

# FACT SHEET


## Downtown Community Plan Inclusionary Housing Update

### What is the City Planning Commission's (CPC's) recommended approach to providing affordable housing Downtown?

The CPC's recommended Downtown Community Plan includes a Community Benefits Program, which is an incentive-based (or "base/bonus") system, to facilitate new affordable housing units, and other onsite community benefits Downtown. The Community Benefits Program builds upon the established Affordable Housing Linkage Fee that is currently applied across the City, and requires affordable housing contributions for all development. Under the CPC's recommended system, Downtown sites are assigned base development rights (generally floor area ratio or FAR), that can be exceeded with floor area bonuses when projects provide affordable housing units onsite, or in some instances, when projects provide other onsite benefits such as publicly accessible open space, or community facilities like schools and childcare. This system was calibrated to ensure that most projects would build larger buildings on their sites, and provide affordable housing, furthering the City's goals to produce more housing, reduce greenhouse gas, and improve walkability.

Under this proposal, projects exceeding base development rights would be required to provide one of the following percentages of dwelling units for Lower Income households:

- 7% Acutely Low Income (*Incomes at 0-15% of AMI, \$16,900\* for a family of four*);
- 8% Extremely Low Income (*Incomes at 0-30% of AMI, \$33,800\* for a family of four*);
- 11% Very Low Income (*Incomes at 30-50% of AMI, \$56,300\* for a family of four*);
- 20% Low Income; or (*Incomes at 50-80% of AMI, \$90,100\* for a family of four*);
- 40% Moderate Income, when units are for sale (*Incomes at 80-120% of AMI, \$92,750\* for a family of four*)



In providing the required affordable housing units, projects under this system would receive a 40% FAR increase. However, in order to achieve the maximum FAR allowed on a site, additional increments of affordable housing would also be required.

## Why is an inclusionary housing mandate being explored at this time?

Following the CPC's consideration of the Downtown Community Plan, Council District 14 requested that City Planning prepare an economic feasibility study to inform the Planning and Land Use Management (PLUM) Committee and the City Council as to whether an onsite affordable housing mandate would help to ensure the production of new affordable housing units Downtown. The topic of a mandatory onsite affordable housing mandate was first raised by Council District 14 when the CPC considered the Downtown Community Plan in the summer of 2021.

The more recent economic analysis (discussed further below) has shown that, absent an inclusionary requirement, projects are unlikely to seek bonus development rights and provide onsite affordable units in the near term until market conditions improve.

## What are the key findings from the study?

The analysis, outlined in [HR&A's Inclusionary Zoning memorandum](#), indicates that an inclusionary housing obligation is feasible within the Downtown Community Plan area. Informed by the HR&A analysis, the Department of City Planning has outlined a Graduated Inclusionary Program in the [Director of Planning's Memo to the PLUM Committee](#) for PLUM's consideration. The Graduated Inclusionary Program mandates that as project size increases, the inclusionary obligation also increases. Inclusionary housing percentages are outlined below under "How Would an Onsite Affordable Housing Mandate be Integrated With the CPC's Recommended Approach".

HR&A's study also provides an overview regarding mandatory inclusionary housing programs in the State of California, including their general features, implementation history, and relationship to other State and local housing policies. The memorandum identifies feasible inclusionary housing requirements for the Downtown Plan Area, based on a review of current market conditions, and the assumption that current market conditions will continue in the near term.

The [Director of Planning's Memo to the PLUM Committee](#) outlines a pathway for adopting a mandatory inclusionary housing program based on key takeaways from the HR&A economic analysis and informed by the following considerations:

- The proposed Downtown Community Plan, and the City's recently adopted Housing Element, as well as SCAG's Connect SoCal (2020-2045 RTP/SCS), identify the goal of increasing housing production within the Downtown Plan Area, an area well served by transit, employment, and numerous civic investments. An inclusionary housing program should facilitate production of affordable housing units, while ensuring housing development overall continues in areas well served by transit, consistent with City, Regional, and State-wide goals to increase housing production.
  - The Proposed Plan seeks to accommodate 100,000 new housing units through 2040.
  - The Proposed Plan represents 20% of the City's overall housing growth anticipated to occur by 2040.
- Inclusionary housing is generally feasible in Downtown mixed-use zones and adopting the recommended percentages outlined in the [HR&A's Inclusionary Zoning memorandum](#) would not constrain near term housing development.
- Economic conditions have significantly shifted since the 2019 Downtown economic analysis presented to the City Planning Commission. Absent a mandatory inclusionary housing requirement, it is unlikely that on-site affordable housing will be provided Downtown under present-day economic conditions.
- The Proposed Plan outlines a vision through the year 2040. Market conditions evolve over time and an inclusionary housing requirement will be one of many tools available to facilitate the production of affordable housing under the Proposed Plan. The CPC's recommended Community Benefits Program will be incorporated into a graduated inclusionary program and will facilitate increased amounts of affordable housing as economic conditions improve.
- Economic feasibility is tested for sites that would be acquired under current economic conditions and financed using conventional methods. Land banked development sites, or sites availing of less conventional finance methods may have improved feasibility.

## **How would an onsite affordable housing mandate be integrated with the CPC's recommended approach?**

Under the CPC's recommended Community Benefits Program, projects may opt to provide onsite affordable dwelling units in exchange for enhanced development rights, including bonus floor area, an exemption from the Affordable Housing Linkage Fee, and a ministerial project review process. Under favorable economic conditions, most housing development projects would be likely to provide onsite units in the CPC's recommended plan.

However, the CPC's recommended Community Benefits Program does not require that all housing development projects provide onsite units, and under current, less favorable economic conditions, many housing development projects may opt to provide only market-rate dwelling units, forgoing any available incentives such as increased floor area, and providing a fee to assist in funding future affordable housing.

Integration of a new onsite affordable housing mandate within the CPC's recommended Community Plan creates a "Graduated Inclusionary" program wherein the initial obligation is required for projects that are using only the Base FAR within their zoning Form District. The adaptability offered by integrating the two programs will ensure that some amount of on-site affordable housing units are produced even if projects are built within the base development rights in the short term, while increasing a project's affordability obligation as projects increase in size with better market conditions.

For example, in South Park’s HB1 Zoning District, a smaller building would be required to provide 10% Very Low Income units, while a larger highrise would require 20% Very Low Income units, as shown in Illustration 1 below.

While the initial amount of inclusionary required downtown will be fairly consistent (e.g. 10% Very Low Income in most of Downtown, 15% Very Low Income in Chinatown), the total amount of inclusionary required will vary based upon the ultimate size of a building.

**Illustration 1.**

### Graduated Inclusionary

Larger buildings provide more on-site affordable housing.



## How does this study relate to the Citywide inclusionary housing study?

Separate from the Downtown Community Plan, the City Council has directed the Housing Department to complete an economic analysis that addresses whether or not an inclusionary zoning requirement would improve the City's production of affordable housing, as compared to today's Transit Oriented Communities (TOC) program incentives, and the Affordable Housing Linkage Fee, and whether an inclusionary zoning requirement would be economically feasible across the City's numerous economic sub-markets, and under established zoning allowances. The Citywide inclusionary housing study is still underway, and will not provide a separate analysis of the Downtown economic submarkets.

For more information, please [sign up online](#) to receive periodic updates on the Downtown Community Plan.