Mello Act Ordinance

CPC-2019-7393-CA

Information Session/Public Hearing
July 08, 2020

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How to Participate

- Questions can be submitted in the chat for Q&A Session
- Verbal comments can be provided to the hearing officer today
- Questions and written comments can also be submitted to: planning.mello@lacity.org
- No decision will be made today
- Public comments extended to July 22 by 5 PM
Schedule

1 - 2 PM
Presentation followed by Q&A Session

2 PM - 3:30 PM
Hearing Officer Public Hearing
Overview of Presentation

- Mello Act - Background
- Existing Procedures
- Proposed Ordinance
- Example Cases
- Next Steps
Mello Act

- Adopted in 1982

- CA Govt. Code Section 65590-65590.1

- Applies to Coastal Zone throughout the State of CA

- Sets requirements for demolition, conversion and construction of Housing in Coastal Zone

- Intent to preserve and replace low and moderate income housing units in Coastal Communities
Mello Act Requirements

- Existing residential shall be maintained, unless residential is no longer feasible at the location

- Converted or demolished affordable residential units shall be replaced on a one-for-one basis

- New Housing Developments shall provide Inclusionary Residential Units, if feasible
Mello Act - Coastal Zone Areas

- Coastal Zone communities in the City of Los Angeles include:
  - Del Rey
  - Playa Del Rey
  - Pacific Palisades
  - San Pedro
  - Venice
  - Wilmington
Pacific Palisades
Venice, Del Rey & Playa del Rey
Wilmington & San Pedro
Mello Act - Conversion/Demolition to Non-Residential Uses

- Applies to conversion or demolition of existing residential to Non-Residential Uses
  - Unless residential use no longer feasible
  - Unless non-residential use is Coastal Dependent or Coastal Related
Mello Act - Replacement of Affordable Units

- Required for all low and moderate income units
- Required on site or 3 miles within Coastal Zone
- Allows for establishment of in lieu fee
- Exception – Public Nuisance Declaration
Mello Act - New Housing Developments

- Requires incorporation of low and moderate income housing
- Requires on site or 3 mile replacement if existing units demolished
- Allows the establishment of in-lieu fee
Interim Administrative Procedures (IAP)

- Adopted in 2000
- Expanded on State code
- 30 year covenant
- Targets for very low income households
- Inclusionary Requirements
  - Low and Very Low – 20%
  - Very Low – 10%
IAP - Mello Act Compliance Procedures

1. Identify Community Plan Area
2. Determine Coastal Zone Location
3. Identify Conversions, Demolitions and New Housing
4. Identify Categorical Exemptions
5. Send Notice of Categorical Exemptions to Applicant
6. Non-Categorical Exemptions to City Planning for Case Processing
IAP – HCIDLA
Affordability Assessment

- Notice to All Building Occupants
- Identify Long Term Vacant Residential Units
- Determine Occupant Income (monthly housing cost or income data)
- Verify Accuracy of Occupant Income
- Identify and Determine Evictions to Evade Mello
- Inform City Planning of HCIDLA Determination
Proposed Draft Mello Act Ordinance

- Motion Adopted (08/19)
- Draft Ordinance Released (12/19)
- Information Sessions (01/20)
- Public Hearing (07/20)
Proposed Draft Mello Act Ordinance – Conversion/Demolition to Non-Residential Uses

Conversion or demolition of existing residential to non-residential.

- Not permitted unless non-residential use Coastal Dependent and evidence that residential use not feasible
- Applies to all residential units and uses
- Continued residential use presumed by the City
- Applicants burden of proof
Proposed Draft Mello Act Ordinance – Replacement of Affordable Units

Conversion or demolition of existing affordable residential units

- Replacement of Affordable Existing Residential Units - HCIDLA
- Units presumed affordable - RSO, Notices to Vacate, Evictions, Cash for Keys, Unpermitted Dwelling Units
- 5 year vacancy
- Affordability Level – HCIDLA analysis (income, rental, tenancy data)
- Like-for-like replacement
- In-lieu payment only allowed for one or two unit dwellings in a maximum two unit development – feasibility study required.
Proposed Draft Mello Act Ordinance – New Housing Development

Inclusionary Units

- All net new housing units
  o 8% extremely low income
  o 10% very low income
  o 20% low income
- Monitoring and Enforcement

- In-lieu fee – Fractional units only
  o > 0.5 round up to 1 unit
    (e.g. 4.6 units = 5 units on site)
  o < 0.5 pay the in lieu fee (e.g. 1.3 affordable units = 1 on site unit + 0.3 in-lieu fee)
- No off-site affordable units permitted
Proposed Draft Mello Act Ordinance – Compliance Review

- Issued by Director of Planning
- Exemptions – Owner Occupied & Public Nuisance
- Residential Use Feasibility
- Replacement Obligations
- Inclusionary Requirements
- In-Lieu Fee Determination
- Appealable to Area Planning Commission
Proposed Draft Mello Act Ordinance — HCIDLA Mello Act Determination

- Assess Affordability Level (Data from past 5 years)
- Individual & Household Rental Rates
- Level of Affordability Determination
- Document Number of Bedrooms and Bathrooms
- Maintain Existing Dwelling On-Site
- Incorporate into Director of Planning Determination
Proposed Draft Mello Act Ordinance – Feasibility Study

- Determines affordability requirements
- Allowed only under 2 circumstances
  - Replacement of 1 or 2 units in a maximum 2 unit property – study required only on appeal
  - Reduction in the number of required inclusionary dwelling units
- Conducted by HCIDLA approved third party consultant
- Includes analysis of maximum number of affordable units feasible on the site
- Applicant can not provide their own feasibility study
- Study transmitted to City Planning
Proposed Draft Mello Act Ordinance – Feasibility Study Methodology

- Standardized study

- Standardized factors for review

- Feasibility for sale units
  - Return on Cost = Profit/Total Development Cost
  - Threshold – determined by HCIDLA based on a minimum of 5 reputable for sale developers and active real estate firms

- Feasibility for rental units
  - Yield on Cost = Annual Net Operating Income /Total Development Cost
  - Threshold – on going cap rate percentage index for new apartments in LA region from real estate industry report
Example A

Single Family Home – Owner Occupied

Owner occupied homeowner wants to demolish own house and rebuild new single-family home for themselves

- Project qualifies for owner occupied exemption
- No analysis required
- No replacement units required
- No inclusionary units required
Example B

Duplex or 2 Family Dwelling Unit

Property owner wants to demolish and replace duplex with a new single-family home

Existing:
(2 units)
- 1 market rate
- 1 moderate

Proposed:
- 1 market rate
Example C

**Existing 6 Unit Apartment (non rent stabilized units)**

Property owner wants to demolish 6 unit apartment and construct a new 12 unit apartment building

**Existing:**
- (6 units)
  - 1 market rate
  - 2 moderate
  - 3 low

**New:**
- (12 units)
  - 5 replacement
  - 1 inclusionary
  - 6 additional units
Next Steps

- Motion Adopted
- Draft Ordinance Released & Info Sessions
- Public Hearing
- Revise Ordinance & CEQA Clearance
- City Planning Commission
- PLUM
- City Council

City Planning Commission
Written Comments or Additional Questions:
planning.mello@lacity.org
Questions & Answers Session
followed by Public Hearing
Thank You

Stay informed, Stay engaged, Stay healthy!

For more information, please visit our website: planning.lacity.org