

Constraints on Housing Maintenance, Improvement and Development

Chapter 2



Constraints On Housing Maintenance, Improvement and Development

Producing, maintaining and developing housing that is affordable to households of all income levels and appropriate for special needs populations has many challenges. This is in part due to the existence of regulations and conditions that pose constraints to the production and preservation of housing. Some of these constraints include governmental regulations, infrastructure requirements and market conditions. The City has developed an array of responses to counter these constraints and to facilitate residential development. This Chapter identifies key constraints, as well as the City's strategies to address them. The City continues to proactively explore additional responses to these housing obstacles in the form of new efforts and programs identified in Chapter 6.

A. Overview Of The City's Environmental Setting

The unique physical landscape of the City of Los Angeles and the measures taken to manage and protect its natural assets produce constraints on housing maintenance, improvement and development within the City. The following discussion of Los Angeles' geography and environmental setting sets the stage for understanding some of these key housing constraints.

The City of Los Angeles contains 467 square miles, or 302,596 acres. Of these, approximately 78% (239,072 acres) is developed and 22% (66,981) is undeveloped. The undeveloped land includes 15,467 acres classified as vacant (subject to urban development), representing 5.1% of the total acreage, and 51,514 acres classified as open space (protected from urban development, representing 16.8% of the total acreage). Major open space

areas in the City of Los Angeles include Griffith Park, the Santa Monica Mountains National Recreation Area, the Ballona Wetlands south of Marina del Rey, and the Verdugo Mountains in the northeastern sector of the City.

Los Angeles' "urban form," or its physical structure, has evolved in response to its natural environmental landscape, to the street car system of the early twentieth century, and to the adoption of the automobile as the main mode of transportation in the latter half of the twentieth century. The City consists of relatively flat basins that are defined by the San Gabriel Mountains to the north, and by the Santa Susana Mountains, the Santa Monica Mountains and the Pacific Ocean to the west and south. The Santa Monica Mountains bisect the City, separating the San Fernando Valley from the Los Angeles metropolitan basin. Its eastern edge is defined by the Verdugo Mountains and the San Rafael Hills, subdividing the eastern end of the San Fernando Valley, with the communities of Sunland and Tujunga located to the north.

Three major rivers flow through the Los Angeles Basin to the Pacific Ocean: the Los Angeles River, the Rio Hondo, and the San Gabriel River. Relief within the drainage basins in which the city is located ranges from sea level to over 2,700 feet. Most of the City is located in the coastal plain, a gently sloping area of low relief, containing only a few depressions or ponding areas. Local mountainous areas contain steep-walled canyons with slopes of 70% or more. In mountainous regions, largely natural areas in and near Los Angeles, steep canyon slopes and channel gradients lead to rapid concentrations of storm runoff. Geologic conditions in the local hills and mountains often make construction difficult due to landslide-prone and unpredictable bedrock.

Based on Department of City Planning (DCP) data, approximately 7% of the City is developed with commercial uses and 8% with industrial uses, excluding the Los Angeles Port and LAX. Residential land use represents the largest land use, comprising 56% of the City. The largest share of this residential land use is for single-family dwellings, approximately 44% of the City, while multi-family units comprise approximately 12%.



B. Governmental Constraints

The supply, distribution, and cost of housing in Los Angeles are all affected by local, state and federal land use regulations and state environmental laws. While the current shortage of affordable housing inventory is primarily due to high land and construction costs, these factors are often exacerbated by governmental regulations. This section examines the impact of governmental regulations on residential development.

1. Land Use: The General Plan

California State Law requires every city and county to adopt a comprehensive General Plan to guide its future development. The General Plan essentially serves as a “constitution for development” – the foundation for all land use decisions. Every jurisdiction’s General Plan includes seven required elements mandated by State law (land use, circulation, housing, conservation, open space, noise and safety); local governments may adopt additional elements to address local priorities and planning goals. All elements are required to be consistent with each other.

Framework Element

The City of Los Angeles Citywide General Plan Framework Element (adopted in 1996) establishes the broad overall policy and direction for the entire General Plan. It is a smart-growth plan that provides a long-range citywide strategy to guide both the implementation and the comprehensive update of all of the General Plan’s elements. The Framework Element also establishes the City’s capacity for potential residential development, general locations for such development, and the associated infrastructure necessary to support it. The Environmental Impact Report (EIR) for the Framework Element calculated the total build-out capacity for the City in the locations identified in the Framework Element at 2.4 million housing units, and evaluated the environmental impacts of this build-out capacity. As of 2010, there was a total of 1,413,995 housing units in the City; thus, there remains the capacity to build almost one million additional housing units within the Framework Element’s environmental clearance “envelope” that would be consistent with the General Plan and its various Elements.

Land Use Element

The Land Use Element of the City’s General Plan identifies the locations, densities, and other characteristics of the housing capacity at the community level, as established in the Citywide Framework Element. Due to Los Angeles’ size, the Land Use Element is divided into 35 areas, with 35 Community Plans (Map 2.1), which guide the growth and physical development, or urban form, for each of the City’s neighborhoods. This is pursuant to the

policies established in the Framework Element. The planning process for each Community Plan involves extensive community outreach, participation and input, in order to identify issues and opportunities, as well as to set goals for development. Community Plans aim to establish sustainable growth patterns while balancing the unique character of individual communities, including the preservation and maintenance of housing. The plans also address infrastructure, urban design, jobs, transportation and mobility issues.

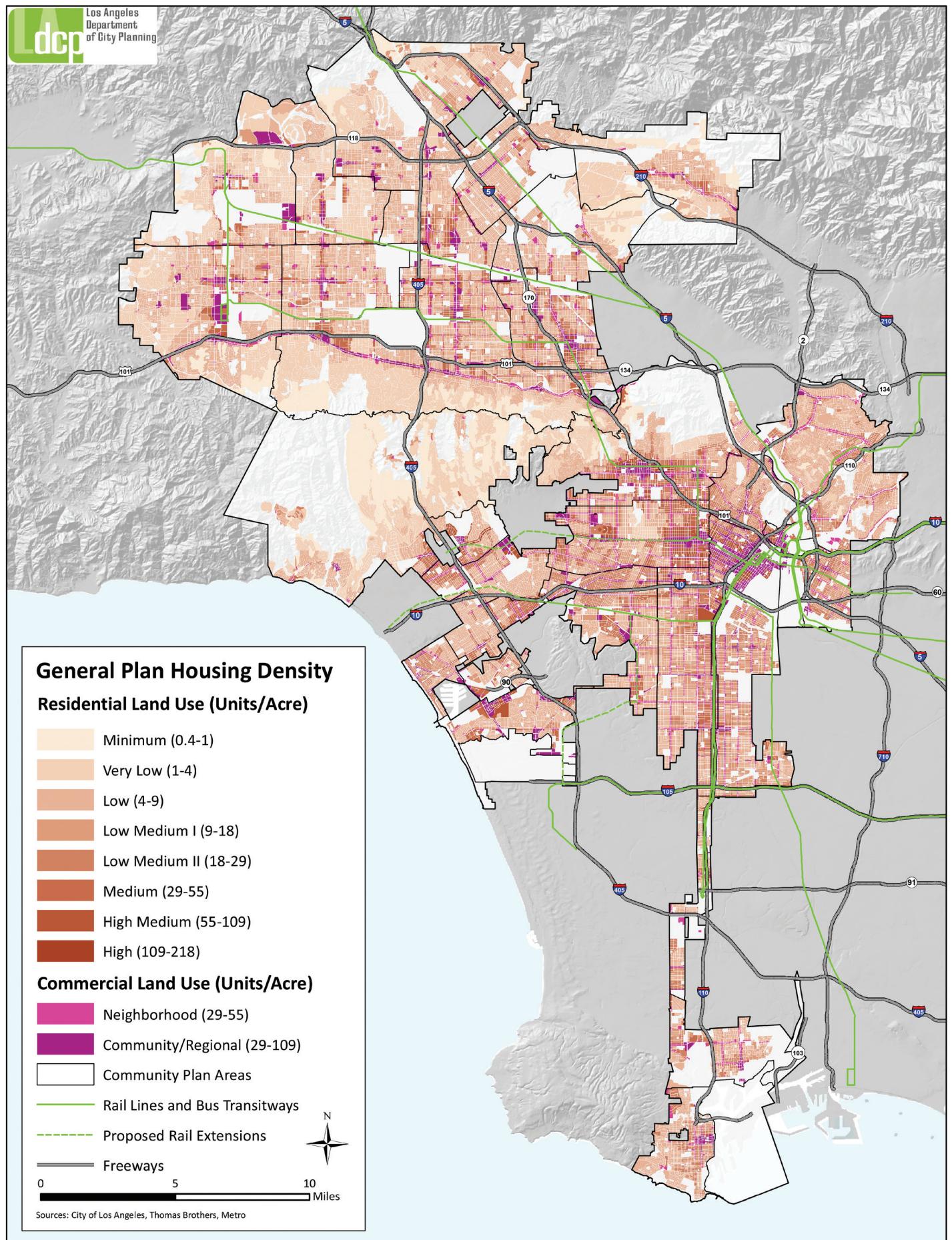
Table 2.1 lists General Plan land use categories (both residential and non-residential) that permit housing. The table also lists the corresponding zoning and residential density ranges. As shown, the City of Los Angeles permits a wide range of housing densities to accommodate varying housing types throughout its 35 communities.

TABLE 2.1:
General Plan Land Use Categories

Residential Land Use Categories	Corresponding Zoning ¹	Density (Units / Net Acre)
Minimum	A1, A2, RE 40	0.4 – 1
Very Low I	RE 20, RA	1 – 3
Very Low II	RE 15, RE 11	3 – 4
Low I	RE 9, RS, RU	4 – 9
Low II	R1, RZ5	4 – 9
Low III	RD 5, RD 6	7 – 9
Low Medium I	R2, RD3, RD4, RZ3, RZ4, RU, RW1	9 – 18
Low Medium II	RD1.5, RD2, RW2, RZ2.5	18 – 29
Medium	R3	29 – 55
High Medium	R4	55 – 109
High	R5	109 – 218
Limited Commercial	C1, C1.5, CR, R3, RAS3, P	29 – 55
Neighborhood Commercial	C1, C1.5, CR, C2, C4, R3, RAS3, P	29 – 55
Community Commercial	C1.5, CR, C2, C4, R3, RAS3, R4, RAS4, P	29 – 109
Regional Center/ Regional Commercial	C1.5, CR, C2, C4, R4, RAS4, R5, P, PB	29 – 109
Hybrid Industrial	CM, P	29 – 109

Source: City of Los Angeles, Department of City Planning

Map 2.1
Residential Land Use in Los Angeles



Each community planning area has its own land use plan that specifies the acreages of permitted land uses (see Map 2.1 for current residential land use designations). Residential land use categories vary from Minimum (corresponding with zoning categories of open space, agricultural, and residential estate at one dwelling unit per acre or less) to High (corresponding with zoning category R5 at densities as high as 218 dwelling units per acre). Commercial land use categories correspond with one or more of seven commercial zones that permit residential development according to either R3 or R4 zoning standards.

The City's General Plan, as expressed through land use policies for each of the community plans, offers a range of housing choices and does not represent a potential impediment to providing equal housing opportunities, according to the most recent Analysis of Impediments to Fair Housing Choice.

New Community Plan Program

DCP is currently updating seven Community Plans as part of its New Community Plan (NCP) Program and an additional four on hold, pending additional resources. An additional plan, the Hollywood Community Plan, was approved by City Council in 2012. The NCP program is a major ongoing effort of the department.

A major objective of the NCP program is to increase the level of specificity in the Community Plans and to implement the Plan's major policies and objectives through the concurrent adoption of previously addressed zoning and regulatory tools, subsequent to plan update and adoption. The new Community Plans will include all necessary re-zonings and other implementation measures, such as specific plans, historic preservations and/or design overlays.

Currently, the following seven Community Plan revisions are in progress:

- | | |
|--|--------------------------|
| 1. Sylmar | 4. South Los Angeles |
| 2. Granada Hills / Knollwood | 5. Southeast Los Angeles |
| 3. West Adams/Baldwin Hills/Leimert Park | 6. San Pedro |
| | 7. Boyle Heights |

The following four Community Plan revisions are on hold pending additional staff resources:

- | | |
|--------------------|----------------------|
| 8. Central City | 10. West Los Angeles |
| 9. Sunland-Tujunga | 11. Westlake |

Part of the Community Plan revision process involves ensuring that adequate capacity for residential development can be met and is tailored to the individual neighborhoods that comprise a Community Plan area. Each new Community Plan establishes appropriate land use and zoning to accommodate its requisite share of the City's expected population growth and demand. In the past, Community Plans were so broad as to not provide the level of detail or specificity desired by the development community, residents or other stakeholders or facilitate development that was most compatible with unique neighborhood character. For example, land use designations allow a broad range of zones and densities, so that an equally broad range of projects comply with the Plan. In the absence of any tailored regulations for scale, design, height or density, projects are typically subjected to multiple levels of scrutiny and public review, hindering the development of new housing in some locations.

Alleviating Constraints of the General Plan

The New Community Plan Program seeks to provide more specificity about the scale and design of projects that comply with neighborhood-specific regulations in each Community Plan, which will result in a higher level of certainty and specificity in the development process. The adoption of each new Community Plan update will include corresponding zone changes and additional planning tools necessary to implement General Plan goals.

An important new tool enabled through the Zoning Code in 2011 is the Community Implementation Overlay Zone (CPIO). The purpose of the CPIO is to provide for supplemental development regulations tailored to each Community Plan area to ensure that development enhances the unique architectural, environmental, and cultural qualities of the neighborhood. Potential impacts of the new CPIO districts on residential development will be analyzed separately under Section 4 below, under Zoning and Neighborhood Implementation Tools.

Environmental Impact Reports (EIRs) will be certified for each new Community Plan. This will reduce some of the environmental review requirements for subsequent projects within each area. For example, housing projects below a certain threshold that comply with the Plan would not need additional environmental review.

2. Land Use: Zoning

Zoning laws divide cities into districts (reflected on the zoning maps) and specify regulations for those districts (set forth in the zoning code). The basic uses are agricultural, residential, commercial, and industrial. The zoning code and its associated maps establish permitted uses and densities, and establish rules about building heights, coverage, setbacks and other characteristics. The regulations govern new construction activity,

as well as rehabilitation, preservation, maintenance and demolition activities. While zoning laws establish capacity and volume of space that can be permitted on land, they can also be a constraint on capacity.

The City's zoning districts allow for a variety of housing types and densities – from agricultural residential at less than one dwelling unit per acre to high density at over 200 dwelling units per acre. Appendix E entitled "Generalized Summary of Zoning Regulations," summarizes the types and densities of residential uses permitted in each of the City of Los Angeles' zones, including minimum lot areas, required setbacks, maximum building heights, required parking spaces, and maximum densities for each zone. The zoning in the City is generally cumulative and inclusionary. It permits less intense uses to be built within a zone and permits residential uses to be developed in commercial zones. For instance, R1, R2, and R3 uses are allowed within a R4 zone, and are also permitted in all commercial zones. No minimum requirements are established in any zone.

Los Angeles' Zoning Code was last comprehensively updated in 1946. Since then, every time a complex issue arose the only practical way to address the problem was to create new zones, entitlements, or overlays. Because of these amendments, the code has grown to over 600 standard-format pages, with more than 70 types of discretionary entitlements. New entitlements are added to this list virtually every year. In addition, over 60% of the City is covered by site-specific conditions (called Q, T, & D Conditions), and special overlays. The process of addressing each specific issue and individual neighborhood on a piecemeal basis is clear evidence that the Code is not living up to the needs of the City. It has become a document that is not fiscally effective or sustainable for either developers required to file for discretionary approvals or the Planning staff required to process them.

Zoning for A Variety of Housing Types

Multiple Family Housing: Multi-family housing (including SROs and permanent supportive housing) are allowed by right in the following residential and commercial zones: RW2; R2; RD 1.5; RD2; RD3; RD4; RD5; RD6; R3; RAS3; R4; RAS4; R5; CR; C1; C1.5; C2; C4; C5; and CM. "By right" means that no process whatsoever is required for the construction of multi-family housing, SROs or permanent supportive housing in each of these zones. Developers of such housing file building plans with the Department of Building & Safety. Plans are checked for compliance with the Building Code and, when in compliance, permits are issued to begin construction. Multi-family housing projects that create a net increase of 50 units on a site (i.e. 50 units more than previously existed on a site) are subject to Site Plan Review.

Site Plan Review is an internal review by Department of City Planning staff to address urban design issues of such projects. There is no public hearing and the review does not affect the number of units (or other entitlements) of a project. Site Plan review determinations may be appealed to the City



Planning Commission. An appeal will include a public hearing. Densities in the multi-family residential zones range from seven units per acre to 218 units per acre. Multi-family housing as well as mixed-use projects are allowed by right in commercial zones, at densities ranging from 54 to 218 units per acre. RAS3 and RAS4 zones allow specific types of neighborhood-serving commercial uses to be incorporated on the ground floor of residential buildings.

Factory-Built (Manufactured) Housing: State law requires factory-built homes complying with federal standards and installed on a permanent foundation be permitted on any parcel where the City allows conventional single-family homes. The homes must also be permitted under the same development standards as the "site-built" homes. The City's Zoning Ordinance expressly allows factory-built housing units in the RU zone but is otherwise silent on this building type. Factory-built housing is permitted in all single-family zones as long as standard life-safety guidelines are met.

Mobile Home Parks: The City's RMP Zone allows development of residential mobile home parks to encourage the provision of affordable housing by permitting both the retention and expansion of existing, as well as the establishment of new, mobile home parks.

Secondary (Accessory) Living Units: Pursuant to State law, second dwelling units are allowed by right in all of the City's single-family zones (A, RA, RE, RS, R1, RMP and RW1) as long as the AB 1866 standards are met, as follows:

- 1) The unit is not intended for sale and may be rented;
- 2) The lot is zoned for single-family or multifamily use;
- 3) The lot contains an existing single-family dwelling;
- 4) The second unit is either located within the living area of the existing dwelling (attached) or on the same lot as the existing dwelling (detached);
- 5) The total area of the increased floor area of an attached second unit does not exceed 30 percent of the existing living area;
- 6) The total area of the floor area for a detached second unit shall not exceed 1,200 square feet;
- 7) The requirements relating to height, setback, lot coverage, architectural review, site plan review, fees, charges, and other zoning requirements generally applicable to residential construction in the zone in which the property is located;

- 8) The local building code requirements which apply to dwellings, as appropriate, are also met; and
- 9) A minimum of one additional covered or uncovered off-street parking space is provided. If not otherwise prohibited by the zoning ordinance or any other land use regulation, tandem parking is permitted and the parking may occur in a required yard.

Homeless Shelters: Homeless shelters are allowed by right in R4 (with performance standards), RAS 4, R5, C1.5, C2 (with performance standards), C4, C5, and CM zones. In addition, as a public benefit, homeless shelters of under 30 beds are allowed by right in R3, M1, M2 and M3 zones provided that they comply with certain performance standards. The performance standards limit homeless shelters to 30 beds designed to serve not more than 30 people and require that shelters be located at least 600 feet from another such shelter. Winter emergency shelters are allowed by right in any zone on a government owned or operated site or in R3, RAS3, R4, RAS4, R5, C2, C4, C5, CM, M1, M2 and M3 zones if operated by a charitable organization.

Homes for Seniors: Philanthropic institutions, homes for the aged associated with philanthropic organizations, and boarding houses for the aged associated with philanthropic organizations are permitted in R4, R5, CR, C1, C1.5, C2, C4 and C5 zones. Conditional use permits are required if not permitted by right.

Private homes for the aged, private boarding homes for the aged, hospitals, convalescent homes and sanitariums are permitted in R5, C1, C1.5, C2 and C5 zones. Conditional use permits are required if not permitted by right.

Retirement homes are permitted in R4, R5, CR, C1, C1.5, and C2 zones. A conditional use permit is required in C zones if a retirement home is within 500 feet of an R zone.

In 2006, the City amended the Zoning Code to streamline and facilitate the development of "Eldercare Facilities" to consolidate application and land use entitlement review procedures. The Ordinance allows the development of Eldercare Facilities in any residential zone as long as neighborhood compatibility findings are made, per a Zoning Administrator determination. The definition of "Eldercare Facility" includes Alzheimer's/Dementia Care Housing, Assisted Living Care Housing, Senior Independent Housing and Skilled Nursing Care Housing.

Apartment houses and Condominiums: Apartment houses and condominiums are permitted in R2, RD, R3, R4, R5, RAS3, RAS4, CR, C1, C1.5, C2, C4, C5, and CM zones.

Boarding Houses: Boarding houses are permitted in R3, R4, R5, CR, C1, C1.5, C2, C4, C5 and CM zones.

Conditional Uses: Institutions, public facilities and other special uses are not permitted by right but are permitted by Conditional Use permits. With the exception of density bonus projects that exceed the maximum density permitted by law, multi-family housing projects do not require Conditional Use permits. Conditional Use provisions in the Zoning Code, therefore, do not constrain zoning capacity.

In general, uses that were in existence in an area prior to a change in zoning designation for the area are allowed to continue. However, changes to the structure or use and expansions may not be approved if they do not comply with the current zoning regulations for the site. This can pose substantial constraints to the preservation and maintenance of existing, older residential facilities. Substantial rehabilitation may be necessary for the safety of occupants; yet zoning requirements may trigger additional and costly renovation, which could lead to demolition rather than preservation.

Adaptive Reuse of Older Buildings: In 1999 the City adopted an Adaptive Reuse Ordinance, which waived many of the zoning regulations in order to facilitate the conversion of existing, economically obsolete office buildings into new residential apartments and condominiums. The zoning changes, along with the adoption of alternative building codes for older buildings, permit substantial, physical alterations to be made that modify the building's original, intended use without a requirement for any discretionary action by the City. This resulted in the creation of at least 9,000 housing units in the downtown area alone. These by-right building and zoning codes are applicable in the following Adaptive Reuse Incentive Areas:

Downtown Los Angeles (Central City Community Plan Area and the Figueroa Corridor Economic Development Strategy Area)

Hollywood Redevelopment Project Area

Wilshire Center/Koreatown Redevelopment Project Area (certain portions only)

Lincoln Heights and Chinatown

Central Avenue (between Vernon Avenue and the Santa Monica Freeway)

Older, obsolete buildings located outside the incentive areas may also qualify for adaptive reuse, but they must meet additional criteria and require discretionary approval.

Alleviating Constraints of Zoning

The Los Angeles Department of City Planning is embarking on a five-year year work program to completely rewrite and simplify the City's Zoning Code. The

central purpose of comprehensively revising the City's antiquated zoning code is to enable and facilitate better implementation of the City's General Plan. Completion of this project will benefit the City through: 1) simplified, accessible land use regulations, understandable to both neighborhood stakeholders and developers; 2) an economic development tool that will help shore up the City's tax base; 3) tools for revitalizing Downtown Los Angeles; and 4) more effective planning and place-making tools to improve our communities.

3. Land Use: Residential Density and Development Standards

The City of Los Angeles residential density standards are defined by the zone (See Appendix E, Generalized Summary of Zoning Regulations). Zones dictate the number of units allowed per lot. A, RA, RE, RS, R1, RZ, and RW1 zones are limited to one dwelling unit per lot. The R2 and RW2 zones are limited to two dwelling units per lot. The RD, RMP, R3, RAS, R4, R5, and C zones allow multiple dwelling units at densities ranging from seven units per acre to 218 units per acre.

The City of Los Angeles development standards relating to setbacks, floor area, height, open space and parking are outlined in the City's Planning and Zoning Code and are comparable to those of surrounding cities. These development standards have been established to maintain public health and safety and are enforced by the Department of Building and Safety. This uniformity protects property values and provides certainty to the development process. They could also be considered density constraints. They also could be constraints to the preservation of older residential stock, as rehabilitation of such stock may not be able to comply with current development standards and therefore demolition might be more cost effective than maintenance and preservation.

Floor Area and Height Limitations

All zones are also in designated Height Districts in Los Angeles, which establish the maximum building size through floor area ratios (FAR) and, in some instances, height limitations, as follows:

TABLE 2.2
Height Districts and Corresponding Floor-Area-Ratios (FAR)

Height District	FAR
1	1.5 to 1 in C zones/3 to 1 in R zones
2	6 to 1
3	10 to 1
4	13 to 1



Even the lowest FAR for residential zones of three to one is not a constraint on build-out of density for residential development, as it provides sufficient buildable area to maximize allowable densities (parking, stairwells, elevator shafts and other building components are excluded from the FAR calculation). Approximately 5% of land in Height District 1 is subject to specific height limits, identified as 1L (6 stories/75 feet), 1VL (45 feet) and 1XL (30 feet). In most cases these limits do not prevent development of the full number of units allowed in the zone in which they are imposed.

In 1986, voters in Los Angeles approved Proposition U, which reduced the allowable floor area ratio in all commercially and industrially-zoned parcels in Height District 1, from a floor area ratio (FAR) of three times the buildable area of the lot, to one and one-half times the buildable area. This directly affected housing production because residential units are permitted by right in the commercial zones, and the General Plan encourages housing on commercial corridors that are in close proximity to transit. Furthermore, many of the City's transit corridors are zoned for commercial use and are in Height District 1. Thus, this voter initiative made building housing in transit corridors more difficult and constitutes a significant constraint.

Parking Requirements

General parking requirements for the City are contained in Section 12.21 (General Provisions) of the L.A. Municipal Code. The number of parking spaces is determined by the number of dwelling units and the number of habitable rooms in each unit. Two covered, on-site parking spaces are required for a single-family dwelling, except for those created through small-lot subdivisions and in hillsides. Parking for small-lot subdivisions need not be covered or located on-site so long as the spaces are within the boundaries of the parcel or tract map that created the small lot subdivision. For single-family hillside developments, two covered on-site parking spaces are required plus one parking space for each 1,000 square feet above 2,500 square feet of floor area. For multi-family residential, one parking space is required for a dwelling unit of less than three habitable rooms, one and one-half spaces for a dwelling unit with three habitable rooms and two parking spaces for dwelling units of more than three habitable rooms (the Zoning Code includes kitchens as habitable rooms).

The cost of a parking space increases significantly if parking has to be provided below grade or in an above-grade parking structure. The cost of constructing typical above-ground parking is between \$26,000 and \$30,000 per stall and rise to \$50,000 per space if required to be subterranean¹³⁰. Guest parking is not required by the City for any by-right housing development under the L.A. Municipal Code. However, guest parking is frequently added as a condition of subdivision (condominium) approval at the rate of one-half

¹³⁰ http://www.lbl.gov/Workplace/transportation/assets/doc/WC08-2572_Parking_Structure_Memo_012909.pdf

space per unit in identified parking congestion areas and one-quarter space per unit in non-congested areas. The parking requirement for by-right rental developments is based solely on the number of habitable rooms.

Providing parking represents a significant cost to developers, which affects affordable housing production. Parking requirements, therefore, likely act as a constraint to affordable housing development. However, financial lenders to housing developers often require the provision of a certain level of parking, regardless of the City's regulation. In addition, market demand often mandates the provision of parking, regardless of the City's regulation.

Open Space Requirements

The Open Space ordinance (Ordinance Number 171,753, LAMC Section 12.21 G) was adopted in 1997 to provide common and private open space for the tenants of multi-family residential projects. The ordinance requires a minimum of 100 square feet of on-site usable open space for every dwelling unit with less than three habitable rooms in new developments having six or more units. It requires a minimum of 125 square feet of open space for every dwelling unit with three habitable rooms, and 175 square feet for each unit with more than three habitable rooms. The objectives of the Open Space Ordinance are: 1) to provide for outdoor and recreational space; 2) to provide safer play areas for children; 3) to improve the aesthetic quality of buildings by reducing massing; and 4) to increase natural light and ventilation, improve pedestrian circulation, and provide access to on-site recreation facilities. This requirement for open space improves urban design and contributes positively to the quality of life.

Although the open space requirement could be considered a constraint to affordable housing development as it causes a reduction in the number of units which could be developed, the market would likely require the provision of some open space, regardless of the City's regulation.

Alleviating Constraints of Residential Development Standards

In order to address the restrictions on housing imposed by Proposition U, the City Council adopted two new zones in December 2002 that permit an increase in FAR on commercial boulevards. These zones (Residential Accessory Services, RAS3 and RAS4) permit 100% housing projects or housing above ground floor neighborhood services, and allow a floor area ratio of three to one, reduced setbacks, and a 50 foot height limit. Property owners must apply for a zone change on a specific site in order to utilize the RAS zones. From 2003 through 2012, there have been approximately 10,000 new housing units filed for RAS zone changes on the City's commercial boulevards.



Constraints on the production of housing created by density and FAR limitations are being addressed by expanding the concept of FAR averaging and Transfer of Floor Area Ratios (TFAR). The averaging of floor area ratios will now be permitted beyond just downtown (i.e. citywide) for buildings which will comprise a unified mixed-use development in the C or M zones, or in the R5 zone within the Central City Community Plan Area, even if buildings on each individual parcel or lot would exceed the permitted floor area ratio. In addition, the Transfer of Floor Area Ratios between sites has been established in new Specific Plans such as Cornfield-Arroyo Seco near downtown, as well as re-established in the central city after the dissolution of the Redevelopment Authority put the program in jeopardy.

In regards to parking, constraints on the production and preservation of housing are addressed by allowing less parking in certain developments and creating new innovative parking strategies at the neighborhood level. Reduced parking may be allowed for senior citizen housing projects under the L.A. Municipal Code (LAMC), Section 12.24 C1.1 (g). Frequently, shared parking plans are approved allowing commercial and residential users to utilize portions of the same parking areas at different times of day. Also, through recent changes in the City's Zoning Code, mechanical lifts and robotic garages are now allowed in the city. This can improve housing production by allowing more on-site parking on less land.

The City recently adopted the Modified Parking Requirements Ordinance (2012), which enables the City to use one of six new innovative parking strategies at the neighborhood level. The Ordinance allows alternatives to current parking standards, such as: 1) change of use parking standards, 2) use of a new Parking Reduction Permit, 3) off-site parking within 1,500 feet, 4) decreased parking requirements, 5) commercial parking credits, and 6) maximum parking limits. The City intends to deploy these new parking strategies as part of community planning efforts across the City.

The need for reduced parking for affordable and senior housing has long been recognized and addressed in various parts of the Code, which permits parking reductions by-right, including but not limited to projects in the Downtown area (1 space per unit), Central City West area (1 to 1.25 spaces per unit); narrow lot dwellings (1 space per dwelling); senior housing projects (50% of normally required spaces); conversion of a single dwelling to 2 or more units (1 space per unit); and homeless shelters (25% of required spaces) (LAMC, Section 12.21-A,4). Income-restricted affordable housing developments are eligible to take advantage of one of two reduced parking options contained in the Density Bonus code (12.22-D, 1-2). The 2006 Eldercare Ordinance facilitated reductions in required parking for certain types of senior housing. In addition parking for restricted affordable units was limited to one space per units, per section 12.22-A,25(d) (2) of the Los Angeles Municipal Code (affirmed by ZA 2009-2676-ZAI).

Implementation of the State density bonus law also mitigates the effects of residential development standards by waiving or modifying such standards

in return for providing a certain percentage of affordable housing in market-rate residential projects. In LAMC Section 12.22 A.25, the City has adopted density bonus regulations and procedures implementing State law. With recent changes in the State density bonus law due to the enactment of SB 1818, developers may request up to three incentives in addition to the density bonus and one of two parking relief options. The incentives are deviations from the City's development standards, thus providing greater relief from regulatory constraints. Density bonus projects are also able to sell or rent parking spaces separately from the dwelling units, so that buyers and tenants have the option of purchasing or renting a unit without a parking space.

The City's SB 1818 Density Bonus implementing ordinance is intended to facilitate requests for incentives by providing a streamlined process for projects opting for a "menu" of incentives. Incentives on the menu include greater building height, reduced setbacks, averaging of density, open space and parking across multiple zones and reduced building open space. The City's ordinance also permits an increase in FAR from 1.5:1 to 3:1 for commercially-zoned properties in Height District 1 that are within 1,500 feet of a rail station or a Rapid Bus stop, which promotes greater transit-orientation of housing projects.

Data from DCP and HCIDLA data from 2006 to 2011 show that a total of 185 Density Bonus projects received affordable housing covenants from 2006-2011, to produce 3,453 affordable units and 7,890 total units. The production in this more period is 36% higher than the 2,544 affordable housing units produced through the Density Bonus Program from the prior six year-period, from 2000-2005 (Table 2.3). The trends in the percentage of affordable units created through the program have also shifted over the years. Between 1990 and 1999, 46.2% of the (4,548) units were produced through the use of density bonus incentives were affordable. In contrast, between 2000 and 2011, the percentage of affordable units was 39.7%. Combined, these trends illustrate greater "market-based" use of the Density Bonus programs since the passage of SB 1818.

TABLE 2.3
Affordable Units through Density Bonus Incentives – 1990-2012

Year	Density Bonus Projects	Total Units	Affordable Units	Percent Affordable Units
1990-1995	N/A	2,343	1,147	49.0%
1996-1999	N/A	2,205	952	43.2%
2000-2005	164	7,235	2,544	35.2%
2006-2011	185	7,890	3,453	43.8%
Total 1990-2011	N/A	19,673	8,096	41.2%

Source: Los Angeles Housing and Community Investment Department, Department of City Planning

In the event a zone or particular development standard poses a unique hardship, zone changes or variances to codified zoning requirements are granted when the hardship can be demonstrated and specific findings are met. Such deviations are granted in compliance with an established process that includes a public hearing and one or more levels of decision-making. For some variances that are determined to be non-controversial and minor, public hearings may be waived. An existing program to assess barriers to the preservation of dwelling unit has been modified and expanded to reflect work that has taken place as well as possible new policy directions (Preservation Barriers Assessment).

The City's Adaptive Reuse Ordinance contains numerous incentives to convert, or rehabilitate for residential use, obsolete buildings built before 1974. Underlying density restrictions, floor area limits, loading and parking requirements are waived under the Adaptive Reuse Ordinance. There is no limit on the number of apartments, live/work units or hotel rooms permitted, so long as no new floor area is added, and the project complies with the standards specified in the ordinance. Loft units may be added, so long as they do not exceed one-third the size of the floor below and comply with the program's construction guidelines. Although no new parking spaces are required, existing parking spaces must be maintained, but may be used for any on-site or off-site use. Under the Adaptive Reuse Ordinance the minimum size for each apartment and live/work unit is 450 square feet, as compared to elsewhere in the city where the minimum average size for all apartments and live/work units is 750 square feet. From 2006 to 2012, a total of 92 building permits containing 4,127 units have been issued for Adaptive Reuse projects. This compares to more than double the number of units (8,558) that were approved under the Adaptive Reuse regulations from 2000 to mid-2007. The reduction in production under the program is likely a result of fewer buildings able to be easily converted, as well as escalating property costs downtown.

4. Land Use: Zoning and Neighborhood Implementation Tools

Specific Plans

A Specific Plan is a permanent, tailored zoning ordinance that regulates and provides incentives for certain kinds of development in order to preserve the character of specific neighborhoods. The establishment of Specific Plans is authorized by Section 11.5.7 of the City's Zoning Code. Specific Plans in Los Angeles range from industrial areas, to commercial areas, to single family and mixed-use neighborhoods. Typical issues addressed by Specific Plans include land uses, density, FAR, building design, height, landscaping and parking requirements. However their scope can be quite broad, including transportation mitigations that link affordable housing and trip credits, such as those found in the Coastal Transportation Corridor Specific Plan.

Some Specific Plans effectively loosen zoning restrictions and increase residential density, while others act as a constraint on the amount of residential development that could otherwise be built in an area. A few Specific Plans contain measures that incentivize or require the provision of affordable housing (including Glencoe-Maxella and Playa Vista), while some other Plans might, inadvertently, result in the accelerated loss of existing affordable rent stabilized housing. For these reasons, it is difficult to ascertain overall impacts to the production and preservation of housing in the City's 45 Specific Plans.

Inclusionary housing provisions contained in the Central City West and Warner Center Specific Plans have been deleted due to the Palmer vs. City of Los Angeles lawsuit (2009). The courts have ruled that requiring a developer to set-aside a percentage of rental units for affordable housing is in violation of the statewide Costa-Hawkins law and therefore the City cannot enforce those provisions in its Specific Plans (the ruling does not affect owner-occupied housing). No replacement housing policies for these areas has been identified, as yet.

There are currently 48 Specific Plans in effect in the City of Los Angeles as listed below (*In revision):

- | | |
|-----------------------------------|--|
| 1 Alameda District | 14 Girard Tract |
| 2 Avenue 57 TOD Neighborhood Plan | 15 Glencoe/Maxella |
| 3 Bunker Hill | 16 Granada Hills* |
| 4 Central City West | 17 Hollywoodland |
| 5 Century City North | 18 LAX/El Segundo Dunes |
| 6 Century City South | 19 Los Angeles International Airport (LAX) |
| 7 Coastal Bluffs | 20 Los Angeles Sports and Entertainment District |
| 8 Coastal Transportation Corridor | |
| 9 Colorado Boulevard | 21 Mt. Washington/Glassell Park |
| 10 Cornfield-Arroyo Seco | 22 Mulholland Scenic Parkway |
| 11 Crenshaw Corridor | 23 NBC Universal |
| 12 Devonshire/Topanga Corridor | 24 North University Park |
| 13 Foothill Blvd Corridor | 25 North Westwood Village |

- 26 Oxford Triangle
- 27 Pacific Palisades Community Village and Neighborhood
- 28 Park Mile
- 29 Playa Vista Area B
- 30 Playa Vista Area C
- 31 Playa Vista Area D
- 32 Porter Ranch
- 33 San Gabriel/Verdugo Mountains Scenic Preservation
- 34 San Pedro
- 35 San Vicente Scenic Corridor
- 36 Sepulveda Corridor
- 37 South Central Alcohol Sales
- 38 University of Southern California (USC)
- 39 Valley Circle/Plummer St. Scenic Corridor
- 40 Valley Village
- 41 Venice Coastal Zone
- 42 Ventura/Cahuenga Blvd
- 43 Vermont-Western TOD Station Neighborhood Area Plan
- 44 Warner Center*
- 45 West Los Angeles Traffic Improvement and Mitigation Plan*
- 46 Westwood Community Multiple Residential
- 47 Westwood Design Review Board
- 48 Westwood Village
- 49 Wilshire-Westwood Scenic Corridor

Historic Preservation Overlay Zones (HPOZs)

The City of Los Angeles is comprised of a variety of neighborhoods that contain buildings of cultural, historical, and architectural significance. Historic Preservation Overlay Zones (HPOZs) are a tool to protect the historic fabric and neighborhood character by ensuring that demolitions, new construction, remodeling projects and other changes within the HPOZ follow specific guidelines. The City of Los Angeles has 29 Historic Preservation Overlay Zones, including eight that have been established since the previous Housing Element Update.

The establishment of HPOZs is authorized by Section 12.20.3 of the Zoning Code and administered by the City Planning Department in concert with the Cultural Heritage Commission and the City Council. Each zone must have a Historic Resources Survey certified by the Cultural Heritage Commission that identifies the properties to be preserved (contributing structures). Each HPOZ

has a Historic Preservation Board with five appointed members who review projects and prepare a Preservation Plan to specify appropriate architectural styles within the zone. The 29 HPOZs in the City of Los Angeles are:

- | | |
|--------------------------------|------------------------|
| 1. Adams Normandie | 16. Miracle Mile North |
| 2. Angelino Heights | 17. Pico/Union |
| 3. Balboa Highlands | 18. South Carthay |
| 4. Banning Park | 19. Spaulding Square |
| 5. Carthay Circle | 20. Stonehurst |
| 6. Country Club Park | 21. University Park |
| 7. Gregory Ain Mar Vista Tract | 22. Van Nuys |
| 8. Hancock Park | 23. Vinegar Hill |
| 9. Harvard Heights | 24. West Adams Terrace |
| 10. Highland Park-Garvanza | 25. Western Heights |
| 11. Hollywood Grove | 26. Whitley Heights |
| 12. Jefferson Park | 27. Wilshire Park |
| 13. La Fayette Square | 28. Windsor Square |
| 14. Lincoln Heights | 29. Windsor Village |
| 15. Melrose Hill | |



Pending HPOZs under active consideration (in order of date of initiation by City Council motion):

- | | |
|---|-------------------|
| 1. Vinegar Hill Expansion | 4. Carthay Square |
| 2. Tifal Brothers East 52nd Place Tract | 5. Vermont Square |
| 3. 27th and 28th St./Paloma Avenue | |

HPOZs regulate architectural style rather than the number or the type of dwelling units. However, certain historically compatible designs and materials can raise the cost of housing production and rehabilitation, and the scale of buildings may

be limited to fit in with the historic scale of the neighborhood. To a small degree, HPOZs may therefore be a barrier to affordable housing maintenance, preservation and production due to the additional layer of architectural regulations they impose. However, most HPOZs are located in lower density residential areas and less than three percent of the City's residential parcels (almost 25,000) are located in HPOZs. Given the limited number of parcels affected, and the fact that most are lower density areas already, the overall impact on housing production is limited.

Alleviating Constraints of Neighborhood Implementation Tools

Specific Plans and HPOZs are tools used to enhance and preserve neighborhood character. While they typically place further restrictions on building housing, neighborhood implementation tools also have the potential to encourage residential development by bringing greater specificity and transparency into the entitlement process. Specific Plans remain an important land use tool with the ability to either alleviate constraints in the production and preservation of housing, or alternatively, to act as a deterrent.

5. Land Use: Zoning and the Division of Land

The subdivision of land is both the process and the result of laying out a parcel of undivided land into lots, blocks, streets, and public areas for the purpose of sale, lease, or finance. The division of land into multiple parcels for the purpose of sale is subject to the State Subdivision Map Act as well as Section 17.00 of the City's Zoning Code. The Subdivision Map Act distinguishes between subdivisions consisting of five or more parcels, which require tentative and final maps, and four or fewer parcels, which require parcel maps. The purpose of the Subdivision Map Act and the subdivision process is to protect the ultimate buyer of the lot, ensuring that the lot is buildable, accessible and served by necessary infrastructure.

While there is a distinction between lot divisions into five or more parcels versus four or fewer parcels, the process and requirements to prepare the newly cut lots for sale and development are similar for both types of subdivisions. Each new plat must comply with the parcel sizes, widths and density requirements determined in the Zoning Code and General Plan. When the lot does not have frontage or access from a legal street, provisions for a private street must be created. New lots that have met all of their subdivision requirements are recognized by the Department of City Planning for lease, sale, or finance through an issuance of a Certificate of Compliance. Subdivision tract and parcel map applications may include conditions for new streets, open space, and infrastructure prior to the approval of new parcels. These necessary physical improvements are required as conditions of approval and addressed further in the "On-/Off-Site Improvements" discussion, below.

Most housing types, including single family dwelling units, multi-family units, town homes, new condominiums, and condominium conversions

are subject to the Subdivision Map Act. New condominiums and condominium conversions are subject to subdivision regulations because they subdivide the air space above the land into "units." Tract and parcels maps identify the location and layout of buildable lots and the number of units, but do not specify the layout or design of the units.

Upon approval of a tentative tract map or a parcel map, the applicant, by State law, has up to 36 months to record and submit a final map to the City. Applicants may extend the time for an additional 60 months by filing a request for extension. On average, it takes about two years for an applicant to complete the subdivision process.

Alleviating Constraints of Division of Land Requirements

In recent years, the State Legislature has adopted a series of bills to add time extensions to the life of subdivision map approvals. The City recently codified these bills while also expanding the scope of applicability to all discretionary approvals. The Multiple Approvals Ordinance (2012) eliminates the Los Angeles Municipal Code extensions of time provision, categorically granting a three year "life" for all stand-alone quasi-judicial grants (see program 7 Entitlement Processing). Since its effective date, the Planning Department has accepted over 90 time extensions of expired or soon-to-be expired residential project approvals, including single family homes, apartments, subdivisions, adaptive re-use, and mixed-use projects. Examples include mixed-use projects in Westlake (376 units) and in Chatsworth-Porter Ranch (338 units) as well as 46 units in an adaptive re-use joint live-work quarters in Northeast Los Angeles. All in all, these time extensions have revived the approval and likely construction of over 6,000 units.

The City created a Small Lot Subdivision Ordinance in 2005 to permit the sale of fee simple, single-family lots in commercial and multi-family residential zones on parcels as small as 600 square feet. In addition to allowing homes on smaller lots, the ordinance waives certain zoning requirements and relaxes other development standards and requirements for improvements and infrastructure otherwise required by the subdivision process, providing developers flexibility to provide more affordable home ownership. This ordinance has resulted in the construction of 629 new homes since January 2005 (and approval of roughly twice that amount).

In 2003, the City also amended the Zoning Code to allow the Advisory Agency to waive the required public hearings for parcel map and private street applications in non-controversial cases, with adjacent owners' approvals. Also, the Advisory Agency was given the discretion to approve minor deviations from area, yard, and height requirements as part of Division of Land matters, including the width of passageways between residential buildings or main buildings. This change also eliminated further appeals for parcel maps and private streets beyond the City Planning Commission or the Area Planning Commissions.

6. Land Use: Redevelopment Project Areas

In June 2011, the State of California passed ABX1 26, eliminating existing redevelopment agencies statewide, including the Community Redevelopment Agency of the City of Los Angeles (CRA/LA). When the dissolution of CRA/LA became effective on February 1, 2012, the City did not elect to become the successor entity, whereupon a Designated Local Authority (DLA) and its board was appointed by the Governor to close-out the operations of the former CRA/LA. The land-use authorities granted in the Redevelopment Plans remain effective and will continue to be administered.

At the time of its dissolution, CRA/LA managed 31 active Redevelopment Project Areas in seven regions throughout the City of Los Angeles: East Valley, West Valley, Hollywood, Central Downtown, Eastside, South Los Angeles and Los Angeles Harbor. With the dissolution of the CRA, the 31 Redevelopment Project Areas and Redevelopment Plans remain active, currently under the jurisdiction of the successor agency. Although the Council subsequently elected to opt-out as the Successor Agency to the CRA/LA, it did choose to become the Housing Successor Agency and adopted a Resolution on January 25, 2012 opting to retain the housing assets and functions of the former CRA/LA within the City of Los Angeles Housing and Community Investment Department (HCIDLA). The CRA/LA housing asset list was submitted to the State Department of Finance on August 1, 2012. While much remains in flux, the HCIDLA has provided a transition plan for the short and long-term management of the housing assets and functions of the former CRA/LA. The plan includes management for projects currently in development, portfolio management (loans), occupancy compliance, accounting, systems, and legal functions. The state Department of Finance approved the City's housing asset list on March 27, 2013. Subsequently, the HCIDLA formally signed the transfer agreement on April 5, 2013. The final transfer of housing assets to the HCIDLA includes approximately 23,000 affordable housing units, in effect doubling HCIDLA's portfolio.

Alleviating Constraints of Redevelopment Project Areas

Within old CRA/LA Redevelopment Project Areas, the Designated Local Authority currently administers land-use authority over certain types of permits, which may encourage pedestrian orientation, disallow certain auto-related uses or require historic preservation review. These authorities are planned to be transferred to the Department of City Planning. A few plans provide for detailed project-level review with regards to land use conformance, density and height limits as well as parking requirements. Most Redevelopment Plans will have little to no impact on housing development. In those cases where further restrictions on building housing exist, redevelopment plans tools have the potential to encourage residential development by bringing greater specificity

¹³¹ A current proposal would move the functions of administering the land use portions of the Redevelopment Plans to the Department of City Planning.

and transparency into the entitlement process. Redevelopment Plans remain an important land use tool with the ability to either alleviate constraints in the production and preservation of housing, or alternatively, to act as a deterrent.

7. Land Use: Entitlement Processing

Development proposals that do not fully comply with adopted regulations or necessitate compliance with special conditions require discretionary action(s) from the Planning Department. Such discretionary actions are generally referred to as "land use entitlements" and require that certain findings, established by law, be made in order to approve the projects and any requested deviations from the rules. In such cases, conditions of approval may be imposed in order to mitigate impacts or assure compliance with policies in the General Plan. Typical discretionary projects include: variances, zone changes, conditional use permits, tract and parcel maps, site plan review, Specific Plan Exceptions, and General Plan amendments. Legally required findings are different for each type of deviation (i.e. variance, zone change, etc.). Such findings are established in the City's zoning code and in the City Charter. Some examples of typical findings are as follows: the project is in compliance with the General Plan; the project is in conformity with public necessity, convenience, general welfare and good zoning practice; that there are special circumstances applicable to the subject property such as size, shape, topography, location or surroundings that do not apply generally to other property in the same zone and vicinity.

If an applicant chooses to seek a discretionary action, the approval process can take six to twelve months. Discretionary actions typically require a complex application involving the submittal of plot plans, floor plans, elevations, radius maps, mailing labels of property owners and occupants within a 500-feet radius, completed questionnaires, and justifications for requests. A field investigation by a planner is conducted to analyze the site and surroundings; an analysis of potential environmental impacts is conducted (pursuant to the California Environmental Quality Act); input from other departments is considered; a staff report is written explaining how the proposal may, or may not, be consistent with the General Plan and making the legally required findings; a hearing notice is sent out to neighbors and posted on the site; comments are solicited and a public hearing is held. A determination or a recommendation to a higher level decision-making body is issued and there is a 15-day appeal period.

The Site Plan Review process similarly requires a complex application and may require a public hearing if it is deemed that the project may have a significant effect on neighboring properties. The decision regarding the application, however, is made by the Director of Planning. As such, the application process is typically completed within 60 days. While the application process is often not lengthy, and is typically done as part of accompanying entitlements, it does impose additional requirements. Applicants may design residential projects to fall under the threshold of a net increase of 50 units in order to simplify

the land use entitlement process for a project, though there is little evidence of this when looking at recent multi-family housing Affordable Housing Trust Fund (AHTF) Notice of Funding Availability (NOFA) applications. Additionally, 50 unit plus projects are a very small fraction of multi-family residential projects built each year in the City of Los Angeles (approximately 4-5%).

Tract Map and Parcel Map applications follow a similar process. They are distributed to 16 agencies, the maps are reviewed, and recommended conditions of approval are submitted by the agencies to the Planning Department. A hearing is held by the Deputy Advisory Agency in conjunction with the Subdivision Committee or Parcel Map Conference Committee made up of representatives from several departments (including the Departments of Building and Safety, City Planning, Fire, General Services, Water and Power, Recreation and Parks, Public Works). Tract maps have 10-day appeal periods from the written determination date, and parcel maps have a 15-day appeal period. Appeals are heard by either the Area Planning Commission or the City Planning Commission. Tract map cases may be appealed further to the City Council.

Zone Changes are subject to a similar application process, but are first heard by a hearing officer where public testimony is taken on behalf of the City Planning Commission. A staff report is written with a recommendation to the Area Planning Commission (APC) or the Citywide Planning Commission (CPC). The CPC or APC recommendation is subsequently considered by the City Council Planning and Land Use Management (PLUM) Committee, who conducts another public hearing. The PLUM Committee--made up of three members of the City Council--makes a recommendation to the full City Council. A decision is then made by the full City Council. The City Council may place the property in a Tentative ("T") classification pending the completion of any public street dedications, payments, and infrastructure improvements that were required. Similarly, "Q" (Qualified) conditions may be placed on the property, imposing additional limitations regarding use and development standards. The final Council action must be approved by the Mayor and becomes an ordinance.

General Plan Amendments are required when a zone change request is not consistent with the General Plan. General Plan Amendments follow the same process as a Zone Change, although the Council action follows the Mayor's action, and the final approval is in the form of a Resolution, rather than an ordinance.

Pursuant to the California Environmental Quality Act (CEQA), nearly all residential development that requires a discretionary action from the Department of City Planning also requires environmental review concurrent with the approval process. The environmental review process identifies environmental impacts resulting from a project such as seismic hazards, land use, noise, flood hazards, traffic, toxic emissions and aesthetics. If there are no impacts, a Negative Declaration (ND) is issued and no further environmental analysis is required. If potential environmental impacts are identified, but are able to be mitigated to a level

less than significant, a Mitigated Negative Declaration (MND) is issued and the mitigation measures are included as conditions of approval for the project. If a proposed project falls below certain thresholds, it may be exempt from CEQA obviating the need to provide any further analysis or mitigation. If the project is deemed to create significant environmental impacts that cannot be mitigated to a level of insignificance, an Environmental Impact Report (EIR) will be required. The preparation, review and certification of an EIR may take up to 18 months.

Effective November 8, 2012 the Department of City Planning instituted Zoning Information (Z.I.) No. 2427, titled Freeway Adjacent Advisory Notice for Sensitive Uses. The Z.I. requires that all applicants with discretionary projects within 1,000 feet of designated freeways receive a copy of an Advisory Notice regarding the City Planning Commission's concerns relative to the placement of sensitive uses near freeways. Sensitive uses are defined using the guidance provided by the South Coast Air Quality Management District (AQMD) and include residential uses, retirement homes, hospitals, parks and schools. The notice includes background information on the issue and provides guidance that will assist the City Planning Commission in making required findings for discretionary approvals after considering the unique circumstances of each individual case. Typical project design alternatives that may help to reduce or address impacts and public health risks are identified in the Notice to assist applicants.

The Advisory Notice is informational in nature and does not impose any additional land use or zoning regulations. It is not a prohibition or moratorium on new development near freeways. It is advisory only and intended as an early notification to applicants of discretionary projects that may not otherwise be aware of the potential impacts on future building occupants of siting a building near a freeway. Several recommended approaches are highlighted to assist in navigating through this complex issue; however, applicants need not adhere to any one particular method for addressing air quality impacts on a particular project. Project design features or conditions may be tailored to individual projects as deemed appropriate. The notice does not present any new constraints on residential development and, in fact, is meant to assist applicants early on in the process to facilitate a smooth application process.

Alleviating Constraints of Entitlement Processing

The review periods associated with processing discretionary entitlements have sometimes been perceived as one of the major constraints to housing development due to the costs that an applicant and/or property owner must sustain while waiting for approvals. The Permit Streamlining Act (California Government Code Section 65920, Ch. 4.5) establishes maximum time limits for the processing of discretionary permits, with provisions for limited time extensions.

In 2011, a citywide Development Reform Strategic Plan was¹³² issued that attempted to identify current development processes and offer proposed solutions

¹³² http://www.losangelesworks.org/resources/uploads/Dev_Reform_Strategic_Plan_Vol_1.pdf

that would create a more efficient, predictable and transparent City entitlement review and permitting process. The Plan was accompanied by an action plan, which sought to implement as many of the recommendations as possible.

While many of the reforms have more to do with permitting (and are therefore listed in the next section), entitlement reform is also a major part of the Plan. The largest change was approved by City Council on May 29, 2013 - the integration of development services programs of multiple City departments into a new development services department for the purpose of providing streamlined services and greater accountability for its customers. The Council approved the functional transfer of the Building and Safety Department, Department of City Planning, planning functions from the Department of Transportation (DOT), plan-check functions from the Fire Department (LAFD), and land use planning functions from Public Works, Bureau of Engineering (BOE) into the new department effective January 1, 2014. The goal is to create an optimum development process that is all inclusive, clear, predictable, customer-based, projected-oriented process from pre-development to occupancy, which also encourages community input.

Another entitlement change already in effect is the the new multi-agency Development Services Management Office, which seeks to identify required entitlements earlier in the process through a zoning screening pre-check. These services are currently available to major projects (50 or more units) as well as affordable housing and senior/disabled developments.

In addition, the City is investing in a new technology action plan called BUILD LA that will provide City staff with tools to help them work more efficiently, and create a less paper-intensive review process. The system is also intended to provide the public with greater transparency and enhanced access to real-time project information.

Previous sections have mentioned the comprehensive update to the Zoning Code, as well as the New Community Plan program, which both aim to achieve more predictability and transparency in the development review process, as well as reduce the number and complexity of entitlements required to start a project.

The Multiple Approvals Ordinance mentioned previously (subsection 5 above), clarifies that when multiple entitlements are given to a project, the overall time limit to effectuate said project, is afforded to the longest running entitlement. The changes apply to all discretionary permit case types in the Planning and Zoning Code. Relatedly, the City plans to implement a Land Development Committee, which would help to resolve cases of conflicting conditions placed on a project approval.

In 2005, the Department of City Planning created an expedited processing section, through which certain entitlements can be expedited for a fee. The expediting processing section has significantly reduced the time period

for entitlement processing. Priority is given to tract map applications for housing developments located in areas of economic need, for those providing affordable housing, for those providing childcare facilities or those seeking to meet the Standard of Sustainable Excellence.

8. Building Codes and Building Permit Procedures

The City recently updated the Los Angeles Building Code, effective January 1, 2011, in order to incorporate the new Los Angeles Green Building Code (GBC), which is now based on the California Green Building Code (CALGreen). The CALGreen code was developed by the State to attain consistency among the various jurisdictions within the State; reduce the building's energy and water use; reduce waste; and reduce the carbon footprint. This resulted in a general overarching change in approach to regulating and controlling development. The new Code includes mandatory requirements for site selection, storm water control during construction, construction waste reduction, indoor water use reduction, material selection, natural resource conservation, site irrigation conservation and more. The Green Building Code applies to all new construction projects, additions, as well as alterations valued at over \$200,000. The GBC also provides site specific regulations for the structural design, requiring calculations based on the conditions of a given site and a specific structure. As a result, requirements may be more restrictive in some circumstances and less restrictive in others.

The Los Angeles Department of Building & Safety (LADBS) implements the Building Code as well as the City's Zoning Code. The Department reviews building plans and other documentation through its "plan check" process to ensure compliance with the LABC and the Zoning Code. In addition, through the plan check process, LADBS ensures that the necessary approvals have been obtained from other agencies whose regulations may also govern a project. When evidence is provided indicating compliance with all requirements, LADBS will issue a building permit for construction and related permits that may be necessary (such as electrical, mechanical, HVAC, plumbing, grading, and demolition). The time required to complete the plan check process varies significantly depending upon the nature and complexity of a project.

Alleviating Constraints due to the Building Code and Building Permit Procedures:

One of LADBS' primary goals is to make sure the new mandatory Green Building Code is implemented in a manner that parallels the permitting and inspection process so as not to cause delay or negatively affect customer service. To ensure effective, consistent, and practical implementation, the Department established a Green Building Division consisting of engineers and inspectors who are charged with implementing the Green Building Code. The staff in this division continually receives appropriate training to properly perform their duties.

For smaller projects, not subject to the Green Building Code, LADBS typically completes the plan check process and issues a building permit "over the counter" the same day plans are submitted for review. Such projects typically include minor repairs or alterations to single family homes. By providing this simple, clear and time-efficient process, small developers and homeowners, who may not have the resources to navigate complicated permit procedures, are encouraged to maintain and/or upgrade their properties.

To facilitate the start of construction, LADBS will issue permits for the construction of a building foundation only, if the required approvals from other agencies have been obtained. This allows projects that are pursuing land use entitlements and/or plan check review to initiate construction while waiting for other approvals. While compensating for lengthy approval processes, this is particularly helpful to projects that must expend construction funds within a given timeframe or risk losing the funds. Affordable housing projects often take advantage of this, as public funds, tax-exempt financing and tax credit proceeds typically must be spent within specific timelines.

To facilitate the plan check and permit process, LADBS manages electronic sign-offs of Clearance Summary Worksheets through the Plan Check and Inspection System (PCIS) in addition to requiring the original signed hard copy. Approvals may be obtained from various departments electronically by entering sign-offs into a single case record for the project. This system, which has been in place since 1996, ensures easy access for all departments, reduces time frames for required sign-offs, and provides the ability for anyone to determine the status of a project at any given time.

The 2011 Development Reform Strategic Plan (mentioned in the prior section) offered additional solutions in order to create a more efficient, predictable and transparent City permitting process. Many of the Plan's recommendations were implemented and are currently in place. In 2011, the City opened the Development Services Case Management Office, which brings together experienced staff from key City departments to solve problems and offer more one-on-one customer service. All projects with 50 or more units are eligible for the service, as are affordable housing developments with 20 units or more. Case Managers perform project feasibility studies, coordinate pre-development meetings with other City departments, conduct preliminary plan reviews to identify potential building site and code issues, and resolve issues arising from design considerations and code requirements as they assist applicants with plan check corrections and the citywide clearance processes.

A related new process, called Parallel Design-Permitting Process (PDPP) allows the design process and the permitting processes to run concurrently. The Department of Building and Safety will start to check plans at the conceptual design phase and continue to provide plan check, correction verification, and code consultation services throughout the various design phases. By the time

final drawings are completed, the building permit should be ready for issue. This helpful new service is available for major project developments, as well as most publicly-assisted projects. Since its adoption in early 2010, at least eight affordable housing projects totaling 515 units have benefitted from the PDPP service.

An additional option to expedite the plan check process is available for an Expedite fee equal to 50% of the plan check fee. Plans being expedited are usually assigned to a plan check engineer within five working days from the time of submittal.

Finally, the Department of Building and Safety, in cooperation with the Fire Department, other jurisdictions, and private industry, has been working to develop a mutually acceptable path for permitting automated (or robotic) parking in Los Angeles. Although automated parking is now fairly common in Asia and Europe, it has been slower to catch-on and to get approved by regulatory agencies in the United States, particularly in Los Angeles. The City recently approved two automated parking structures – a 15-car fully automated lift in the Valley and a 17-car facility in Chinatown. Although these two units are small, they are still very significant because they are the first of a new generation of automated parking structures to be constructed in Los Angeles. A 708-car complex for a proposed 283-unit apartment project in Century City is currently going through the entitlement process. The EIR is being done with and without automated parking¹³³.

9. On-/Off-Site Improvements

The City requires public improvements in connection with development to ensure the safety and quality of life of all residents. The vast majority of required public improvements are provided through subdivision approvals. However, some improvements apply to all development approvals.

Proposed development abutting a major or secondary highway or a collector street may be required to dedicate and improve a portion of the lot in order to meet the standards of the highway or collector street.

As described above, all tract maps and parcel maps must include the provision of such public improvements (see section 5. Land Use: Zoning and the Division of Land). This includes public improvements within the development site ("on-site improvement") and adjacent to or near the development site ("off-site improvement"). Such improvements include street development or improvement, utilities, street name signs, fire hydrants, retaining walls, storm drains, street lights, street trees, traffic signals, pedestrian walks, alleys, easements for public utilities and water systems, and land for park or recreational purposes. If the necessary improvements are not already in place, they will be required as conditions of approval of the subdivision or parcel map. All improvements delineated in the conditions of approval must be completed or a guarantee of their completion provided prior to the City Council's approval of a Final

¹³³ http://ladbs.org/LADBSWeb/LADBS_Forms/Publications/PEP @_ 2_Progress_Report.pdf

Tract or Parcel Map. The applicant is required to provide an Improvement Agreement which outlines the infrastructure improvements the applicant will undertake at his or her expense, an Improvement Security in the form of bonds, deposits, or notes, and an Improvement Warranty Guarantee for the improvements for up to one-year after the City Engineer's approval.

The Department of Public Works (DPW) oversees and approves the installation of the required improvements. Frequently conditions are not precisely defined, but left to the satisfaction of DPW. This unpredictability can result in time delays and increased costs.

While requirements for infrastructure improvements increase the cost of housing, these improvements are necessary to ensure safety and quality of life of the City's neighborhoods, to mitigate identified environmental impacts and to assure the orderly development of land. Such improvements are also mandated by the State Subdivision Map Act and the California Environmental Quality Act.

Alleviating Constraints of On-/Off- Site Improvements

The Advisory Agency considers the unique circumstances and site-specific characteristics of each proposed subdivision and grants exemptions in certain cases as provided in the Zoning Code. California non-profit corporations are exempted from the Improvement Guarantees to the extent provided in the Subdivision Map Act.

The conditions of approval requiring on- and off-site improvements may be reduced when housing development is located in fully built-out neighborhoods. In addition, transportation-related improvements may be partially offset through the use of trip credits or Traffic Impact Assessment fee reductions for certain projects located near transit. These types of development not only best meet the strategic growth goals of the City, but also require far fewer conditions for on- or off-site improvements.

LADOT is looking to modify its traffic analysis procedures to provide greater flexibility for implementing infill development or infrastructure projects that benefit transit riders, pedestrians and bicyclists. Current procedures focus on automobile level of service as a measure of development impact. The new traffic analysis procedures may inform the traffic and transportation analysis for the Mobility Element Update.

Requirements to infrastructure improvements are satisfied by a developer posting a bond for the cost of the required improvement. This assures the City that the cost will be covered, and this minimizes and defers costs for the developer as the bond will be called at a later date when the City is ready to undertake the improvements.

10. Fees Affecting Housing Production

There are two types of development fees imposed by the City: administrative fees that fund direct services for processing the necessary permits for a project (such as fees for a zone change or variance, for building permits, a plan check, etc.), and infrastructure fees which are used to fund physical infrastructure (such as sewerage facilities, schools, parks, etc.). When developers of affordable housing refer to development fees as impediments to housing construction, they are generally referring to both types of fees.

Filing fees for processing DCP discretionary actions are created by ordinance and are intended to pay for staff time necessary to review projects and to cover the expenses associated with mailing notices and conducting public hearings (See Appendix F for summaries of City Planning fees). The LADBS assesses building permit fees and plan check fees to pay for the work of reviewing and approving building plans, conducting inspections throughout the construction period and authorizing occupancy of the completed structure. These fees are calculated by a formula based on project valuation. As such, there is no typical project. Five different 10-unit buildings will have five different valuations, and will therefore pay five different plan check fees.

Park in-lieu fees (or Quimby fees) are assessed on new residential projects created through a subdivision of land or a change of zone to a residential zone. The fee amount is based on the density of a project and is assessed to each unit created. The fee is collected on behalf of the City's Department of Recreation and Parks and is used for the development of parks and recreation near each project that pays the fee. The City also allows for exemptions or deferments of Quimby fees when the development or conversion involves low-income housing units.

Similar to Quimby, in 1985, the City adopted Zone Change Park fees. The zone change fee applies only to the approval of zone changes required for multiple residential projects. The fee schedule for both zone changes and Quimby is exactly the same.

In 1986, the state passed Assembly Bill 2926, to assist in providing facilities to serve students generated by new development projects. School impact fees assessed on new residential projects are currently \$3.97 per square foot; affordable housing projects are eligible for a reduced fee. These fees are collected on behalf of the Los Angeles Unified School District (LAUSD) to support the development of additional public school facilities. At present, schools are overcrowded and additional classrooms and schools are needed. The school fee is part of LAUSD's construction budget.

Alleviating Constraints of Fees

City Planning case processing fees, plan check fees and building permit fees compensate the City for processing development applications and permits. Without them, the City's ability to process applications and permits would be impaired. For some types of minor City Planning cases, if none of the abutting property owners object, the public hearing may be waived, which in turn reduces the filing fee. In addition, the City's Density Bonus Ordinance provides developers of qualifying affordable housing projects the option to defer payment of City Planning filing fees for two years or until a Certificate of Occupancy is obtained. Development fees, such as school impact and park fees are required by State law and cannot be waived or reduced by the City.

In 2009, the City conducted a fee study aimed at evaluating staff time spent on all types of discretionary actions so that fees can better reflect actual costs. The goals of the 2009 Fee Study was "full-cost recovery" on discretionary actions. This resulted in revised fees in order to make most case processing fully recoverable. Based on input from Neighborhood Councils and from the City council, several fee reductions were put in place. For example, a new fee category was added for small (1-4 unit) condominium conversions units at a reduced rate. Compliance and plan approvals related to Design Review Boards or Community Design Overlay projects have been classified as minor, standard, and major projects, with the fees commensurate to the level of work required for each classification. Finally, several proposed surcharges were delayed.

11. Housing for People with Disabilities

Federal and State laws have been enacted which require updating local regulations to ensure that no City procedures or development standards pose obstacles to the production or preservation of housing for people with disabilities. This includes a variety of housing types, treatment facilities, community facilities, and short- and long-term housing. In line with those efforts, every five years the City of Los Angeles completes an analysis of impediments to Fair Housing, as required by the U.S. Department of Housing and Urban Development (HUD). This study and subsequent updates assess land use and zoning constraints on housing for individuals with disabilities and compliance with Fair Housing laws, Americans with Disabilities Act (ADA), and other housing laws and court decisions affecting housing rights.

Persons with physical, sensory, mental, and developmental disabilities often require special housing to accommodate their special conditions. For many who are physically disabled, features such as handrails, ramps, wider doorways, specially designed cabinetry and electrical outlets, special door and faucet handles, and non-skid flooring are necessary. People with who are deaf or hard of hearing may require door "bells" and emergency alarms that use flashing light instead of sound, and people who are blind or have a visual disability may require that

large print, braille labels, or tactile dots be placed on equipment, tools, facilities, and documents. In addition, people with developmental disabilities may live in small group homes or with a roommate and be provided with support services.

The City's Zoning Code has been developed over many decades and includes obsolete terminology and provisions that may have unintentionally diminished housing opportunities for people with disabilities. The City's Zoning Code includes the following definition of a person with disabilities as a person who has: (a) physical or mental disabilities, which seriously restricts that person from operating a motor vehicle; (b) is expected to be of long, continued and indefinite duration; (c) substantially impedes his or her ability to live independently; and (d) is of a nature that the ability to live independently could be improved by more suitable housing conditions (Section 12.21 A.4 (u)).

Another regulatory and practical constraint impacting housing for people with disabilities is the unwillingness of some landlords to comply with state and federal fair housing laws by providing reasonable accommodations and allowing reasonable modifications. An analysis of the fair housing complaints serves as evidence for the need to revise regulations and change practices that impede housing siting, development, and access for people with disabilities. Based on data collected citywide, physical disability was the leading cause of fair housing complaint inquiries, accounting for 28 percent of all inquiries from 2004-2011. Most of these complaints were from in-place tenants requesting assistance with a reasonable accommodation or modification request. Common requests included: a closer parking space, the building of a ramp, and a companion or service animal in a building that does not allow pets.

Alleviating Constraints on Housing for People with Disabilities

The City of Los Angeles adopted Ordinance No. 177325 (effective March 18, 2006) to establish reasonable accommodation request policies and procedures. The Ordinance provides developers of housing for people with disabilities, as well as individuals seeking to make modifications to existing structures on the basis of disability, flexibility in the application of land use and zoning regulations or policies (including the modification or waiver of certain requirements) when it is necessary to eliminate barriers to housing opportunities that relate to disability. Requests can include a modification or exception to zoning regulations, standards and practices for siting, or development and use of housing or housing related facilities that would eliminate regulatory barriers. The processes for requesting a reasonable accommodation are as follows:

- (1) A written request for reasonable accommodation from a land use or zoning regulation or policy shall be made on a form

provided by the Department of City Planning by any Individual with a Disability, his or her representative or a developer or provider of housing for an Individual with a Disability.

(2) A request for reasonable accommodation shall state the basis of the request including but not limited to a modification or exception to the regulations, standards and practices for the siting, development and use of housing or housing related facilities that would eliminate regulatory barriers and provide an Individual with a Disability equal opportunity to housing of his or her choice.

(3) The Director may request additional information necessary for making a determination on the request for reasonable accommodation that complies with the fair housing law protections and the privacy rights of the Individual with a Disability to use the specified housing. If additional information is requested, the 45-day time period for making a determination on the request stops running until the additional information is provided.

(4) Prior to the issuance of any permits relative to an approved reasonable accommodation, the Director may require the applicant to record a covenant in the County Recorder's Office acknowledging and agreeing to comply with the terms and conditions established in the determination. The covenant shall be required only if the Director finds that a covenant is necessary to provide notice to future owners that a reasonable accommodation has been approved (City of Los Angeles Zoning Code, Section 12.22, Exceptions, 27, C).

As part of the City's effort to constantly improve its procedures, Program 100 (Reasonable Accommodation forms) in this Housing Element (Chapter 6) includes language on improving application forms, outreach, advertising and informational materials to increase use of the reasonable accommodation provision by people with disabilities.

All fees to modify dwelling units for people with disabilities for reasonable accommodation are waived and no hearing is held for these cases. An appeal may be filed within 15 days by the reasonable accommodation applicant or abutting property owners. DCP staff distributes information available about requesting a reasonable accommodation with respect to zoning, permit processing, or building laws. In summary, this process facilitates exceptions to zoning requirements and eases the issuance of building permits for residential structures serving individuals with disabilities.

Since adoption of the Ordinance, 32 requests for reasonable accommodation have been filed. All fees to modify dwelling units for people with disabilities for reasonable accommodation are waived and no hearing is held for these cases. Of the 32 cases, most were to add a new accessory unit or rooms/floor area

that would otherwise not be permitted. There were also requests to construct an elevator, enlarge driveway access, permit fewer parking spaces, construct an over-in-height fence, and one request to install laundry facilities in a garage. All but two of the requests have been approved; one denial is currently being appealed.

The Reasonable Accommodation Ordinance also amended the Municipal Code Section 12.03 definition of "family," which had previously posed a regulatory impediment against group housing for people with disabilities due to its effect of discriminating against individuals with disabilities residing together in a congregate or group living arrangement. The definition of family now complies with Fair Housing laws. In addition, the City's Zoning Code does not include occupancy standards, whether for conventional housing or group living facilities.

The Department on Disability will be working with the Planning Department to better publicize the Zoning Code's Reasonable Accommodation Ordinance (2006) to facilitate developers and other members of the public making reasonable accommodation requests from the Planning Department. This will make it easier for developers to create accessible and affordable group homes for people with disabilities, and easier for homeowners to make disability-related modifications to their homes. The DOD and Planning Department will conduct trainings on the Reasonable Accommodation Ordinance and the Americans with Disabilities Act (ADA) for front line staff and supervisors in order to better serve the public and reduce barriers to housing for people with disabilities.

In addition, recent amendments to the Zoning Code (Section 12.21 A.4 (u)) offer a parking reduction of 25 percent of the Zoning Code requirement for service-enriched housing facilities occupied by people with disabilities in the RD, R3, RAS3, R4, RAS4, R5, CR, C1, C1.5, C2, C4, or C5 Zones.

The City does not include a definition of group home in the Zoning Code, and does not regulate or restrict the siting of group homes. Group homes are allowed by-right in single family zones. The City does not regulate group living facilities with more than six persons living in them unless they meet the definition of certain uses, such as rooming/boarding houses, dorms, and fraternity or sorority houses. If services are provided on-site, the group living facility would fall under a definition that might be regulated under the City's Zoning Code. Group living facilities are reviewed on a project-by-project basis, given the specific, relevant facts in each situation, and a determination is needed as to whether the particular facility falls under a definition or use that is regulated. Then, the corresponding regulations are applied. If the group home is regulated by the Zoning Code, a public hearing is required and public input is incorporated prior to any decision.

The siting of disability-related special needs housing is not restricted regarding location. There are no distance requirements in the City regulating the siting of any type of disability-related housing. The Los Angeles Building Code (LABC)

incorporates provisions of the California Building Code (CBC) related to needs of people with disabilities. Local amendments to CBC tailor the LABC to local conditions but do not diminish the ability to accommodate people with disabilities.

To address conflicts and complaints regarding accessibility for people with disabilities, the City of Los Angeles' Department on Disability has an ADA Compliance Officer. Compliance is monitored to ensure that reasonable accommodation are provided, when requested to people who use City programs and facilities, including City-funded housing facilities and emergency shelters. Additionally, the Department of Building & Safety has a special Commission, the Board of Disabled Access Appeals Commissioners, dedicated to resolving building code issues that relate to laws dealing with access to public accommodations by persons with physical disabilities, and to addressing appeals alleging error or abuse of discretion regarding handicapped access and adaptability requirements.

The Department on Disability (DOD) and the Los Angeles Housing and Community Investment Department (HCIDLA) have been working together to develop HCIDLA's policies and procedures to help ensure that the developers are aware of their obligations under fair housing and disability laws with respect to accessibility, reasonable accommodations, and affirmative marketing and to ensure that the City's affordable housing stock is built and managed in a manner that is accessible to people with disabilities. Enhancements to existing policies include the updating of HCIDLA's Notice of Funding Availability (NOFA), the Loan Document, and the online application for developers seeking to partner with the City to create affordable housing. Additionally, HCIDLA provides compliance training to property managers on fair housing and disability laws.

12. Creation of Affordable Housing Covenants (HCIDLA)

All affordable housing units required by a City department or agency include the recordation of a covenant to assure that the required affordable units in a project remain affordable for the required time period. Covenants are prepared by HCIDLA and recorded with Los Angeles County by the applicants, prior to the issuance of a building permit.

The covenant process with HCIDLA, is described in the October 2011 memo titled "Affordable Housing Land Use Covenants: Preparation and Monitoring," available on the HCIDLA website. Residential developers who receive a land use concession from the City or are required by City laws or Ordinances to provide affordable housing submit a land use application and other required documentation to HCIDLA. Upon review of the documents, HCIDLA will prepare and issue the covenant. The covenants reflect the conditions of approval regarding affordable housing requirements within the development. The HCIDLA, DCP and LADBS work together to ensure that the requirements to be included in the covenants are clear and consistent. This may add time to the preparation of

covenants. The timeline of six to eight weeks (sometimes longer if the project is complicated) to execute a covenant creates delays in the development of housing, as the covenant is required before a building permit can be issued.

Alleviating Constraints of Affordable Housing Covenants

The six to eight week time required to receive a covenant in 2013 has improved significantly from the three to six month period reported in the previous Housing Element update in 2008. The HCIDLA has been working with other City Departments, including DCP and the City Attorney's Office, to reconcile conflicts and develop more streamlined covenant procedures. The delays in the preparation of covenants are due in part to conflicts between State and local laws regarding affordability criteria. Resolution of these conflicts would reduce delays in issuing covenants.

13. Development of School Sites (Los Angeles Unified School District)

Residential development needs are in competition with school development needs, both vying for limited developable land. With the growing population, and a historic lack of school construction, the Los Angeles Unified School District (LAUSD) has successfully pursued State and local bond measures to fund a large acquisition and new school construction program. With eminent domain authority, LAUSD has the legal authority to acquire property that private developers might otherwise have purchased. As a result, LAUSD's school construction program has acquired many sites for school development which might otherwise have been available for residential use. In addition, LAUSD has purchased existing single family and multi-family housing units for school development.

While this has involved the displacement of households, LAUSD has a Relocation Program to ensure that displaced households are relocated or justly compensated. Since 2000, LAUSD has relocated 90% of displaced homeowners and tenants into other housing units, while the remaining 10% have accepted financial assistance and independently pursued alternative housing. In addition, approximately 175 renter households were able to become first-time homeowners through the Relocation Program.

Alleviating Constraints due to Development of School Sites

As a State-authorized agency, LAUSD is a superior jurisdiction to the City, and as such, the City has no authority over its land use decisions. However, the City works closely with LAUSD regarding the development and redevelopment of school sites in order to identify optimal sites as well as opportunities for joint use that can serve the needs of residents as well as students. School sites have

been identified, which can be reconfigured and redeveloped for both school facilities and housing within the site. Other sites provide opportunities for shared open space and recreational facilities, early education facilities, and parking.

14. Contaminated Sites: Superfund Sites and Brownfield Sites

There are sites throughout Los Angeles that are polluted as a result of uses that have operated on the sites. Such sites are known as brownfields, and must be tested and remediated prior to development. One assessment by the Environmental Affairs Department (EAD) identified over 6,000 potentially contaminated brownfields within the City, many of which are located on commercial corridors. The U.S. Environmental Protection Agency (EPA) has also identified four Superfund sites in the City of Los Angeles. Superfund sites are abandoned hazardous waste sites. The EPA requires that these sites be cleaned up and takes the lead in identifying responsible parties and initiating clean up. These polluted sites and abandoned or underutilized properties with low levels of hazardous waste present an opportunity for clean-up and redevelopment for housing. However, uncertainty about the actual level of contamination on a site and the resulting cost of clean-up is a barrier to new investment and reuse.

Alleviating Constraints due to Contaminated Sites

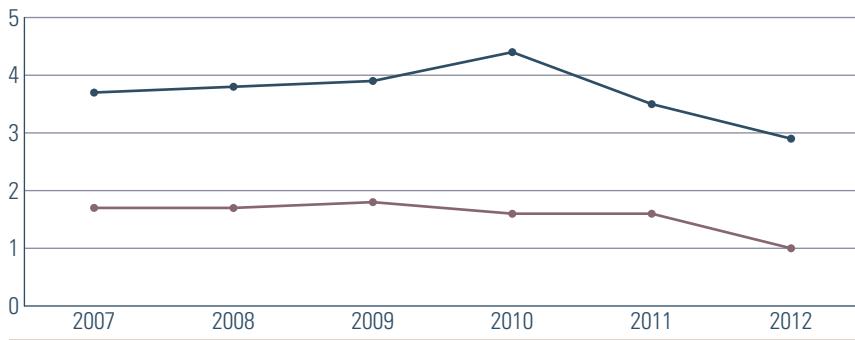
The City has funding available to conduct Phase I Environmental Assessments to determine the extent of hazardous contamination on potential residential sites. Facilitating access to this information about a site decreases uncertainty in the development process. If contamination is found, the City can assist with the identification of funding to complete the clean-up necessary for reuse of the site.

15. Availability of Public Funding for Housing

Federal, state and local public funding sources are critical resources for the development of housing for households of all incomes. Public sources supplement as well as leverage private sources for the construction, rehabilitation and preservation of housing units and for rental and purchase assistance subsidies for tenants and buyers. Appropriations by Federal, State and local government fluctuate from year to year, and are not available at a steady level or a level that keeps pace with increases in development costs, inflation, and rising affordable housing need.

Federal funds, in particular, are the backbone of affordable housing financing. Beginning with the Housing Act of 1937, the federal government has enacted housing legislation in each decade to acknowledge the need for quality housing for all residents, affirm the federal government's commitment to addressing

CHART 2.1
HUD Annual Funding for Housing-Related Programs (in Billions)



the need, and establish programs to support quality housing. Through tax incentives and expenditures, the federal government supports homeownership and the development of for-sale, rental and homeless housing and services.

The most significant federal resources are provided through tax incentives, including tax credits, tax deductions, and lower tax rates. In 2005, the federal government provided \$121 billion in such tax incentives¹³⁴.

The federal Low Income Housing Tax Credit (LIHTC), instituted in 1986, facilitates the investment of cash from private entities who in return receive a tax credit benefit. Nationally, the LIHTC has been considered an exceedingly successful program. Based on 2009 data from the National Council of State Housing Agencies Fact Book, it is estimated that annually the LIHTC created approximately 95,000 new full-time jobs and added \$7.1 billion in income to the U.S. economy¹³⁵.

Per the California Tax Credit Allocation Committee, in 2012, a total of \$87 million in tax credits were allocated to the State of California; this resulted in investment in 102 affordable housing developments statewide, including 13 developments with 671 low income units in Los Angeles City. While federal allocations to California for LIHTCs have generally increased over time, fewer low-income units are funded each year as development costs per unit have increased. LIHTCs are very competitive—applications typically exceed available funds by two-to-one.

In support of homeownership, the federal government provides home mortgage interest and property tax deductions to homeowners, as well as lower tax rates on long term capital gains. These tax incentives supporting homeownership dwarf the LIHTC, in effect subsidizing far more households at higher incomes than low-income households.

Federal expenditures in support of affordable housing development and services have declined significantly in the past two years. Once the fiscal stimulus in the immediate aftermath of the Great Recession ended, federal housing funds began a steep decline and additional cuts are being proposed presently. In the 2012 federal

¹³⁴ National Low Income Housing Coalition, Housing Crisis Fact Sheet, December 22, 2006.

¹³⁵ National Association of Home Builders Low Income Housing Tax Credit: The Most Successful Affordable Rental Housing Production Program in our Nation's History Fact Sheet, 2011.

budget approval process, the cuts resulted in a 12 percent reduction to HUD's Community Development Block Grant (CDBG) fund and a 38 percent reduction to the HOME fund (see Graph 1 below); for Los Angeles these cuts translate to 18 and 44 percent cuts respectively from 2011 level funding for the City.

The demise of redevelopment in the State of California eliminated dedicated tax increment for affordable housing, which was one of the most heavily relied upon sources of income for the production and preservation of housing. Prior to the dissolution of redevelopment, the Low-Mod Housing Fund provided an annual tax increment - ranging between \$23M and \$50M - for affordable housing development to the City of Los Angeles. These dollars assisted nearly every new affordable housing development in the City. In addition, the Los Angeles redevelopment agency contributed an additional 5% of tax increment directly to the Affordable Housing Trust Fund (AHTF), which resulted in a total contribution of \$57.2M since 2005. When redevelopment ended, the State appropriated approximately \$104M in unencumbered low and moderate income housing funds from the City. Those funds, would have contributed to as many as 500 new units of affordable housing and as many as 5,700 jobs.

Furthermore, due to the continued economic crisis and the implementation of sequestration (across-the-board budget cuts) at the federal level in, housing and community development programs will be further cut by approximately 8.2% from their FY13 Continued Resolution levels. These cuts, added to programs that have already experienced significant cuts over the last two federal fiscal years, will have a tremendous impact on affordable housing programs that serve low- and moderate-income individuals. In the City of Los Angeles, it is estimated that sequestration represents a cut as high as \$115 million in 2012-13: \$23 million from community development and public safety related programs and \$92 million from public housing and other housing assistance programs. Specific program reductions will impact the City's Section 8 housing voucher program, public housing, Community Development Block Grant (CDBG) and the HOME Investment Partnership programs. These programs face an additional 28% reduction beginning in 2013 through 2021. In the FY2014 proposed budget, cuts to new affordable housing construction are presented as a way to achieve savings. The sizeable cut to the HOME program is especially troublesome since the City's Affordable Housing Trust Fund (AHTF) relies on the HOME program for 70 percent of its funding.

¹³⁶ Although that scenario above is what HACLA expects for the Section 8 program, the current information (April 2013) from HUD is that they will not issue payment standard waivers, but will instead attempt to cover PHA shortfalls with set aside funding. That includes HACLA's, which is sized by HUD at \$11 million. If this occurs then is may be that: 1) HACLA cannot replace vouchers that attrit from the program, at least for this funding cycle, which will shrink the program and further reduce administration fees, 2) subsidy reserves become exhausted, jeopardizing future ability to lease up to our allocated baseline and otherwise manage leasing, and 3) we may be required to cancel at least some of the vouchers now on the street, which would impact our homeless programs particularly, perhaps as many as 100 homeless voucher holders. HACLA will continue with a payment standard decrease, but it will take place on the regular, one-year delay, schedule. We will also continue with the other, non-waiver linked cost saving measures.

The City's Section 8 program will be particularly hard hit by sequestration - expected to experience a \$35 million cut. This will decrease the ability of the Housing Authority of the City of Los Angeles (HACLA) to issue new Housing Choice Vouchers as they become available. Perhaps most devastating, should HUD not "set-aside" funding for severely impacted programs, HACLA may be forced to reduce payment assistance to 95 percent of the fair market rents as determined by HUD. HACLA anticipates that as many as 24,000 families that currently receive Section 8 voucher assistance will be affected by these cuts resulting in a decrease of payment of an average of approximately

\$200 per month. Many of these families will not be able to absorb such an increase in rent and will need to look for alternatives if landlords choose not to cover the difference¹³⁶. The budget impacts to residents of public housing will be less dramatic but nonetheless painful. For FY13, the federal public housing operating subsidy will be cut by \$199 million and the public housing capital subsidy will be cut by \$94 million. Sequestration will further exacerbate needed major repairs to the public housing stock. No one will have to move out of their public housing units but the level of resident services and management services will likely be impacted due to the expected loss in staffing at HACLA. Management of the sites will require some consolidation, which will result in less access for residents as office hours are reduced.

Such declines in resources are felt by low-income households as waiting lists for assistance grow, such as the waiting list maintained by HACLA for public housing and Section 8 vouchers. The waiting list for public housing units has increased 114% from 2007 to 2012. The waiting list for vouchers has been closed since 2005 but nearly 8,000 families remain on the list.

There is also a lack of adequate state-level funding for affordable housing production. During the 1980s, the State implemented innovative housing initiatives, including a housing trust fund, a state low-income housing tax credit program to supplement the federal LIHTC, and bond issuances to support State housing programs. Since the 1980s, fiscal crises have reduced General Fund dollars available for housing programs and the State has had to rely upon generating and accessing funds from other sources, such as State tax credits and bond issuances. The need for housing construction funds, homeownership assistance funds and homeless housing funds continues to outstrip the available resources from the State and applications for funding under the various State programs is highly competitive.

The State tax credit program is only available to affordable housing developments receiving LIHTC. In 2011, approximately \$87 million in State tax credits were allocated to projects statewide, and in 2012, \$85 million was allocated.

General Obligation bonds issued by the State of California have been an important source of funds for the State's housing programs. Voters approved large bond issuances in 1988 and in 1990 (Proposition 77 for \$150 million, Proposition 84 for \$285 million, and Proposition 107 for \$115 million). In 2002, California voters approved the largest bond issuance, Proposition 46, the Housing and Emergency Shelter Trust Fund Act, for \$2.1 billion. These dollars funded housing and homeless programs administered through the State Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA) from their approval in November 2002 to July 2007¹³⁷. In November 2006, voters again approved a large bond issuance, Proposition 1C for \$2.8 billion, known as the Strategic Growth Plan housing bond. Of these funds, \$1.8 billion were

¹³⁷ California Budget Project, A Primer on California's Housing Programs (2005).

targeted for affordable housing construction programs and homeownership programs. This includes a set-aside for transit-oriented development in order to fund housing and infill infrastructure within close proximity to transit stations.

In the 2011-2012 legislative session, underutilized Proposition 1C funds totaling \$80 million were repurposed. Approximately \$30 million in unused Prop 1C Affordable Housing Innovation Funds originally designed to create programs to demonstrate innovative, cost-savings approaches to creating or preserving affordable housing were repurposed into the Multifamily Housing Program. This program assists new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. Additionally, \$50 million in Prop 1C bond revenues were repurposed for the Infill Infrastructure Grants Program and the Transit-Oriented Development program. The funds were made available from former awardees that returned the funds because they were unable to complete projects. Program guidelines for the Notice of Funding Availability (NOFA) that the Housing and Community Development Department expects to release later this year are currently under review.

At the local level, the County of Los Angeles, until recently, made some funds available for affordable housing construction, such as the (City of) Industry Fund which distributed affordable housing tax increment funds generated by the City of Industry. These competitive funds were used within certain areas of the City of Los Angeles. The dissolution of redevelopment eliminated this countywide affordable housing fund. Nevertheless, the County continues to provide funding for services in housing, such as funds for mental health services and housing allocated to the County under the Mental Health Services Act. Recently, the County has allocated funds to support homeless housing and services, including a partnership with the City to develop permanent supportive housing, which includes support for homeless persons within the City. However, the funds are not sufficient to meet the vast need for housing and services for homeless persons.

Over the years, the City of Los Angeles' own budgetary constraints have hampered its ability to make a permanent financial commitment to affordable housing development. Since early in 2005, the City's Affordable Housing Trust Fund (AHTF) has not received any General Fund dollars. These circumstances have inadvertently increased the City's dependence on State and Federal resources. The LADWP allocated \$10 million to be distributed through the AHTF over 10 years to qualifying affordable housing projects that incorporate energy and water conservation efforts but these funds have been completely expended. The lack of long-term funds inhibits housing production and availability as housing projects and subsidy programs are subject to expiring funding streams and costs of housing production steadily increase.

Alleviating Constraints due to Inadequate Public Funding for Housing

The City of Los Angeles continues to advocate for state and federal funding for affordable housing production and preservation and to secure a dedicated public source to fund the Affordable Housing Trust Fund. In the last three years, the City Council and the Mayor have adopted resolutions in support of a statewide dedicated funding source to support the creation of affordable housing for workers and their families. The City also works closely with the County to access an equitable share of housing and services funds for homeless persons in the City. These City efforts and resources are used to leverage additional County, State and Federal public funds. For example, affordable housing developments receiving funds through the AHTF access other resources at a ratio of \$4 for every \$1 from the AHTF.

16. Public Funding for Homelessness Housing and Prevention

One area that has seen some increased Federal investment is in addressing homelessness. In 2009, President Obama signed the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act. The HEARTH Act amends (with substantial changes) and reauthorizes the main source of homelessness funding – the McKinney-Vento Homeless Assistance Act into a single grant program and renames it the Emergency Solutions Grant program. In 2011, the Department of Housing and Urban

Development (HUD) released the Interim Rule for the Emergency Solutions Grant (ESG), which establishes procedures and guidelines for the ESG program as modified by the HEARTH Act and also codifies in law the Continuum of Care planning process.

The new Emergency Solutions Grant replaces the former Emergency Shelter Grant and reflects “the change in the program’s focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.”

The new ESG program builds on the success of the Federal Stimulus-funded Homelessness Prevention and Rapid Rehousing Program (HPRP) and emphasizes rapid rehousing and diversion. The interim rule also requires area-wide systems coordination, including coordination with other targeted homeless services, system and program coordination with mainstream resources and centralized or coordinated assessment.

¹³⁸ HCIDLA Substantial Amendment to the 2011-2012 Action Plan for the Emergency Solutions Grant Program – 2nd Allocation (<http://lahd.lacity.org/lahdinternet/LinkClick.aspx?link=Substantial+Amendment+4.13.pdf&tabid=36&mid=542&language=en-US>)

Alleviating Constraints due to Inadequate Public Funding for the Homeless

The Los Angeles Homeless Services Authority (LAHSA) is a Joint Powers Authority established in 1993 as an independent agency by the City and County of Los Angeles. LAHSA is the lead agency in the Los Angeles Continuum of Care (LA CoC), and coordinates and manages over \$79 million dollars annually in Federal, State, County and City funds for programs providing shelter, housing and services to homeless persons in Los Angeles City and County¹³⁸. LAHSA has historically administered the ESG activities for the City and County of Los Angeles. LAHSA administers funding, program design, outcomes assessment and technical assistance to nearly 300 homeless services programs and over 100 nonprofit partner agencies operating in the City and County of Los Angeles. LAHSA's partners provide a diversity of programs ranging from outreach, access centers, emergency shelters, safe havens, transitional and permanent housing and prevention along with the necessary supportive services designed to provide tools and skills required to obtain a stable housing environment.

The Los Angeles Continuum of Care (COC) has 5,892 emergency housing beds, including 1,492 winter shelter beds, 1,307 beds for families and 3,183 beds for individuals. The Continuum has 16,976 permanent supportive housing beds, including 8,332 for families and 8,644 beds for individuals.

The Los Angeles Housing and Community Investment Department (HCIDLA), the Los Angeles County Community Development Commission (CDC), and LAHSA are currently in the planning phase for new Emergency Solutions Grant funds, which will be focused primarily on rapid re-housing activities and will build upon the program infrastructure created with HPRP resources to create a coordinated countywide system. In 2012-2013, the County of Los Angeles and the City of Los Angeles will be pooling ESG resources and leveraging other mainstream funding to build a coordinated system for families. This is in line with HEARTH regulations that require jurisdictions to start planning and implementing a coordinated system of crisis response, services and housing. To that end, the County and City have been meeting on a monthly basis to design a program tailored to the needs of our community.

This new LAHSA ESG program for the Los Angeles CoC will further HEARTH/ESG goals of reducing lengths of stay in emergency shelter and transitional housing and increasing housing retention through rapid re-housing and diversion from shelter by:

- Focusing on assisting those already homeless and prevent those who have previously exited homelessness from returning to homelessness.

- Shifting from a linear Continuum of Care model to a "Crisis Response System" that moves/returns people to housing quickly and provides the specific level of assistance and services needed by that family or individual to remain in housing.
- Building on the programmatic infrastructure built and lessons learned from HPRP.
- Collaborating with mainstream resources and other resources that serve the homeless.

To ensure that LAHSA's funding priorities align with national goals established in the Federal Strategic Plan to Prevent and End Homelessness as well as best benefit the LA CoC, LAHSA has adopted Funding Principles that include recommendations from the LA CoC Coordinating Council (elected leadership of homeless coalitions) and have been approved by the LAHSA Board of Commissioners. LAHSA is committed to funding LA CoC programs whose performance closely meets or exceeds the highest performance standards outlined below:

- Fund programs that target chronically homeless, veterans, families and youth.
- Fund programs that are fully utilizing the Homeless Management Information System (HMIS), the LA CoC system of record; or are committed to utilizing HMIS.
- Fund programs that are outcomes-driven with performance standards that, where applicable, meet or exceed HUD requirements.
- Promote fair-share funding distribution to solve local community homelessness
- Fund programs that demonstrate community and continuum integration that is part of a "system of care"
- Fund programs that are cost effective and reflect local and national leading practices

An innovative complimentary program serving formerly homeless persons who have special needs is the Permanent Supportive Housing Program (PSHP). The fund was created in 2006 as part of the City's Affordable Housing Trust Fund (AHTF) by the Los Angeles Housing and Community Investment Department (HCIDLA) as a partnership with the Housing Authority of the City of Los Angeles (HACLA), the City's Department of Water and Power (LADWP), and the then-Community Redevelopment Agency of the City of Los Angeles (CRA/LA), with a corollary acquisition fund developed by the Corporation for Supportive Housing (CSH) and a number of additional investors. It funds over 100 new permanent supportive housing units each year (depending on available funding).

Although funding amounts and sources have been reduced, the PSHP continues to fund the rehabilitation and new construction of affordable units for homeless and chronically homeless individuals who have special needs (e.g., mental illness, substance abuse, and HIV/AIDS). To date, the City has provided \$136.5 Million of the City's AHTF dollars to create and preserve permanent supportive housing; these funds have been leveraged by \$618 million from various sources. As a result, 36 permanent supportive housing projects have been financed, totaling 2,288 PSHP units.

This commitment and alignment of financial resources to preserve housing and create more housing that is affordable to lower income households has been augmented by the City's ongoing advocacy and direct defense against lawsuits that would have weakened the City's renter protections, threatening its affordable housing stock. One such recent policy action was the enactment of the Residential Hotel Unit Conversion and Demolition Ordinance, which aims to preserve the single resident occupancy stock.

The City has taken a variety of actions to preserve existing housing stock, to minimize rent increases in existing housing, and to preserve housing stock that serves the poorest households – and therefore those most likely to fall into homelessness. In Central City East/Skid Row, over the last 25 years, Los Angeles has provided funding to preserve approximately 3,500 units in 50 single room occupancy hotels for the City's poorest residents. These units now have covenants and are part of the City's affordable, income-restricted stock and are dedicated to serving extremely low- and very low-income households. The replacement cost for this portfolio today would be more than \$500 million dollars.

C. Infrastructure Constraints

Infrastructure is a necessary component of residential development, and is planned to accommodate the level and location of growth anticipated in the City's General Plan. All land that is available for residential development is served by key infrastructure systems and services, including police and fire protection, water, power, sewer and streets. While such infrastructure is available throughout Los Angeles, the costs and the time required to upgrade or replace such systems can represent a constraint on development.

1. Fire Protection

While fire protection and response times are adequate for most development, building in the Very High Fire Severity Zone requires compliance with slope density regulations and special conditions of approval to mitigate fire danger. The Community Plans establish appropriate uses and densities in high fire danger areas, which are generally located in the hillside areas. The slope density regulations contained in Community Plans and in the Zoning Code

require a reduction in density as the topography increases in steepness. In high fire danger areas, residential use is generally limited to single-family homes at the lowest density levels in the City, as little as one unit per 40 acres.

Conditions of approval might include reduced density, increased separation between buildings, prohibition on the placement and storage of construction material on substandard public streets and limitations on where trucks and construction vehicles can park. Additionally, the Building Code regulates roof materials and prohibits certain types of landscaping materials within 200 feet of structures.

Alleviating Constraints due to Fire Protection Costs

The additional costs of building and maintaining housing in high fire danger areas are necessary in order to protect the safety of residents and real property. The additional conditions on housing in these zones are intended to mitigate fire danger and are necessary in order to achieve this objective.

2. Water

The Los Angeles Department of Water and Power (LADWP) provides water for all City residents and businesses. The Los Angeles Department of Water and Power (LADWP) has determined that there is an adequate supply of water to serve the population growth projected through the year 2030, beyond the Housing Element planning period. However, project implementation creates a cumulative increase in demand on the City's water supplies and can approach the City's water resource limits. This cumulative impact in conjunction with challenges to the City's legal water rights, unpredictable climatic conditions and the fact that approximately 85 percent of the City's water is imported from various sources is a challenge and potential constraint on residential development.

Pursuant to the California Urban Water Management Planning Act (California Water Code Division 6, Part 2.6 Sections 10610-10656), the City Council adopted an Urban Water Management Plan for the City of Los Angeles in December, 2010. The Plan identifies the existing and planned sources of water available, conservation efforts to reduce water demand, activities to develop alternative sources of water, an assessment of the reliability and vulnerability of the water supply, and a water shortage contingency analysis. It also identifies short-term and long-term water resource management measures to meet the projected population's water demands during normal, dry, and multiple-dry years.

Alleviating Constraints due to Water Costs and/or Limits

In instances where capacity may not be adequate or identification of the inadequate supply may not be confirmed until construction, the City imposes mitigation measures on new development to require conservation. These conditions include the following:

- “The project shall comply with Ordinance No. 170,978 (Water Management Ordinance), which imposes numerous water conservation measures regarding landscape installation and maintenance (e.g., use drip irrigation and soak hoses in lieu of sprinklers to lower the amount of water lost to evaporation and overspray, set automatic sprinkler systems to irrigate during the early morning or evening hours to minimize water loss due to evaporation, and water less in the cooler months and during the rainy season).”
- “If conditions dictate, the Department of Water and Power may postpone new water connections for this project until water supply capacity is adequate.”

To alleviate the demand on the City’s water resources, water conservation by consumers is paramount. LADWP implements a two-tiered block rate structure for all customers to encourage conservation. Residential water rates are based on a formula that takes lot size, temperature zone and household size into account. LADWP also offers financial incentives to encourage consumers to purchase water-efficient appliances (see Chapter 6 for more detail). Water conservation programs have been very successful, evidenced by the fact that Angelenos are using the same amount of water today as we did 25 years ago, despite a population increase of one million people.

Although the Los Angeles Aqueduct, groundwater, and purchased water from MWD are the primary sources of water supply for the City, the City also recycles water to tertiary quality. Currently, almost 65,000 acre feet per year (AFY) of the City’s wastewater are recycled for various uses, such as irrigation, industrial uses and environmental uses. The LADWP is pursuing the development of additional conservation, additional recycling, and beneficial reuse of urban runoff to enhance current supplies. Reclaimed water is used to irrigate Griffith Park, several golf courses, Lake Balboa, and the Japanese Gardens at the Tillman Water Reclamation Plant.

3. Power

The LADWP, the largest municipal utility in the nation, delivers electricity supplies to residences and businesses in Los Angeles. LADWP has adequate power supply for all planned end users. Project implementation creates a cumulative increase in demand on the City’s power supplies. In addition, nonrenewable resources are a limited resource. Therefore, the increased demand for power supply could constrain residential development eventually, if the only source of power is nonrenewable.

Alleviating Constraints due to Energy Costs and/or Limits

To alleviate demand for traditional nonrenewable energy sources, LADWP has developed and continues to develop alternative energy sources, including solar and wind power. In addition, LADWP encourages energy conservation through a variety of programs, including rebates for energy-saving appliances, loans for energy

conservation in affordable housing, loans and incentives for solar panel installation, and incentives for residential development that qualifies for the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED)-Silver certification.

4. Sewers

The City of Los Angeles' sewer system is adequate to serve current and long-term housing capacities. Los Angeles has one of the world's largest wastewater collection and treatment systems, with more than 6,500 miles of sewers. These sewers are connected to the City's four wastewater and water reclamation plants that process an average of 550 million gallons of wastewater each day. The Department of Public Works (DPW)/Bureau of Sanitation is responsible for operating and maintaining the system, which operates under a number of federal, state and local laws. The DPW implements a comprehensive inspection program of its system, using both closed circuit television and manual inspections to evaluate the condition of its sewers. Some sewers can be repaired and others need to be replaced as part of the City's 10-year LA Sewers Program.

Alleviating Constraints due to Sewer Capacity

Before issuing a building permit, the City assures that there is adequate sewer capacity to serve the site. In the event that sewer capacity is not adequate for a proposed development, the City imposes mitigation measures including: the requirement for a holding tank large enough to hold three times the project daily wastewater flow so that the tank would hold all project wastewater during peak wastewater flow periods for discharge into the wastewater collection system during off-peak hours; and, a grey water system to reuse wastewater from the project.

In the event that there is limited sewer capacity in a particular area, the City may offset excess wastewater generation by restricting the wastewater generation of other land uses within the same service area (e.g., by requiring the dedication of additional open space).

5. Streets

The City's street system is designed to meet a variety of needs, including: safe and efficient vehicular transportation, pedestrian and bicycle access, appropriate interface with businesses and residences, stormwater drainage, and utility accommodation. Responsibility for transportation issues in the City falls jointly to the Departments of Transportation, City Planning and Public Works. Streets in many parts of the City operate at or above capacity, resulting in traffic congestion, particularly during morning and afternoon peak hours.

Alleviating Constraints due to Street Capacity

Residential projects requiring discretionary action and, therefore, subject to CEQA, may require a traffic study to analyze the project's impact on surrounding streets.

In congested areas, mitigation measures may include street dedications for street widening, reduced densities, inclusion of affordable housing, requirement for transit passes, transportation demand measures, on-site child care, and similar measures.

In addition, the City continues to develop public transit alternatives to automobile use, including expanded rail transit, Bus Rapid Transit, fixed-guideway systems and DASH bus routes for short distances within neighborhoods. DCP encourages pedestrian-friendly design in residential development, improved transit, expanded bicycle networks, mixed uses and mixed income housing within ¼ mile of rail stations in order to reduce the reliance on the automobile and to reduce vehicle miles traveled.

D. Constraints in The Coastal Zone

The Coastal Zone is generally defined as that land and water area which extends inland 1,000 yards from the mean high tide line of the Pacific Ocean and seaward to the State's outer limit of jurisdiction as established under the Coastal Act of 1976 (California Public Resources Code Section 30000). Within the City, the Coastal Zone includes the Pacific Palisades, Venice and Los Angeles International Airport area, San Pedro, and the Port of Los Angeles communities. These Coastal Zone areas include 16,790 acres, comprising 5.2% of the City's total land area (see Map 2.3, City of Los Angeles Coastal Zone).

The topography of the City's Coastal Zones varies from mountainous coastal bluffs, beaches and large parkland areas in the Pacific Palisades, to coastal bluffs, wetlands, lagoons and sandy beaches in the south.

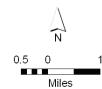
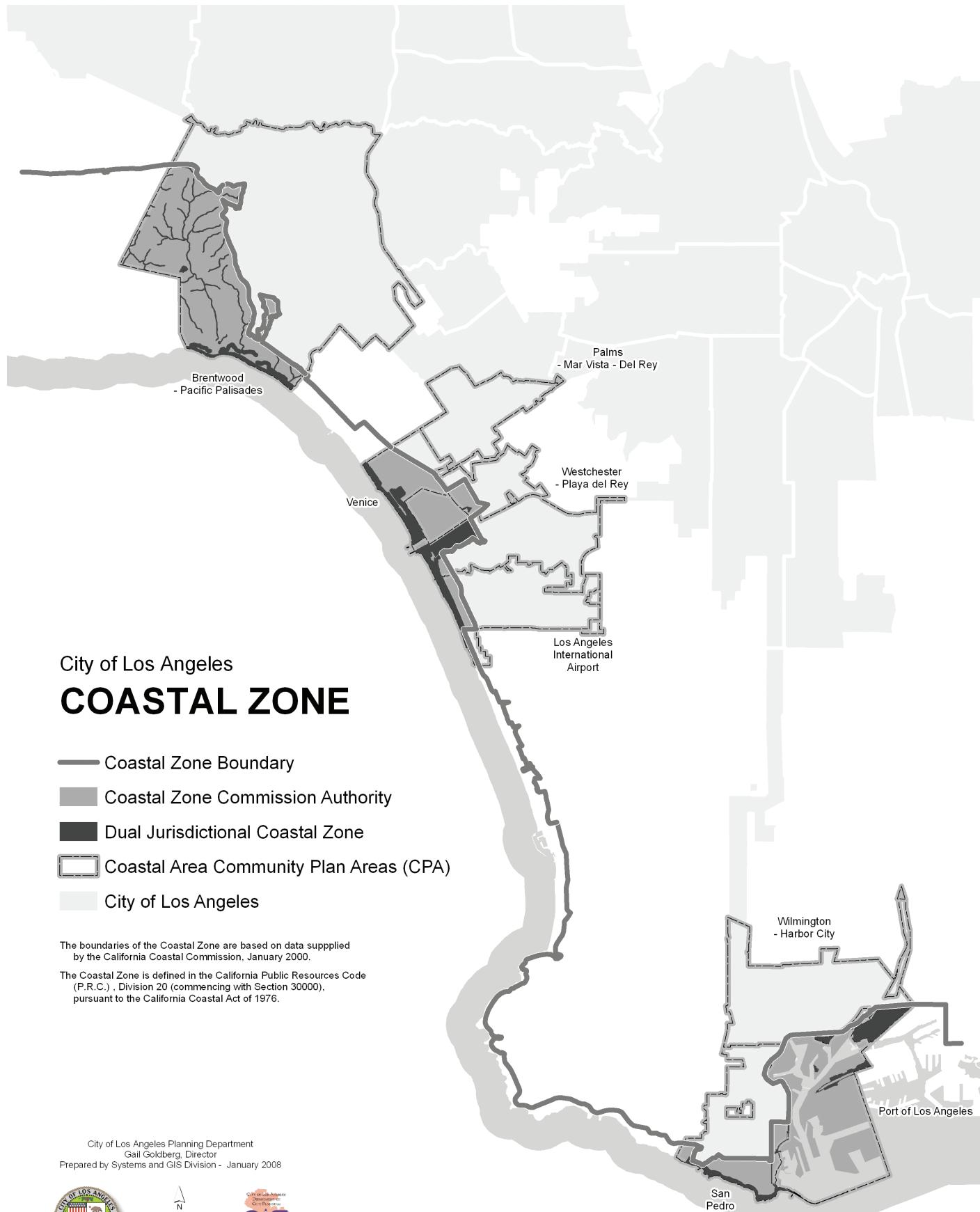
Per the Census 2000, there were 99,371 residents in the Coastal Zone, representing 2.7% of the City's total population of 3,694,820. The median income of the Coastal Zone population was \$67,223 in 2000, significantly higher than the citywide median income of \$40,876. Similarly, the poverty rate was lower with 14.3% of the population (14,203 residents) living in poverty, a third lower than the citywide poverty rate in 2000 of 21.7%.

There were 45,798 housing units in the Coastal Zone in 2000, 3.5% of all housing units citywide in 2000. Of these units, 23,570 (51.5%) were renter-occupied. Thus, the Coastal Zone has a higher home ownership rate than the citywide rate. However, this Coastal Zone home ownership rate is heavily skewed by the high home ownership rate within the Pacific Palisades community (82%) compared to the other Coastal Zone communities, which averaged 39%-40%, similar to the citywide home ownership rate.

During the last Housing Element period, from 2006 through the end of 2012, a net total of 1,067 units were added to the housing stock in the Coastal Zone¹³⁹. This total includes 1,307 units of new construction, 446 conversion gains, 358 demolitions and 328 conversion losses. As required by State law, looking more broadly at the time period from 1982 through 2012, a net total of 7,376 units

¹³⁹ Department of City Planning. A total of 18,286 permits from 2006 to 2012 were address-matched and mapped with 97% success. Using the geographic layer for the Coastal Zone Commission jurisdiction, permits within the jurisdiction were identified and analyzed.

Map 2.2
City of Los Angeles Coastal Zone



Map Document: (H:\...\Citywide\CoastalZone\CWCZ85x011008.mxd) 1/10/2008 -- 1:51:47 PM

were gained in the Coastal Zone. This total is comprised of 9,375 units of new construction, 886 conversion gains, 2,440 demolitions and 445 conversion losses. See Appendix G for a summary of this development activity by year.

State law imposes affordability requirements on all residential development activity including new construction, conversion and demolition in the Coastal Zone (see City Implementation of the State Mello Act section below). Since 1982, a total of 1509 units affordable to low- or moderate-income households were added to meet the State requirements. A total of 455 of these units were built in the Coastal Zone, and the remaining 1054 units were constructed within three miles of the Coastal Zone (as allowed under State law). See Appendix G for a summary of this activity by year.

Recent residential activity in the Coastal Zone from 2006 through 2012, has been characterized predominantly by multi-family developments of 10 or more units along with multi-family developments of less than 10 units and single-family developments. During this time, 20 percent of new units were single-family and 80 percent were multi-family. Of the multi-family units, 84 percent of the units constructed in this period were in developments of 10 or more units.

State Regulation of the Coastal Zone

State Regulations and Policy

The California State Coastal Commission establishes goals and regulations governing activity within the Coastal Zone (California Public Resources Code Section 30000). The purpose of the State law is to protect, maintain, enhance, and restore the overall quality of the coastal zone environment and its natural and artificial resources. Toward this purpose, the Coastal Commission establishes regulations to preserve the existing character of coastal communities, protect and enhance public access to and along the coast, and protect wildlife and other ocean resources. While these regulations serve the purposes of the Coastal Act, they often create constraints on residential development in the Coastal Zone.

The Coastal Commission's objectives and corresponding regulations to preserve the existing character of the Coastal Zone significantly limit opportunities for additional housing by limiting changes in the density, height, parking, and land use. For example, the Coastal Commission limits the height of new structures in order to preserve views of the coast. Given that the City's Coastal Zone areas are built out, increases in density and height are often needed in order to develop residential projects.

Protecting public access to the beach by maximizing land for public parking, open space, and public right-of-way reduces the amount of land available for additional residential development. Parking requirements along the coast are also generally higher than in other parts of the City. For example, three parking spaces per residential unit are required in specific subareas within the Venice Coastal

Zone Specific Plan area, instead of the two spaces required by the Zoning Code. Additional parking requirements are imposed on commercial and residential projects in areas designated as Beach Impact Parking Zones that attract significant seasonal traffic (e.g. Venice Beach and Abbot Kinney Boulevard). Together, these additional requirements make it more costly to build housing in the Coastal Zone.

State Regulations and Procedures

State law (Public Resources Code Section 30000) requires local governments to prepare Local Coastal Programs (LCPs) to implement the Coastal Act. An LCP is to include a Land Use Plan (LUP) and a Local Implementation Plan (LIP) which establish land use regulations, zoning and other implementing actions.

The Coastal Commission certifies all LCPs. This certification grants authority to the local government to review and approve coastal development proposals in the Coastal Zone and limits the Coastal Commission's authority to consideration of appeals. In the absence of a certified LCP, coastal development permits are under the jurisdiction of the Coastal Commission in addition to the local government.

For specific parts of the Coastal Zone, the Coastal Commission retains permanent jurisdiction. Such areas are identified as "Dual Permit Jurisdiction Zones" and development activity within such areas require the approval of the Coastal Commission and the local government. For Dual Permit Jurisdiction Zones in the City's Coastal Zone, see Map 2.3.

While the City has adopted Community Plans for all Coastal Zone communities, it does not have a Coastal Commission-certified LCP. Proposals for residential development in the Coastal Zone are therefore reviewed and approved by both the City and the Coastal Commission if located in the designated Dual Jurisdiction Zone, or are subject to appeals to the latter entity if located in the single jurisdiction areas. The entitlement process takes approximately one to six months.

City of Los Angeles Land Use Regulation in the Coastal Zone

The City's Coastal Zone has very restrictive density and height regulations. In some coastal communities, Floor Area Ratio (FAR) and parking regulations further limit development options. The table below summarizes the density, height, FAR and parking requirements in six of the eight Coastal Zone communities¹⁴⁰.

¹⁴⁰ Due to the exceptions that govern the Playa Vista and Airport Dunes zones, Coastal Zone Land Use Regulations for these areas have not been summarized in Table 4.2.

TABLE 2.4
Coastal Zone Land Use Regulations

Community	Density	Height	FAR	Parking
Pacific Palisades	2 to 40 (dwelling Units/acre)	2 stories, 30 feet	.5:1 to 1:1	1 & 2.5 spaces per unit
Venice	3 to 40 (dwelling Units/acre)	22 to 38 feet	.5:1 to 1.5:1	2-3 spaces per unit
Del Rey Lagoon	24 to 40 (dwelling Units/acre)	45 feet	1.5:1	Code Requirements
Vista Del Mar Bluffs	3 to 24 (dwelling Units/acre)	36 to 45 feet	1.5:1	Code Requirements
San Pedro	3 to 40 (dwelling Units/acre)	26 feet	1.5:1	Code Requirements
Port of Los Angeles	-	Height district for a property	1.5:1	Code Requirements

Source: DCP

These land use regulations limit the size of residential projects in the Coastal Zone. Unable to spread the cost of development across more units within a project, the cost per unit necessarily increases. It is therefore particularly challenging to provide housing units affordable to lower income households in the Coastal Zone.

Housing prices in the Coastal Zone are substantially higher than in the rest of the City, and very few development sites are available. In February 2013, the median sales price for single-family homes ranged from highs of \$1,253,000 in Pacific Palisades and \$1,211,800 in Venice to lower prices of \$468,000 in Playa del Rey and \$358,000 San Pedro¹⁴¹.

City Implementation of the State Mello Act

The Mello Act is a State law which mandates local governments to comply with a variety of provisions concerning the demolition, conversion and construction of housing units in California's Coastal Zone. The Act addresses the replacement of converted or demolished units occupied by low or moderate-income households, as well as the inclusion of affordable units in new housing developments. In addition, the Act prohibits the replacement of existing residential structures with non-coastal-dependent, non-residential uses, except in those cases where residential uses are no longer feasible ("Coastal-dependent uses" are non-residential developments or uses which require a site on, or adjacent to, the sea to be able to function at all). Under the Act, replacement units may be provided on a site other than the site of the proposed development, within three miles of the Coastal Zone.

Since 2001, the City has been implementing Mello Act requirements in accordance with adopted "Interim Procedures" that were established as part of a lawsuit settlement regarding the implementation of the Mello Act.

The City is currently preparing a permanent implementing ordinance to replace the Interim Procedures. Under the proposed implementing ordinance, which has

¹⁴¹ Zillow.com

been approved by the City Planning Commission, all converted or demolished affordable housing units must be replaced with an equal number of affordable units. All new residential construction projects of two or more units must include affordable housing in accordance with one of the following two options, depending on project size: (1) for projects of ten or more units, set aside 10 percent of all new units for very low-income households; or, (2) for projects of two to nine units, pay a fee for each square foot of residential floor area. These requirements will apply to multi-family and single family developments. Alternative compliance options will be available, including provision of affordable units at another location and payment of substantial fees, for those projects for which compliance with the requirements would be infeasible.

Compliance with the State Mello Act requires additional review and evaluation when considering a proposed development, and often entails additional costs to developers. Proformas have frequently been required to substantiate financial feasibility or infeasibility, and covenants are required to ensure long-term compliance with affordability restrictions. Given these additional requirements which extend the entitlement and building permit process, coupled with the requirement to include new or replacement affordable units or pay a fee, developing housing in the Coastal Zone includes increased costs that may deter such development by significantly reducing the financial benefits to the developer.

Environmental Conditions and Constraints

Soil in the Coastal Zone is saturated with water, which typically precludes construction of more than one level of subterranean parking. In addition, a reinforced foundation is necessary for most buildings, which further increases construction costs.

Land use restrictions tied to environmental conditions are also prevalent in the Coastal Zone. In the Venice Coastal Specific Plan area, for example, this includes requirements to: (1) set back buildings 15, 25 or 40 feet, depending on location, from the esplanade along the Ballona Lagoon, (2) limit building height to 30 feet within 60 feet of the high tide line of the Ballona Lagoon with one additional foot in height permitted for each two feet beyond 60 feet for a maximum height of 38 or 45 feet depending on location, and (3) limit building height to 22 feet within ten feet of the Venice Canals with one additional foot in height permitted for each two feet beyond ten feet for a maximum height of 30 feet.

Alleviating Constraints in the Coastal Zone

The Coastal Zone is subject to many development restrictions due to land use, land costs, and Mello Act compliance. However, the City's Small Lot Subdivision regulations allow the creation of subdivisions on lots with reduced land costs that are more affordable than traditional single-family homes, including in the Coastal Zone. The Small Lot Subdivision regulations permit



a reduced lot area of 600 square feet, lot coverage of up to 80%, no direct street frontage, no front, side or rear yard setbacks in most cases, and no passageways. Additionally, the small lot subdivision regulations permit housing to be developed on P-zoned lots which otherwise would only permit surface parking lots. Use of the density bonus law also provides added flexibility to offset the constraints in the Coastal Zone. This law permits additional units beyond what the zoning would otherwise allow, as well as other land use incentives to facilitate development when affordable housing is provided.

In addition, the ability to prove financial infeasibility of including required affordable units on-site and to provide replacement units off-site within the Coastal Zone, or if still financially infeasible, within three miles of the coastal zone, reduces the financial impact of Mello Act compliance. Providing options for meeting the affordable unit set-aside requirements provides flexibility to a developer and, therefore, greater likelihood of making residential development in the Coastal Zone economically feasible.

E. Market Constraints

There are a number of market constraints to the ability to deliver housing, especially affordable housing, in the City of Los Angeles. The most severe of these are: high land costs; high construction costs (for labor, materials and financing); and financing availability.

1. Land Costs

Virtually no undeveloped or vacant land exists today in Los Angeles. The cost of land available for residential development is quite high compared to less urbanized areas, due to the following factors: the relative scarcity of developable land, the likelihood that zoning limits density, difficulty of assembling small parcels, land costs for developable land that is already urbanized, high cost of clearing land of existing uses and buildings, the cost of displacement or relocation of current occupants, costs associated with remediation of various types of contamination (or at minimum the testing of the land to determine the presence of potential contaminants) and the additional time required to make previously-developed and occupied land available. Land costs are also identified as major constraints in a study by the University of California, Berkeley, Institute of Urban and Regional Development, *Raising the Roof: California Housing Development Projections and Constraints, 1997-2020*¹⁴².

Land costs are typically measured in dollars per square foot. In a city the size of Los Angeles, land costs vary considerably by factors that include geographic location, proximity to amenities such as waterfront location or views, proximity to commercial services, allowable density of development, proximity to transportation and other factors such as perceived community safety and the

¹⁴² John D. Landis, Dept of City & Regional Planning, U.C. California, Berkeley, Reprinted 2000

quality of schools. Since much of the available land for residential development in Los Angeles is zoned for commercial use, land prices are affected by commercial demand, either actual or perceived. In addition to significant variation in costs across the City, land costs have also increased substantially from year to year. For example, in 2005, land costs ranged from approximately \$36 per square foot in South Los Angeles with mixed commercial and residential zoning to \$46 per square foot in Panorama City (commercial zone) to \$93 per square foot in Westlake/MacArthur Park (for high density multi-family residential). In 2007, similar residential land prices had escalated to \$114 per square foot for commercial land in the La Brea/Jefferson area and \$111 per square foot for high density multi-family residential land in the Westlake/MacArthur Park area. In fact, in 2007, land prices were as much as \$450-\$500 per square foot in Central Los Angeles, where densities can exceed 200 units per acre.

Alleviating Constraints due to Land Cost

The City of Los Angeles has undertaken, and employs, a number of mechanisms to alleviate the impact of land cost on the development of housing. These include:

- Allowing by right increases in development density by as much as 35%, with the requirement that between 11% and 20% of the units be affordable to very low-income (less than 50% of area median income), low-income (less than 80% of area median income) or moderate-income (less than 120% of area median income) households.
- Making available, on a priority basis, City-owned sites (including ex-CRA-owned sites) for housing development. This includes surplus property (which is offered on a priority basis to the City's Housing and Community Investment Department, and/or to non-profit housing developers) and opportunities to develop in conjunction with or on top of City facilities such as public parking lots and garages.
- Reducing the parking requirements to offset a portion of the development costs for senior housing, for housing developed in certain mixed-use configurations (by allowing shared parking), and for housing developed in Transit Oriented Districts. With subterranean parking averaging around \$50,000, parking reductions can reduce construction costs significantly. In addition, where parking requirements can be lessened, site requirements can be reduced, resulting in land acquisition cost savings as well.
- Providing additional funding to affordable housing projects through the City's Affordable Housing Trust Fund.

2. Construction Costs

Construction costs include the costs of three key resources: materials; labor; and, financing. The availability of these resources and their corresponding costs are affected by local factors as well as national and global events.

Materials costs vary widely depending on the type of construction (wood frame, wood frame over concrete parking, modified wood-steel frame over concrete parking, steel frame and concrete frame). While the 2007 recession led to some slight moderation in materials costs, as residential market conditions improve overall, prices for materials have increased significantly¹⁴³. Since the last Housing Element analysis, offshore demand for construction materials has remained high, as well as materials demand for the ongoing development of large public works programs, namely, increased capital construction activity in public transit projects in the City.

Labor costs vary with the construction method and the complexity of construction. Large and particularly high-rise buildings involve the most complex and thus the most expensive skilled labor. Most complex and high-density residential developments tend to use predominantly unionized labor while low-rise and low-density development may use a combination of union and non-union labor. A majority of the projects in Los Angeles that receive public funding are required to use federal and local prevailing wage rates.

In the previous Housing Element Update, a discussion on Davis-Bacon wages indicated that these had not only increased overall (across classifications), but that prevailing wages (e.g., Davis Bacon wages), were higher than other, comparable disciplines that were not subject minimum wage amounts. From 2007 to 2013 Davis-Bacon wages for common construction wage determination classifications (e.g., electricians, elevator mechanics, carpenters, etc.) have increased nominally. In some instances, wages have remained stagnant, or have otherwise fallen (see Table 2.5 below).

¹⁴³ John D. Landis, Dept of City & Regional Planning, U.C. California, Berkeley, Reprinted 2000

TABLE 2.5
2007-2013 Hourly Wage Adjustments for Selected Construction Occupations

Wage Determination Classification	Hourly Wage 2007	Hourly Wage 2013 (as of April)	\$ Change per Hour
Asbestos Removal Workers	\$19.55	\$18.70	(\$.85)
Framer & Finisher Carpenter	\$24.75	\$29.55	\$4.80
Electrician	\$20.20	\$20.20	\$0.00
Elevator Mechanic	\$38.22	\$48.23	\$10.01
Ironworker	\$33.06	33.00	(\$.06)

<http://www.bradenton.com/2013/04/25/4497892/housing-rebound-in-us-hampered.html#storylink=cpy>

The average labor and materials costs of new housing construction in Los Angeles in 2012 can be seen in Table 2.6, which compares costs among four major cities¹⁴⁴. At \$302 per square foot, Los Angeles was third, behind Chicago.

The average construction costs of new housing in Los Angeles in 2012 can be seen in Table 2.6 which compares costs among four major cities¹⁴⁵. At \$302 per square foot (including parking), Los Angeles was third, behind New York and Chicago.

TABLE 2.6
2012 New Housing Construction Cost Comparison for A 4-Story, 83-Unit Multi-family Building

		Total Construction Cost Per Square Foot	Construction Cost	Construction Cost Per Unit
New York City	Residential	\$250	\$14,972,730	\$202,086
	Parking	\$134	\$2,006,708	\$27,084
	Total	\$383	\$16,979,438	\$229,170
Los Angeles	Residential	\$197	\$11,803,320	\$159,309
	Parking	\$105	\$1,581,930	\$21,351
	Total	\$302	\$13,385,250	\$180,660
Chicago	Residential	\$222	\$13,333,380	\$179,960
	Parking	\$119	\$1,786,995	\$24,119
	Total	\$341	\$15,120,375	\$204,079
Dallas	Residential	\$151	\$9,071,070	\$122,432
	Parking	\$81	\$1,215,743	\$16,409
	Total	\$232	\$10,286,813	\$138,840

Source: RS Means Square Floor Costs 2012

Labor and materials costs involved in the maintenance or rehabilitation of existing housing can vary. Rehabilitation is unique to the property in that the scope of rehabilitation work required depends upon the condition of the building. An older building will typically require that more components and/or systems be completely replaced. If any hazardous materials are present, such as lead paint or asbestos, the removal of these materials is very costly. The scope of work may trigger requirements to meet current Building Code standards as the original construction of older structures does not likely meet all current requirements. Furthermore, the full cost is often not known until the work is started and conditions are uncovered.

¹⁴⁴ www.dol.gov; Federal government website to obtain appropriate Service Contract Act (SCA) and Davis-Bacon Act (DBA) wage determinations for each official contract action.

¹⁴⁵ Reducing the Cost of Housing in New York City, 2005 Update, New York University School of Law and Robert F. Wagner Graduate School of Public Service

Financing costs for multifamily development typically include the interest rate for construction loans and permanent loans, loan points and/or fees, and legal costs associated with loan documentation. Financing costs for new construction and rehabilitation of multi-family structures fluctuated during the height of the financial crisis of 2007 and 2008, but have largely remained relatively low and stable since 2009. The cost of funds through the Federal Reserve Bank, to which lenders add 1-2 points in lending funds to residential developers went from 2.8% in the first quarter of 2012 to 2.7% in the last quarter. However, according to Fannie Mae's Housing Forecast, the projection for 2013 through 2014 shows an increase in rates, from an estimated average of 3% in 2013 to 3.6% in 2014¹⁴⁵. Although the cost of funds has dropped, lenders are still challenged in making loans due to stubborn credit access issues and risky loan repayment due to the continuing fragility of the housing market and the economy in general.

Labor and materials costs for affordable multi-family housing are essentially the same as labor and materials for market rate units. However, construction financing costs are far different because public resources are available. Affordable housing development, including new construction and rehabilitation activity, blend market financing with public, lower-cost financing. Public resources include loan products that offer very low interest rates and/or deferred payments, or no repayment if the development serves the intended lower income population for the required period of time. Such loan products are available from federal, State, County and local governmental entities. In addition, significant cash is raised from investors through the federal Low Income Housing Tax Credit (LIHTC) program, which provides tax relief to the investor for relatively minor up-front financing costs to the project (syndication fees, legal fees). However, these public funds often have additional requirements which off-set to some degree the cost savings of the public resource (i.e., requirement to use prevailing wage rates, living wage requirements, Service Contractor Worker Retention requirements).

Table 2.7 below provides the average construction cost, by type, of building new and rehabilitating affordable housing based on multifamily projects that the Los Angeles Housing and Community Investment Department reviewed and recommended for funding in 2011 and 2012. Construction costs, for the 2011 and 2012 projects analyzed represented well over a third of total development costs, to just under half the costs.

¹⁴⁶ Fannie Mae, Economic and Strategic Research, "Housing Forecast: April 2013. Rates stated are for 5-year, adjustable rate mortgages.

TABLE 2.7**2012 Estimates of Average Construction Cost for Affordable Housing by Housing Type**

Type of Project	Construction Cost per Unit	Total Development Cost (Avg./per unit)	Percentage of Total Development Cost
Preservation	\$80,609	\$180,000	45%
Acquisition/Rehabilitation (Newly Affordable)	\$139,110	\$301,000	46%
New Construction (Newly Affordable)	\$140,007	\$358,000	39%

Source: Los Angeles Housing and Community Investment Department, Policy and Planning Unit, Based on projects that were either funded by the Affordable Housing Trust Fund, or were financed with bond proceeds in 2011 and 2012

Alleviating Constraints due to Construction Costs

There are limited actions that the City can take to reduce construction costs. The City does not currently implement any programs or policies that reduce labor or materials costs. Financing costs are determined by national governmental agencies and by private financial institutions and investors across global capital markets. The City has no role or authority in these markets and therefore no influence over financing costs.

Nevertheless, with respect to identifying and quantifying cost components, including construction costs statewide, the California Tax Credit Allocation Committee, the California Debt Limit Allocation Committee (CDLAC), the State Department of Housing and Community Development (HCD) and the California Housing Finance Agency (CalHFA) procured an analytical consultant to help conduct a cost study. This multi-agency sponsored study will provide vital insight into the nature of cost drivers for affordable housing development, and importantly, will inform how capital sources of financing might accommodate or address high development costs, including construction costs. A final draft version of the study is planned for 2013.

To support affordable housing development for very low-, low- and moderate-income households, the City reduces financing costs by making local funds available for construction and permanent loans. Over the past three years, the City has provided approximately \$65 million each year from its HOME and CDBG allocations for affordable housing development. The funds from these sources are made available at very low interest rates with deferred or no repayment requirements (i.e., deferred repayment, repayment if cash flow permits, or no repayment if the development serves the intended purpose for the life of the loan).

In addition to these local sources, the City assists developers in accessing other low-cost public resources from County, State and Federal sources. The local funds, described above, are in fact leveraged for these other public resources.

In addition, the HCIDLA administers other programs through the Affordable Housing Trust Fund, allocating locally-controlled federal funds to affordable housing projects. Between 2006 and 2012, HCIDLA awarded over \$486 million in Affordable Housing Trust Fund dollars for affordable housing development.

For homebuyers, the City accesses other public resources for a variety of homebuyer assistance programs, including Mortgage Credit Certificates and mortgage revenue bond proceeds that provide purchase assistance. Most notably, since the last Element update, the City has successfully met critical Neighborhood Stabilization Program milestones, acquiring and rehabilitating over 820 housing units, expending 100 percent of its NSP 1 and 2 awards, representing over \$130 million dollars in formula competitive grant awards.

3. Financing Availability

Financing is needed for several phases of the development process: predevelopment; site acquisition; construction; and occupancy/operations. Each phase has its unique risks, and it is rare that one financial institution will provide financing for all of these phases in the same project. Financial institutions seek to spread the risks they undertake.

There are few institutions willing to finance land acquisition and predevelopment costs, the riskiest part of the development process. This is a particular hardship for developers of affordable housing. Without access to site acquisition financing, potential sites are lost to market rate development. Capital availability is identified as a major constraint in a study by the University of California, Berkeley, Institute of Urban and Regional Development titled *Raising the Roof: California Housing Development Projections and Constraints, 1997-2020*¹⁴⁷. This difficulty persists today; availability and access to capital for pre-development costs is scarce and when it does exist, particularly at a local level, is highly scrutinized and offered through a process that ensures the investment of local funds is protected. A complicated pre-development loan process that places primacy on the protection of the City's investment has unduly created obstacles to maximizing loan approvals. In the City of Los Angeles, the New Generation Fund, a \$100 million, pre-development acquisition fund, was launched in 2008 for affordable housing developers to access, with the intent of creating an affordable housing pipeline with a direct path to the city's Affordable Housing Trust Fund. However, the New Generation Fund finished its term with lower-than-expected loan approvals. Anecdotally, affordable housing developers identified loan terms that required repayment in too-quick a turnaround timeframe, as well as an unmitigated risk of borrowing from the pre-development loan fund with no clear source of "take-out" financing at the city level that could help pay off the New Generation Fund loan (see *Alleviating Constraints due to Lack of Financing* below).

For affordable multifamily development, public resources for all phases of development are available, but in amounts far below the demand and

¹⁴⁷ John D. Landis, Dept of City & Regional Planning, U.C. California, Berkeley, Reprinted 2000

need. As discussed above under "Government Constraints," resources from Federal and State agencies have decreased significantly since 2006. Most dramatically, the loss of redevelopment as a tool to locally finance affordable housing has effectively halved the financial capacity on a year-to-year basis. The limited resources available are very competitive, with requests exceeding available funds by as much as 3-to-1, for funds administered by HCIDLA.

In the market-rate multi-family submarket, credit largely appears to be available for development. LA's housing supply is constrained, and rents are rising, so market rate projects appear to be getting financed. However, lenders continue to work under strict conditions in order to manage risk, therefore certain deals in certain lower-performing submarkets may continue to face difficulties. When loans are indeed provided, lenders are often using stricter underwriting criteria. This includes lower loan-to-value ratios to lower their risk, causing borrowers to provide more equity and/or other assets as security for the loan. This can render a project financially infeasible.

Mortgages for purchasing a home are provided by a variety of financial institutions that lend directly to the homebuyers, including mortgage companies, savings and loans, commercial banks, credit unions, and state and local housing finance agencies. Home mortgage lenders also sell mortgages in the secondary mortgage market. Secondary market investors include Fannie Mae, Freddie Mac, various pension funds, insurance companies, securities dealers, and other financial institutions. Fannie Mae is unique in that it was established by the Federal government for the express purpose of expanding the flow of mortgage funds and helping lower the costs to buy a home. Other secondary mortgage market investors participate in this market as an additional line of business and/or investment to their core business.

Fannie Mae operates solely in the secondary mortgage market under the public mission to ensure that mortgage bankers and other lenders have enough funds to lend to homebuyers at low rates. Fannie Mae purchases mortgages that comply with its guidelines and loan limits which are geared toward low-, moderate- and middle-income people becoming homebuyers, in keeping with Fannie Mae's public mission. The loan limits are adjusted each year, in response to changes in housing affordability nationwide. Thus, a lender can reduce its risk by providing loans that conform with Fannie Mae limits because Fannie Mae can purchase these loans.

Current Fannie Mae mortgage loan limits for high-cost areas are at \$652,500 (2013; up from \$417,000 in 2006 and 2007)¹⁴⁵. In a previous section, the Element discusses a regional median home price that hovers around \$345,000. While Fannie Mae loan limits appear to accommodate home prices, the challenge still resides in a relative scarcity of housing stock at prices that conform to Fannie Mae-backed loans, as well as a more stringent set of underwriting criteria. Former homeowners - those with recent foreclosures and/or short sales in their credit profiles – will have limited to no access to Fannie Mae-backed loans.

¹⁴⁵ The Federal Housing Finance Agency (FHFA) publishes the conforming loan limits annually that apply to all conventional mortgages that are delivered to Fannie Mae, including both the general loan limits and the high-cost area loan limits.

A re-emerging loan product, in the form of subprime loans, is increasing in accessibility to respond to former homeowners with bad credit profiles due to bankruptcies, foreclosures and short sale transactions. The renewed need for non-conforming loans, in the form of subprime loans, or loan products that accommodate bad credit scores, means higher mortgage costs in the form of additional points, fees and higher interest rates in order for the lender to adequately cover the loan risk¹⁴⁹. In addition, defaults in the mortgage market have led to a lack of funds for other mortgages, and this liquidity crisis has led lenders to remove entire mortgage product lines, such as zero-down loans. Lenders have also tightened eligibility standards. This includes requiring substantial down payments as well as higher Fair Isaac and Company (FICO) credit scores.

Alleviating Constraints due to Lack of Financing

There are limited actions that the City can take to improve the availability of financing. The City has no role or authority in the financial markets and therefore no influence over financing availability.

However, by providing public resources for residential development, the City helps developers leverage private resources and spread the risk for private financial institutions investing in residential development. This encourages the availability of financing for affordable housing developments in which the City and other public entities invest.

In the spring of 2013, the City renewed its New Generation Fund and resized it at \$52 million. This amount was based on lessons learned to accommodate the market needs, providing, in part, a longer holding period. This change was in direct response to developer input regarding one of the more onerous loan requirements. The success of the New Generation Fund was and is dependent on a known source of capital financing.

For homebuyers, the City assists in accessing resources for purchase assistance, helping homebuyers to meet the down payment requirements and access mortgages in the private market. Public resources are also available for soft second mortgages which reduce the size of the primary mortgage and make that primary mortgage more affordable.



¹⁴⁹ Reckard, E. Scott, "Lenders Venturing Back Into Subprime Market.", Los Angeles Times. April 27, 2013.

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