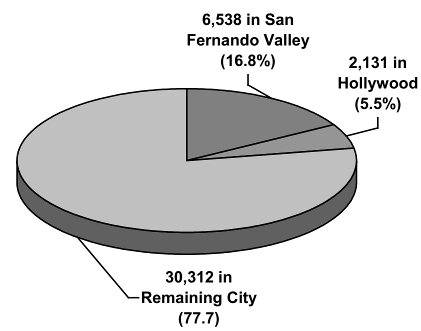
> "The consequences of [the city's] housing shortage are enormous. The number of rental units in Los Angeles with physical problems—such as faulty plumbing, heating and electrical systems and upkeep—increased 55% from 1995-1999, according to new data from the Census Bureau and the Department of Housing and Urban Development… In the city, more than 67,000 units, a 74% spike, had no heat and were uncomfortably cold for at least 24 hours the previous winter. More than 66,000 units had nonworking toilets, and nearly 30,000 were infested with rats. Altogether, one in six of the city's rental units falls short of housing codes." —Tai Glenn and Jenny Hontz; *Working Toilets Should Not Be a 'Maybe' in L.A. Housing*; Los Angeles Times; May 30, 2001.

the city's households, pay a higher proportion of their incomes for rent than anywhere else in California.[11] Although the federal government sets the standard of housing affordability at 30 percent or below of a household's income, more than half of the city's renters spend 30 percent or higher of household income for rent.[12] A recent report examining the intersection between housing and poverty in Los Angeles County notes that housing costs take from 52-73 percent of the monthly income of low-earnings households.[13] Using the federal government's housing affordability guidelines, a Los Angeles household would have to bring in close to $27,160 per year to afford a rental priced at the city's median gross rent of $679 per month. According to Census 2000, more than one-third of L.A. City households, however, bring in less than $25,000 annually.

The profound need for affordable housing can be illustrated by the size of the waiting list for the city's Section 8 program, which provides a federally funded rent subsidy for low-income individuals and families. When the city reopened its waiting list in 1998, more than 150,000 families signed up. Because the city only has about 39,000 vouchers, affordable housing advocates have calculated that it could take ten years to receive rental assistance.

The two proposed secession areas, the San Fernando Valley and Hollywood, represent opposing extremes of the city's housing demographics. As expected, the suburban Valley has a notably higher percentage of its residents living in owner-occupied dwellings: 52 percent, versus 40 percent in the city as a whole. Only 28 percent of Hollywood residents, on the other hand, live in owner-occupied dwellings.

Geographic Distribution of Section 8 Vouchers



Fighting Poverty: A Regional Approach

As the U.S. government continues to release important data collected during the 2000 Census, researchers, anti-poverty advocates and policy makers will gain a better understanding of the city's social and economic trends. Based on those findings, the city can continue to formulate public policy responses that take into account societal needs, and to answer those needs as an integrated community. The depth of poverty in Los Angeles—and its relationship to issues of housing, transportation, education and employment—dictates a broad-range, holistic approach to policy making that also honors the city's diversity. The problems in the city's labor and housing markets are regional and are best addressed as a large city—one with considerable lobbying power and resources. Rather than working to resolve such acute regional problems, secession creates more fragmentation and division, taking Los Angeles further from the goal of being a city of openness and opportunity.

Section Three
Charter vs. General Law Cities: Why the Difference Matters

As a charter city, empowered to create its own laws and operational structure, Los Angeles is best able to respond to its residents' needs and protect their interests through innovative services and ordinances. If the San Fernando Valley and Hollywood secede, they will not retain the same government powers. A newly incorporated city reverts back to the general law authority of the state and must adhere to its sweeping restrictions. Serious legal barriers would then hinder the new cities' ability to provide the kinds of programs and protections badly needed by lower- and fixed-income residents and workers.

Below is an explanation of the difference in the powers of the two types of cities, and the difficulty in becoming a city with "home rule" authority.

Empowering Local Government

Thirty years after the 1849 adoption of the California Constitution, a convention was held in which a main purpose was to debate the merits of community-based government. Prior to that time, the Constitution had vested the state legislature with considerable power over local governments. "The Legislature, not local communities, had the power to incorporate cities, set up their finances and provide local services," writes Fred Silva, senior advisor at the Public Policy Institute of California and an expert on state-local fiscal relationships.[14] "This arrangement was largely the result of the framers' concern that local governments would ignore the needs of—or even oppress—their citizens." Following widespread call for reform, the new Constitution of 1879 allowed cities with populations greater than 100,000 to frame charters for their own government, a provision which, at the time, only applied to the city of San Francisco. Today, the state gives all cities the option to function either under the state's general laws or under home rule authority.

The state's general laws provide a complete framework for running municipal government, prescribing the manner in which public contracts should be awarded, zoning systems function, city' finances are organized, and so forth. Most of the smaller cities in California are *general law cities.*

Nearly all California cities of significant size and complexity, however, find the general law framework inadequate and limiting. Under general law, cities have no power to enact ordinances that conflict with state law, and they have little flexibility in government operations, since the general state laws are so numerous and detailed. The California Constitution allows cities to get out from under the state's restrictions by adopting a city charter with a majority vote of the city's electorate.[15] Cities that have adopted a charter are called *charter cities* or *home rule cities.*

A city charter sets out the governmental structure for the municipality. It dictates how power is distributed between the mayor, the city council, and the city manager; how many city council districts there will be; what commissions the city will have, and with what powers and responsibilities the commissions will operate. Once a charter is enacted, it is the controlling law for local government operations. City charters are analogous to a "constitution": all of the municipality's ordinances as well as all aspects of its operations must conform to the charter.

Because a charter supersedes the state's general laws regarding city operations, a charter city can ignore the legal framework by which general law cities are bound. Once a city has enacted a comprehensive charter, the only state laws that the city has to follow are those which the state legislature has passed with the explicit intent to provide a uniform rule throughout the state. (For example, the Brown Act requires all local governments, whether under charter or general law, to hold open meetings in order to ensure the public's right to be informed and participate in decision making processes.) Accordingly, charter cities have broad authority to control virtually every aspect of their municipal affairs. General law cities, in contrast, must follow the rigid framework of the state's statutes. Because of the flexibility that charter cities are given, charters vary widely from city to city, both in their basic governmental structure and in the areas addressed.

Limitations on the Powers of General Law Cities

The general law framework works for small cities, which generally find that the generic statewide approach is perfectly adequate. The new Valley city, however, would be the sixth largest city in the nation, with approximately 1.5 million residents. Hollywood would have approximately 184,000 residents. Both new cities would be larger than any existing general law city in California, and the new Valley city would be more than seven times larger than the most populous general law city in the state.

The size and complexity of the new cities would undoubtedly strain the state's general law framework. The state's general laws would limit the new cities' flexibility in a number of important ways. Following are only some of the areas in which charter cities have more flexibility and control—and thus more self-determination for city residents—than do general law cities:

- choosing what officers and employees the city will have;
- distributing power between city council, city manager, and mayor;
- running elections and adopting initiatives and referenda;
- structuring oversight of police departments;
- imposing taxes;
- regulating land use;
- enforcing housing safety codes;
- building and maintaining public works, streets, and utilities;
- distributing city funds;

- awarding public contracts;
- entering into cooperative arrangements with other governmental entities for performance of services;
- recalling elected officials;
- enacting special assessment districts; and
- investing public money.

For example, charter cities have much greater flexibility in establishing zoning laws and regulating land uses. General law cities must follow the state Zoning Law, which sets out in great detail zoning, permitting and code enforcement processes.[16] The state zoning law makes no provision for the several aggressive code enforcement programs Los Angeles has adopted, discussed below.

Charter law cities also have much broader authority to tailor their contracting programs to serve various needs. General law cities must follow the detailed Public Contracting Code, which, among other restrictions, prevents them from establishing certain programs that assist small businesses in the contracting process.[17]

Charter cities likewise have more options for raising revenue to finance city activities. Charter cities can enact a real property transfer tax, collecting tax dollars from the purchaser of real property in an amount proportional to the property's value. State law prohibits general law cities from enacting such a tax.[18] Charter cities can also design their own systems for forming and financing special assessment districts, while general law cities can only enact one of the types of special assessment districts described by state law, which are limited in financing and purpose.[19]

Residents of the secession areas are now served by a local government that has the broadest possible powers to advance their interests. If the secession initiatives pass, they will instead be governed by cities whose powers are limited in dozens of ways. Without the home-rule powers and the flexibility that charter cities exercise, the new city governments face significant legal obstacles in their efforts to fight poverty.

Difficulties in Becoming a Charter City

City charters can only be enacted or amended by a majority vote of the city's electorate. Should Hollywood and the San Fernando Valley successfully secede, the new cities would probably eventually enact their own charters. That step would likely be years down the road, however. Charters are extremely complex, and the charters of California cities vary widely. Developing a charter appropriate for a large, diverse new city takes considerable time.

Charter enactment processes typically involve years of public and private meetings, drafting, and revising before a charter is ready to be presented to the voters. This process cannot wisely be sidestepped: rushing a charter proposal to the voters without first laying the groundwork for it diminishes the chances that it will pass at the ballot box—and increases the chance that, if it passes, it won't work well for the city.

For those reasons, the process of drafting and presenting to the voters a document as complex and important as a new city charter typically takes several years and millions of dollars. And even then, there is no guarantee that voters will enact it. The comparatively simpler process of amending the Los Angeles City charter was lengthy, expensive, and contentious. (See text box on the L.A. City Charter Revision Process, below.)

Because of those factors, it may be many years before the new municipalities become charter cities. Only then would they have the power and flexibility Los Angeles has to protect and support its citizens. In the meantime, as described below, many established and effective poverty-fighting ordinances that Los Angeles has developed will lapse—to be reenacted much later, if at all.

The 1999 Charter Revision Process in Los Angeles

On June 8, 1999, Los Angeles voters approved a comprehensive revision to the city's charter. The revisions were the product of three years of deliberation and negotiations. Over that period, two separate commissions—one elected, one appointed—developed proposals for charter reform. The two commissions then worked for months to develop a single, compromise proposal that was eventually presented to the voters.

The reform effort streamlined the city charter by focusing it on broad principles and the basics of the city's governmental structure, leaving the finer details to the ordinance process. The reform effort also made several important substantive changes in the charter, which were the focus of most of the attention leading up to the vote. The new charter:

- broadly expanded the power of the mayor, at the expense of the city council;
- required regular audits of city finances;
- established a network of advisory neighborhood councils;
- broke the city's planning commission into smaller, more accessible units; and
- clarified the role of the Los Angeles Police Department's Inspector General.

Former Mayor Richard Riordan and the city council engaged in a bitter battle over the proposal as the vote neared, with the mayor strongly supporting charter revision proposals, and a majority of the city council adamantly opposed. Proponents of charter revision outspent opponents approximately six-to-one.

Despite the money spent on the revision process and its campaign, only about 20 percent of the city's registered voters turned out for the election. Those who voted were strongly in support of charter reform, however. The reform proposal passed easily citywide and in 11 of the 15 city council districts, as well.

Implementation of the new charter provisions over the past two years has been a complex process, requiring the drafting and enactment of over 100 new ordinances, the revision of hundreds of regulations, as well as substantial restructuring of city government operations. If the secession initiatives pass, however, each of these voter-approved changes would be lost to the residents of the Valley and Hollywood, and the cities would have to begin the process again.

Section Four

Lost in Transition? (Part I): City Ordinances That Protect Low-Income Workers and Residents

In the second largest city in the country, with more than one-fifth of its population living in poverty, Los Angeles City government has long recognized its responsibility to provide a baseline level of economic security for its residents. The city has enacted numerous ordinances and programs aimed at fighting poverty and protecting low-income workers. Some ordinances use the city's regulatory power toward those ends, while others move policy through the city's billions of dollars in annual spending. Following are some of the most critical city ordinances that provide protections for low-income workers and residents—laws and programs that would expire in the new cities under secession.

The Living Wage

In 1997, Los Angeles enacted its living wage law.[20] Recognizing that federal and state minimum wage levels are insufficient to keep working families out of poverty, Los Angeles mandated that city employees, as well as workers of employers receiving large city contracts and financial assistance, be paid a "living wage" substantially higher than existing minimum wage levels. The city's Living Wage Ordinance expresses the principles that full-time workers shouldn't be living in poverty, and that city taxpayers shouldn't be funding poverty-level wages.

Los Angeles' Living Wage Ordinance currently requires that covered employees be paid $9.52 per hour if they do not receive health benefits, and $8.27 per hour if they do. The ordinance also requires that covered workers be given at least twelve compensated days off per year for sick leave, and ten days of unpaid leave to care for sick family members. The law's intention is to benefit businesses as well as workers, by helping employers attract and retain workers and maintain a healthy workforce.

Clara Moreno was struggling to make ends meet on minimum wage when the city's Living Wage Ordinance went into effect at Castle Park, the city-owned miniature golf course where she works as a cashier. Moreno, who now makes $9.52 per hour, was able to buy a car last spring, a purchase that has meant more time with her two daughters, ages 10 and 12, and less time commuting. The 35-year-old single mother says she used to wait as long as an hour for the bus that takes her to her job in Sherman Oaks, time that is now spent helping her children with their homework or cooking them dinner at their Van Nuys home. Because she receives two weeks of paid vacation, instead of the one week of vacation she had before the ordinance went into effect over two years ago, she now has time to visit her family in Durango, Mexico, every year. "I like this job," says Moreno, who has worked at Castle Park for the past eight years. "Now that I make more money, I like it more."

Los Angeles has set up an effective administrative structure to implement the ordinance—affecting many aspects of the city's contracting process—as well as a comprehensive enforcement structure. The city reviews payroll records and conducts field audits to ensure compliance. Employers that violate their living wage commitments incur substantial penalties, and individual workers have the right to bring legal actions to enforce the living wage law.

Through these mechanisms, the Living Wage Ordinance leverages the city's millions of dollars of annual contracts and grants into a powerful poverty-fighting force, guaranteeing over 12,000 workers a living wage.[21] And because of the inclusion of municipally funded economic development projects in the city's living wage policies, an additional 5,000 workers will be covered in the next 3-5 years, greatly improving their families' standard of living.

Service Contractor Worker Retention

In 1996, Los Angeles adopted its Service Contractor Worker Retention Ordinance, establishing crucial job protections for low-income workers employed on city-funded projects.[22] The ordinance requires that a successor city contractor (taking over a city service contract from another business) retain low-income workers who:

- were employed for at least twelve months;
- work primarily on city-related work; and
- are paid less than $15 per hour.

The ordinance requires the new contractor to retain the long-term workers for a 90-day period, except when an individual employee provides just cause for termination. In addition to contractors, the ordinance covers recipients of financial assistance from the city, such as grantees and beneficiaries of tax credits.

The Worker Retention Ordinance aims to improve performance on city contracts by ensuring a stable workforce. It was also implemented to reduce the likelihood of labor disputes, preserving continuity of city services. Most importantly, however, the ordinance protects low-income workers from sudden unemployment based on factors beyond their control, creating a measure of financial stability for vulnerable workers and their families.

Equal Benefits

In 2000, Los Angeles adopted its Equal Benefits Ordinance, which forbids city contractors from discriminating against employees with domestic partners when providing employee benefits.[23] The law requires that whenever a contractor provides benefits related to employees' spouses, the contractor must provide similar benefits related to employees' domestic partners.

To qualify for the protection of the ordinance, workers must have formally registered their domestic partnership status, which generally requires the partners to have committed to financial interdependence. The ordinance requires that nondiscrimination language be part of every city contract worth over $5,000. The City Administrative Officer enforces the Equal Benefits Ordinance, working in conjunction with city departments that award contracts. The protection of the ordinance applies to all of a contractor's employees within Los Angeles, and to those located outside Los Angeles but working on the city contract.

The Equal Benefits Ordinance prevents discrimination against workers who are in serious, committed relationships, but who have chosen not to marry or, as is more common, cannot legally do so. Los Angeles has joined San Francisco and other cities in ensuring that city dollars do not subsidize discrimination in employee benefits. Low-income workers are always the most vulnerable to employer discrimination, and they are also in greatest need of employee benefits, such as health insurance.

Contractor Responsibility

Los Angeles enacted its Contractor Responsibility Program in 2000.[24] The program requires the city to determine whether prospective contractors are responsible prior to awarding a contract. The ordinance's definition of "responsible" includes compliance with laws related to worker health and safety, labor organizing, and other employee protections. In this way, Los Angeles has incorporated into its contracting process the entire range of laws protecting workers. Those laws are of particular importance to low-income workers, who are the most vulnerable to discrimination and exploitation by employers.

Los Angeles has developed a structured system for administration of this program. Under penalty of perjury, bidders must provide information relevant to the responsibility review. Contractor information is posted on the internet for 14 days, during which time the public can bring appropriate information to the city's attention. A contract cannot be awarded to any business for which a responsibility investigation is underway. After a review process that safeguards affected businesses, irresponsible contractors can be designated as such by the city, and can be debarred from receipt of city contracts for up to five years.

By reviewing compliance with worker protection laws during the contracting process, Los Angeles makes every effort to ensure that tax dollars will not subsidize exploitation of workers and illegal working conditions.

Rent Stabilization

In 1979, Los Angeles enacted its Rent Stabilization Ordinance (RSO).[25] The RSO is an attempt to safeguard tenants from excessive rent increases, while allowing landlords to make a reasonable return on their investments.

Recognizing the economic hardship and social disruption that excessive rent increases can cause, the RSO strictly limits rent increases on properties built before 1979. The ordinance explicitly emphasizes the severe hardship that rent increases can inflict on senior citizens and low-income households.

In addition to limiting rent increases, the RSO restricts the grounds on which landlords can evict tenants, and requires landlords to pay a certain amount of interest on security deposits. The RSO also requires landlords to pay relocation assistance to tenants lawfully evicted for certain reasons, such as the desire of the landlord to rent the unit to a family member, or to remove the unit from the rental market. Tenants who attempt to enforce those laws are protected from retaliation by landlords.

Rent control provides an important source of financial security for residents in the Valley and Hollywood. Nearly one-third of the 1.4 million tenants who live in rent-controlled units citywide live in the two proposed secession areas. An estimated 44% of Hollywood residents (over 80,000 tenants) and 25% of Valley residents (over 333,000 tenants) live in rent-controlled units.

Administration and enforcement of the RSO is extremely complex. The Los Angeles Housing Department, in conjunction with a seven-member Rent Adjustment Commission, is charged with those functions. Together, the administrative bodies hold hearings and appeals on the many complex adjustments to the allowable rents for particular properties, determine which rental properties in the city are covered by the RSO, resolve disputes about evictions and security deposits, and register and track rental properties throughout the city. Those functions require a substantial staff, many hearing officers, and regular commission meetings.

Because of the Rent Stabilization Ordinance and the system that administers it, tenants in rent-protected properties can make financial decisions with the knowledge that any rent increases will be reasonable, and that they will only be evicted for a good reason.

Code Enforcement

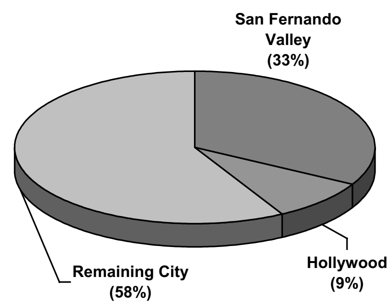
Los Angeles has developed several innovative programs that help ensure safe and healthy residences for renters. Each of those programs assists in the city's enforcement of the Housing Code, the Building Code, and various other laws aimed at ensuring safe and habitable residences. City programs include the following:

- **The Systematic Code Enforcement Program:** A Los Angeles ordinance requires the city's Housing Department to inspect each multi-unit rental property at least once every three years.[26] The city enacted this requirement in 1999 to beef up its inspection practices. Over the past two years, the city has inspected more than 280,000 rental units through this program.[27] More than 94,000 units that have undergone inspections are located in the Valley secession area, and nearly 27,000 inspected units are located in Hollywood.[28]

- **Rent Escrow Account Program and Rent Reduction Orders:** Another Los Angeles ordinance allows tenants to pay some or all of their rent to the city rather than to their landlord when the landlord has failed to address violations of health or safety laws.[29] The rent money is then held in escrow until complaints are resolved. In addition, once a property is brought into the Rent Escrow Account Program, the city can order a reduction in the amount of rent owed by tenants, in proportion with the severity of the illegal conditions. The programs act as a powerful incentive to landlords to maintain their properties in a safe condition.

- **Habitability Enforcement Program:** Los Angeles has established a comprehensive system for investigation of tenant complaints regarding safety of rental units.[30] Tenants can submit complaints by phone, in person, or through the internet. The city's telephone complaint program receives more than one thousand calls per day.[31] While Los Angeles forbids landlords from retaliating against tenants who lodge complaints, the city will nonetheless investigate complaints that are submitted anonymously. The Housing Department attempts to investigate all tenant complaints within 72 hours. Almost 20 percent of tenant complaints in Los Angeles come from the Valley, and almost 10 percent come from Hollywood.

Rental Units That Have Undergone Systematic Code Enforcement Inspections Between July 2000 and 2002: Percentage by Location



- **Compliance Deadlines and Enforcement Techniques:** Whether an investigation arose out of the Systematic Code Enforcement Program or a tenant complaint, landlords will be given a deadline to address any problems. Los Angeles law gives landlords only 48 hours to fix conditions that "pose a present, imminent, extreme and immediate hazard or danger to life or limb, health or safety."[32] Landlords have 14 days to address conditions that, while not posing an extreme or immediate hazard, nonetheless present "serious risk to the health or safety of occupants or the public."[33] Other code violations must be addressed within 30 days, a deadline that may be extended if the landlord can show significant progress toward fixing the problem.[34]

Once a code enforcement order is entered against a landlord, the property's tenants fall under the eviction and rent increase protections of the Los Angeles Rent Stabilization Ordinance, even if the property was built after 1979.[35] Landlords that fail to address problems within the deadlines may have their property placed in the Rent Escrow Account Program and have their rental income reducing according to the severity of the violation. Serious violators may also face criminal charges and civil penalties under Los Angeles law. The city collects over $10 million per year in code enforcement fees, almost 40 percent of which comes from the secession areas.

The above aggressive and creative city programs make up a comprehensive system for enforcement of health and safety codes in rental properties. Millions of low- and middle-income renters benefit from those programs, both because of affirmative enforcement actions taken by the city, and because of the deterrent effect of the system.

The Fate of City Ordinances Under Secession

Under secession, Los Angeles City ordinances will remain in effect for no more than 120 days following a new city's incorporation (which would occur on July 1, 2003). After that time, the new city will fall under the state's general laws, and the ordinances enacted by the City of Los Angeles to protect its residents and workers will expire.

Worse, the two secession areas may not be able to re-enact Los Angeles' poverty-fighting measures. Because the new cities would be general law cities, they would face serious legal obstacles in attempting to adopt ordinances similar to those of Los Angeles. The new cities would be subject to the complex web of state laws governing every aspect of their contracting processes, zoning codes, code enforcement procedures, and so forth. Although many of the relevant legal issues have not been tested in court, some attorneys have questioned whether general law cities have the power to duplicate the city's anti-poverty programs.

For example, the City of Oxnard, a general law city, is currently debating whether it has the power to adopt all aspects of a living wage law patterned after that of Los Angeles. The City Attorney has publicly questioned whether the state Labor Code permits Oxnard to enact certain provisions that Los Angeles treats as integral to its living wage law. Whether a living wage law like that of Los Angeles is consistent with the state Public Contract Code is likewise undetermined.

In fact, California's Public Contract Code might well prohibit the new general law cities from duplicating several of Los Angeles' ordinances relating to city contracts: the Service Contractor Worker Retention, Equal Benefits, and Contractor Responsibility programs. The "lowest responsible bidder" provisions of state law have in the past been held to prohibit similar contracting programs aimed at advancing social goals. Although Los Angeles' programs haven't been tested under the state's general law, one thing is clear: the legal problems are potentially prohibitive.

Another open legal question is whether Los Angeles' slate of code enforcement programs comports with state law. Los Angeles' power as a charter city gives it flexibility in this area, which it has used to great advantage. The panoply of code enforcement programs described above are all creative and effective uses of the city's broad legal powers, aimed at ensuring safe and habitable rental units.

State law, however, may not permit the new cities to duplicate Los Angeles' systems. The Rent Escrow Account Program, as well as the practice of orders reducing rents based on substandard conditions, may not be options for general law cities. The new cities would have to fight off arguments that they lack the legislative authority to enact those programs, and that the programs are preempted by existing state laws.

Even if the new cities were found to have the ability to adopt those various poverty-fighting ordinances, there is no guarantee that there would be the political will to do so—or to do so in short order. Many of Los Angeles' ordinances were enacted after years of community organizing and advocacy efforts, which garnered the support of the public and elected officials after assiduously hammering out the language of the ordinances. Similar years of effort await advocates and legislators in the secession areas.

So, for example, the fledgling cities might have the intention of passing living wage policies, but are unlikely to do so promptly. Opposition from the business community has meant that movements to establish living wage policies in large cities take years to build. Worker advocates in Los Angeles won the battle after a multi-year campaign that was intensive and expensive. Considering the myriad of pressing issues with which new city councils in the secession areas would be faced, it is unlikely that reenacting those protections for low-income workers will be a high priority for the new cities. Even if the process was successful, however, and a living wage ordinance was adopted, it would take years before the new cities could approach the expertise Los Angeles has developed in administration and enforcement of its ordinance. Los Angeles has fine-tuned its administration over the years, changing its designated enforcement agency, amending its ordinance, and adapting regulations, forms, and processes.

Similarly, rent-control activists have faced bitter and well-funded opposition by property owners and their advocates in elected office. Although candidates for public office in Hollywood and the Valley, under considerable pressure by tenants' rights groups, have recently declared support for rent-control programs, many of the secession movement's leaders have long histories of supporting laws that limit renter protections and

Jim Malinda has been living in the same two-bedroom, rent-controlled apartment in the heart of Hollywood for some 35 years, soon after he left a firefighting job in the city of New Orleans to try to make a living in the entertainment industry. Now 60 and retired on a Screen Actors Guild pension, Malinda spends a good deal of time fixing up his apartment and helping with maintenance on the 50-year-old, eight-unit building. "I like where I live," says Malinda. "It's very comfortable. I've spent a lot of money on this apartment to keep it up, to make sure that it was livable and clean. I don't ask the landlord for anything." Nonetheless, the landlord, with whom he has a good relationship, tried to evict him three years ago in order to fix up the building and increase rents. The landlord had first offered the building's tenants money to move. All but Malinda acquiesced. When the landlord took him to court, the judge immediately dismissed the case. Malinda is grateful for the evictions and rent protections provided by the City of Los Angeles. "I'm appreciative of rent control. Without it, I would lose this place."

increase profit for apartment owners. And despite their candidates' stated support, there is no guarantee that the new cities would enact rent control laws that measure up to Los Angeles' standards.

In sum, serious obstacles—legal, political, and practical—would face the new cities in attempting to re-enact Los Angeles' poverty-fighting ordinances. To the extent that the new cities have the legal ability to do so, they may not have the will. And they certainly will not have the experience Los Angeles does in operating these complex programs. Expiration of Los Angeles' anti-poverty ordinances would create significant hardship for low- and fixed-income residents of the secession areas, as hard-won, sophisticated protections would lapse—their replacement a distant and uncertain possibility.

Redevelopment Under Secession

Community redevelopment agencies are independent legal entities, with special legal authority to assist in the redevelopment of "blighted" urban areas. The agencies are funded primarily through "incremental" property taxes, a portion of the property taxes collected in a redevelopment area following the date of the project's adoption.

Los Angeles established its Community Redevelopment Agency (CRA) in 1948. Since then, it has established 33 redevelopment areas around the city, and has helped spur economic development in hundreds of individual projects.

Redevelopment can be a powerful tool for revitalization of distressed neighborhoods—but it can also be a driving force in gentrification, disrupt communities, and distort taxation systems. Because of those potential negative effects, the state legislature has placed numerous safeguards in the state redevelopment law, such as affordable housing requirements and the responsibility to relocate displaced residents.

Los Angeles' CRA has supplemented state law with many practices encouraging fairness to the residents and communities affected by redevelopment. While not yet a formal agency policy, the CRA currently asks that developers and their contractors pay living wages to employees, and that projects target jobs to local residents.

Most notably, the CRA has been in the forefront of a new practice: encouraging developers and community groups to negotiate community benefits agreements. Those agreements spell out the community benefits a project will contribute, above and beyond those the law requires. A community benefits agreement might provide, for example, that the developer will incorporate a child care center into the project, make the project more environmentally friendly, or ensure that all employers (and not just the developer) in the project pay living wages.

The CRA recently approved the NoHo Commons redevelopment project, which incorporated a comprehensive community benefits agreement. The 16.7-acre development project located in North Hollywood includes residential, retail, and office space. It will receive more than $31 million in public subsidies and loans. The project's community benefits agreement was signed in 2001 by the developer and by the Valley Jobs Coalition, a coalition of community groups led during negotiations by LAANE. The agreement includes a customized job training program, expanded living wage and local hiring commitments by the developer, and dedication of space for a child care center. Those benefits help make the project an excellent example of community-friendly redevelopment.

If the secession initiatives pass, the new cities would have to establish their own redevelopment agencies. The CRA's years of experience would no longer be available to the secession areas, and current negotiations over new redevelopment projects would likely be disrupted. The new redevelopment agencies would have new board members and staff, and thus new priorities. Therefore, there is a distinct threat that the new agencies will place less emphasis on ensuring fairness for workers and communities in redevelopment project areas than does the City of Los Angeles.

Section Five

Lost in Transition? (Part II): City Programs for Low-Income Residents

The Tightening Vise: A Short Detour on Municipal Finance

In 1978, California voters passed Proposition 13, the "taxpayer revolt" which sharply restricted local governments' ability to raise property taxes, the bread and butter of local government finance. The ballot measure also specified that any local tax imposed to pay for specific governmental programs—a "special tax"—must be approved by two-thirds of the voters.[36]

Overnight, Prop. 13 reduced local governments' property tax revenues by approximately $6.1 billion.[37] It was reinforced by anti-tax Propositions 62 (1986) and 218 (1996), closing any loopholes for local governments—whether under general or charter law—seeking to raise revenues through increased taxes or property-related fees, assessments or charges.

> "Proposition 13 was only the beginning of a longer-term process of increasing fiscal pressure. Local governments have been squeezed in a tightening fiscal vise, constrained by voter initiatives on the one hand and by the state and federal governments on the other."
> Silva and Barbour, *The State-Local Fiscal Relationship in California*, 1999[38]

While California cities juggled their resources and looked to find alternate means of financing services, they received an even worse blow by President Ronald Reagan's policy of federal devolution, which caused a precipitous decline in federal funding for municipal programs.[39] At the same time, the cities' problems with their fiscal authority were exacerbated by other state ballot measures and actions taken by the legislature to constrain not just how local governments raise revenues but also how they *use* them.

Los Angeles, like cities across the state, was forced into looking for other sources to fund programs, including the creation of redevelopment agencies (see page 18) and big-box retail developments that bring in sales tax revenues. Both methods have often conflicted with community desires by making potential revenue growth the driving force of a city's land-use decisions, rather than housing, industry, environmental, recreational, or schooling needs. The city also increasingly came to rely on licenses, permits, fees and fines, as well as "debt financing." By the late 1990s, twenty years after the passage of Prop. 13, "non-essential" municipal services—libraries, cultural centers and programs, parks and recreation, and public works programs—had been significantly reduced, fueling voter discontent.[40]

Financing City Services Under Secession

> "The reality is that most of the complaints of inadequate services are not the result of inadequate representation; they are the product of insufficient money."
>
> — Erwin Chemerinsky, Commentary, *Los Angeles Times*; August 7, 2002

There is never enough money in municipal government. In the shadow of Proposition 13 and subsequent anti-tax measures, need is the continuum. And yet despite severe revenue constraints, Los Angeles City government, controlled for most of the past 30 years by a progressive council and mayor, is undoubtedly responsive to the issues of its low- and fixed-income populace. The city funds a wide gamut of social service and job programs that promote the well-being of the city's disadvantaged, from free meals and domestic violence services, to summer youth and jobs programs, to the modest humanity of day laborer sites.

Secession raises important questions about which city programs will be preserved for residents in the San Fernando Valley and Hollywood, not just because of potential changes in policy decision making but also because of financial resources. Will the new cities have the money and the financial flexibility to keep these programs going?

"Fiscal viability" is a determining legal factor in whether an area can secede from a city or county's jurisdiction. State law requires that the proposed city be expected to have revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.[41] The process does not determine the level or breadth of services, however. And in the end, the analysis involves a lot of guess work about which and how much revenues will be available, and how much services and administration will cost. Even budgeting with emergency reserves (which in the two secession proposals are quite small; state law does not determine the level required), the fiscal viability analyses for Hollywood and the Valley are contingent on everything going right, including the economy. (Two years ago, no one would have guessed that the state budget, fattened by a record $12 billion surplus, would now be sinking into a record $24 billion deficit.) The size of the proposed secession areas' estimated reserves suggest that they expect no serious or protracted litigation, no natural or manmade disasters, and no unforeseen needs that would require a substantial outlay of resources.

In none of the numerous documents analyzing the viability of the Valley and Hollywood as independent cities is there a plan laying out exactly what services the new cities will offer, at what level they will offer them, how they will administer them, and how they will fund them. None of the fiscal analyses provides a vision of how the administration of municipal services will pass from the City of Los Angeles to the new cities. And yet a driving force for secession is that the new cities will allegedly offer improved services.

For example, Hollywood's preliminary fiscal analysis, funded by secession activists, had achieved financial viability by eliminating the commissions on Children, Youth and their Families and the Status of Women, as well as the departments of Aging, Sanitation, Street Lighting, Disability, Emergency Preparedness, Environmental Affairs, Transportation, Neighborhood Empowerment (overseeing the neighborhood councils, which would be disbanded in a general law city) and—ironically, in the "Entertainment Capitol"—Cultural Affairs. In the *Final Comprehensive Fiscal Analysis* of the Hollywood secession proposal, funded by the Local Agency Formation Commission (the regulatory agency deciding its viability), it was determined that the new city would have to impose $10 million in service reductions to offset revenue losses that occurred as a result of the area's independence. "[T]he new city may immediately face an operating deficit that will require cost reductions in order that it can achieve a reasonable level of reserves," warn the analysts. The new city was expected to begin operations with just 11 staff members to perform administrative functions, monitor the provision of contract and in-house services (most services would continue to be supplied by the City of Los Angeles for a not-yet-determined period), support its elected officials, and address the needs of Hollywood's 184,000 residents. Similarly, the new Valley city would begin with 19 staff members to serve 1.35 million residents. There were no substantive allowances or additional resources to pay for the development of either city's new municipal structure, including facilities, equipment, and professional and administrative support costs. And the new cities—functioning under the state's general law codes—would have even greater restrictions on their revenue-raising abilities than the city currently has under its charter authority.[42]

Endangered City Programs

This report provides examples of some of the diverse city programs that may be lost to or reduced for the lower-income residents of the Valley or Hollywood if the areas break off. The list is by no means exhaustive. The programs were chosen based on their funding sources and the threat to their continuation. When budgets are tight or in any way restricted, social services in particular—primarily those that assist the most disenfranchised and disadvantaged constituents—are often the first programs to be cut.

The following programs are funded either through the city's own General Fund (GF) revenues, which means that the city has elected to pay for the services, or through the federal Department of Housing and Urban Development (HUD) entitlement grants that the city applies for and is awarded based on criteria such as population size, poverty, housing needs, and other demographic indicators. City programs funded through HUD grants were chosen because HUD provides the main source of funding for municipal programs that specifically target low-income residents. The HUD grants include:

> "Few other cities in the state have lobbying resources equal to those of the City of Los Angeles."
> — Claremont Research Institute, *Coping with Loss of Fiscal Autonomy*; 1998.

- **Community Development Block Grant (CDBG)**—the main source of federal funding for affordable housing and social service programs.

- **Housing Opportunities for People with HIV/AIDS (HOPWA)**—a grant program which is awarded to the largest city in an eligible county. Thus, a new Hollywood or Valley city would have to apply through the City of Los Angeles funding process.

- **Emergency Shelter Grants (ESG)**—funding for homeless services and prevention, and for the rehabilitation or conversion of buildings into homeless shelters.

- **Home Investments Partnership Act (HOME)**—provides funds to expand the supply of decent, safe, sanitary and affordable housing, with the primary focus on rental housing.

NOTE: Funding levels below are rounded-off citywide figures for fiscal year 2002-03.

Seniors and the Disabled

Adult Day Support Centers (ADSC): Offer a planned program that includes a variety of health, social, and support services in a protective setting during daytime hours. (There are five ADSCs located in the Valley and one in the Hollywood area.) Services include: social and recreational activities, case management, personal care, housekeeping, transportation, consumer and legal services, information on and links to available services and programs, and chore services (including cooking and shopping). ADSC is a community-based service that is designed to meet the individual needs of older adults who have physical, emotional, or mental impairments, and who require assistance and supervision. The program also provides respite for caregivers of older frail adults. Services are for: (1) persons who require assistance with personal activities of daily living activities; and (2) persons who may live independently, at home with a care provider, in a community care facility or in a health facility, but do not require a medical level of care during the day.

> **funding**: GF: $1.1 million; CDBG: $1.5 million

Home Delivered Meals for Seniors: Supplies approximately 843,000 home-delivered meals to seniors per year. The city augments funds primarily provided by the Older Americans Act.

> **funding**: GF: $1.6 million; Older Americans Act: $3 million; USDA: $600,000

Home Secure Program: Installs security and safety devices in the homes or apartments of the disabled and seniors and other eligible recipients.

> **funding**: CDBG: $600,000

Kinship Care: Provides social and support services to assist older individuals who are raising relative children. Services target seniors with the greatest economic and social needs, especially low-income minorities. Services include counseling and support groups, information referral, and case management.

> **funding**: CDBG: $175,000

For Los Angeles City programs funded through entitlement grants, a number of questions arise in regard to the new cities' ability to provide services for low-income residents:

1. The application process for federal funds such as the Community Development Block Grant (CDBG) is complex, requiring voluminous paperwork, expertise (including legal and financial) and administrative resources. Assuming the new cities even apply for the grants, would they do so quickly enough to maintain a continuity of services?

2. Would the new cities have the political clout to garner federal (and state) funds for their human services delivery system, and would the funds be equal to what the areas now receive?

3. CDBG funding guidelines, for example, do not require that any of the grant is spent on social services[43], nor do they specify how much funding should be allocated to housing needs rather than "economic development" (which can be used to gentrify an area rather than provide resources that are specifically targeted toward low-income communities or residents). In the city's 2002-03 Consolidated Plan, which outlines how the HUD entitlement grants are spent, of $108 million in total CDBG funds, the city is spending nearly $37 million on social services programs, and $25 million on housing and related programs[44]. What is the likelihood that elected officials in the new cities would make similar decisions to the City of Los Angeles about the expenditures of grants for social services and housing that meet the needs of their low- and fixed-income residents?

4. Would the new cities not only have the administrative capacity—including oversight—but the infrastructure to ensure the best uses of federal (and state) grants to serve needy residents?

Legal Services: Are available citywide to seniors 55 years of age and older with the greatest economic or social need. The legal services provided are geared toward public entitlement, housing-related law, legal aid, landlord/tenant disputes, government benefits, health law, consumer debt or protection, nursing home law, powers of attorney and other health issues, institutionalized advocacy and conservatorships, and wills. Appointments may be scheduled at any of the 16 multipurpose senior centers throughout the city.

funding: CDBG: $281,000

Social and Health Services

Day Laborer Sites and Services: Are found in four fixed hiring sites (including North Hollywood and Hollywood) where persons who participate in the casual labor force can congregate and be matched with potential employers seeking temporary workers. Also provide outreach and information services designed to bring the day laborers and employers to the site, coordinate with the businesses that attract the day laborers, and work with community members and organizations to address local issues and concerns related to the presence of day laborers. Basic amenities such as water, coffee, bread, sanitary facilities, a trailer are provided on-site with budgeted funds.

funding: GF: $330,000;
CDBG: $830,000

Domestic Violence Centers: Provide funding for services to battered women and their children, including counseling and assistance with housing, food, medical and legal matters. Additionally, the city provides financial assistance to nonprofit organizations to develop emergency and transitional shelter housing facilities for victims of domestic violence.

funding: CDBG: $2.5 million

Family Development Networks: Offer one point of access for residents who need subsidized assistance in: family counseling; medical, mental or dental health services; child care and early childhood development services; mentoring and other programs for at-risk youth; immigration and naturalization counseling; consumer and credit counseling. The goal of the networks is to promote self-sufficiency through an integrated, seamless system of information and referral.

funding: CDBG: $10.4 million

Fresh Foods Access Program (Community Gardens and Farmer's Markets): Works to expand access to fresh produce and other goods for low- and very-low-income persons. Also promotes the establishment of community gardens.

funding: CDBG: $155,000

Los Angeles Free Clinic: The city helps support this community-based, nonprofit health and human services provider. The Free Clinic has three sites—one of which is based in Hollywood—that provide free legal, dental, mental health, medical, family planning and youth services.

> **funding**: GF: $100,000

Neighborhood Action Program: Is the city's broad human-services delivery program provided by contracted community-based organizations throughout the city. Services include everything from child care to legal assistance, substance abuse treatment to counseling, cultural programs to computer skills training, literacy training to mentoring for at-risk youth, domestic violence services to HIV early intervention.

> **funding**: CDBG: $3.4 million

Pet Sterilization: Assists low-income animal owners, including seniors and the disabled, to sterilize their animals. The program also has a mobile spay and neuter clinic that travels the city providing free services.

> **funding**: GF and Animal Spay and Neuter Trust Fund: $825,000

Valley Family Technology Center: Provides funding for bilingual technology project teaching low-income, limited English proficient children, their families and teachers about computers, the internet, and computer employment skills.

> **funding**: GF: $50,000

Youth and Family Centers: Offer a comprehensive array of human services, either onsite or through referrals to local service providers. The eight centers are city-run and are located in high-need, economically disadvantaged communities, including Hollywood and Pacoima. Services include: family support and stabilization; housing assistance; coordination with the L.A. Bridges youth program; and employment referrals.

> **funding**: CDBG: $2.5 million

Housing and Homeless Services

Affordable Housing Trust Fund: Established by mayor and city council in June 2000 to fund proposed affordable housing developments. Funds are used for the purpose of acquiring, developing, constructing and rehabilitating single-family and multi-family housing developments. With total resources of $53 million for fiscal year 2002-03, the trust fund's goal is to reach a total of $100 million through annual budget increases.

> **funding**: GF: $15 million;
> CDBG: $5.5 million;
> Other Funds: $32.5 million

Fair Housing: Funds the Southern California Fair Housing Congress to provide public education and information, discrimination counseling, conciliation, referral and follow-up for fair housing compliance and redress.

> **funding**: GF: $50,000

Handyworker: Provides free minor home repairs available to low- or moderate-income homeowners who are senior citizens or physically disabled. Emergency repairs that directly affect the health and safety of occupants are also provided to other low- or moderate-income homeowners.

funding: CDBG: $4.1 million

Homeless Services, Shelters and Access Centers: Provide the city's homeless population with comprehensive assistance. Access centers (including North Hollywood and Hollywood) provide intervention, including food, clothes, sanitary facilities and other resources, and needs assessments and referrals. The Winter Shelter Program opens additional emergency beds during cold and wet weather; provides hotel vouchers for individuals and families for whom mass shelter is inappropriate. One-time only rental assistance may be granted to prevent homelessness due to unforeseen (and not continuing) expenses. Job placement and training services help homeless persons find and retain full-time employment by offering job hunting and case management services, bus fare, practice interviews, and appropriate interview clothing. Mobile services visit encampments to try to connect the homeless with available services. Finally, contracted community-based shelters offer temporary housing and case management and services to assist the homeless with housing, medical and other social service needs.

funding: CDBG and ESG: $5.5 million

Homeownership Assistance: Is designed to increase homeownership opportunities for low- and moderate-income persons and first-time home buyers. The program provides a wide array of services and loan packages.

funding: HOME: $9.4 million

Housing Opportunities for Persons with HIV/AIDS (HOPWA): Arranges funds to be leveraged with other funding sources for the acquisition, predevelopment, construction and permanent financing to meet the housing needs of low-income persons living with HIV/AIDS, and their families. Also provides up to 24 months of rental subsidy assistance for eligible individuals and their families; short-term rent, mortgage and utility assistance; and a wide range of supportive services, including counseling, food and emergency shelter vouchers, meal preparation and delivery, pet care, etc.

funding: HOME and HOPWA: $12.9 million

Multi-family Rental Housing Program: Aims to revitalize neighborhoods, remove blight, and create affordable housing in the city. The program provides for the acquisition and rehabilitation of existing structures, and for the financing of new construction of multi-family housing. Housing units funded under this program require long-term affordability covenants.

funding: CDBG: $10.6 million; HOME: $16.7 million

Neighborhood Preservation Program: Offers low-interest home improvement rehabilitation loans to single-family homeowners with incomes at or below 80 percent of the County median income, and to apartment building owners whose units are occupied by low-income persons..

funding: CDBG: $6.7 million; HOME: $12.3 million

Targeted Neighborhood Initiative Home Improvement Grants: Focus resources of the public and private sector to revitalize twelve designated neighborhoods.

funding: CDBG: $776,000

Youth

Arts: The Cultural Affairs Department spends millions of General Fund and CDBG dollars in arts programs all over the city, such as at the Junior Arts Center in Hollywood and the Canoga Park Youth Arts Center, which have low-cost (or no-cost) arts instruction for children ages 5-17.

Additionally, **Youth Arts and Education Grants** are provided to organizations and individuals who lead cultural and art-based programs within low-income and at-risk communities around the city.

funding: GF: $104,000; CDBG: $80,000

Clean and Green Job Program: Provides funding for the Los Angeles Conservation Corps, which recruits junior and high school students to participate in citywide beautification projects.

funding: GF: $1.5 million; CDBG: $1 million

L.A.'s Best: Offers a safe and supervised after-school education, enrichment and recreation program for elementary school children ages 5-12 in schools throughout the city. Children receive, for example, nutrition, tutoring, and homework assistance, and participate in arts and sports activities.

funding: CDBG: $2 million

L.A. Bridges: Targets middle school children and their families in an effort to prevent gang involvement through enrichment activities, including extended school, recreation and sports programs. Also offers an array of services designed to strengthen families, such as: counseling, mentoring, tutoring, parenting classes, employment opportunities and skills training.

funding: GF: $10.8 million; Other Funds: $1.6 million

L.A. Kids: Provides free recreational opportunities for children ages 6-18 from low- to moderate- income families. Year-round sports academies and clinics, fine arts, and a mobile recreation program consisting of six vans that provide recreation activities at parks where there are no facilities or recreation staff.

funding: CDBG: $1.55 million

Off-Track Youth Nutrition and Enrichment: Offers free nutrition, education and recreation programs for school-age children off-track from school. Drop-in program provides lunch and play in supervised setting each weekday from 11:30 a.m. to 2:30 p.m.

funding: CDBG: $1.2 million

Summer Youth Employment: Provides minimum wage employment to youths ages 14-19 during non-school periods. An estimated 1,600 participants are placed in various city departments where they will receive training and work experience.

funding: GF: $2 million

Youth Opportunities—Pacoima: Assists young people in the northeast San Fernando Valley to gain work skills, employment and career preparation. Last year, the city invested $500,000 in CDBG funds for start-up costs.

funding: Workforce Inv. Act: $400,000; Councilmember Alex Padilla's office: $200,000

Zoo Camp: The Los Angeles Zoo provides 330 scholarships to low- to moderate-income children in inner-city neighborhoods. The week-long summer day camp educates children about nature, wildlife and the environment.

funding: CDBG: $111,000

The Water and Power War—and Its Casualties

Los Angeles is a city cobbled together by a single asset: water. When in 1908 the city began work on the Los Angeles Aqueduct, plundering the Owens Valley for the rich runoff of Mount Whitney's snowmelt, the city had no source of water other than groundwater and the mercurial Los Angeles River.

Designed by the Irish-born engineer William Mulholland, the 233-mile aqueduct unleashed its cascade of water to the city of Los Angeles—via a sluiceway into the San Fernando Valley—on November 5, 1913. Sixteen months later, vast portions of the San Fernando Valley were annexed to the City of Los Angeles. (Hollywood was annexed in 1910, also to gain access to the city's water supply.)

In this semi-arid landscape, water acquisition has again become a defining issue of cityhood. The provision of both water and power in the Valley and Hollywood under secession has become one of the most contentious points in the "divorce settlements" with the city. The DWP infrastructure was designed for an integrated city. It would require extensive study and investment to create two or three independent systems—the cost of which would be borne by the seceding cities and which they could not shoulder. There is no consensus between secession proponents and the city about how the system would function if the DWP remains integrated. There are, however, threats of litigation on all sides, costly lawsuits that would be tied up in the courts for years and would drain municipal resources away from needed public services.

The implications of these battles bode ill for residents with limited or fixed incomes. LAFCO, the regulatory agency which decides on the viability of an area's secession proposal, indicated that, in order to raise revenues, a new city can charge Los Angeles a "franchise fee" to provide DWP services to its customers, while at the same time requiring that the agency charge them the same rates as L.A. City customers. (The city disputes LAFCO's ability to require that DWP charge customers outside city boundaries the same rates as residents.) Because the city would potentially incur a budget loss from such a franchise fee agreement, the DWP might be forced to raise rates for all of its customers. Also, under tightening revenue constraints, the city has increasingly relied on surplus DWP earnings to augment discretionary revenues. In 2001-02, the city transferred $181.4 million from the DWP to its General Fund—3.8% of total city revenues. The secession areas would not have access to those funds, leaving them with fewer discretionary dollars to provide services to their residents.

Section Six

A Good Job Is Hard to Find: What Secession Means for the City's Workforce

While city ordinances and programs work to alleviate need in our communities, unionized public employment functions as one of the most effective anti-poverty tools, providing good salaries, benefits and worker protections.

Seven of the ten largest employers in the five-county area surrounding Los Angeles are, in fact, government or public agencies.[45] With about 34,500 employees, Los Angeles City ranks ninth as a leading employer.[46] For that reason, significant changes to the city's workforce, as may occur under secession, mean significant changes to the overall job market in Los Angeles. More pointedly, potential job losses or salary reductions could mean the difference between poverty and financial stability for a large number of city workers and their families.

Many city employees who would be paid poverty-level wages for comparable work in the private sector are able to raise their families' standard of living through public employment. The table below compares the salaries of typical low-wage earners in the region's general labor force with those of city employees.

Annual Wage Comparisons Between L.A. City Employees and Workers Earning the L.A. Metro Median (2000)[47]

	L.A. Metro Median	City of Los Angeles
Parking Attendants	$14,019	$21,604-$24,531
Janitors	$17,596	$24,603-$28,496
Gardeners/Caretakers	$17,388	$28,791-$36.995
Clerk Typists	$23,483	$26,997-$36,691
Library Clerical Assistants	$19,760	$28,035

In particular, unionized employment offers opportunities for workers of color, who face markedly reduced earnings and options in the private job market. In 2001, for example, African-Americans employed in union jobs nationwide averaged an annual salary of $31,356, while non-unionized African-American workers earned $24,076 per year. The difference was even more significant for Latino workers, who nationwide on average earned $30,056 per year in unionized employment, and only $20,696 per year in non-union jobs.[48]

While union jobs benefit people of color across the country, unionized municipal employment represents a significant economic opportunity for people of color in Los Angeles. Sixty-one percent (61%) of the Los Angeles City workforce is comprised of people of color. For example, although African-Americans represent only 11 percent of the city's overall population, they make up 21 percent of city employees. Asian-Pacific Islanders constitute 10.2 percent of the city's population, but represent 14 percent of the city workforce.[49]

The City's Workforce Under Secession

The method by which a new city gains its workforce is complex and controversial. During study of the viability of Valley secession, numerous ideas were suggested about how to make the transfer of employees from the remaining city to the new city. One plan was to transfer a fixed number of employees, determined based on varying factors. In some cases, analysts used overall percentages of department employees to assign staff; in other cases, they used the number of staff already assigned to field offices in the Valley.[50] There was no agreement, however, whether the workers would be transferred based on skill level, seniority, or the fact that they are currently employed in Valley facilities, nor was there agreement about whether the workers would have any choice in the matter.

The process that was ultimately adopted in the secession plans for both the Valley and Hollywood areas was that the remaining city would transfer the workers' salaries (as well as any funds covering related costs) rather than the actual employees. For example, the proposed Valley city would be allocated 35.51 percent of the City of L.A. salary budget for the Bureau of Street Services—enough to fund 441 employees. In total, the Valley would be allocated funds for 9,219 positions[51]; Hollywood would receive funds for 1,591 positions.[52] Lacking any government infrastructure, the new cities would then turn around and contract out the jobs back to the City of Los Angeles for the first year of incorporation, what is considered the "transition period" starting July 1, 2003, and ending on June 30, 2004. In other words, the workers would remain employed by the City of Los Angeles, at least while under contract during the transition period, yet the new cities would have jurisdiction over the funding in the city budget that pays these employees' salaries. What happens to either the workers or the jobs after that is anyone's guess.

An Uncertain Future

If a new city's elected officials decide to cut any services during the transition period, they can do so as long as they give Los Angeles City six months' notice. They may also decide to extend their service contracts with the city past the first year. Either way, city employees and residents who depend on their services are left with profound uncertainty about the future.

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Equally concerning, the final secession plans appear to circumvent California Government Code sections specifically intended to protect government workers in the event of secession.[53] When workers are transferred from an existing city to a new city, the new city is required to honor employees' current collective bargaining agreements, provide the same level of retiree benefits, and recognize the unions who represent affected employees. However, because the secession plans involve the transfer of funds rather than actual workers, no responsibility for employee protections is transferred to a new Valley or Hollywood city.

Employees who work in the new cities would retain their current job protections *only* while they serve as L.A. City contract workers. Even so, the City of Los Angeles may be forced to lay off workers due to insufficient funds, which may very well occur if the new cities, given their own serious revenue constraints, decide they do not want or have the resources to fund contracted services. The only guarantee left to L.A. City workers is the right to be laid off in an orderly fashion.

There are three likely personnel scenarios which may occur separately or in some combination during and/or following the one-year transition period:

- **Scenario 1**: *A new city cuts positions within departments or cuts entire departments.*

  Secession proponents in the Valley and Hollywood have vowed to improve municipal services while also cutting taxes. And yet the two new cities would start out with severe revenue constraints. In order to make up for budget shortages, it is likely that a new city would cut municipal employee positions or even eliminate whole departments. Again, in order to achieve "fiscal viability," Hollywood secession proponents had proposed eliminating the commissions on Children, Youth and their Families and the Status of Women, as well as the departments of Aging, Sanitation, Street Lighting, Disability, Emergency Preparedness, Environmental Affairs, Transportation, Neighborhood Empowerment, and Cultural Affairs.

- **Scenario 2**: *A new city creates its own departments.*

  It is likely, in any case, that a new city ultimately would want to create its own departments and hire its own employees, rather than accept employees transferred from the City of L.A. A new city would open up hiring for these positions and would be under no obligation to hire current workers at their present salaries, benefits and pensions, nor would a new city be obligated to recognize any municipal workers' unions.

  If city employees decide to reapply for jobs they now hold, there will be no guarantee that they will be: (1) rehired; (2) rehired at current salary levels; and (3) placed in their current ranking or position of seniority.[54]

- **Scenario 3**: *A new city contracts out jobs.*

  It is highly conceivable that the new Hollywood and Valley cities could simply opt not to hire for some positions and contract out municipal services to entities other than the City of Los Angeles. As general law cities, the new municipalities would not have the worker protections adopted by the City of Los Angeles, including the living wage law and other city contractor requirements detailed above in "Lost in Transition (Part I)." In fact, the new cities may be unable to duplicate Los Angeles' worker-protection standards. As general-law cities, they would be subject to the state's Public Contract Code, which may well prohibit them from re-enacting Los Angeles' ordinances. The state's rigid "lowest responsible bidder" requirement, which would govern in the new cities, encourages a race to the bottom in worker wages.

Secession's Impact on the City's Most Vulnerable Workers

Secession presents all city workers with the threat of job insecurity, but workers on the lower end of the city pay scale would be especially vulnerable to any losses resulting from cuts in positions, salaries, pensions, or benefits. Overall, there are approximately 10,800 city employees whose positions may be transferred to the new cities; of those, more than 1,000 make under $33,000 per year[55] (less than 200% of the federal poverty level for a family of four). Those employees, and their families, may be in danger of slipping into poverty if their jobs are cut or salaries diminished.

The employees most at risk are predominantly service and administrative workers, including over 500 clerks, clerk typists, clerical assistants, and messenger clerks.[56] Seventy-eight percent (78%) of the city's administrative support positions are filled by people of color, predominantly women.[57] Also threatened are 345 service and maintenance employees, including: maintenance laborers, warehouse and toolroom workers, gardeners and janitors. Again, those employees are primarily people (men) of color, who staff 80 percent of city service and maintenance positions.[58] It is precisely these employees who have the greatest need for unionized public employment, since comparable jobs in the private sector pay considerably lower wages. (See wage comparison chart on page 30.) Financially speaking, they—and their families—have nowhere to go but down.

Section Seven
Conclusion

Secession is an angry reproach to the complex problems that beset the City of Los Angeles. It not only fails to provide solutions, it could profoundly hurt the most vulnerable city residents.

This study concerns itself solely with the plight of the struggling and disadvantaged in the San Fernando Valley and Hollywood. It makes the following conclusions:

- The depth of poverty and need in Los Angeles require regional solutions; secession would only increase fragmentation in government decision making and the provision of public resources.

- The new cities' municipal authority would be constricted under the state's general laws, hobbling their ability to gear laws and services for their communities.

- Residents and workers in the new cities would lose powerful legal protections that are currently provided by the City of Los Angeles.

- The new cities' fiscal constraints could cause cuts in city programs serving the most vulnerable and disenfranchised residents.

- And lower-earning city workers—predominantly people of color—and their families would suffer considerable financial insecurity through negative changes in municipal job opportunities.

Although this study's authors spent a great deal of time pouring through the various secession proposals and analyses, we found a deeply worrisome lack of detail about how the new cities would improve services for their residents—one of the key arguments on behalf of secession. Of particular concern was the lack of detail about the areas' future finances, and their seeming instability. Many of the pro-secession movement leaders have been working on this issue for a quarter-century, and yet they have never offered a detailed plan on how exactly the new cities will function: what services they will provide and how they will pay for them. Secession presents far too much uncertainty for the residents of Los Angeles, particularly those most vulnerable to decreases in public resources and aid.

This study does not assess the relative merits of some of the policy proposals intended to address public discontent without going to the extreme position of breaking up the city. Nonetheless, we hope that the issues raised through the various secession campaigns continue to evoke considered, meaningful public dialogue about how to increase government responsiveness, improve and expand city services, and increase public participation in decision making.

End Notes

[1] League of Women Voters of Los Angeles; *Report on Secession*, April 2002.

[2] The Los Angeles of today is a far cry from the Anglo-dominated city of the 1950s. Although racial demographics do not demonstrate the rich diversity of the city's cultures, it does reflect the mix of ethnicities: 46.5 percent Latino; 29.7 percent White; 11.2 percent African-American; 10.2 percent Asian-Pacific Islander; .8 percent American Indian; 1.6 percent Other or Mixed Race.

[3] U.S. Census Bureau; *Demographic Profiles: Social, Economic and Housing Characteristics*; May 2002.

[4] U.S. Census Bureau; *Census 2000.*

[5] Looking at demographic trends by comparing household income, however, may actually mask the extent to which the city's middle class has declined. A "household" can contain more than one family, so may not best reflect actual income status. Los Angeles has an extreme affordable housing shortage in which there are a growing number of units considered overcrowded and severely overcrowded—which also means that there are more residents to contribute to a household's income. Further, household income comparisons do not reflect cost-of-living differences. Los Angeles is one of the highest cost-of-living cities in the U.S.

[6] Hollywood and Valley secession-area poverty estimates are provided by the Mexican American Legal Defense and Educational Fund in Los Angeles, and are based on Census 2000 data. Census analysts had to formulate estimates, since the secession areas do not line up with Census block-level poverty data.

[7] LAANE; *The Other Los Angeles*; August 2000.

[8] ibid.

[9] ibid.

[10] Tai Glenn and Jenny Hontz; *Working Toilets Should Not Be a "Maybe" in L.A. Housing*; Los Angeles Times, 2001.

[11] L.A. Housing Crisis Task Force; *In Short Supply*; May 2000.

[12] U.S. Census Bureau; *Census 2000.*

[13] Institute for the Study of Homelessness and Poverty at the Weingart Center; *Just the Facts: Housing and Poverty in Los Angeles*; July 2001.

[14] Fred Silva; *Local Governance and Finance Reform: Déjà vu All Over Again;* Western City Magazine; November 2000.

[15] See Ca. Const. Art. XI, sec. 3.

[16] See Ca. Gov't Code § 65800 *et seq.*

[17] See Ca. Pub. Cont. Code § 20162.

[18] See Government Code § 53725.

[19] See, *e.g.*, Cal. Sts. & High. Code §§ 10000 et seq.; Cal. Sts. & High. Code §§ 36500 *et seq.*

[20] Los Angeles Administrative Code (LA AC) § 10.37 et seq.

[21] The figure of 12,000 living wage workers was supplied by the Los Angeles City Administrative Officer.

[22] LA AC § 10.36 et seq.

[23] LA AC § 10.8.2.1

[24] LA AC § 10.40 et seq.

[25] Los Angeles Municipal Code (LA MC) § 151 et seq.

[26] LA MC § 161.353.

[27] Information provided by the Los Angeles City Housing Department.

[28] Information provided by the Los Angeles City Housing Department.

[29] LA MC § 162 et seq.

[30] LA MC § 153 et seq.

[31] Information provided by the Los Angeles City Housing Department.

[32] LA MC § 161.704.5.

[33] LA MC § 161.704.4.

[34] LA MC § 161.704.3.

[35] LA MC § 161.807.

[36] California Legislative Analyst's Office; *Understanding Prop. 218*; 1996.

[37] California Budget Project; *Proposition 13: Its Impact on California and Implications for State and Local Finances*; April 1997.

[38] Fred Silva and Elisa Barbour; *The State-Local Fiscal Relationship in California*; Public Policy Institute of California; 1999.

[39] ibid.

[40] Steven Erie, Christopher Hoene, Gregory Saxton; *Coping with Loss of Fiscal Autonomy*; Claremont Research Institute.[36]

[41] Ca. Government Code § 56375.1.

[42] Most notably, the new cities, under the state's general law provisions, would be unable to levy the documentary transfer tax. Furthermore, the new cities would have to provide the City of Los Angeles mitigation payments that cover the cost of the city's loss of documentary transfer taxes.

[43] In fact, the new cities would not be allowed to spend as much CDBG funds on social services as the city does, because L.A. City is granted a special 25% allowance on public services, whereas most cities can spend a maximum of 15% of the annual grant on public services.

[44] Total CDBG funds also include resources that augment the annual allocation.

[45] The five-county area includes: Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties. *City of Los Angeles 2000 Economic and Demographic Information.*

[46] ibid.

[47] U.S. Dept. of Labor, Bureau of Labor Statistics; *2000 Metropolitan Area Occupational Employment and Wage Estimates, Los Angeles - Long Beach, CA PMSA.* City of L.A. numbers are from: Hamiltion, Rabinovitz & Alschuler, Inc.; *The Division of Service Cost Burdens Following Separation of the San Fernando Valley from the City of Los Angeles: An Independent Appraisal;* June 18, 2002; and *The Division of Service Cost Burdens Following Separation of the Hollywood Area from the City of Los Angeles: Final Report of An Independent Appraisal*; July 3, 2002.

[48] U.S. Dept. of Labor, Bureau of Labor Statistics; *Median Weekly Earnings of Full-time Wage and Salary Workers by Union Affiliation and Selected Characteristics*; 2001.

[49] Latinos, on the other hand, represent 46.5 percent of the population, but only 26 percent of the city's workforce.

[50] Allocation of staff—or staff salaries—was one of the most controversial aspects of the secession proposals. The City of Los Angeles wrote or commissioned many detailed studies that found the secession proposals' allocation of staff deeply flawed.

[51] This is the figure estimated in: Hamiltion, Rabinovitz & Alschuler, Inc.; *The Division of Service Cost Burdens Following Separation of the San Fernando Valley from the City of Los Angeles: An Independent Appraisal*; June 18, 2002; with the addition of the 12 Department of Neighborhood Empowerment employees who originally were not included in the LAFCO consultant's allocation of employees, but who have since been added by LAFCO. See LAFCO; *Special Reorganization of the San Fernando Valley: Executive Officer's Supplemental Report*; Fiscal Tables, page 7; May 20, 2002.

[52] Hamiltion, Rabinovitz & Alschuler, Inc.; *The Division of Service Cost Burdens Following Separation of the San Fernando Valley from the City of Los Angeles: An Independent Appraisal*; June 18, 2002. And Hamiltion, Rabinovitz & Alschuler, Inc.; *The Division of Service Cost Burdens Following Separation of the Hollywood Area from the City of Los Angeles: Final Report of An Independent Appraisal*; July 3, 2002.

[53] Ca. Government Code § 56844.2 and 56888.

[54] All seniority may in fact be wiped out, especially since, being a general law city, any new city would lack the Los Angeles civil service system, which is part of the L.A. City Charter.

[55] Hamiltion, Rabinovitz & Alschuler, Inc.: *The Division of Service Cost Burdens Following Separation of the San Fernando Valley from the City of Los Angeles: An Independent Appraisal*; June 18, 2002; and *The Division of Service Cost Burdens Following Separation of the Hollywood Area from the City of Los Angeles: Final Report of An Independent Appraisal*; July 3, 2002. This report lists 904 positions paying less than $33,000 that would be allocated to the Valley and Hollywood. But because this breakdown includes only those workers the City of L.A. can do without in case of secession, an addition of 10.785 percent is used to reflect the additional worker salaries actually allocated by LAFCO, bringing the number of lower-income workers at risk to 1,165.

[56] Los Angeles City Personnel Dept.; *Workforce Analysis Report No. 7, Period Covered 01/01/02 thru 06/30/02, Job Category Totals for Full Time Employees.*

[57] ibid.

[58] ibid.