

# HOMEOWNER'S GUIDE TO MISSING MIDDLE HOUSING

April 2026



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Cover Image: First Place submission for the LA Low Rise  
Design Challenge by Vonn Weisenberger



**LOS ANGELES  
CITY PLANNING**

Prepared by:

**Dyett & Bhatia, Urban and Regional Planners**

With support from:

John Kaliski Architects  
Keyser Marston Associates

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01

**FILLING  
THE MISSING  
MIDDLE: MORE  
HOMES FOR LA'S  
NEIGHBORHOODS**

## Why Read This Guide?

Missing Middle LA is a new Los Angeles City Planning initiative to make both for-sale and rental housing more accessible by streamlining the City's review and removing barriers to building smaller, neighborhood-scale homes - also known as "missing middle" housing. If you currently own property in the City of Los Angeles or plan to become a homeowner, you may have more opportunity on your lot than you realize.

Recent State laws and City of Los Angeles policies have opened new pathways for homeowners to add housing – whether that means building a backyard Accessory Dwelling Unit (ADU), converting space into a Junior Accessory Dwelling Unit (JADU), creating a duplex, or subdividing your property. These options can help generate rental income, create housing for family members, increase your property's long-term value, and contribute to easing LA's housing shortage.

This guide walks you through those opportunities in clear, practical terms. You'll learn what may be allowed on your property, what rules apply, and what financial considerations to think about before you get started.

## How to Use This Guide

The City of Los Angeles offers several ways for property owners to add low-rise or Missing Middle housing. These include:

- **Accessory Dwelling Units (ADUs)**
- **Junior Accessory Dwelling Units (JADUs)**
- **Two-Unit Developments and Lot Splits under Senate Bill 9 (SB 9)**
- **Small Lot Subdivisions under the City's ordinance or the State's Starter Home Revitalization Act (SHRA)**

Each pathway comes with different eligibility rules, design standards, and financial trade-offs. Some options are simpler and lower cost. Others may allow for greater long-term financial return but require more planning and upfront investment.

This guide is designed to help you answer three key questions:

- 1. How can I add units to my lot?**
- 2. How can I make the most of the financial opportunity?**
- 3. What State laws and local rules should I understand before moving forward?**

## What's Inside

The guide is organized into three main sections:

### **1. What is Missing Middle Development?**

This section explains why the City of Los Angeles is encouraging low-rise and infill housing, and how these policies fit into the City's broader housing goals.

### **2. Guide to Missing Middle Development**

Here, you'll find a side-by-side explanation of each development pathway. This guide outlines lot qualifications, design requirements, and what you can realistically build under each option.

### **3. Financial Considerations**

Adding housing is both a design decision and a financial one. This section reviews common financing tools, cost considerations, and includes a decision guide to help you determine which path may make the most sense for your property.

# 1.1 What is Missing Middle Development?

The City of LA has a pressing need for more housing to improve affordability and meet State and City housing targets. Single-family zones are a significant part of the City's land area and these zones play an integral part in meeting the City's housing goals. Low-rise infill housing, also often called "Missing Middle" housing refers to a range of development typologies that provide greater density than single-family homes while remaining compatible in scale and form with existing single-family neighborhoods.<sup>1</sup> Missing Middle housing expands the range of attainable housing options for households who do not qualify for income-restricted affordable housing but are priced out of many traditional housing options. Some common types of Missing Middle housing are outlined here.

<sup>1</sup> Missing Middle Housing by Opticos Design. Available: <https://missingmiddlehousing.com/>. Accessed: February 11, 2026.

## Accessory Dwelling Unit (ADU)

Accessory Dwelling Units (ADUs) and their smaller counterparts, Junior ADUs (JADUs), are housing units built on lots that have existing or proposed single- or multifamily housing. ADUs can be attached to a primary unit or detached and are self-contained living environments with a kitchen, bathroom, and sleeping area. JADUs must be attached to a primary unit and may share a bathroom with the primary unit. In Los Angeles, Movable Tiny Houses are also covered by the ADU regulations provided they adhere to certain design standards.



## Duplex

Duplexes are single buildings that contain two units, either stacked in a multi-story building, or side by side. Duplexes often look like single-family homes but provide additional housing with a second unit.



## Townhomes

Townhomes are units that are attached to similar units on one or both sides by a shared wall. Townhomes are typically two to three stories, as well as individual entryways and sometimes individual patios or smaller private open space areas.



## Bungalow/Cottage Court

Commonly constructed in Los Angeles in the early 1900's, Bungalow or Cottage Courts are low-rise low-to-medium density groupings of six to ten units around a courtyard. Smaller lots often feature linear plans of multiple units joined in a single row by common walls, while larger lots can accommodate a U-shaped plan around a shared central courtyard. The bungalow court is a unique compromise for denser housing, bringing together the amenities of privacy and open space usually reserved for single-family living with the convenience of an apartment.<sup>2</sup>

<sup>2</sup> Los Angeles Citywide Historic Context Statement. Available: [https://planning.lacity.gov/odocument/1a7b1647-4516-45da-9cff-db2db3b9b440/Multi-FamilyResidentialDevelopment\\_1910-1980.pdf](https://planning.lacity.gov/odocument/1a7b1647-4516-45da-9cff-db2db3b9b440/Multi-FamilyResidentialDevelopment_1910-1980.pdf). Accessed: February 12, 2026.



## Missing Middle Programs

The State of California and the City of LA are already working to encourage Missing Middle housing, including through the following programs.

### State and Local ADU Regulations

Several State laws have significantly streamlined the ADU construction and approval process. The City passed an ADU Ordinance (Ordinance No. 186,481) in 2019 which includes local development standards.

Under ADU regulations, homeowners can build ADUs, JADUs, and Movable Tiny Houses.

### Senate Bill (SB) 9 Projects

SB 9, which took effect in 2022, is a California law that aims to increase housing supply across the State through streamlined measures that expand infill development opportunities, including making it easier to apply for a lot split or two-unit development on a single-family zone. Under the two-unit development process, SB 9 allows for the development of duplexes in single-family zones.<sup>3</sup>

Under SB 9 regulations homeowners can build single-family homes, duplexes, ADUs, JADUs, and Movable Tiny Houses.

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<sup>3</sup> Senate Bill 9, Los Angeles City Planning. Available: <https://planning.lacity.gov/project-review/senate-bill-9>. Accessed February 12, 2026.

## Starter Home Revitalization Act Projects

The Starter Home Revitalization Act (SHRA), originally established by Assembly Bill (AB) 803 (2021), and recently amended by SB 684 (2023), SB 1123 (2024), AB 130 (2025), streamlines the subdivision approval process for projects resulting in up to 10 lots/dwelling units, excluding ADUs/JADUs.<sup>4,5,6</sup> These laws expand the Missing Middle typologies to all residential zones, including single-family zones, which is 72% of the land in LA.

Under the SHRA homeowners can build townhomes, cottage courts, triplexes/ fourplexes, and small condo buildings. ADUs, JADUs, and Movable Tiny Houses are also allowed as accessory uses.

### Small Lot Subdivision Ordinance

Adopted in 2005, Los Angeles' Small Lot Subdivision Ordinance introduced a new housing typology to the City. It enabled new infill housing development as a hybrid between

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<sup>4</sup> Los Angeles City Planning. SHRA/SB 684/1123. Available: <https://planning.lacity.gov/project-review/shra-senate-bill-684-1123>. Accessed: December 1st, 2025.

<sup>5</sup> California Department of Housing and Community Development. Accountability and Enforcement. Available: <https://www.hcd.ca.gov/planning-and-community-development/accountability-and-enforcement>. Accessed: December 2nd, 2025.

<sup>6</sup> AB 130 allows for the creation of a remainder parcel that does not count towards the 10-lot cap. However, the remainder parcel cannot contain new residential units, nor be exclusively dedicated to servicing the project.

single- and multifamily housing in multifamily and commercial zones. This Ordinance was amended in 2018 to establish a process to convert existing apartment homes to small-lot homes and add an administrative review process that permits an enforceable design review, among other changes. Small-lot homes can also have ADUs and commercial components.

### Missing Middle LA Program

Missing Middle LA is a new Los Angeles City Planning initiative to make both for-sale and rental housing more accessible by streamlining the city's review and removing barriers to building smaller, neighborhood-scale homes. This initiative originates from the Low-Rise Design Lab, which built upon several recent efforts and reflects lessons from the Low-Rise Design Challenge (2021), Housing Element implementation, and the work of the Mayor's Entrepreneur in Residence program (2022). The program will implement and build upon recent state laws allowing duplexes, small-lot townhomes, and for-sale of Accessory Dwelling Units (ADUs) in all residential zones. Rather than a one-size-fits-all program, Missing Middle LA will offer a context-sensitive approach tailored to the unique policy priorities of Los Angeles. The program will be implemented through targeted zoning code amendments around small-scale homes, a Small Lot Subdivision Ordinance update, and Objective Design Standards.



## Did You Know?

69% of housing in LA's historic districts (HPOZs) are part of multi-unit development.



02

**GUIDE TO  
MISSING MIDDLE  
DEVELOPMENT**

The City's draft Missing Middle ordinance is going to enable Accessory Dwelling Unit and Junior Accessory Dwelling Units (ADU/JADU), Two-Unit Developments/Urban Lot Splits, and SHRA projects in the local Zoning Code, helping to streamline these housing types. This section walks readers through the different regulations that can help streamline low-rise development in the City of LA.

## 2.1 Accessory Dwelling Units

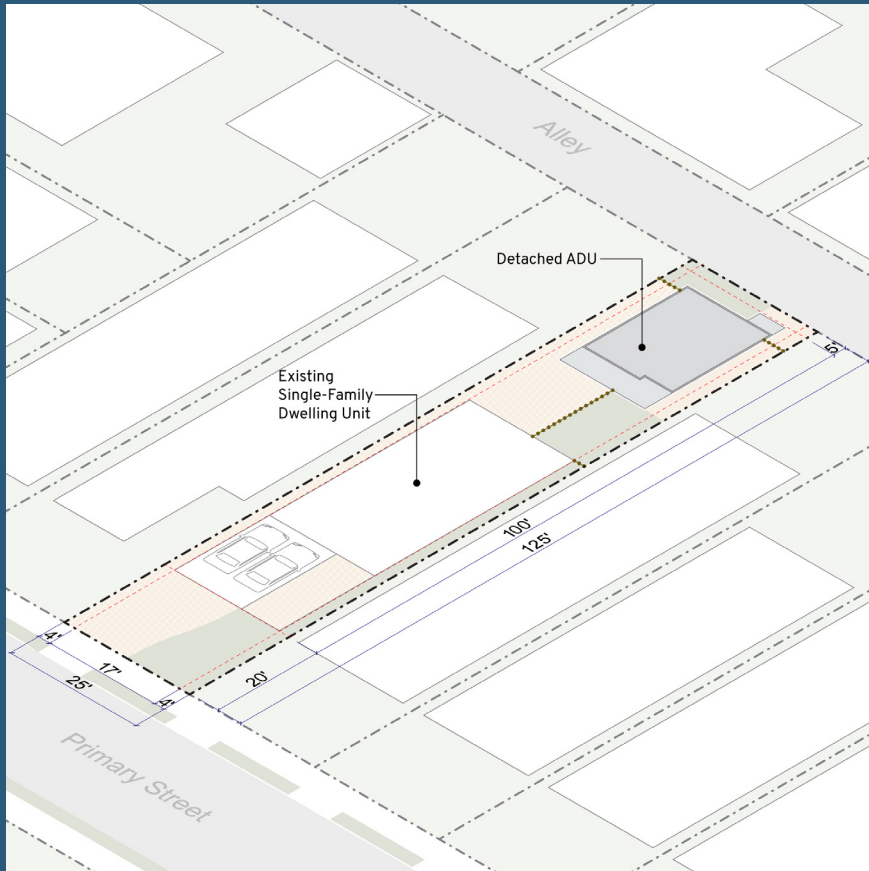
For projects building ADUs, applicants have the option of using the State law provisions, or utilizing the City's ADU Ordinance, passed in 2019. The ADU Ordinance will be updated again as part of the Missing Middle LA initiative.

### Could an ADU/JADU Be a Good Fit For Me?

An ADU/JADU is a great option for homeowners who want to add a small additional unit to their property. Homeowners often use ADUs for personal use, such as for multi-generational family members who would like to live closer to you or have their own place to stay when they visit. Some homeowners use their ADU as a financial benefit, either by renting it out for extra income or help with the mortgage, or to downsize into, allowing them to rent the main unit for a higher rent.



## What Could an ADU Look Like on my Lot?

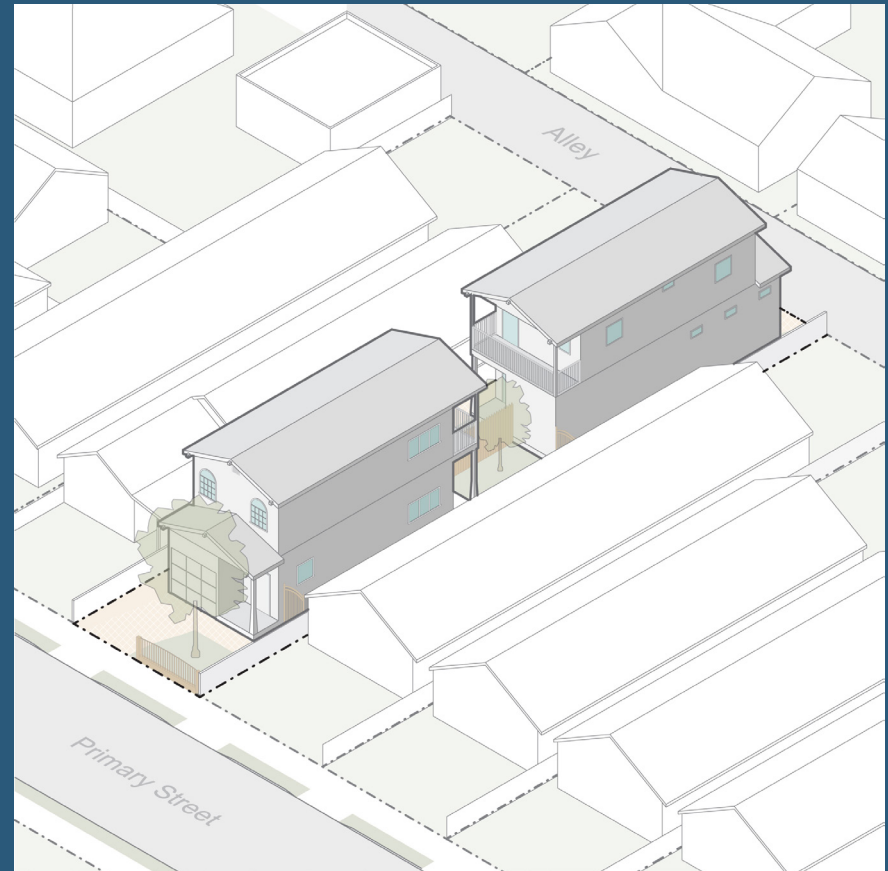
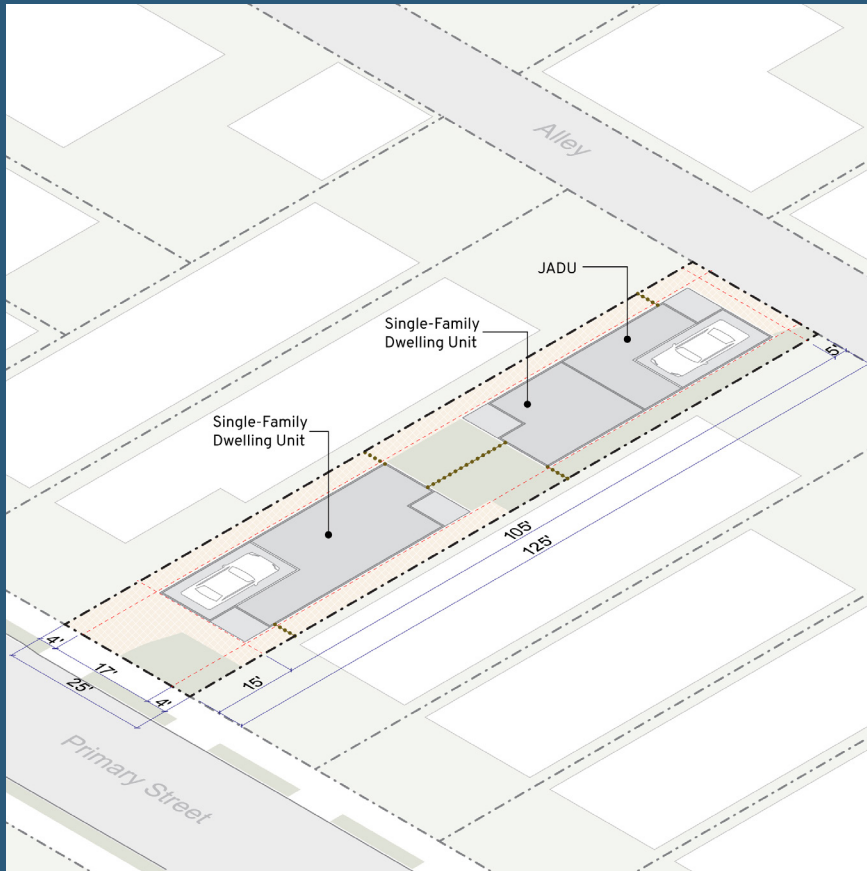


"We are getting older and can't travel as easily anymore. With the added living space from our new backyard ADU, our children can visit more easily and bring our grandkids to stay! If we know we won't be hosting for a few months, we rent out the unit for a month or more at a time."

- The Castillos



## What Could an ADU Look Like on my Lot?



“We bought this lot because it was in our dream neighborhood, but the house wasn’t our dream house. We decided to replace the existing home which needed costly repairs and build ourselves a new house with a JADU for our parents to stay in when they visit and help out with our kids. We added a unit in the front to rent out and help us afford our mortgage.”

- The Kims



## How Can I Build an ADU?

Your lot could be eligible for an ADU or a JADU if it meets the following qualifications:

- The main use on the lot is an existing or proposed single-family or multifamily dwelling unit; and

- There is enough space on the lot to accommodate both the primary residence and ADU/JADU, and to comply with parking, setback, height, and other building requirements.<sup>7</sup>

- The lot is not in both a Very High Fire Hazard Severity Zone and a Hillside Area, unless it meets a stated exception or additional requirements.<sup>8</sup>

<sup>7</sup> LA Family Builders. September 2024. The Complete Guide to ADU Regulations in Los Angeles. Available: <https://lafamilybuilders.com/the-complete-guide-to-adu-regulations-in-los-angeles/>. Accessed: November 19th, 2025.

<sup>8</sup> The ADU eligibility criteria for the Northeast Los Angeles Community Plan Area and the Silver Lake-Echo Park-Elysian Valley Community Plan Area are the following: The ADU has an approved automatic fire sprinkler system; one off-street parking space is provided for the ADU; and the lot fronts a street with an unobstructed roadway of 20 feet.

**Table 2-1: ADU and JADU Project Requirements**

Unit type		Required side and rear setbacks	Maximum unit size	Maximum height	Owner-occupancy	Entry	Parking
ADU	New, detached	4 feet min side and rear.	1,200 square feet per City Ordinance; 800 square feet per State law.	2 stories max, underlying zoning applies per City Ordinance;  16 feet; or if within ½ mi transit, 18 feet. Plus an additional 2 feet (total 20 feet), if roof pitch aligns with primary dwelling unit per State ADU.	Not required, owner does not need to occupy any dwelling on the lot.	Completely independent.	One space of automobile parking is required for new ADU construction both per City Ordinance and per State Law unless the ADU is located within ½ mi walking distance from a bus or rail stop, one block from a designated car share pickup or drop off location, within an applicable historic district.
	New, attached		On lots with existing dwellings, can be up to half the size of the existing dwelling.	Attached ADU/JADUs subject to underlying zoning height limits.			
	Conversion of accessory structure		—				
JADU		—	Max 500 square feet.		Owner must occupy either the single-family dwelling or the JADU.		

## Options to Consider

If your lot qualifies and your project can meet the requirements stated above, you have options for how to develop your ADU/JADU. ADUs can be within, attached to, or detached from the existing home. ADUs can be developed through:

- **Converting an accessory building such as a detached garage;**
- **Converting an area of the primary home;**
- **Building a new detached, independent structure, separated from the primary home and often placed in the backyard;**
- **Building a new unit sharing at least one wall with a garage or above the garage; or**
- **Building a unit sharing at least one wall with the primary home through a home addition.**

A JADU can only be built within a proposed or existing single-family home or accessory structure.<sup>9</sup> JADUs may include separate sanitation facilities or share them with the existing structure.<sup>10</sup>

9 Los Angeles ADU Accelerator Program. About ADUs. Available: <https://adu.lacity.gov/about-adus>. Accessed: November 19th, 2025.

10 Los Angeles Housing Department, 2025. Accessory Dwelling Unit. Available: <https://housing.lacity.gov/rental-property-owners/accessory-dwelling-unit>. Accessed: November 20th, 2025.

## How Many Units Can I Build?

If you're adding an ADU to a lot with a single-family residence, you can build one attached ADU, one detached ADU and one JADU, for a total of up to three units in addition to the single-family residence. For an existing multifamily building, you can build up to eight detached ADUs but not more than the number of existing units. Existing multi-family buildings can also convert non-livable space in the building as attached ADUs (up to 25 percent of the existing units).

## Can I Sell or Rent the New Units?

Both ADUs and JADUs can be rented for more than 30 days. JADUs cannot be sold separately from the existing or proposed dwelling unit on the same lot.<sup>11</sup> The Missing Middle LA initiative is working to update the City's Zoning Code to allow ADUs to be sold separately from the dwelling unit in accordance with AB 1033. At this time, ADUs cannot be sold separately.<sup>12</sup>

11 Los Angeles Municipal Code, February 2018. Small Lot Ordinance Amendment, Ordinance No. 185462. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/CodeAmendment/updated/OrdAmend.pdf>. Accessed: November 19th, 2025.

12 Los Angeles City Planning. Missing Middle LA. Available: <https://planning.lacity.gov/plans-policies/initiatives-policies/missing-middle-la>. Accessed: January 22, 2026.

## ADU Resources

[California Department of Housing and Community Development ADU Handbook](#)

[State ADU FAQs](#)

[Los Angeles City's Department of Building and Safety \(LADBS\) Accessory Dwelling Unit webpage](#)

[LA ADU Ordinance \(No. 186481\)](#)

[LA ADU Ordinance Implementation Memo and 2025 Revision](#)

[City of LA Department of Building and Safety's pre-approved ADU plans](#)

ADU Contractors: These design-build professionals assist homeowners with planning, permitting, and constructing ADUs on their properties. ADU contractors provide services that include site feasibility assessments, architectural and engineering design, permitting and plan check coordination with the Los Angeles City's Department of Building and Safety (LADBS), turnkey delivery, managing every step from design to final inspection, modular or prefabricated ADU installation, financing by coordinating with lenders or State programs.

## 2.2 Two-Unit Development/Lot Split

For Projects using Two-Unit Development/Lot Splits, applicants can use the State law provisions through SB 9. The Missing Middle LA project will update the City's Zoning Ordinance to include a streamlined path for Two-Unit Developments/Lot Splits.

### Could a Two-Unit Development/Lot Split Be a Good Fit for Me?

Lot Split and Two-Unit Developments are both regulated by SB 9. A Lot Split subdivides an existing single-family lot into two individual lots without having to meet the minimum lot size required by the underlying zone. A Two-Unit Development consists of two primary dwelling units on single-family lots.<sup>13</sup>

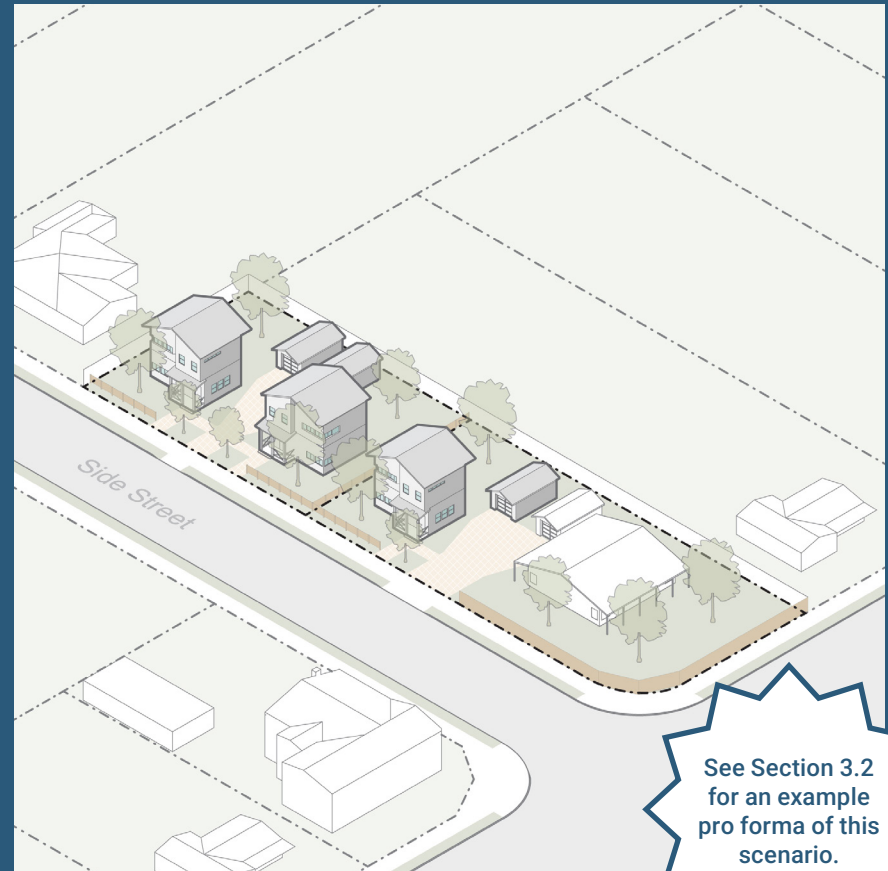
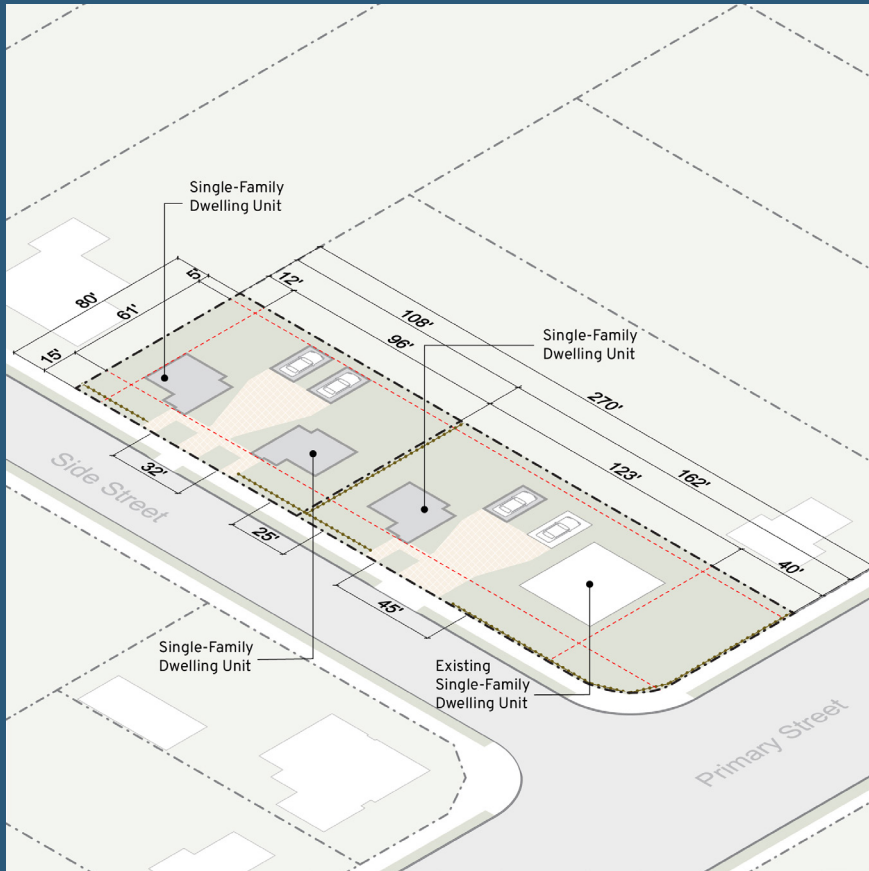
<sup>13</sup> Los Angeles City Planning. Senate Bill 9. Available: <https://planning.lacity.gov/project-review/senate-bill-9/about>. Accessed: November 19th, 2025.



A Two-Unit Development or Lot Split project gives homeowners the option to add up to four units to a single family lot. If you have a large lot and you want to make a large lump sum of money but stay in your current home, you may want to divide your existing lot into two and sell one of them, either with or without one or two

new units on it. If you don't want to divide your lot, you could build an additional unit on your current lot to rent or host family. This option is similar to building an ADU, but may allow for a larger unit or more flexibility depending on your zoning.

# What Could a Two-Unit Development/Lot Split Project Look Like On My Lot?

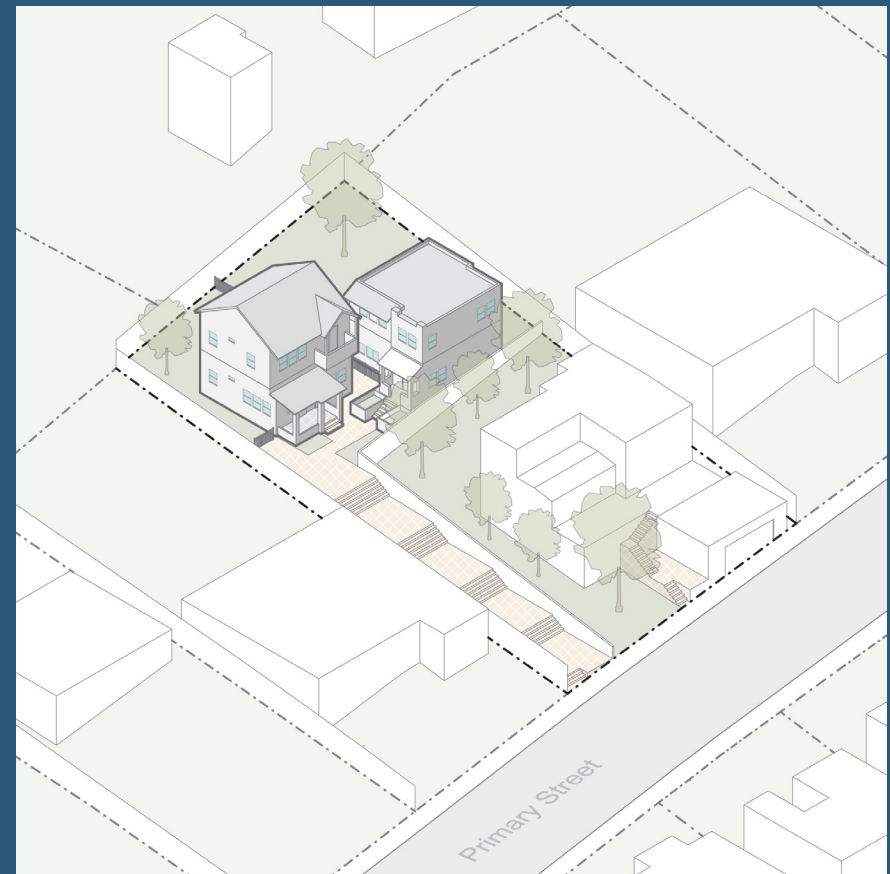
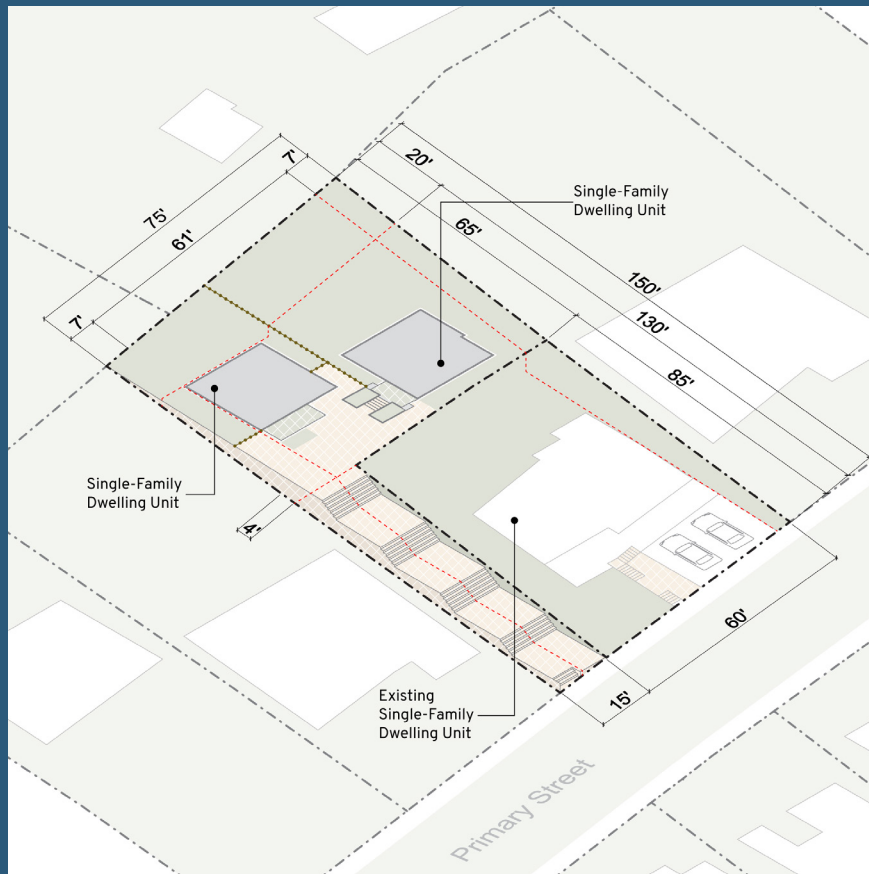


"We wanted to retire so we decided to invest in our property as a new source of income. Instead of the large backyard we almost never used, we decided to split our lot and build three new units. Our son and his kids live in one unit, and we rent the other two out to help retain and make improvements on the main house."

- The Millers



## What Could a Two-Unit Development/Lot Split Project Look Like On My Lot?



“My parents didn’t want to leave their home as they aged, but couldn’t manage the upkeep of the house. We split the lot and built two new units in the backyard for me and my sister. Now we can all be close to each other in the neighborhood we grew up in, and my sister and I can be there for our parents as they age.”

- Liza



## How Can I Build a Two-Unit Development/Lot Split Project?

Your lot could be eligible for a Two-Unit Development/Lot Split project if it meets the following qualifications:

- **The lot is in a single-family zone;**
- **There has not been a previous Urban Lot Split on the property or adjacent parcels split by the same property owner or another acting in concert;<sup>14</sup>**
- **The property is not improved with a designated historic resource and the project would not result in the demolition or alteration of contributing structures to a Historic Preservation Overlay Zone (HPOZ);**
- **The lot is not within the boundaries of wetlands, hazardous waste sites, floodways, conservation areas, or habitat areas for certain species; and**
- **The lot is not in the area affected by the Palisades Fire.<sup>15</sup>**

If the lot is in a Very High Fire Hazard Severity Zone, an Earthquake Fault Zone, and/or a special flood hazard area, it needs to meet criteria established in Government Code Section 65913.4. If the property is in a Coastal Zone, a Coastal Development Permit is also required.

<sup>14</sup> Ibid.

<sup>15</sup> Mayor Karen Bass. July 30, 2025. Emergency Executive Order No. 9. Available: <https://mayor.lacity.gov/news/mayor-bass-issues-emergency-executive-order-prohibit-sb-9-applications-within-palisades-burn>. Accessed: January 27th, 2026.

**Table 2-2: Two-Unit Development/Lot Split Project Requirements**

Unit type	Required side and rear setbacks	Parcel size	Maximum height	Owner-occupancy	Parking
Lot Split	4 feet min side and rear.	Resulting lots cannot be smaller than 40 percent of original lot area and both new lots must be at least 1,200 square feet.	Underlying zoning applies.	Owner must occupy either the proposed or existing single-family dwelling or the JADU for at least three years from the date of map approval.	One covered parking space per existing and new unit. However, no parking requirements are imposed if a site meets the parking exemption criteria, which includes being within ½ mile walking distance of a High-Quality Transit Corridor, Major Transit Stop or car share vehicle drop off or pick up location. If the construction of an SB 9 project removes parking from a tenant, the RSO requires a reduction in rent as the housing service provided is reduced or removed.
Two-Unit Development		—		Not required, owner does not need to occupy any dwelling on the lot.	

## Options to Consider

### How Many Units Can I Build?

If both the Lot Split and Two-Unit Development options are utilized on a single-family lot, this could result in up to four total housing units. Including ADUs and JADUs, the total count of units per lot may not exceed two units.

### Can I Remove the Existing Structure?

Under SB 9, homeowners can keep their existing dwelling unit or choose to remove their existing unit and start over on the lot. SB 9 projects may not alter or demolish Affordable Housing, Tenant Occupied Housing, or units subject to the Rent Stabilization Ordinance (RSO) included on the property. More information on RSO project requirements is available on the Los Angeles Housing Department's website.<sup>16</sup>

<sup>16</sup> Los Angeles Housing Department. Accessory Dwelling Unit. Available: <https://housing.lacity.gov/rental-property-owners/accessory-dwelling-unit>. Accessed January 26, 2026.

### Can I Rent or Sell the New Units?

Two-Unit Development/Lot Split projects can generally be rented or sold. Two-Unit projects without a lot split cannot be sold separately unless one is an ADU, pending the City's updated ADU ordinance. If one of the units is an ADU, it is subject to owner-occupancy requirements. If you are interested in development involving a lot split with more than two units, see Section 2.3 below to learn about Starter Home Revitalization Act and see if that may better suit your needs.

## Lot Split/Two-Unit Development Resources

[California Department of Housing and Community Development SB 9 Fact Sheet](#)

[LA City Planning's Senate Bill 9 webpage](#)

[LA City Planning's Fact Sheet: Frequently Asked Questions Related to Implementation of SB 9](#)



## 2.3 Starter Home Revitalization Act (SHRA)

For projects using the SHRA, applicants currently can go through State law for project development. The Missing Middle LA program will amend the Zoning Code to give homeowners the option of using the State law provisions, or utilizing a City incentive program that is currently in development, which would also apply additional design standards.

### Could a SHRA Project Be a Good Fit for Me?

SHRA projects can create up to 10 lots and up to 10 units total, excluding ADUs/JADUs (see footnote for clarifying information between single-family and multifamily zones).<sup>17</sup> SHRA applications can be focused just on the

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<sup>17</sup> Attached ADUs/JADUs are allowed with fee-simple projects in multifamily zones, but only JADUs are allowed in fee-simple projects in single-family zones.



division of land, but applicants are encouraged to seek concurrent approval of the housing development.<sup>18</sup>

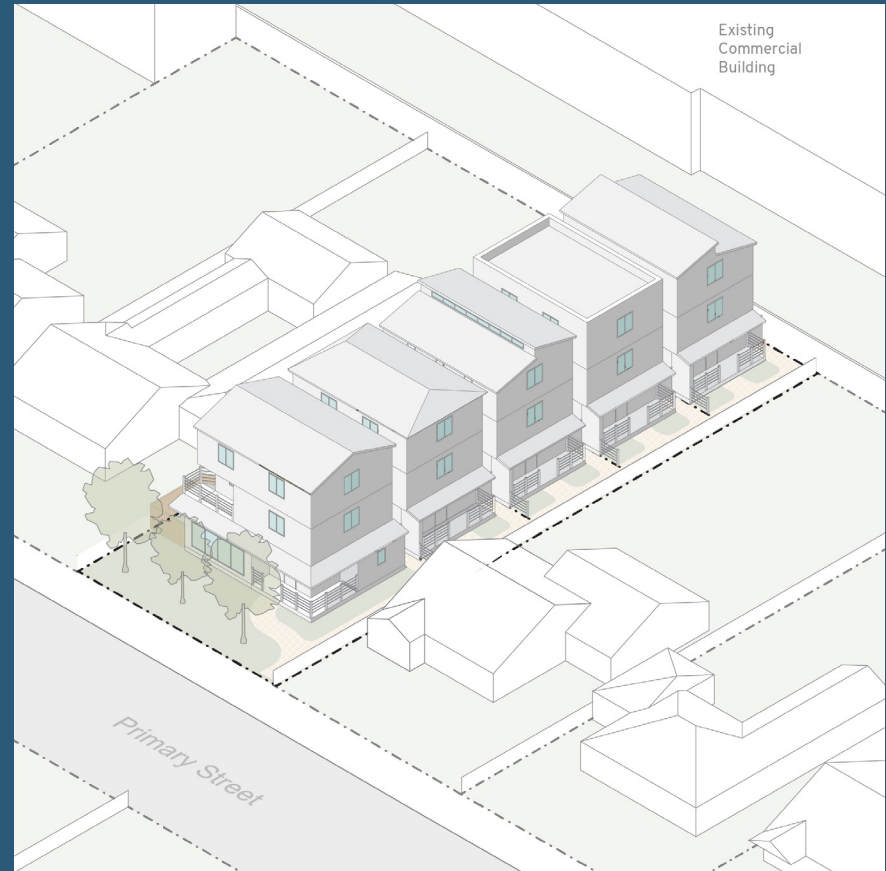
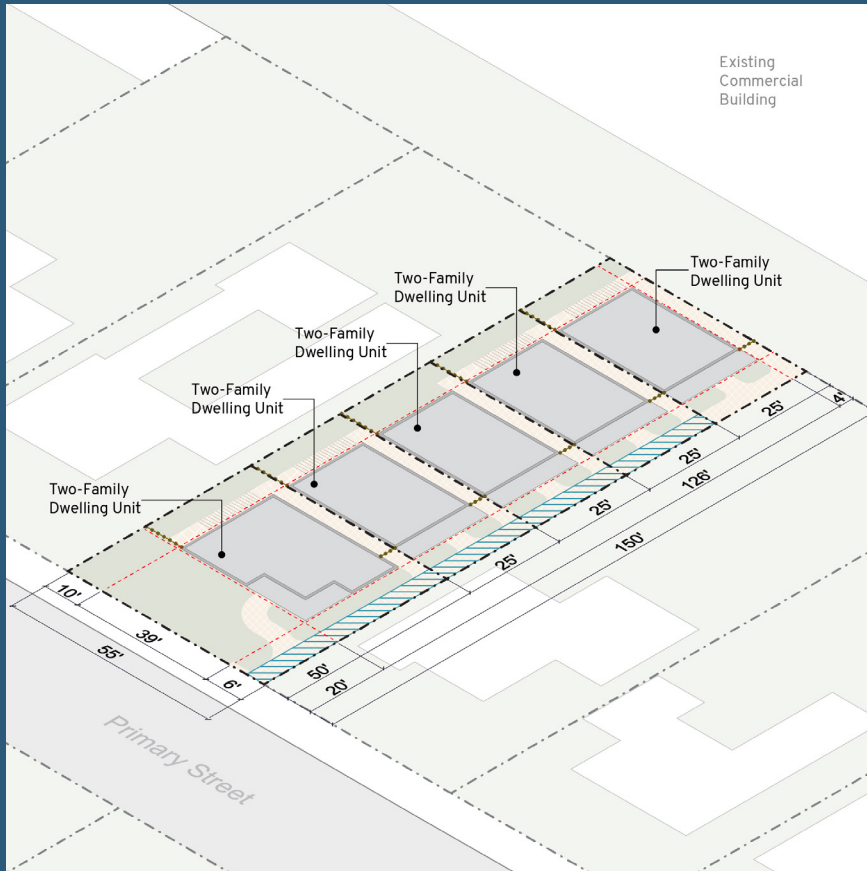
A SHRA project is an opportunity for a homeowner or a developer to add up to 10

units to a single-family or multifamily lot. Non-profit organizations that own land and are focused on provision of housing could build a SHRA project and sell or lease homes through a community land trust.

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<sup>18</sup> Los Angeles City Planning. SHRA/SB 684/1123. Available: <https://planning.lacity.gov/project-review/shra-senate-bill-684-1123>. Accessed: December 1st, 2025.

## What Could a SHRA Project Look Like On My Lot?

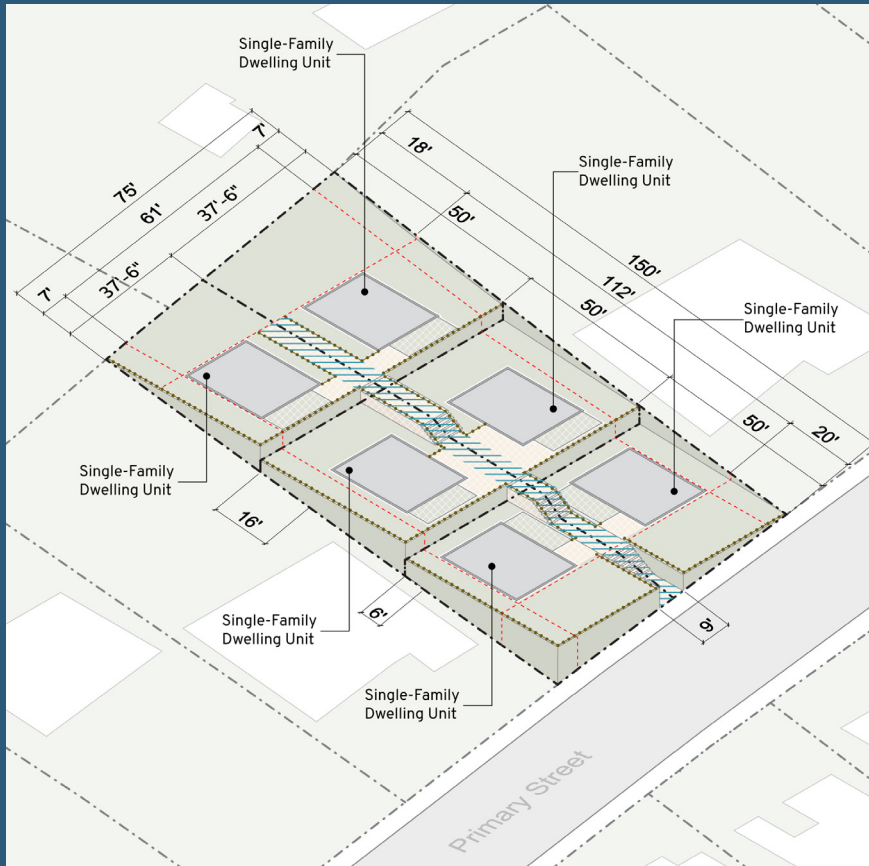


"I'm a developer committed to building housing that is affordable-by-design. Using the SHRA, I subdivided this single-family lot into five lots with a duplex on each lot. This site's proximity to the future Van Nuys light rail line means that no parking is required."

- Julian



## What Could a SHRA Project Look Like On My Lot?



“I’m a developer striving to increase housing options that can be affordable for more Angelenos. Using SHRA, I subdivided this single family lot into six lots with six small homes. This site’s proximity to transit means that no parking is required.”

- Sonya



## How Can I Build a SHRA Project?

Your lot could be eligible for a SHRA project if it meets the following qualifications:

- The lot is zoned for multifamily residential uses; or
- The lot is vacant and zoned for single-family residential development; or
- The lot is smaller than five acres in multifamily zones or 1.5 acres when vacant and zoned for single-family; or
- The lot meets applicable standards for hazardous waste sites, special flood hazard areas and regulatory floodways, and earthquake fault zones;<sup>19</sup> and
- The lot is not in a Very High Fire Hazard Severity Zone or other areas identified for conservation or as habitat for protected species, or land under a conservation easement.<sup>20,21</sup>

<sup>19</sup> City of Los Angeles Inter-Departmental Correspondence. Memo on Implementation of Starter Home Revitalization Act. October 28, 2025. Available: [https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB\\_684\\_1123\\_Memo\\_Update\\_ACP.pdf](https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB_684_1123_Memo_Update_ACP.pdf). Accessed: December 1st, 2025.

<sup>20</sup> Los Angeles City Planning. SHRA/SB 684/1123. Available: <https://planning.lacity.gov/project-review/shra-senate-bill-684-1123>. Accessed: December 1st, 2025.

<sup>21</sup> City of Los Angeles Inter-Departmental Correspondence. Memo on Implementation of Starter Home Revitalization Act. October 28, 2025. Available: [https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB\\_684\\_1123\\_Memo\\_Update\\_ACP.pdf](https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB_684_1123_Memo_Update_ACP.pdf). Accessed: December 1st, 2025.

**Table 2-3: SHRA Project Requirements**

Unit type	Required side and rear setbacks	Lot size	Minimum density	Average total floor space	Maximum height	Owner-occupancy	Landscaping and open space	Parking
SHRA Projects	4 feet	600 square feet min. in multifamily zones.  1,200 square feet min. in single-family zones.	If the lot is a Housing Element site, SHRA projects must result in at least the number of units projected for that lot, including any required lower-income units. If not a Housing Element site, SHRA projects must result in at least 20 dwelling units per acre.	1,750 net habitable square feet.	Underlying zoning applies.	Not required, owner does not need to occupy any dwelling on the lot.	Requirement for projects with five or more units on a single newly created lot.  Generally, protected trees and shrubs may not be relocated or removed as part of a subdivision. However, a separate tree removal permit process, or if approved by the Advisory Agency for a 4:1 replacement for any removed protected tree or its relocation elsewhere can be possible, so long as removal is approved by StreetsLA.	One off-street parking space per unit or no parking is required if the site is near a qualifying transit stop or car share.

## Options to Consider

### Can I Rent or Sell the New Units?

SHRA units can be sold or rented. SHRA projects must be developed under one of the following ownership structures:

- **Fee simple ownership lots;**
- **Condominium units (condos);**
- **Housing cooperatives as defined in Civil Code Section 817;**
- **Community land trusts as defined under SHRA; and**
- **Tenancy-in-common arrangements consistent with Civil Code Section 685.**

SHRA projects cannot involve demolition or alteration of deed-restricted affordable housing, units subject to the RSO, or units that have been occupied by tenants within the past five years.<sup>22</sup>

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<sup>22</sup> Ibid.

### SHRA Resources

[LA SHRA Implementation Memo](#)

[LA City Planning's SHRA webpage](#)



## 2.4 Small Lot Subdivision Ordinance

The City's Small Lot Subdivision Ordinance allows infill single-family homes on small lots within multifamily and commercial zones. Small Lot Subdivision projects are regulated by specific Small Lot Design Standards, and can include ADUs and commercial components. The Small Lot Subdivision Ordinance served as a model for the development of SHRA.

### Could a Small-Lot Subdivision Project Be A Good Fit for Me?

Projects under the Small Lot Subdivision Ordinance are similar to SHRA developments and Two-Unit Developments/Lot Splits in that they all allow for lot splits and the construction of multiple housing units. However, projects developed under the current Small Lot Subdivision Ordinance are only possible in multifamily or commercial zones

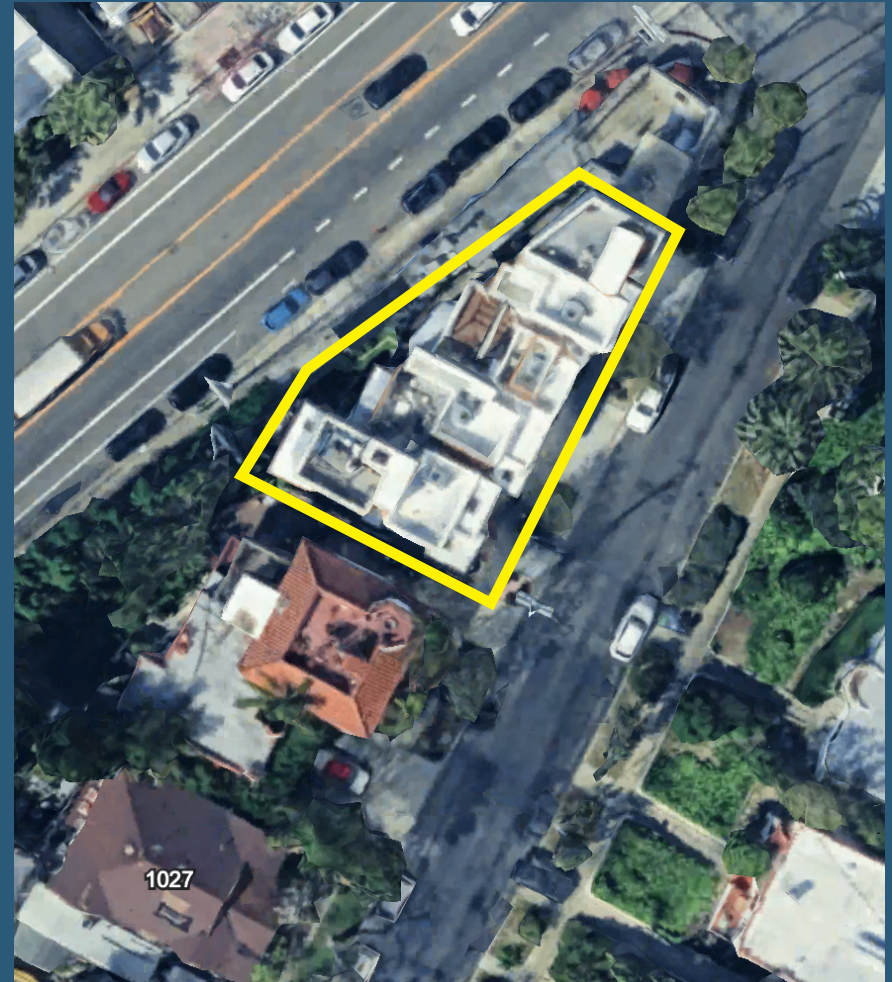


and are limited to fee-simple ownership. By comparison, SHRA projects can be developed on single-family or multifamily zones, and have ownership options other than fee-simple ownership such as condos. Two-Unit Development/Lot Split projects cannot build

as many units as SHRA or the Small Lot Subdivision Ordinance, and are only eligible in single-family zones. For more information on Two-Unit Development/Lot Split and SHRA projects, see Sections 2.2 and 2.3, respectively.

## What Could a Small-Lot Subdivision Project Look Like On My Lot?

The example below represents possible options for small-lot developments.



### 1043 North Manzanita Street

A four-unit development in Silverlake, built on an odd-shaped sloped lot. This project was completed in 2018.

## What Could a Small-Lot Subdivision Project Look Like On My Lot?

The example below represents possible options for small-lot developments.



### 848 North Detroit Street

A ten-unit small lot development in Hollywood, completed in 2021.

## Can I Build a Small-Lot Subdivision Project?

Your lot could be eligible for a small-lot subdivision if the lot is within a multifamily or commercial zone.<sup>23</sup>

<sup>23</sup> Los Angeles Municipal Code, February 2018. Small Lot Ordinance Amendment, Ordinance No. 185462. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/CodeAmendment/updated/OrdAmend.pdf>. Accessed: November 19th, 2025.

## Project Requirements

Currently, small-lot structures can occupy up to 75 percent of the lot area. For larger small-lot projects with 20 or more homes, common open space—at least 30 square feet per unit – must be provided within the subdivision.<sup>24</sup>

<sup>24</sup> Los Angeles City Planning, July 2018. Small Lot Subdivisions Frequently Asked Questions. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/FAQs.pdf>. Accessed: December 2nd, 2025.

Fences and walls surrounding the subdivision perimeter and adjacent to a public right-of-way are limited to a height of 3 ½ feet, except when adjacent to an alley.<sup>25</sup>

## Options to Consider

The Small Lot Subdivision Ordinance applies to existing and new developments in multifamily residential and commercial zones. Under the

<sup>25</sup> Ibid.

**Table 2-4: Small Lot Subdivision Ordinance Project Requirements**

Unit type	Setbacks	Minimum lot width	Minimum lot area	Lot area coverage	Maximum height and density	Density	Open space	Parking
Small-Lot Subdivision	Do not apply between interior lot lines within an approved small-lot subdivision. When projects share a property line with an R1 or more restrictive single-family zone, front, side, and rear yards must match the underlying zone for the subdivision perimeter. In all other cases, the rear lot line of the perimeter of a Small-lot subdivision should be a minimum of 10 feet, unless abutting an alley, then the minimum is five feet. In all cases, the small-lot subdivision's perimeter shall have a five-foot minimum for side lot lines and yards for front lot lines shall match the underlying zone.	18 feet	600 square feet	75 percent maximum.  Can be exceeded with a 25 percent open space easement equivalent to the lot area not meeting the requirement.	Underlying zoning applies.  Additional requests can increase the height and density of small-lot subdivisions.  Permitted density of a small-lot subdivision can only be increased where the request accompanies a zone change or density bonus request.	None	Twenty or more new small-lot homes are required to provide common open space at a ratio of 30 square feet of open space per unit.	Guest parking is required for all small-lot subdivisions with eight or more dwelling units, at a ratio of 0.25 spaces per dwelling unit.  Existing dwelling units preserved through the Small Lot Subdivision Ordinance Amendment are exempt from this calculation.

Ordinance, one lot can be subdivided into multiple small lots as long as it is compatible with the underlying zoning and the Small Lot Design Standards.<sup>26</sup>

The Ordinance also allows for the conversion of existing group dwellings, bungalow courts, and detached single, duplex, and triplex structures 45 years or older to be converted from rental units on a single shared lot into small lot ownership units. LA City Planning's Small Lot Design Standards provide design guidance for both new and existing structures. Existing dwellings need to provide the existing

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26 Los Angeles Municipal Code, February 2018. Small Lot Ordinance Amendment, Ordinance No. 185462. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/CodeAmendment/updated/OrdAmend.pdf>. Accessed: November 19th, 2025.

level of parking but new parking is not required.<sup>27</sup>

The Small Lot Subdivision Ordinance also allows ADUs and mixed-use small-lots to be created.<sup>28</sup>

### Can I Rent or Sell the New Units?

Both new and existing dwellings created under the Small Lot Subdivision Ordinance can be rented or sold as fee-simple homes.<sup>29</sup>

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27 Ibid.

28 Los Angeles City Planning, July 2018. Small Lot Subdivisions Frequently Asked Questions. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/FAQs.pdf>. Accessed: December 2nd, 2025.

29 Ibid.

## Small Lot Subdivision Ordinance Resources

[LA Small Lot Subdivision Frequently Asked Questions](#)

[LA City Planning's Small Lot Design Standards](#)

[LA City Planning's Small Lot Map Standards](#)



# Did You Know?

Homeownership among younger people in LA is the lowest rate in the US. LA has not been adding much owner-occupied housing, and most housing is either small (one unit) or very large (50 or more units).



## 2.5 Summary

Missing Middle housing comes in many forms. Finding the right one for you depends on your lot's characteristics and your intended goals. Read below for information on the ideal candidate for each pathway.



### ADUs/JADUs

**Ideal candidate:** Those with a lot in a residential zone that have extra space and want to develop it for multi-generational family members or renters. Compared to the other Missing Middle housing options in this guide, this option has the most flexible lot eligibility for single-family property owners, and allows multifamily property owners to boost their number of units as well. If you have a more unique lot and flexible eligibility is supportive, and you do not mind living on the lot, this is a good option.

*Interested in building ADUs/JADUs? See Section 2.1 for more information on lot and project requirements. Then continue to Sections 3.1-3.3 to learn more about financial considerations, and Section 3.4 for a step-by-step guide to help inform your decision.*



### Lot Split/Two-Unit Development

**Ideal candidate:** Those with a lot in a single-family zone not in a historic or environmentally sensitive zone or the boundaries of the Palisades Fire that have extra space and want to develop it for multi-generational family members or renters. Alternatively, if you have unused space on the lot and do not wish to use it in the future, you can split your lot and sell off a portion of the land. Compared to the other Missing Middle housing options in this guide, this option provides single-family dwelling homeowners with more housing typology options and a way to build up to four units while avoiding the owner-occupancy requirement attached to JADUs. If your lot qualifies and you want to have flexibility in what you build beyond ADUs/JADUs, or want an option to financially maximize your property but not deal with building, this is a good option.

*Interested in building a Two-Unit Development and/or undergoing a Lot Split? See Section 2.2 for more information on lot and project requirements. Then continue to Sections 3.1-3.3 to learn more about financial considerations, and Section 3.4 for a step-by-step guide to help inform your decision.*



## Starter Home Revitalization Act (SHRA)

**Ideal candidate:** Those with 1) a vacant lot under 1.5 acres in a single-family zone surrounded by qualifying urban uses or 2) multifamily lot five acres or smaller and not within a Very High Fire Hazard Severity Zone or habitat or conservation areas that want to build more units than allowed under ADUs/JADUs alone and Lot Split/Two-Unit Development projects. Compared to the other Missing Middle housing options in this guide, this option provides owners of multifamily or vacant single-family properties a way to develop a higher number of units than the other options and with the most flexibility in ownership types. If you want to develop up to 10-11 units, this is a good option.

*Interested in building an SHRA project? See Section 2.3 for more information on lot and project requirements. Then continue to Sections 3.1-3.3 to learn more about financial considerations, and Section 3.4 for a step-by-step guide to help inform your decision.*



## Small Lot Subdivision Ordinance

**Ideal candidate:** Those with a lot in a multifamily or commercial zone looking to convert existing group dwellings, bungalow courts, detached single, duplex, triplex structures 45 years or older or build small-lots with up to three dwelling units and would not like to be a landlord. Compared to the other Missing Middle housing options in this guide, this option provides owners of multifamily or commercial properties with options to build single, duplex, or triplex housing units, and flexibility to add ADUs or mixed-use elements to the property. The only ownership option is fee-simple ownership. If you own a lot with existing group dwellings, bungalow courts, detached single, duplex, or triplex structures and are looking to no longer be a landlord, this is a good option to transition out and sell the lots/dwellings.

*Interested in building a Small Lot Subdivision? See Section 2.4 for more information on lot and project requirements. Then continue to Sections 3.1-3.3 to learn more about financial considerations, and Section 3.4 for a step-by-step guide to help inform your decision.*



03

**FINANCIAL  
CONSIDERATIONS**

## 3.1 Big Picture Considerations

Whether you're a homeowner or a developer, deciding if adding housing to a property makes financial sense comes down to a few key factors. Generally, success depends on your location, the current state of the property, and the total cost of construction versus the final value created.

Here is a breakdown of factors that contribute to financial viability of a project:



### To Demolish or Not?

It is almost always more affordable to keep the existing house and build around it. Tearing down a home in good or excellent condition would generally be too expensive to justify. However, demolition might make sense if:

- The lot is large enough to fit several new units.
- The current house is uninhabitable or requires upgrades that are cost-prohibitive.



### Size Matters

Building smaller units (800 to 1,200 square feet) is often the smartest financial move. Smaller homes can be built more affordably and easier to sell or rent, especially in neighborhoods where property values are more modest. They are also more accessible for renters or first-time homebuyers.



### Location and Market Value

Projects are more feasible in areas where new units will have higher sale prices and rental values. You can identify your own market value by looking at sale prices and rental values through tools like [Zillow](#) or [Redfin](#).



### Strength in Numbers

Projects that incorporate a greater number of units benefit from economies of scale in permitting/entitlement, construction, and marketing. In general, larger developments are more financially feasible in areas with higher sales price and rental values.

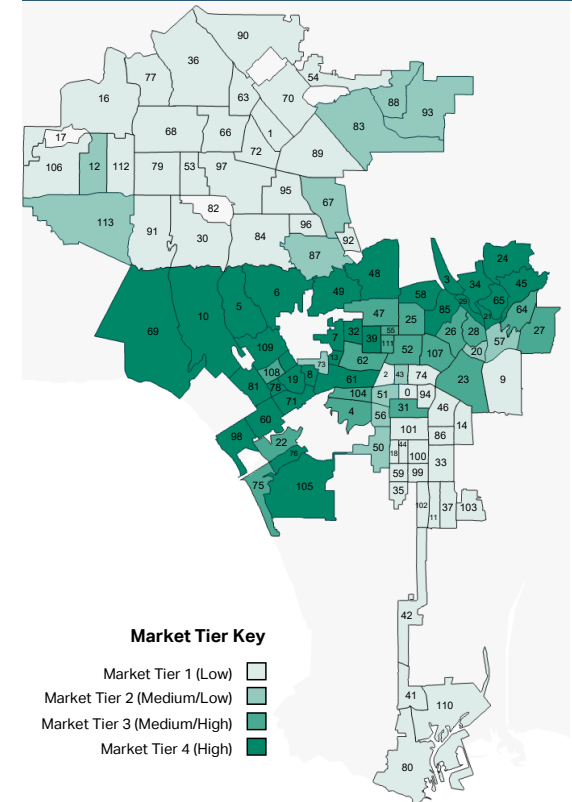
## 3.2 Financial Calculation Example

The following pages present an example financial assessment, often called a pro forma, for one Missing Middle infill housing project. The project analyzed below imagines a lot split and two-unit development on a large (21,600 square feet) corner lot with an existing 1,275 square foot single-family unit that remains on the lot. The owner of the original lot conducts a lot split under SB 9 and creates a second 8,640 square foot lot. The original owner develops one new 1,000 square foot two-bedroom unit on the lot with the existing home. The new (second) lot is then developed with two new single-family housing units with 1,000 square feet each. It is assumed that each 1,000 square foot unit contains two bedrooms. The financial analysis assumes that one of the new units is sold and the other two are renter-occupied. Each unit has a dedicated 1-car detached garage.

The pro forma looks at the project feasibility in each of the market tiers shown in **Figure 3-1**.<sup>30</sup> The financial analysis of this scenario is favorable in all market tiers. Because the lot was so large to begin with, there is no significant loss of value from the lot split. Additionally, keeping the new units small minimizes construction costs. Maintaining the existing home also improves the financial feasibility of the project. Removing the existing unit would reduce the property value and incur demolition costs, and any new unit that was built to replace it would have to replace that value while also covering all project costs.

<sup>30</sup> These tiers were determined based on a composite score of rent and sale projects to understand neighborhood market strength as part of the Market & Economic Study for Density Bonus Ordinance Update and RHNA Rezoning Program, dated June 28, 2024, prepared by AECOM for the City (AECOM Study), available here: <https://planning.lacity.gov/odocument/3fc1d80b-37c6-4865-a8f0-1cad869ce90f/APPENDIX%203%20-%20Economic%20Analysis%20and%20Market%20Study%20.pdf>

**Figure 3-1: Los Angeles Market Tiers**



## Example Pro Forma: Project Description and Estimated Project Costs

Option 1
Lot Split + <u>Retain</u> Existing Single-Family Home + Add New Unit to Original Lot
<i>utilizes existing zoning and SB 9</i>

	Existing Unit	New Units
<b>I. Project Description</b>		
A. Units	1 Unit	3 Units
B. Number of Lots	1 Lot	1 Lot
C. Unit Type	Single-Family	Single-Family
D. <u>Unit Sizes</u>		
Unit 1 SF	1,275 SF	1,000 SF
Unit 2 SF	--- SF	1,000 SF
Unit 3 SF	--- SF	1,000 SF <sup>(1)</sup>
E. Total Building Area	1,275 SF	3,000 SF
F. Bedrooms	3 Beds	2 Beds
G. Stories	1 Story	2 Stories
H. Parking Type	Detached Garage	Detached Garage
I. Tenure	Retain as Ownership	For-Sale & Rental
	New Unit Added as Rental	

<b>II. Estimated Project Costs</b>	<u>Total Costs</u>	<u>Per SF</u>
A. Demolition <i>(of existing unit, if applicable)</i>	\$0	\$0
B. Direct Costs <sup>(2)</sup>	\$975,000	\$325
C. Lot Split Costs <sup>(3)</sup>	\$10,000	\$3
D. Permits and Fees <sup>(3)</sup>	\$111,000	\$37
E. Indirect / Financing Costs <sup>(4)</sup>	<u>\$244,000</u>	<u>\$81</u>
<b>F. Total Project Costs</b>	<b>\$1,340,000</b>	<b>\$447</b>
<b>Costs Per Unit</b>	<b>\$447,000</b>	

(1) Reflects new unit to be built on the original lot.

(2) Includes on-site improvements, building construction, and contingency.

(3) Pending City review.

(4) Assumes 25% of direct costs. Indirects include architecture and engineering; legal and accounting; taxes and insurance; developer fee; marketing/sales/lease-up; and contingency.

Prepared by: Keyser Marston Associates, Inc.



## Example Pro Forma: Net Benefit (Shortfall)

<b>LARGE CORNER LOT</b>				
<b>Option 1</b>				
Lot Split + Retain Existing Single-Family Home + Add New Unit to Original Lot				
<i>utilizes existing zoning and SB 9</i>				
	Low Market Tier	Medium/Low Market Tier	Medium/High Market Tier	High Market Tier
<b>I. Total Value Realized from New Units</b>				
A. Total Sales Proceeds from For-Sale Unit(s)	\$633,000	\$658,000	\$708,000	\$783,000
B. Value of Income from Rental Unit(s)	<u>\$1,116,000</u>	<u>\$1,240,000</u>	<u>\$1,493,000</u>	<u>\$1,851,000</u>
C. Total Value Realized from New Units	\$1,749,000	\$1,898,000	\$2,201,000	\$2,634,000
D. (Less) Project Costs	<u>(\$1,340,000)</u>	<u>(\$1,340,000)</u>	<u>(\$1,340,000)</u>	<u>(\$1,340,000)</u>
<b>II. Value to Property Owner from New Units</b>	\$409,000	\$558,000	\$861,000	\$1,294,000
<b>III. (Less) Potential Loss in Value Due to Lot Reduction</b>				
Existing Home Value	\$675,000	\$788,000	\$863,000	\$900,000
Potential Loss in Value	20.0%	20.0%	20.0%	20.0%
Total Loss in Value	(\$135,000) <sup>(1)</sup>	(\$158,000) <sup>(2)</sup>	(\$173,000) <sup>(3)</sup>	(\$180,000) <sup>(4)</sup>
<b>IV. Net Benefit/(Shortfall)</b>	<b>\$274,000</b>	<b>\$400,000</b>	<b>\$688,000</b>	<b>\$1,114,000</b>
<b>Net Benefit/(Shortfall) as % of Loss in Value Due to Lot Reduction</b>	<b>203%</b>	<b>253%</b>	<b>398%</b>	<b>619%</b>

(1) Reflects loss in value from the assumed market value of \$675,000 of a three bedroom existing home, based on AECOM Study, adjusted for large lot size and escalation through 2025.

(2) Reflects loss in value from the assumed market value of \$788,000 of a three bedroom existing home, based on AECOM Study, adjusted for large lot size and escalation through 2025.

(3) Reflects loss in value from the assumed market value of \$863,000 of a three bedroom existing home, based on AECOM Study, adjusted for large lot size and escalation through 2025.

(4) Reflects loss in value from the assumed market value of \$900,000 of a three bedroom existing home, based on AECOM Study, adjusted for large lot size and escalation through 2025.

Prepared by: Keyser Marston Associates, Inc.



## 3.3 Financial Options for Missing Middle Development

The following section outlines potential financing tools suitable for small-scale housing development by homeowners. The goal is to expand access to funding for homeowners interested in creating new Missing Middle housing units by leveraging a range of private, public, and community-based financing mechanisms.

### Private Financing

**Table 3-1** presents a summary of key advantages and disadvantages of potential private/conventional funding sources.

**Table 3-1: Private/Conventional Financing Tools**

Financing Tool	Key Requirements	Description	Key Advantages	Key Disadvantages
Home Equity Line of Credit (HELOC)	<p>Varies by lender, but generally:</p> <ul style="list-style-type: none"> <li>- A minimum of 15 percent to 20 percent equity in your home</li> <li>- Minimum credit score of 600</li> <li>- Low debt-to-income ratio</li> <li>- Homeowners insurance</li> </ul>	Acts as a revolving line of credit secured by the equity in the home. Homeowners can borrow as needed up to a set limit during a draw period, typically paying interest only on the amount used. After the draw period, the loan enters a repayment phase where both principal and interest are paid.	<ul style="list-style-type: none"> <li>- Funds can be accessed as needed which allows flexibility during construction period</li> <li>- Funds are received prior to construction</li> </ul>	<ul style="list-style-type: none"> <li>- Variable interest rates can rise depending on current market</li> <li>- Results in a new payment to borrower</li> <li>- Uses property as collateral, risk of foreclosure if in default</li> </ul>
Home Equity Loan		Provides a lump-sum loan secured by the home's equity, repaid in fixed monthly payments over a set term.		<ul style="list-style-type: none"> <li>- Reduces available equity and borrowing flexibility</li> <li>- Results in a new payment to borrower</li> <li>- Uses property as collateral, risk of foreclosure if in default</li> </ul>
Cash-Out Refinance	Similar requirements as above, as well as typically requiring you to have owned the home for at least six months.	Replaces the existing mortgage with a new, larger mortgage, giving the homeowner the difference in cash to use for construction or other expenses.	<ul style="list-style-type: none"> <li>- Funds are received prior to construction</li> <li>- Interest rates are lower than HELOCs or Home Equity Loans</li> <li>- Results in a single payment to lender (one loan)</li> </ul>	<ul style="list-style-type: none"> <li>- Requires upfront funds for closing costs</li> <li>- Uses property as collateral, risk of foreclosure if in default</li> </ul>
Private Construction Loan	Similar requirements as above, as well as an appraisal of the property, a detailed plan and purchase contract for your construction project, and you must work with an established builder.	Short-term loan used to finance the building or renovation of a property. These loans are usually secured by the property and disbursed in stages as construction progresses.	<ul style="list-style-type: none"> <li>- Designed specifically for new construction projects</li> <li>- Interest is only charged on fund disbursements (draws), not the fully approved amount</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates are typically higher than conventional bank loans</li> <li>- Short term for repayment of loan</li> </ul>
Unsecured Personal Loan	Generally higher credit scores, income stability, and debt-to-income ratio can help with qualifying.	A loan not backed by collateral, instead relying on the borrower's creditworthiness and income.	<ul style="list-style-type: none"> <li>- Does not use property as collateral</li> </ul>	<ul style="list-style-type: none"> <li>- Interest rates are higher than mortgage or equity-based loans</li> <li>- Not secured by lien on property</li> </ul>

## Public Financing

**Table 3-2** below presents a summary of the key advantages and disadvantages of potential public financing tools.

**Table 3-2: Public Financing Tools**

Financing Tool	Key Requirements	Description	Key Advantages	Key Disadvantages
<a href="#">Freddie Mac CHOICE Renovation Loan</a>	Minimum credit score of 620 to qualify for a loan	Mortgage that allows homeowners or small developers to finance both the purchase (or refinance) of a property and the cost of renovations in a single loan.	<ul style="list-style-type: none"> <li>- Low down payment required</li> <li>- Lower underwriting standards than conventional financing to qualify, including lower credit scores and debt to income ratios</li> </ul>	<ul style="list-style-type: none"> <li>- Private Mortgage Insurance (PMI) required for duration until loan reaches 80 percent loan-to-value</li> <li>- Interest rates are typically higher than conventional bank loans</li> </ul>
<a href="#">Fannie Mae HomeStyle Renovation</a>	Minimum credit score of 620, and a debt-to-income ratio under 45 percent meaning that your monthly debts don't add up to more than 45 percent of your pre-tax income.	Conventional mortgage that allows financing of home purchase or refinance plus renovation costs for various property types.	<ul style="list-style-type: none"> <li>- Low down payment required</li> <li>- Lower underwriting standards than conventional financing to qualify, including lower credit scores and debt to income ratios</li> </ul>	<ul style="list-style-type: none"> <li>- PMI required for duration until loan reaches 80 percent loan-to-value</li> <li>- Interest rates are typically higher than conventional bank loans</li> </ul>
<a href="#">Federal Housing Administration (FHA) 203(K) Rehabilitation Mortgage Loan</a>	Minimum credit score of 580 to qualify.	Government-backed loan insured by the FHA that allows home purchase or refinance plus rehabilitation of the property.	<ul style="list-style-type: none"> <li>- Loan is backed by the FHA, reducing lender risk</li> <li>- Low down payment required</li> <li>- Lower underwriting standards than conventional financing to qualify, including lower credit scores and debt to income ratios</li> </ul>	<ul style="list-style-type: none"> <li>- Mortgage Insurance Premium (MIP) required for duration of loan</li> <li>- Restrictive FHA property standards</li> <li>- Interest rates are typically higher than conventional bank loans</li> </ul>
<a href="#">CalHFA First Mortgage Program</a>	Must be within the LA County-specific income limit. In 2025, the limit was \$211,000.	Conventional mortgage program for homeowners or homebuyers to finance the purchase or refinance of a primary residence, sometimes in combination with ADU add-on or renovation programs.	<ul style="list-style-type: none"> <li>- Can be combined with the CalHFA ADU Grant Program</li> <li>- Low downpayment required</li> <li>- Eligible to households earning at or below 80% AMI</li> </ul>	<ul style="list-style-type: none"> <li>- MIP required for duration of loan</li> <li>- Restrictive FHA property standards</li> <li>- CalHFA approved lenders often offer interest rates lower than conventional bank loans</li> </ul>

## Community Development Financial Institutions (CDFIs)

The following presents a summary of the key advantages and disadvantages of potential public financing tools.

In the context of Lot Split/Two-Unit Developments and SHRA projects, CDFIs are valuable for:

- **Expanding access to affordable capital for homeowners seeking to build additional units on their properties;**
- **Supporting reinvestment in neighborhoods that have experienced disinvestment or redlining; and**
- **Allowing banks to earn CRA credit while advancing local housing production and equity goals.**

There are several CDFI and local financing partners in the Los Angeles region available to homeowners, including, but not limited to:

- **Self Help Federal Credit Union – provides home improvement, ADU, and construction loans to individual homeowners and low/moderate income borrowers**
  - **Contact information: [Los Angeles branch](#), (213) 873-8459**
- **[University of Southern California \(USC\) Credit Union](#) – provides home refinancing, home equity loans, and HELOCs for home improvements and ADU construction.**
  - **Contact information: 1-877-670-5860 and <https://www.usccreditunion.org/contact-us/>**

## Summary

Determining whether you should add housing to your property requires consideration of big-picture decisions to provide context for building specific financial decisions. You should build an understanding of your area's rental and market value; whether you will be demolishing the property and starting from scratch, or building units around the existing house, which typically always makes more financial sense; and how many and how large of units you want to build, while keeping in mind that generally more units can maximize financial return, and smaller units are more approachable for renters and first-time homebuyers. Private and public financing have their own advantages and disadvantages, and typically require a minimum credit score. CDFIs, such as credit unions offer affordable capital to homeowners looking to add more units to their property.

Continue to Section 3.4 for a step-by-step guide to walk you through what you can fit and afford on your lot.





## Did You Know?

With a median home price in excess of \$1 million, homeownership is out of reach for most Angelenos. Only 36% of Angelenos own a home - one of the lowest rates in the US.

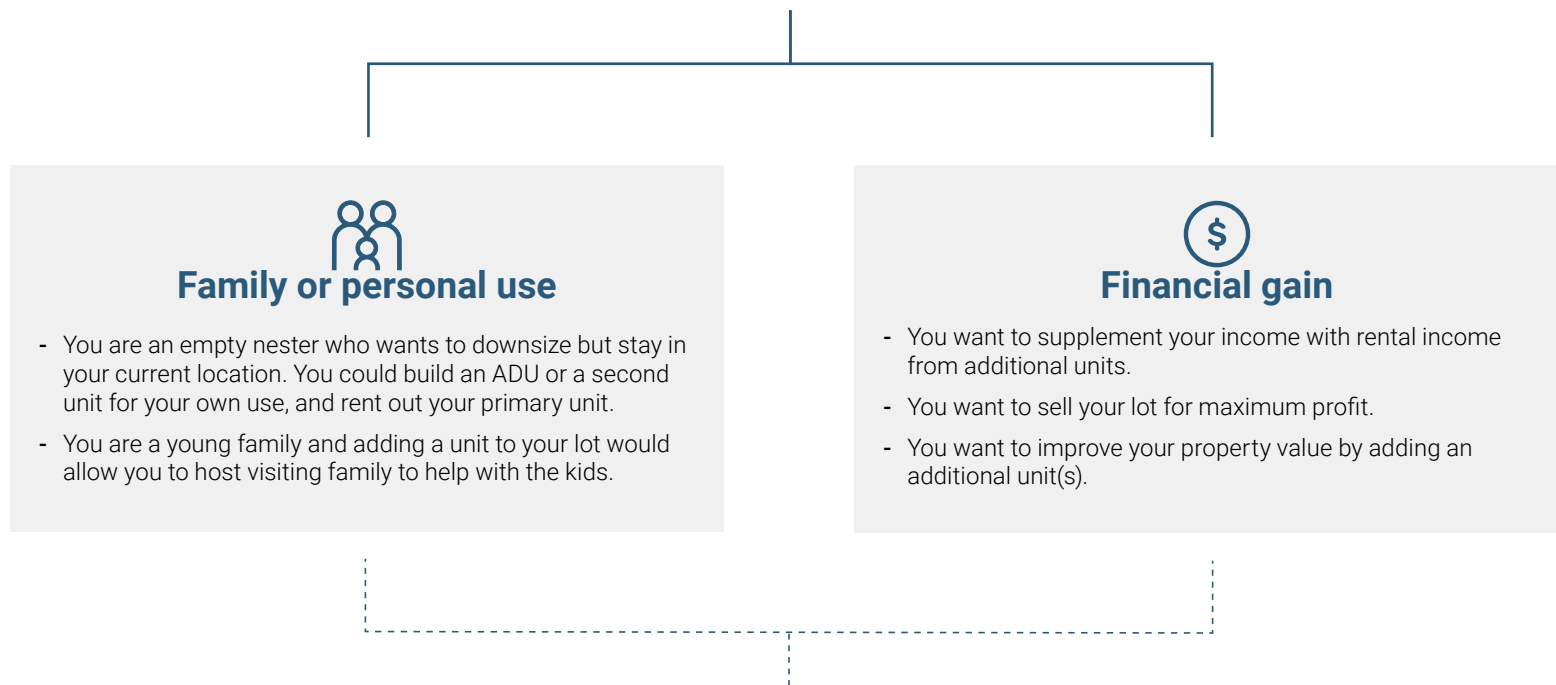
## 3.4 Homeowner Road Map

Follow the steps below to think through important financial and development considerations to decide what type of units to build on your lot.

### STEP 1

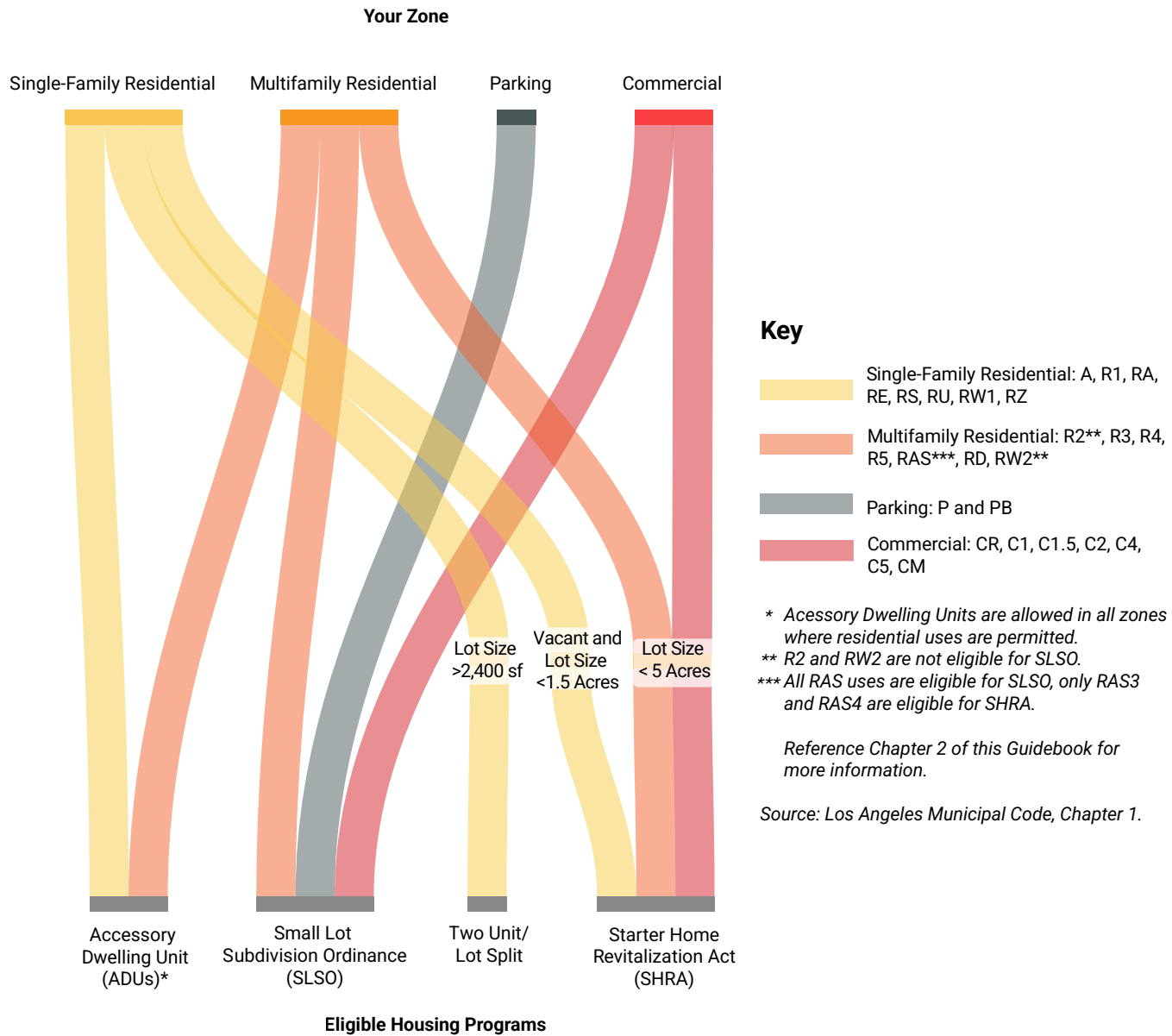
#### Why Are You Considering Missing Middle Housing Programs?

*Think about why you want to add units to your lot. Below are some possible reasons to consider.*





Next, determine what housing programs your lot is eligible for by consulting the following diagram. For more details see **Table 3-3**.



**Table 3-3: Relevant State and City Regulations for Allowable Housing Development**

	ADUs	Lot Split/Two Unit Development	Starter Home Revitalization Act	Small Lot Subdivision Ordinance
Zone	All zones where residential use is permitted.	Single-Family Zone: A, RA, RE, RS, R1, RU, RZ, or RW1	Single-Family (if vacant): A, RA, RE, RS, R1, RU, RZ, and RW1  Multifamily: R2, RD, RW2, R3, RAS3, R4, RAS4, R5, and all C Zones	Multifamily Zones: RD, R3, R4 R5, RAS, and the P and C Zones
Lot Eligibility	Within the Zone listed above and when there is a proposed or existing dwelling already on the lot.	Within the Zone listed above, and property is not a contributor to a Historic Preservation Overlay Zone or individually designated as a Historic Cultural Monument; not within boundaries of wetlands, hazardous waste sites, floodways, conservation or habitat areas.	Vacant lots less than 1.5 acres and surrounded by qualified urban uses for eligible Single-Family Zones; Sites in Multifamily Zones no larger than 5 acres. Not within a Very High Fire Hazard Severity Zone or conservation or habitat areas.	In addition to new development on the Zones listed above, existing group dwellings, bungalow courts, and detached single, duplex, and triplex structures 45 years or older may be subdivided into small lots.
Lot Size (square feet)	No lot size limitations.	No lot size limitations for two unit development. 2,400 square feet minimum for lot split. Each new lot (after urban lot split) must be min. 1,200 square feet, and neither lot can be smaller than 40 percent of the original lot.	Maximum 1.5 acres.	No lot size limitations.

STEP  
3

## What Type of Housing Will Fit On Your Lot?

Consult **Table 3-4** to determine any required development standards under your chosen regulations such as parking spaces and setbacks.

**Table 3-4: Required Development Standards**

	ADUs	Lot Split/Two Unit Development	Starter Home Revitalization Act	Small Lot Subdivision Ordinance
Minimum Density with New Development	None, up to one ADU per lot plus one JADU in single-family zones.	No density requirement, max. 4 units for an urban lot split (2 units on each lot, inclusive of ADUs or JADUs) or a max 2-unit development without a lot split (not including an ADU or JADU).	Projects on Housing Element Sites must have at least the number of units projected in the Element, including any required lower-income units.  Projects on all other sites must result in at least 20 dwelling unit/acre.	Underlying zoning applies.
Maximum Lot Coverage	None specified.	None specified.	None specified.	Maximum 75 percent unless the tract or lot map provides an open space easement equivalent to 25 percent of the lot area of each lot not meeting this provision.
Maximum New Unit Size	1,200 square feet per Ordinance. Attached ADUs have no limit.  Attached ADUs per Ordinance on existing dwellings can be up to half the size of the existing dwelling.  JADUs: max. 500 square feet  When converting an existing structure, no max., plus 150 square feet max. addition for ingress/egress.	800 square feet/dwelling unit, may be larger as long as it's below the max. allowable floor area of the underlying Zone.	Maximum average habitable space of 1,750 square feet among proposed units.	None specified.

	ADUs	Lot Split/Two Unit Development	Starter Home Revitalization Act	Small Lot Subdivision Ordinance
Minimum FAR	Not applicable.	None specified.	3-7 units: min. 1.0 FAR 8-10 units: min 1.25 FAR	None specified.
Maximum Height	16 feet, two-story limit and subject to underlying Zone and height district.  Attached ADU/JADUs are subject to zoning height limits.	Underlying zoning applies.	Underlying zoning applies.	Underlying zoning applies.
Required Parking	Parking is not required for JADUs or ADUs built from converting a structure.  No onsite parking spaces are required for new ADUs if the site is within one block of a car share vehicle or a half-mile walk from a high-quality transit corridor or a major transit stop. If you remove covered parking to build an ADU, you don't need to replace it. Max. 1 space/unit.	Max. 1 space/unit, however no onsite parking spaces are required if the site is within one block of a car share vehicle or a half-mile walk from a high-quality transit corridor or a major transit stop.  Other applicable off-street parking and driveway requirements apply when parking is required, such as the requirement for a private garage in most single-family zones, as well as an access requirement.	Max. 1 space/unit, however no onsite parking spaces are required if the site is within one block of a car share vehicle or a half-mile walk from a high-quality transit corridor or a major transit stop.	Existing dwellings need to provide parking as required in their most recently issued permit and do not need to provide new parking. New dwellings added to small-lot subdivisions with existing dwelling units are subject to the new requirements.

STEP  
**4**

## What's Your Budget?

*How much funding do you have available to add new units to your lot?*

The best way to determine your budget is to talk to a financial advisor. If you don't have access to a financial advisor, you can estimate your available funds by filling in the table below. For more information on funding sources see Section 3.2 of this document.

Cash/Savings	Home Equity	Other Sources	Total
How much do you have available in cash/savings?	<p>a) Estimate the value of your home using the resources below, then subtract your remaining mortgage balance to determine how much equity you have in your home.</p> <p>Online Resources (free)</p> <ul style="list-style-type: none"> <li>- <a href="#">Homes</a></li> <li>- <a href="#">Zillow</a></li> <li>- <a href="#">Redfin</a></li> <li>- <a href="#">HomeLight</a></li> <li>- <a href="#">Realtor</a></li> </ul> <p>Professional Resources (cost-based)</p> <ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Realtor</li> </ul> <hr/> <p>b) Once you understand the equity you have available, explore accessing it through the following tools.</p> <ul style="list-style-type: none"> <li>- Home Equity Line of Credit (HELOC)</li> <li>- Home Equity Loan</li> <li>- Cash-Out Refinance</li> </ul> <p>Note: 2C. See Section 3.2 for an overview of the key advantages and disadvantages of these funding sources.</p>	<p>These could include:</p> <ul style="list-style-type: none"> <li>- Personal loan from a conventional bank</li> <li>- Options that combine early design/permitting costs with construction financing</li> <li>- Delayed payment programs offered by contractors</li> </ul>	Add up your cash/savings, available home equity, and any other funding you have available.
\$	\$	\$	\$

Now that you have your construction budget, head to the next step to determine what you can do with the budget you have.

STEP  
5

## How Far Will Your Budget Go?

*First, determine approximate construction costs.*

**Table 3-5** outlines typical ranges of construction-related direct costs. Please note that market conditions can shift dramatically and labor and materials costs and interest rates have been highly volatile in recent years. These numbers are only estimates and are subject to change based on a variety of factors including inflation over time. Any specific figures presented below are meant to serve as rough cost estimates and a licensed contractor, architect, or ADU specialist should be consulted for up-to-date project-specific estimates.

**Table 3-5: Construction Direct Cost Ranges (2026)**

Direct Cost Category		Cost Range <sup>1</sup>	Worksheet Fill this in with a rough estimate based on your property.
Site Improvement		\$5-10/square feet site area	\$
Building Hard Cost		\$210-235/square feet building area	\$
Parking	Surface	\$2,500/space	\$
	Covered	\$10,000-50,000/space	\$
Total A			

<sup>1</sup> Reflects 2022 RS Means & AECOM data escalated by 10 percent to estimate 2025 costs. The financial analysis assumes permits and fees of \$37 per square feet.

The complexity factors in **Table 3-6** can help to flag potential challenges before they arise, rather than substitute for project-specific cost analysis. The real value of distinguishing lower and higher complexity factors is to help you quickly identify which projects are likely viable candidates for development.

Please note that these complexity factors are highly interdependent. The cost impact of any single factor is difficult to isolate because site conditions vary greatly. For example, a sloped lot may require retaining walls, complicate site access, and trigger utility relocation with each factor compounding the last.

Small scale units and ADUs can be uniquely cost-sensitive. Unlike larger residential projects where complexity costs can be absorbed across more units, ADU and small-lot development have little room to absorb unexpected cost increases. This means that the presence of a complexity factor may matter more than its quantified value.

Building new units will include indirect costs in addition to direct costs. To determine the approximate indirect costs your project may incur, consult **Table 3-7**.

**Table 3-6: Complexity Factors**

Lower Complexity Factors (results in lower project costs)	Higher Complexity Factors (results in higher project costs)
<input type="checkbox"/> Is your property flat or gently sloped?	<input type="checkbox"/> Is your property sloped and will it require the installation of retaining walls?
<input type="checkbox"/> Does your property have easy site access for construction?	<input type="checkbox"/> Will the new units include covered or enclosed parking?
<input type="checkbox"/> Will the new units exclude on-site parking?	<input type="checkbox"/> Do you need to demolish an existing house, carport/garage, or other major structure to build the new unit(s)?
<input type="checkbox"/> Can the new unit(s) be built without demolishing an existing home or major structure?	<input type="checkbox"/> Does development on your property require relocation of existing utilities?
<input type="checkbox"/> Are water, sewer, and electrical connections already located near where the new unit(s) will be built?	<input type="checkbox"/> Will the new unit(s) be 2+ stories?

**Table 3-7: Indirect Cost Estimates**

<i>Indirect Cost Category</i>	<i>Estimated Rate<sup>1</sup></i>	<i>Worksheet</i> <i>Fill this in with rough estimate based on your property.</i>
Architecture & Engineering	6% of direct costs	
Permits & Fees	\$37/square feet building area <sup>2</sup>	
Legal, Insurance, Warranty	2% of directs	
Marketing	\$2,000 per unit	
General & Administrative	1% of all other indirects	
Developer Fee	4.5% of directs	
Soft Cost Contingency	5% of all other indirects	
Total B <sup>3</sup>		

<sup>1</sup> Permits and fees are not delineated in the AECOM study.

<sup>2</sup> For up-to-date information related to City fees please consult the related agencies ([BOE](#), [LADBS](#), [City Planning](#) etc)

<sup>3</sup> Running costs, like mortgage payments, need to be calculated separately.

Source: AECOM Market Economic Study for Density Bonus Ordinance Update and RHNA Rezoning Program, dated June 28, 2024

STEP  
6

## Is Your Project Financially Feasible?

Next assess whether adding new unit(s) is worth it financially by weighing the potential revenue against the total project costs.

The value of the project upon completion will vary based on whether the units are sold or retained to generate rental income. **Table 3-8** below provides guidance on how to assess the potential revenue of each scenario.

**Table 3-8: Potential Revenue of Rental and Sale Units**

	<i>Build New Unit(s) and Sell Them</i>	<i>Build New Unit(s) and Retain as Rental</i>	<i>Reference Tools</i>
Evaluate Market Demand	Market demand is likely to be high if: <ul style="list-style-type: none"> <li>• Home prices are strong in my neighborhood</li> <li>• Similar units in the area sell quickly</li> <li>• The proposed unit types (studio, 1-bedroom, 2-bedroom, ADU, etc.) meet local demand</li> </ul>	Market demand is likely to be high if: <ul style="list-style-type: none"> <li>• Nearby rents are strong in my neighborhood</li> <li>• Similar units in the area rent quickly</li> <li>• The proposed unit types (studio, 1-bedroom, 2-bedroom, ADU, etc.) meet local demand</li> </ul>	Online Resources (free) <ul style="list-style-type: none"> <li>• <a href="#">Homes</a></li> <li>• <a href="#">Zillow</a></li> <li>• <a href="#">Redfin</a></li> </ul>
Determine Probable Value of New Unit(s)	What will the new unit(s) sell for? <ul style="list-style-type: none"> <li>• Determine the potential sale price of new units using the Reference Tools to find similar local project that have sold recently or consulting with a real estate agent</li> </ul> Multiply the number of unit(s) times the potential sales price(s) of the unit(s) to determine total project value	What will the new unit(s) rent for? <ul style="list-style-type: none"> <li>• Determine the potential sale price of new units using the Reference Tools to find similar local project that have rented recently or consulting with a real estate agent</li> </ul> Determine the value of completed unit(s) based on one of two approaches: <p><b>Option 1: Estimate Value Using a New Loan Supported by Rental Income</b></p> <ul style="list-style-type: none"> <li>• Calculate expected monthly rent(s) and multiply by 12</li> <li>• Subtract operating expenses (property management, maintenance, insurance, and vacancy) to arrive a net annual rental income</li> <li>• A lender or online mortgage calculator can help estimate the loan amount supported by the rental income</li> </ul> <p><b>Option 2: Estimate Value Using Capitalized Rental Income</b></p> <ul style="list-style-type: none"> <li>• Calculate expected monthly rent(s) and multiply by 12</li> <li>• Subtract operating expenses (property management, maintenance, insurance, and vacancy) to arrive a net annual rental income</li> <li>• Divide the net annual rental income by a typical market capitalization rate for similar properties to estimate project value</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">HomeLight</a></li> <li>• <a href="#">Realtor</a></li> <li>• <a href="#">Apartments</a></li> </ul> Professional Resources (cost-based) <ul style="list-style-type: none"> <li>• Appraiser</li> <li>• Realtor</li> </ul>
Compare Development Costs to Anticipated Value Upon Completion	<ul style="list-style-type: none"> <li>• Compare the estimated sales revenue to total project costs</li> <li>• If the estimated sales revenue exceeds total project costs, the project may be financially feasible</li> </ul>	<ul style="list-style-type: none"> <li>• Compare the estimated project value from Option 1 or 2 to total project costs</li> <li>• If the estimated value is higher than project costs, the project may be financially feasible</li> </ul>	

STEP  
7

## Final Decision Check

*Now is the time to think about all the information you have gathered thus far and decide whether you should proceed with your project. The following questions can help you organize your thoughts.*



**1. Are you allowed to build what you want within the space that you have? (See Steps 1, 2 and 3)**



**2. Can you afford to build what you want? (See Steps 4 and 5)**



**3. Will the project be financially feasible in the current market? (See Step 6)**

## Next Steps

- Contact potential lenders and funding program administrators to understand available financing options, underwriting criteria, and preliminary loan terms if applying for private funding sources.
- Consult with a licensed contractor to prepare a detailed construction cost estimate.
- Identify and consult with City Departments (City Planning, Department of Building and Safety, Bureau of Engineering, Department of Water and Power, etc.). [BuildLA's virtual appointment system](#) is a helpful resource.
- Identify permitting requirements and procedures including ministerial vs. discretionary review, required planning, environmental, and/or engineering reports (if any), and expected review timeframes.
- Review the end of each type of Missing Middle housing project's section for helpful resources discussed in this Guide.

04

APPENDIX



## 4.1 Glossary of Terms

**Accessory Dwelling Unit (ADU):** An attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same lot as the single-family or multifamily dwelling is or will be situated. ADUs include efficiency units as defined in Section 17958.1 of the Health and Safety Code, manufactured homes as defined in Section 18007 of the Health and Safety Code, and Movable Tiny Houses.<sup>31</sup>

**Ellis Act:** A provision in California Law (Government Code section 7060-7060.7) that gives landlords in California with a legal way to go out of the rental market business by evicting tenants, even if local rent control ordinances restrict such evictions.<sup>32</sup>

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31 Los Angeles Housing Department. Accessory Dwelling Unit. Available: <https://housing.lacity.gov/rental-property-owners/accessory-dwelling-unit>. Accessed January 26, 2026.

32 LA Housing Department. Ellis Act Information. Available: <https://housing.lacity.gov/rental-property-owners/ellis-act-information>. Accessed: January 26, 2026.

**Fee-simple ownership:** Fee-simple ownership means absolute and unqualified legal title to real property. The owner(s) has unconditional power of disposition of the property during their lifetime. Upon their death, property held in fee simple can always pass to the owner's heirs. Fee-simple ownership may exist with respect to property owned jointly or solely.<sup>33</sup>

**Floor Area Ratio (FAR):** A ratio establishing relationship between a property and the amount of development permitted for that property, and is expressed as a percentage or a ratio of the Buildable Area or Lot size (example: "3 times the Buildable Area" or "3:1").<sup>34</sup>

**High Quality Transit Corridor:** A corridor with fixed route bus service with service intervals no longer than 15 minutes during peak commute hours.<sup>35</sup>

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33 Social Security Administration. Available: <https://secure.ssa.gov/poms.nsf/lnx/0501110515>. Accessed January 28, 2026

34 LA Municipal Code Section 12.03. Definitions. Available: [https://codelibrary.amlegal.com/codes/los\\_angeles/latest/lamc/0-0-0-108304#JD\\_12.03](https://codelibrary.amlegal.com/codes/los_angeles/latest/lamc/0-0-0-108304#JD_12.03). Accessed: January 28, 2026

35 Public Resources Code. Available: [https://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=PRC&sectionNum=21155](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=PRC&sectionNum=21155). Accessed: January 26, 2026.

**Junior Accessory Dwelling Unit (JADU):** A unit that is no more than 500 square feet in size and contained entirely within a single-family residence. A JADU may include separate sanitation facilities, or may share sanitation facilities with the existing structure.<sup>36</sup>

**Major Transit Stop:** A site containing any of the following:

- (a) An existing rail or bus rapid transit station.
- (b) A ferry terminal served by either a bus or rail transit service.
- (c) The intersection of two or more major bus routes with a frequency of service interval of 20 minutes or less during the morning and afternoon peak commute periods.<sup>37</sup>

**Ministerial approval:** If a project meets the development standards and zoning regulations outlined in the Zoning Code and does not require additional or formal planning approvals, it is a by-right project, and the applicant may proceed directly to LADBS to request a building permit.<sup>38</sup>

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36 Los Angeles Housing Department. Accessory Dwelling Unit. Available: <https://housing.lacity.gov/rental-property-owners/accessory-dwelling-unit>. Accessed January 26, 2026.

37 Public Resources Code Section 21064.3. Available: [https://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=PRC&sectionNum=21064.3](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=PRC&sectionNum=21064.3). Accessed: January 26, 2026.

38 LA City Planning. Available: <https://planning.lacity.gov/blog/what-are-major-types-planning-review>. Accessed: January 28, 2026.

**Rent Stabilization Ordinance (RSO):** The City of Los Angeles Rent Stabilization Ordinance (RSO) applies to rental properties that were first built on or before October 1, 1978,. It also applies to replacement units under LAMC Section 151.28 The RSO also applies to: Apartments, Condominiums, Townhomes, Duplexes, Two or more single-family dwelling units on the same parcel, Rooms in a hotel, motel, rooming house, or boarding house occupied by the same tenant for more than 30 consecutive days, Residential unit(s) attached to a commercial building, Accessory Dwelling Units (ADUs), Junior Accessory Dwelling Units (JADUs), mobile-homes and recreational vehicles in mobile-home parks. The RSO covers allowable rent increases, registration of rental units, legal reasons for eviction, types of evictions requiring payment of tenant relocation assistance, RSO disclosure notice for all “Cash for Keys” or Buyout Agreements.<sup>39</sup>

**Setbacks:** The required minimum distance between a building and a property line (like the front, side, or rear of a lot). Setbacks ensure there’s space between buildings and the edges of a lot for things like light, air, and fire safety.<sup>40</sup>

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39 LA Housing Department. RSO Overview. Available: <https://housing.lacity.gov/residents/rso-overview>. Accessed: January 26, 2026.

40 Los Angeles City Planning. New Zoning Code. Available: <https://zoning.lacity.gov/faq/setbacks/what-difference-between-setback-and-yard-and-why-it-important>. Accessed: January 26, 2026.

**Starter Home Revitalization Act (SHRA):** A California law that seeks to increase homeownership opportunities by streamlining the subdivision approval process for projects resulting in up to 10 new parcels/dwelling units. The SHRA was recently amended by Senate Bill (SB) 1123 and Assembly Bill (AB) 130, both of which took effect on July 1, 2025. Previous amendments from SB 684 took effect on July 1, 2024.<sup>41</sup>

**Small Lot Subdivision Ordinance:** Adopted in 2005, the Small Lot Subdivision Ordinance (“Ordinance”) introduced a new housing typology to the City, the small-lot home. The Ordinance’s subdivision regulations permitted fee-simple homeownership of homes located on conventionally smaller lots and in zones where apartment units would be permitted by-right. Such regulations included reduced minimum lot areas, setback and passageway requirements, and removed open space requirements.<sup>42</sup>

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41 Los Angeles City Planning. SHRA/SB 684/1123. Available: <https://planning.lacity.gov/project-review/shra-senate-bill-684-1123>. Accessed: January 26, 2026.

42 LA City Planning. July 2018. Small Lot Subdivision, Frequently Asked Questions. Available: <https://planning.lacity.gov/ordinances/docs/smalllot/FAQs.pdf>. Accessed: January 26, 2026.

**Vacant (SHRA Definition):** Having no permanent structure at the time of application, unless the existing structure is abandoned and uninhabitable. A structure may be considered vacant or abandoned and uninhabitable if sufficient evidence exists to make that determination, consistent with the SHRA’s intent and a desire to minimize the presence of vacant land and prevent unnecessary demolitions (when projects aren’t able to be constructed).<sup>43</sup>

**Very High Fire Hazard Severity Zone:** Fire Hazard Severity Zones are determined by the State Fire Marshal, with Very High being the highest classification of fire hazard. The maps evaluate “hazard”. “Hazard” is based on the physical conditions that create a likelihood and expected fire behavior over a 30 to 50-year period without considering mitigation measures such as home hardening, recent wildfire, or fuel reduction efforts.<sup>44</sup>

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43 City of Los Angeles Inter-Departmental Correspondence. Memo on Implementation of Starter Home Revitalization Act. October 28, 2025. Available: [https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB\\_684\\_1123\\_Memo\\_Update\\_ACP.pdf](https://planning.lacity.gov/odocument/1b081b86-f735-43e8-bba6-c2d73a192db7/SB_684_1123_Memo_Update_ACP.pdf). Accessed: April 22nd, 2026.

44 Office of the State Fire Marshal. Fire Hazard Severity Zones. Available: <https://osfm.fire.ca.gov/what-we-do/community-wildfire-preparedness-and-mitigation/fire-hazard-severity-zones>. Accessed: January 26, 2026.



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