

APPENDIX 5:

Rezoning Model Assumptions

CPC-2023-7068-CA, CPC-2024-387-CA, CPC-2024-388-CA

For consideration by the City Planning Commission

September 26, 2024

Appendix 5 - REZONING MODEL ASSUMPTIONS

Re-zoning Program Model Assumptions

The following section describes the assumptions that were developed to determine how the number of units (total realistic capacity) were determined for the different types of sites for the Program 121 RHNA Re-zoning, including the Citywide Housing Incentive Program (CHIP) and Downtown LA 2045 Community Plan Update. Sites identified to meet the lower-income RHNA need have separate requirements and therefore have their own individualized assumptions, which is described as well. This methodology outlined in the document below is consistent with the methodology utilized for the Rezoning Program Candidate Sites Inventory in Chapter 4 of the 2021-2029 Housing Element. Several adjustments were made to suitability factor assumptions, which are described below.

Given the size of Los Angeles, the large rezoning need, and desire to include multiple pathways to achieve the RHNA goals, the CHIP and Downtown LA 2045 Community Plan Update includes a wide array of sites, with approximately 83,000 sites that were selected based on a variety of criteria and with many different characteristics. The various rezoning strategies also include their own set of individualized assumptions regarding availability and suitability of sites and overall capacity. In addition, the following general citywide criteria has also been developed and applied to all sites in the proposed RHNA Rezoning Program.

The sites have been analyzed to ensure they have sufficient water, sewer, and dry utilities available and accessible. In an urbanized area like Los Angeles, the only sites that lack availability for basic infrastructure are located in remote, fire-prone undeveloped hillside areas, which have been removed from the rezoning inventory by excluding all parcels located in Very High Fire Hazard Severity Zone Areas (VHFHSZ). In addition, sites in the Coastal Zone, environmentally sensitive areas susceptible to sea level rise or located in zones that do not already allow for residential development (such as Open Space, Public Facilities, or Manufacturing) were generally removed (exceptions include areas that are anticipated to be rezoned to allow residential use, as described below). If a project site is located within a VHFHSZ or Coastal Zone Area shall be eligible for Opportunity Corridor incentives, they would be exempt from the exclusion. Adequate water and sewer service is required to obtain building permits in Los Angeles, with a priority for developments with units affordable to lower-income households.

While Los Angeles sees almost all types of sites turn into housing, certain types of uses can be assumed to be extremely unlikely to be discontinued, such as cemeteries, colleges, hospitals, schools (except for the PF Zone strategy described below), libraries, recreation centers, and police and fire stations, as well as a variety of other uses, were excluded altogether. Sites identified in Appendix 4.2 and Appendix 4.3 of the 2021-2029 Housing Element as pipeline development projects were included but adjustments were made to reduce likelihood these sites would utilize the CHIP incentives to redevelop.

Appendix 5 - REZONING MODEL ASSUMPTIONS

Non-vacant sites included in the Inventory are not precluded from being developed into housing at the capacities identified in the Rezoning Program, because existing barriers are being removed by the individualized approaches taken by each rezoning strategy. Sites with no reasonable likelihood or realistic capacity are excluded from the model both through the initial selection criteria, as well as a site-based series of suitability adjustment factors that were selected to ensure potential impediments regarding existing use and market demand are applied to the analysis (see Table 2). These additional adjustment factors create the methodology used to determine overall development potential and are designed to account for the major factors that most impact suitability and availability - and therefore likelihood of new housing development. The factors are based in part on some of the strongest findings from the regression model used for the Adequate Sites Inventory of the 2021-2029 Housing Element, as well as knowledge of local development trends.

The model considers the extent to which existing uses may constitute an impediment by incorporating the city's past experience with converting existing uses to higher density multi-family housing, including market-based factors. It also is based on the overall set of existing regulatory standards and incentives, and those proposed in conjunction with the Rezoning Program, to encourage additional residential development on these sites.

For all sites within the Rezoning Program, the base and maximum allowable number of units is calculated using the following assumptions at an APN and PIN level. Density for residential and commercially zoned parcels is divided by the lot area to result in the Maximum Potential Units. If the proposed FAR is less than or equal to 2:1, FAR is considered a limiting factor; therefore, Maximum Potential Units is calculated by multiplying the proposed FAR by Lot Size Square Feet (SF) and dividing by 1,150.

In general, development potential on every site is reduced from the maximum allowable units on a site by 80% to result in an expected buildout or realistic capacity figure. The 80% figure is taken from the Housing Element Sites Inventory regression model's findings that, on average, sites in Los Angeles developed for multi-family (5+ units) housing since 2015 have been built at 80% of the maximum allowable density.

Lower-income sites (VLI and LI) are allocated according to the State-required minimum density of 20 units per acre and 16 units per site. Unique affordability assumptions are included in many of the diverse rezoning strategies described below. Due to the additional cost and lack of experience of Los Angeles in building lower-income housing through high-rise developments, sites exceeding 4.5 FAR are assumed to include only 10% of total capacity as lower-income housing (the remaining 90% are assumed to be above moderate).

After the realistic capacity is established, the result is subtracted from the number of existing units on a site, to establish potential net gain in units. If the net is less than or equal to zero, the site is removed from the list. The remaining figure is then adjusted based on a series of suitability adjustment factors, selected due to their particular likelihood to impact the potential of

Appendix 5 - REZONING MODEL ASSUMPTIONS

housing development. **Table 1** below shows the suitability factors utilized in Chapter 4 of the 2021-2029 Housing Element to determine Appendix 4.7 Inventory of Candidate Sites.

Table 1 - Suitability Factors from Chapter 4 of the 2021-2029 Housing Element

Suitability Adjustment Factors	Percentage Adjustment
Presence of a Historic Cultural Monument	-50%
Ratio of maximum allowable units compared to the number of existing units is less than 4:1	-35%
On commercial sites, a lot area utilization rate equal to or greater than 2.0	-35%
Sites with buildings constructed in the last 20 years (2000-2021)	If building age is between 2011 and 2021 = -80%
Sites located in Higher Opportunity Area (High and Highest Resource Areas using TCAC/HCD)	+20%
Property is subject to the Rent Stabilization Ordinance (RSO)	-10%

The suitability adjustment factors described in Table 2 are applied to the realistic capacity figures in a cumulative fashion, based on the application of a composite percentage score resulting from the applicable factors on each site. In instances where the application of several factors results in more than a 100% reduction in site suitability, the site is removed from consideration. The assumptions in Table 2 have been strengthened to require higher more conservative capacity discounts than Table 1 which was utilized for the Candidate Sites for Rezoning Modeling in the 2021-2029 Housing Element.

Appendix 5 - REZONING MODEL ASSUMPTIONS

Table 2: Suitability Adjustment Factors Used In Re-zoning Model

Percentage Adjustment	Suitability Adjustment Factor	Explanation of Adjustment
-50%	Presence of a Historic Cultural Monument (HCMs)	Sites with designated HCMs including sites within an HPOZ, are subject to demolition restrictions but are eligible for reduced incentives, in some cases, may be incorporated into larger housing development projects but at a lower likelihood.
-35%	The ratio of maximum allowable units compared to the number of existing units is less than 4:1	Housing replacement requirements in the City's RSO and State law require most demolished RSO units to be replaced as restricted affordable housing, which likely results in lower redevelopment feasibility as seen in the regression model. Permit data suggests a lower likelihood of new housing being built on sites where the ratio of new to existing homes is less than 4:1. Still the city sees many projects with lower ratios, so these sites cannot be precluded altogether. Was not applied to the ADU or the R2/RD strategies.
-35%	On commercial sites, a lot area utilization rate equal to or greater than 2.0.	Commercial sites with high lot area utilization are less likely to be redeveloped to housing. However, high lot utilization does not preclude redevelopment, particularly as increasing types of uses become less valuable compared to residential use. Assessor valuations are also imperfect as they may reflect older assessments and not current values.
-50%,	On commercial sites, a lot area utilization rate equal to or greater than 4.0.	
-65%	On commercial sites, a lot area utilization rate equal to or greater than 6.0.	
-80%	Sites with buildings constructed in the last 13 years (2011 to 2024) years	If building age is between 2011 and 2021, assign -0.8 factor. If building age is between 2010 and 2000, assign -0.2 factor. Recently constructed buildings are less likely to be redeveloped overall; however, the regression model found that for higher-density sites the year built did not appear to be statistically significant.
-20%	Sites with buildings constructed in the last 14 to 25 years (2000 to 2010)	
-80%	Property is subject to the Rent Stabilization Ordinance (RSO) with 10 or more RSO units on site.	The regression analysis found that properties subject to the RSO experienced less development at the most common middle density range of housing projects; however, the impact was negligible on higher density sites and positive on the much more numerous lower density development sites. Therefore, a lighter reduction is applied.
-10%	Property is subject to the Rent Stabilization Ordinance (RSO) with less than 10 RSO units on site.	
-80%, -60%, -40%, 0%	If a site is located in: Market Tier 1, Market Tier 2, Market Tier 3, Market Tier 4	The economic feasibility analysis conducted by the City found that projects located in weaker markets of the City (Market Tiers 1 and 2) had almost no feasibility of development during this time period. Stronger markets in the City (Market Tiers 3 and 4) found more feasibility, the stronger the market.
-100%	Properties designated as condominiums	Condominium developments are unlikely to be discontinued, therefore, a high reduction is applied.
-90%	Properties listed as a Pipeline Project	Pipeline development projects are in the process of being permitted, but are not built yet. Therefore, a high reduction is applied, because there is a low possibility the project may not be constructed.
-15%	Properties with commercial General	Properties that allow mixed-use development of commercial and

Appendix 5 - REZONING MODEL ASSUMPTIONS

	Plan Land Use designations	residential uses have included a discount factor for non-residential floor area that may be included in the proposed project
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The City's proposed RHNA Re-zoning Program is largely based on the strategy of incentivizing affordable housing production alongside market-rate housing. This is done by developing unique sets of development standards and affordability requirements like those that have proven to be successful in Los Angeles in creating mixed-income affordable housing at densities that exceed base zoning allowances. In 2020, the vast majority (more than 70%) of units created in 5+ unit multi-family projects in the city utilized development bonuses and built beyond the base density allowed by the site's zoning. This figure is expected to increase significantly to include almost all projects moving forward, as all permitted projects become subject to the City's Affordable Housing Linkage Fee. This is due to the significant shift (also noted above) where nearly all multi-family projects subject to Linkage Fee opt to include on-site affordable units. While not all new development builds to the maximum capacity allowed by the incentives, the density levels are typically beyond the base number of units allowed prior to receipt of a bonus or incentive. These maximum allowable densities are included as part of determining the total site capacity because development trends demonstrate densities higher than the maximum allowable densities, especially for housing including units affordable to lower-income households.

This trend is due to the successful usage of affordable housing incentive programs in Los Angeles, which are somewhat unique to Los Angeles due to careful design of incentive programs, which target common zoning barriers and provide alternative development standards to ensure the maximum densities can be achieved. City programs are tailored to allow for larger density increases than allowed by state density bonus law, particularly at transit-rich locations through use of the City's Transit Oriented Communities (TOC) program; through a citywide Value Capture Ordinance, which provides unlimited density through provision of additional affordable housing; and through Community Planning Implementation Overlays (CPIOs), which refine and often exceed the densities allowed in existing citywide incentives in the TOC. Other residential uses, such as 100% affordable housing and permanent supportive housing, have unlimited densities in most multi-family zoned parts of the city (through AB 1763 and the City's PSH Ordinance). The RHNA Re-zoning Program anticipates an expansion of these types of successful incentive programs, primarily in Higher Opportunity Areas. Projects using the City's incentive programs to exceed base density are generally processed ministerially, or through a transparent, objective standard-based discretionary process.

Because the methodology does not separately count the unique capacity created by various rezoning strategies that may all apply to a given site, but only counts the largest applicable rezoning strategy, the methodology is inherently conservative. In addition, having several new zoning strategies available on a given parcel increases the likelihood that the site will produce new housing.

Proposed RHNA Re-Zoning Strategies Methodology Updates

Opportunity Corridors

Appendix 5 - REZONING MODEL ASSUMPTIONS

A major focus of the rezoning is on major streets, known as Avenues and Boulevards, with transit service that runs at least every 30 minutes during peak commute hours exclusively in Higher Opportunity Areas to allow for multi-family development, with an affordable housing requirement. There are three types of Opportunity Corridors. Opportunity Corridor 1 represents buses arriving 30 minutes or less during peak hours (Frequent Bus Services). Opportunity Corridor 2 represents buses arriving 15 minutes or less during peak hours (High Quality Transit Services). Opportunity Corridor 3 represents corridors within one-half mile of a Metro Rail Station. OC projects are envisioned as 5 - 7 story podium buildings, with heights scaling down as the site is located further from the transit stop.

Transit Oriented Incentive Areas

The Transit Oriented Incentive Area (TOIA) program is proposed to operate similarly to today's Transit Oriented Communities program, with three Tiers of incentives within a one-half mile radius of a transit stop. These areas are based on sites that allow for multi-family uses located within one-half mile of a major transit stop citywide. TOIA projects are envisioned as 4 - 7 story buildings, scaled depending on their proximity to the transit stop, and would be eligible for tiered development incentives, meaning the closer a site is to the transit stop, the taller and more dense a project can be.

In order to Affirmatively Further Fair Housing, the TOIA incentives differ on whether the eligibility area is located in a Lower or Higher Opportunity Area. This emphasizes greater development incentives in Higher Opportunity Areas of the City. Density, FAR and height bonuses vary depending on eligibility area, opportunity area and zone. For the purpose of this model, TOIA density bonuses in Tier 1 Low Opportunity were removed from the model. As 100% density bonuses are available through State Density Bonus Incentives, the 100% bonus is not representative of a substantial capacity change.

Opportunity Corridor Transition Incentive Areas (CT)

Opportunity Corridor Transition Incentive Areas are located behind Opportunity Corridor Incentive Areas in Higher Opportunity Areas. There are three types of Corridor Transition Areas. Corridor Transition 1 involves projects located 750 feet of the furthest property from the Corridor within an Opportunity Corridor Incentive Area. Corridor Transition 2 involves projects located 500 feet of the furthest property from the Corridor within an Opportunity Corridor Incentive Area. Corridor Transition 3 involves projects located 250 feet of the furthest property from the Corridor within an Opportunity Corridor Incentive Area. Corridor Transition Areas allow up to six to 16 units per lot with incremental FAR, depending on their eligibility subarea. Projects are required to meet certain design standards surrounding entryways and open space, intended to facilitate new lower scale infill housing, largely within existing allowable buildable floor area limits. The intent is that OC buildings would work with CT buildings to provide a physical transition of 5 - 7 stories to 2 - 3 stories down from the major streets to lower scale neighborhoods.

Affordable Housing Incentive Program (AHIP)

Projects that commit to significantly deeper levels of affordable housing should qualify for the largest development incentives. The AHIP Program anticipates creating development incentives

Appendix 5 - REZONING MODEL ASSUMPTIONS

for projects that include at least 50% affordable housing in a wider array of areas of the City. Because this tool will likely only be available to majority deed restricted affordable projects, capacities are heavily adjusted (-80%). Recent experience with a similar State Bonus for 100% affordable projects (AB 1763) indicates the private market can find opportunities to build deeply affordable buildings if they are afforded ample incentives and a streamlined, transparent approval process. The overlay is expected to apply on any commercially or residentially zoned parcel, with varying allowable height and floor area depending on the type of site. While the state density bonus law already provides significant incentives for 100% affordable housing on sites that qualify under AB 1763, including density, additional height, and parking reductions, the Rezoning Program would extend incentives into other areas of the city and complement state rules. It is anticipated that these projects will not require a discretionary action, even when it would otherwise be required (similar to streamlining provisions in SB 35).

1. Public Facility Zone (PF) and Publicly Owned Sites

The Affordable Housing Overlay portion of the Rezoning Program will also allow a wider array of 100% affordable housing typologies on a set of publicly owned Public Facility (PF) zoned and Publicly Owned properties. The allowance is expected to permit joint public-private housing development on publicly owned PF zoned sites at the use, area and density standards of any adjacent zone, along with a minimum set of alternative development standards for other sites where adjacent standards would not permit affordable housing. The capacity figure reflects only sites owned by Los Angeles City or County, Los Angeles Unified School District (which has expressed a commitment to build affordable housing on their land) and Metro. Sites adjacent to airports, heavy manufacturing sites and with joint open space or agricultural designations were removed as were all Very High Fire Hazard Severity Zones and sites larger than 5 acres. The capacity assumptions recognize that the vast majority of public land (approximately 99%) is not suitable for housing development due to existing public use and insufficient public resources to develop 100% affordable housing.

2. Faith-Based Owned Properties (FBO)

Many faith-based organizations have underutilized properties, like parking lots that are empty most of the time, as well as a social mission to provide affordable housing. On land owned by a religious or faith-based institution, as part of the Affordable Housing Overlay, the Rezoning Program would allow affordable housing development at densities required for affordable (lower-income) housing sites. Allowable densities, heights and floor area can be based on the least restrictive adjacent zone, with a minimum FAR and density to permit affordable housing development of at least 20 units per acre and 16 units per development site. This incentive would be paired with local and state incentives including AB 1851 (2020), which provides parking replacement incentives. The methodology assumes that only a small percentage (approximately 3%) of faith-based owned sites would be suitable and available for housing and approximately 15% of the land would be available due to pre-existing uses.

3. Parking Zones (P)

Appendix 5 - REZONING MODEL ASSUMPTIONS

Another strategy would allow residential uses on all Parking (P) and Parking Building (PB) zones at the use, area and density standards of any adjacent commercial zone, with a transitional height component in some areas. The capacity figure reflects strong demand to utilize these sites, which are usually adjacent to commercially zoned corridor sites, and that existing parking can typically be replaced without triggering Zoning Code floor area limitations. In addition, this policy anticipates some right-sizing of replacement parking standards where existing parking spaces exceed demand, as well as the development of complementary programs to rezone commercial corridor sites, particularly in Higher Opportunity Areas (see Corridors strategy above). Still, the inventory uses a conservative 20% suitability and availability factor, which assumes that demand for existing commercial use parking may limit redevelopment potential in many areas. In addition, transitional height limits that apply when adjacent to single-family zones leads to a further limiting assumption that only 50% of the lot area of the available sites will be available for housing.

Downtown LA (DTLA 2024) Community Plan Update

No methodology updates were made to the Downtown assumptions.