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Governmental Constraints

The supply, distribution, and cost of housing in Los Angeles are all affected by local, state and federal land use and environmental regulations. These laws may have been imposed for good reasons but often pose constraints in the form of regulatory requirements, project processing procedures, development impact fees, and public funding availability.

Ultimately, governmental constraints impact housing developments' project feasibility, site location, density, design, permitting process, funding sources, budgets, costs, and more. While the current shortage of affordable housing inventory is exacerbated due to high land and construction costs, these factors are often compounded by governmental regulations, such as land use, zoning, and discretionary review processes (entitlements). This section examines the impact of governmental regulations on residential development.

Constraints Due to The General Plan, Land Use, the Zoning Code, and Neighborhood Implementation Tools

California State Law requires every city and county to adopt a comprehensive General Plan to guide its future development. The General Plan essentially serves as a "constitution for development," the foundation for all land use decisions. Every jurisdiction's General Plan includes seven required elements mandated by State law (land use, circulation, housing, conservation, open space, noise and safety). The Los Angeles General Plan has 12 elements total. All elements are required to be consistent with each other. It is important to note that the General Plan Land Use Map includes "footnotes" that can impose certain requirements and limitations on development that can be perceived as constraints.

Framework Element

The City of Los Angeles Citywide General Plan Framework Element (adopted in 1996) establishes the broad overall policy and direction for the entire General Plan. It is a smart-growth plan that concentrates opportunities for most new housing in the City's neighborhood districts, community, regional, and downtown centers as well as along primary transit corridors/boulevards. The Framework Element also determined the City's theoretical buildout capacity for potential residential development and identified general locations for such development. The plan accommodates projected population growth in accordance with the Long-Range Land Use Diagram and forecasts, using these in the formulation of the community plans.

While the Framework Element established a comprehensive growth strategy focusing on regional and community centers as well as transit oriented development, the Framework Element has not been comprehensively reviewed since its adoption in 1996. As such, land use planning has been restricted to the intentions outlined in the Element. As over 25 years have passed since it was last updated, these intentions are sometimes outdated and not always in alignment with housing goals, community interests, and general planning practice. The massive investments in transit infrastructure in the region since the Framework Element have led to the need to plan for housing in areas that were not always identified in the Framework. In addition, a severe shortage of housing has continued to worsen the affordability crisis.

Land Use Element and Community Plans

The Land Use Element of the City's General Plan identifies the locations, density, and other characteristics of the housing capacity at the community level, as established in the Citywide Framework Element. Due to the size of the City, the Land Use Element is divided into 35 Community Plans (see Map 2.2.1), which guide the growth and physical development for each of the City's 35 Community Plan Areas. This is pursuant to the policies established in the Framework Element.

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

design, jobs, transportation and mobility, and open space. These plans regulate the typology, density, and intensity of a housing development, and guide the decision-making process.

Table 2.1.1 lists General Plan land use categories (both residential and non-residential) that permit housing. The table lists the corresponding zoning and residential density ranges and shows a wide range of housing densities to accommodate varying housing types throughout the City’s 35 Community Plan Areas.

Table 2.1.1

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

Regional Center/ Regional Commercial	C1.5, CR, C2, C4, R4, RAS4, R5, P, PB	29 – 109
Hybrid Industrial	CM, P	29 – 109
Source: Los Angeles Department of City Planning		

Of the City’s 35 Community Plans, 29 were last updated between 1988-2005. These older Community Plans can be broad, include zoning that does not reflect new transit infrastructure, and have few tools for the regulation of building form. As such, older Community Plans have historically added additional zoning regulations through “Q” Qualified Conditions and “D” Development Limitations and review processes to achieve desired densities, designs, and site conditions. These additional regulations require research to identify and make it difficult for the public to identify the development potential of a site.

Over the current (5th) Housing Element cycle the City completed six Community Plan updates, in South Los Angeles, the North Valley, and Harbor areas. These Community Plans adopted Community Plan Implementation Overlays (CPIOs) to introduce design standards, affordable housing incentive systems, and historic preservation review. CPIOs establish ministerial review processing and provide greater project certainty.

CPIO affordable housing incentive systems provide base and bonuses more finely attuned to local conditions and goals than those offered citywide through density bonus or TOC. This has resulted in more tailored regulations that in some cases have increased or reduced available incentives. While the new plans often create new housing capacity and can help reduce housing constraints by providing more clarity and certainty to housing development projects, plans that effectively provide less buildable area for certain sites may hinder the development of new housing in those locations.

In 2017, Mayor Eric Garcetti issued Executive Directive (ED) 19, directing City Planning to initiate a comprehensive revision to the General Plan and to review and update all remaining Community Plans over a six year period between 2017-2023.¹ In response to this directive City Planning is actively working on updates to 16 Community Plans. These programs are a major ongoing effort of the Department and seek to provide more specificity about the scale and design of projects that comply with

¹ Mayoral Executive Directive No. 19 *Planning and Developing Housing and Transportation*, Office of Los Angeles City Mayor Eric Garcetti, March 9, 2017.

neighborhood-specific regulations in each Community Plan. The updated plans aim to provide a higher level of certainty and specificity in the development process. Of the 16 active plan updates 15 of these Community Plans will be utilizing new volume base zoning tools developed as part of the *re:codeLA* project. Map 2.1.1 shows the completed, in-progress, and pending plans. Throughout the City, 16 plans are currently being updated, and 13 plans will be updated in the future.

Map 2.1.1

Community Plan
Update Program



In Progress

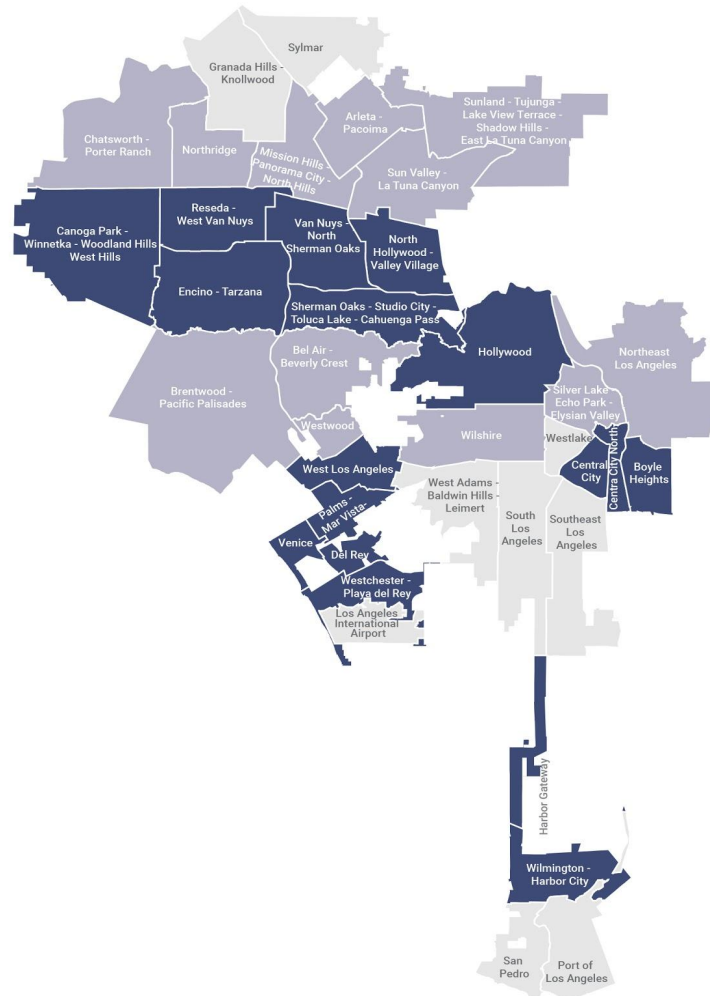
Central
Downtown (Central City, Central City North) | Hollywood

East
Boyle Heights

South Valley
Canoga Park - Winnetka - Woodland Hills - West Hills | Encino - Tarzana, Reseda - West Van Nuys | North Hollywood - Valley Village | Sherman Oaks - Studio City - Toluca Lake - Cahuenga Pass | Van Nuys - North Sherman Oaks

West Los Angeles
Venice | Palms - Mar Vista - Del Rey | Westchester - Playa Del Rey | West Los Angeles

Harbor
Harbor-Gateway | Wilmington-Harbor City



Upcoming

Central
Wilshire | Westlake

East
Northeast Los Angeles | Silver Lake | Echo Park | Elysian Valley

North Valley
Arleta - Pacoima | Sun Valley - La Tuna Canyon | Sunland - Tujunga - Lake View Terrace - Shadow Hills - East La Tuna Canyon | Chatsworth - Porter Ranch | Northridge | Mission Hills - Panorama City - North Hills

West Los Angeles
Bel Air - Beverly Crest | Brentwood - Pacific Palisades | Westwood

Completed

North Valley
Granada Hills - Knollwood | Sylmar

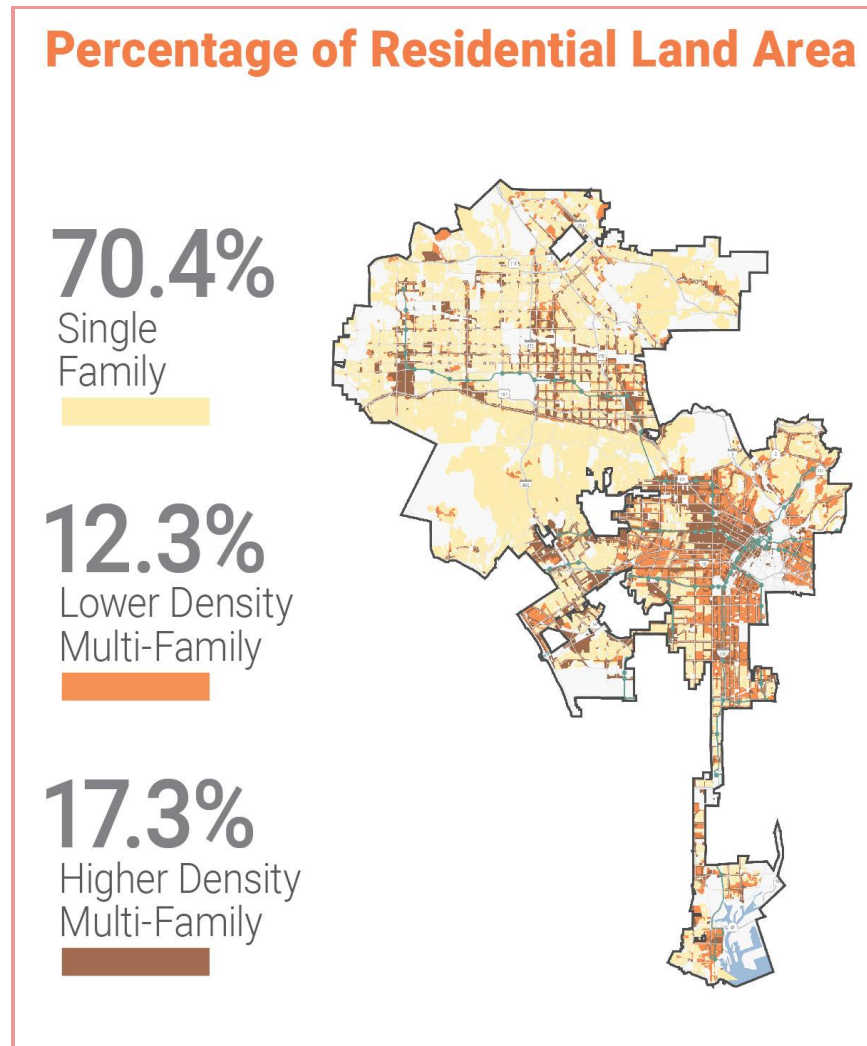
South Los Angeles
West Adams | South Los Angeles | Southeast Los Angeles

Harbor
San Pedro

The Zoning Code

The City of Los Angeles contains 467 square miles, or 302,596 acres, and contains over 882,355 parcels. Residential development is permitted on approximately 56.2% of the City's land area or approximately 170,029 acres. The remaining land area is largely dedicated to roadways, open space, public facilities, and industrial uses. Of the residential land area, more than 70% of residential land is reserved for single-family housing, 12.3% is reserved for lower density multi-family, and 17.3% permits higher density multi-family developments, see Map 2.1.2.

Map 2.1.2



Zoning laws divide cities into districts (reflected on the zoning maps) and specify regulations for those districts, which are set in the zoning code. The City's zoning districts allow for a variety of housing types and densities – from agricultural residential at less than one dwelling unit per acre to high density at over 200 dwelling units per acre. Although zoning regulations permit housing in various areas of the City, they can also pose constraints on housing development because they limit residential uses to specific areas of the City (see Map 2.1.2 above). Within the City, residential density is not distributed equitably. The City's past land use and zoning practices reserved more land area citywide for single-family housing, while limiting and concentrating multi-family housing in central and south Los Angeles. Furthermore, 83% of residential land in the City's Highest Resource areas, and 79% of residential land in High Resource areas do not permit construction of multi-family housing. In contrast, just 19% of the residentially zoned land in the areas considered High Segregation and Poverty is allocated to single-family uses, whereas over 80% allows multi-family development.

Zoning also governs new construction activity, building rehabilitations, preservation, maintenance and demolition activities, and establishes the capacity and volume of space that can be permitted on land. This means that the development potential of housing projects can be highly affected by zoning. The types and densities of residential uses permitted in each of the City's zones, and the development standards applicable to all development projects are summarized in Appendix 2.3 (Generalized Summary of Zoning Regulations). This includes minimum lot areas, required setbacks, maximum building heights, required parking spaces, and maximum densities for each zone.

The zoning in the City is generally cumulative and inclusionary. This permits less intense uses to be built within a zone and permits residential uses to be developed in commercial zones. For instance, R1, R2, and R3 uses are allowed within the R4 zone, and are also permitted in all commercial zones. No minimum residential density requirements are established in any zone.

It is important to note that the City's Zoning Code was last comprehensively updated in 1946. Every time a complex issue arose, the only practical way to address the problem was to create new zones, entitlements, and overlays. This resulted in a complex code that now has hundreds of standard-format pages and more than 70 types of discretionary entitlements. In addition, over 61.3% of the City is covered by site-specific conditions (called Q, T, & D Conditions), and special overlays (the following section on Neighborhood Implementation Tools discusses their effects). The process of

addressing each specific issue and individual neighborhood on a piecemeal basis has made it challenging for the City to meet the housing needs of all of its residents, especially households with lower incomes. The City's Zoning Code can make it challenging for housing developers to efficiently apply for housing project approvals and for Planning staff to process these entitlements.

Zoning for a Variety of Housing Types

State law ensures that the housing element provides for a variety of housing types including multi-family rental housing, factory-built housing, mobile homes, housing for agricultural employees, supportive housing, single-room occupancy units, emergency shelters, and transitional housing.

Single-Family Housing: Single-family housing, is allowed in the following zones: A1, A1(UV), A2, A2(PV), A2P, R1, R1H1, R1P, R1R3, R1V1, R1V2, R1V3, RA, RAP, RE, RE11, RE15, RE20, RE40, RE9, RS, RU, RW1, RZ2, RZ3, RZ4, RZ5). In March 2017, the City established six new single-family zones (R1H1, R1P, R1R3, R1V1, R1V2, R1V3) to respond to concerns over out of scale single-family developments. These volume-based zones regulate the height, massing, and roof encroachment on a site. These zones further reduced building volumes but did not result in density reductions. It is important to note that single-family housing is also allowed in multi-family zones and commercial zones.

Multi-Family Housing: Multi-family housing, including single room occupancies (SROs) and permanent supportive housing, are allowed in the following residential and commercial zones: RW2; R2; RD1.5; RD2; RD3; RD4; RD5; RD6; R3; RAS3; R4; RAS4; R5; CR; C1; C1.5; C2; C4; C5; and CM. Densities in the multi-family residential zones range from seven units per acre to 218 units per acre. Multi-family housing as well as mixed-use projects are allowed by right in commercial zones, at densities ranging from 54 to 218 units per acre. RAS3 and RAS4 zones allow specific types of neighborhood-serving commercial uses to be incorporated on the ground floor of residential buildings.

Factory-Built and Manufactured Housing: State law requires factory-built homes complying with federal standards and installed on a permanent foundation be permitted on any parcel where the City allows conventional single-family homes. The homes must also be permitted under the same development standards as the "site-built" homes. The

City's Zoning Ordinance expressly allows factory-built housing units in the RU zone but is otherwise silent on this building type. Factory-built housing is permitted in all single-family zones as long as standard life-safety guidelines are met.

Mobile Home Parks: The City's RMP Zone allows development of residential mobile home parks to encourage the provision of affordable housing by permitting both the retention and expansion of existing, as well as the establishment of new, mobile home parks. The City has over 57 mobile home parks with more than 6,700 spaces, with most located in the San Fernando Valley.

Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs): ADUs and JADUs are residential dwelling units that are attached or detached to an existing dwelling unit (or units) on the same lot, and that provide complete independent living facilities for one or more persons. ADUs and JADUs are permitted in all zones where residential uses are permitted by right, this includes multi-family zones. The City's ADU and JADU Ordinance regulates their size and form, and parking is not required if they are located within one-half mile walking distance to public transit, within one block of a car share station, or if located within an architecturally and historically significant district. These units are not intended for sale, but they may be rented. ADUs and JADUs are not permitted on certain lots located in both a Very High Fire Hazard Severity Zone and a Hillside Area, unless the unit meets certain criteria (i.e., providing fire sprinklers and one off-street parking space). An explanation of the City's ADU Ordinance is provided later in this section.

Homeless Shelters: Homeless shelters are allowed by right in R4 (with performance standards), RAS4, R5, C1.5, C2 (with performance standards), C4, C5, and CM zones. In addition, as a public benefit, homeless shelters of under 30 beds are allowed by right in R3, M1, M2 and M3 zones provided that they comply with certain performance standards. The performance standards limit homeless shelters to 30 beds designed to serve not more than 30 people and require that shelters be located at least 600 feet from another such shelter. Emergency shelters are allowed by right in any zone on a government owned or operated site, or in R3, RAS3, R4, RAS4, R5, C2, C4, C5, CM, M1, M2 and M3 zones if operated by a charitable organization. The 30 bed limit is a constraining factor for the development of permanent shelters. As a result, most new shelters and interim housing have utilized state law or the City's emergency shelter provisions. Emergency shelters should be able to transition to permanent shelters and be permitted in the same areas.

Low Barrier Navigation Centers: Low Barrier Navigation Centers, as defined in California Government Code 65660, are Housing First, low-barrier, service-enriched shelters focused on moving people into permanent housing that provide temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing. Pursuant to Government Code 65660, until January 1, 2027, they are permitted as a use by right in areas zoned for mixed use, and nonresidential zones permitting multi-family uses, including the RAS3, RAS4, CR, C1, C1.5, C2, C4, C5, CM, and HI zones. Additionally, the PF zone may be eligible if the site is adjoining a zone that allows for mixed uses or a nonresidential zone permitting multi-family uses. Various Specific Plan zone designations may also be eligible, however, additional review may be necessary on a case-by-case basis to determine eligibility of sites with Specific Plan zone designations. To the extent Low Barrier Navigation Centers meet the definition of shelter, they are additionally permitted anywhere that Homeless Shelters are permitted by the City's Zoning Code (see discussion of *Homeless Shelters*, above). After the January 1, 2027 sunset date, Low Barrier Navigation Centers would continue to be permitted anywhere that a Homeless Shelter is currently permitted.

Senior Housing: There are different types of homes specially for seniors (generally 62 years or older) which are identified in the Zoning Code. Regular residential housing reserved for seniors is referred to as Senior Independent Housing. State licensed Residential Care Facilities for the Elderly, which provide non-medical assistance to seniors who require assistance with two or more activities of daily living, are referred to as *Assisted Living Care Housing*. The residential units may consist either of dwelling units or guest rooms. Full time medical services shall not be provided on the premises. The housing may be a component of an Eldercare Facility. Both of these housing types require dwelling units, which requires cooking facilities. They are permitted in the R3 and less restrictive zones. A Conditional Use Permit is available to reduce parking for these uses.

Senior housing requiring specialized medical care and licensing includes *Skilled Nursing Care Housing and Alzheimer's/Dementia Care Housing*. These types of units may not have kitchen facilities (guest rooms) and are limited to the R4 zone or less restrictive.

Retirement Hotels are somewhat in between the senior living types described above. They allow for a more flexible combination of traditional dwelling units and guest rooms without cooking facilities and are permitted in R4 and less restrictive zones.

Eldercare Facilities were created more recently (2006) to streamline and facilitate a diversity of senior housing types. An Eldercare Facility combines in one facility, two or more of the following housing types: Senior Independent Housing, Assisted Living Care Housing, Skilled Nursing Care Housing, and/or Alzheimer's/Dementia Care Housing. A minimum of 75% of the floor area, exclusive of common areas, shall consist of Senior Independent Housing and/or Assisted Living Care Housing. The Ordinance allows the development of Eldercare Facilities in any residential zone and at any density, height and area requirements, as long as certain findings are made, per a Zoning Administrator determination.

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

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

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

Boarding Houses: Boarding houses are permitted in R3, R4, R5, CR, C1, C1.5, C2, C4, C5 and CM zones. The Zoning Code describes them as dwellings that contain a single dwelling unit and not more than five guest rooms or suites of rooms, where lodging is provided with or without meals, for compensation. There are many houses that could be perceived as Boarding houses, which could pose issues for their owners and tenants. However, it is important to note that in 2006, the City amended the definition of “family” to mean one or more persons living together in a dwelling unit, with common access to, and common use of all living, kitchen, and eating areas within the dwelling unit. This definition allows for congregate and group living, including co-living in all zones, and not just where “boarding houses” are allowed (see further discussion of group living under Alleviating Constraints of Persons with Disabilities below).

Conditional Uses: Institutions, public facilities and other special uses are not permitted by right but are permitted by Conditional Use permits (the “Constraints Due to the Entitlement Process” section discusses this further). With the exception of density bonus projects that exceed the maximum density permitted by law, multi-family housing projects do not require Conditional Use permits. Conditional Use provisions in the Zoning Code, therefore, do not constrain zoning capacity.

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

Adaptive Reuse of Older Buildings: In 1999 the City adopted an Adaptive Reuse Ordinance, which waived many of the zoning regulations (density, parking, floor area ratio, etc.) in order to facilitate the conversion of existing, economically obsolete buildings into new residential apartments and condominiums. The zoning changes, along with the adoption of alternative building codes for older buildings, permit substantial, physical alterations to be made that modify the building’s original, intended use. While the process requires a discretionary CUP process in most of the City, there is a by-right process available for the following Adaptive Reuse Incentive Areas:

- Downtown Los Angeles (Central City Community Plan Area and the Figueroa Corridor Economic Development Strategy Area)
- Hollywood Redevelopment Project Area
- Wilshire Center/Koreatown Redevelopment Project Area (certain portions only)
- Lincoln Heights and Chinatown
- Central Avenue (between Vernon Avenue and the Santa Monica Freeway)

Older, obsolete buildings located outside the incentive areas may also qualify for adaptive reuse, but they must meet additional criteria and require discretionary approval. Approximately 12,000 residential units were added via adaptive reuse projects between 2000 and 2020.

Residential Density and Development Standards

The City of Los Angeles residential density standards are defined by the zone (See Appendix 2.3). Zones dictate the number of units allowed per lot. A, RA, RE, RS, R1, RZ, and RW1 zones are limited to one dwelling unit per lot. The R2 and RW2 zones are limited to two dwelling units per lot. The RD, RMP, R3, RAS, R4, R5, and C zones allow multiple dwelling units at densities ranging from seven units per acre to 218 units per acre.

The zones most likely to produce affordable housing in the City of Los Angeles are the R5, R4, R3 and C Zones. This is because of their higher density allowances. Another important density threshold are zones that allow for more than four units, which allows a site to qualify for affordable housing incentive programs such as Density Bonus and TOC.

The highest density zone, R5, permits up to one dwelling unit per 200 square feet of lot area. The R4 and C2 zones permit up to one dwelling unit per 400 square feet of lot area. The R3 and C1 zones, permitting up to 800 square feet per dwelling unit, typically are developed with a type of construction which is cheaper to build than that for the R4 and R5 zones and are, therefore, likely to produce affordable housing as well. These density limits mean that on an acre of land in the R5 zone 217 units, in the R4/C2 zone 108 units and in the R3/C1 zone 54 units could theoretically be constructed.

It is important to note that the City does not have minimum density requirements for the development of sites where residential uses are permitted. This means that if a project requests to develop housing below identified densities, and complies with all other zoning and applicable regulations, the project can be approved and permitted. Many factors (both governmental and non-governmental) influence the number of units that are ultimately provided by housing development projects. The analysis conducted for the Inventory of Sites (see Chapter 3) found that developers do not always develop the sites with the maximum number of units allowed by the site's zoning. For example, a site with zoning that allows for up to 20 units can ultimately be developed with only 15 units.

The City of Los Angeles' development standards relating to setbacks, floor area, height, open space and parking are outlined in the City's Planning and Zoning Code and are comparable to those of surrounding cities. These development standards were

established to maintain public health and safety and are enforced by the Department of Building and Safety. They could also be considered density constraints. They also could be constraints to the preservation of older residential stock, as rehabilitation of such stock may not be able to comply with current development standards and therefore demolition might be more cost effective than maintenance and preservation.

Floor Area and Height Limitations

All zones are also located in designated Height Districts in Los Angeles, which establish the maximum building size through floor area ratios (FAR) and, in some instances, height limitations. These limitations particularly impact multi-family development. Where duplex or multi-family residential uses are allowed, the FAR and height limitations are indicated in Table 2.1.2.

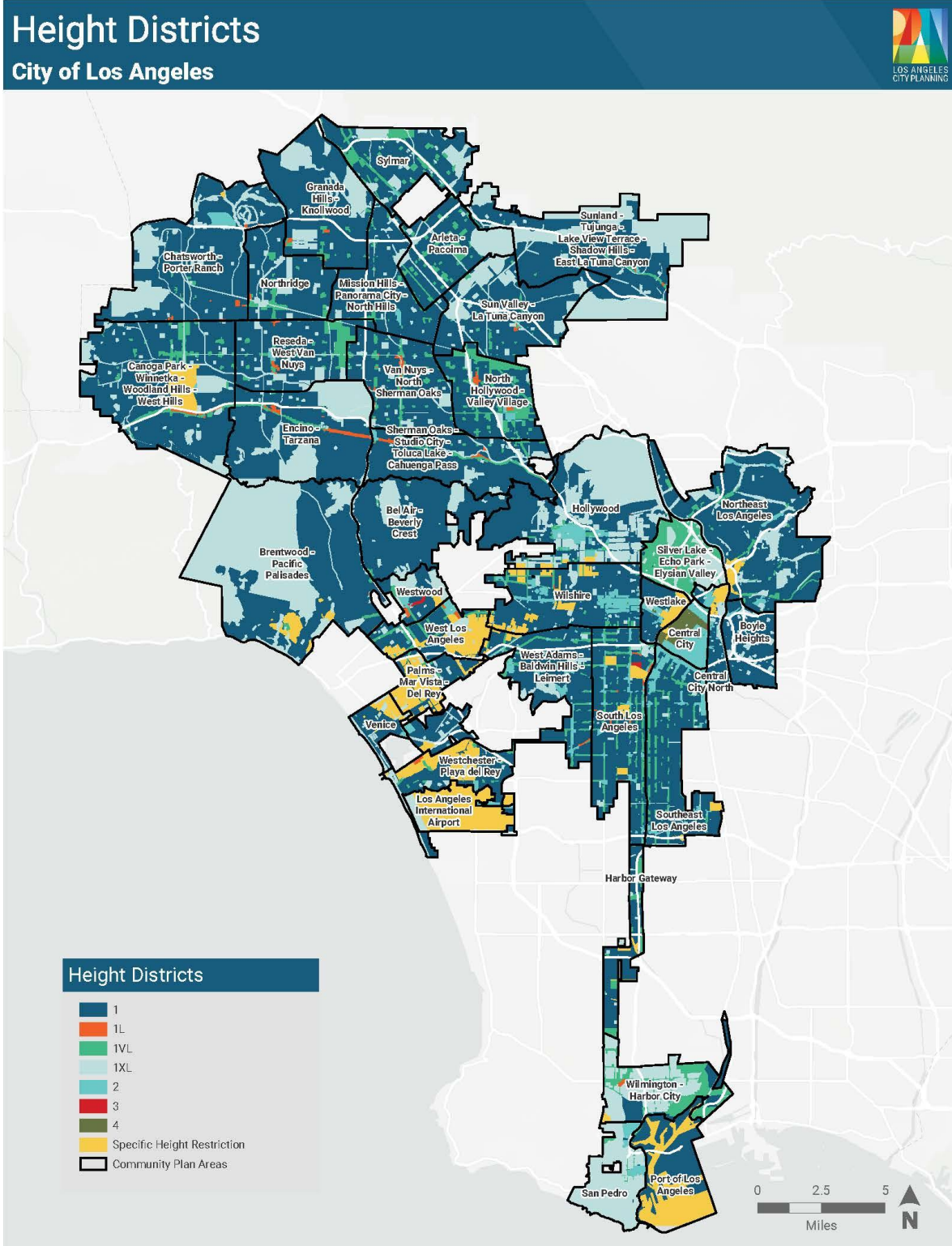
Table 2.1.2

Height Districts and Corresponding Floor-Area-Ratios (FAR)							
Zone	Height Districts: Height and Floor Area Ratio (FAR) Limitations						
	1	1L	1VL	1XL	2	3	4
A1, A2, RE40, RZ, RMP, RW2, RD, R3, RAS3	45' 3:1 FAR		45' 3 storiest	30' 2 storiest†	6 stories: RD, RAS3 and R3†; otherwise 6:1 FAR	6 stories: RD,RAS3 and R3†; otherwise 10:1 FAR	6 stories: RD,RAS3 and R3†; otherwise 13:1 FAR
			3:1 FAR	3:1 FAR			
RE11, RE15, RE20, RA	36' 3:1 FAR		36' 3:1 FAR		6:1 FAR	10:1 FAR	13:1 FAR
R1, R2, RS, RE9	33' 3:1 FAR		33' 3 storiest		None 6 stories	None 10 stories	None 13 stories
R4,	None	75'	45'		None	None	None

RAS4, R5	3:1 FAR	6 stories† 3:1 FAR	3 stories† 3:1 FAR		6:1 FAR	10:1 FAR	13:1 FAR
C	1.5:1 FAR	75' 6 stories† 1.5:1 FAR	45' 3 stories† 1.5:1 FAR	30' 2 stories† 1.5:1 FAR	75' for CR otherwise none 6:1 FAR	75' for CR otherwise none 10:1 FAR	75' for CR otherwise none 13:1 FAR
<p>† Buildings used entirely for residential (and ground floor commercial in RAS zones) are only limited as to height, not stories.</p> <p>For more information, please see Appendix 2.3 (Generalized Summary of Zoning Regulations).</p>							

Approximately 52% of land (in acres) in the City is subject to Height District (HD) 1, about 0.4% in HD 1L, about 4.6% in 1VL, and 21.3% is subject to HD 1XL. About 1.9% of land is in Height District 2, and less than 1% of land is in either Height District 3 and 4. It is important to note that approximately 20% of the City is not accounted for in the four height districts because arterial roadways are not included in the zoning areas for height districts, and areas such as LAX and the Warner Center also do not fall under the four height district designations. Parcels within a specific plan may not be part of a Height District as specific plans may further regulate height. In multi-family residential zones, even the lowest FAR for residential zones of 3:1 is not a constraint on build-out of density for residential development, as it provides sufficient buildable area to maximize allowable densities (parking, stairwells, elevator shafts and other building components are excluded from the FAR calculation). However, this is not true of commercial zones in Height District 1. Housing developments on commercial boulevards often seek FAR bonuses due to the more limited 1.5:1 floor area ratio (established by Proposition U by voters in 1986, see below). This can encourage the use of affordable housing bonuses in areas where they are available, especially near major transit stops. However, having limited FAR also creates additional process barriers for the development of many commercial sites. Map 2.1.3 shows the distribution of height districts throughout the City.

Map 2.1.3



Assembly Bill 283 and Proposition U

In 1978, Assembly Bill 283 was enacted by the State with the aim of resolving inconsistencies between jurisdictions' zoning codes and their General Plans. Then, a 1985 court judgement gave the City three years to bring its zoning into compliance with the Land Use Element. To comply with the three year deadline, the City down-zoned large areas at once.² The result was significant down-zoning throughout the City that has limited housing development on many sites for decades.

Additionally, in 1986, voters in Los Angeles approved Proposition U, which reduced the allowable FAR in all commercially and industrially-zoned parcels in Height District 1, from an FAR of three times the buildable area of the lot, to one and one-half times the buildable area. Proposition U directly affected housing production because residential units are permitted by right in the commercial zones, and this reduction in FAR significantly decreased capacity to build housing in contrast to the General Plan direction to encourage housing on commercial corridors that are in close proximity to transit. Proposition U and AB 283 exemplify how legislative acts have contributed to housing constraints over the past decades in the City by effectively facilitating down-zoning and limiting development potential.

Parking Requirements

The City's general automobile parking requirements are contained in the "General Provisions" section of the Zoning Code (LAMC Section 12.21). Appendix 2.3 shows the specific parking requirements for housing developments. The number of dwelling units and the number of habitable rooms (includes kitchens) in each unit determines the number of required parking spaces. Single-family housing typically requires two covered parking spaces. Multi-family housing development requires:

- at least one parking space for dwelling units with less than three habitable rooms;
- one and one-half spaces for a dwelling unit with three habitable rooms; and,
- two parking spaces for dwelling units of more than three habitable rooms.

²Gregory D. Morrow, "The Homeowner Revolution: Democracy, Land Use and the Los Angeles Slow-Growth Movement, 1965-1992," page 355 (Ph.D. dissertation, University of California, Los Angeles, 2013).

In California, the cost of providing above-ground or subterranean parking can add between \$36,000 to \$56,000 per housing unit to the overall costs of a multi-family housing development project.³ Parking-related requirements and costs can significantly impact and constrain multi-family housing development, particularly those providing affordable units. Market demand or financial lenders often mandates the provision of parking in multi-family housing development.

The City's Zoning Code does allow automobile parking spaces required for all uses to be replaced by bicycle parking at a ratio of one standard or compact automobile parking space for every four required or non-required bicycle parking spaces provided. However, residential projects can only replace up to 10% of their required vehicle parking spaces with bicycle parking. Residential projects located within 1,500 feet of a major transit stop can replace only up to 15% of their required parking spaces with bicycle parking.

Open Space Requirements

The Open Space ordinance, LAMC Section 12.21 G, was adopted in 1997 to provide *both* common and private on-site open space for the tenants of multi-family residential projects with six or more residential units on a lot. The objectives of the Open Space Ordinance are: 1) to provide for on-site outdoor and recreational space; 2) to provide safer play areas for children; 3) to improve the aesthetic quality of buildings by reducing massing; and 4) to increase natural light and ventilation. The ordinance requires the following:

- A minimum of 100 square feet of open space for every dwelling unit with less than three habitable rooms.
- A minimum of 125 square feet of open space for every dwelling unit with three habitable rooms.
- A minimum of 175 square feet for each unit with more than three habitable rooms.

The ordinance further stipulates that open space must consist of private and/or common area as follows:

³Carolina Reid, Adrian Napolitano, and Beatriz Stambuck-Torres, "The Costs of Affordable Housing Production: Insights from California's 9% Low-Income Housing Tax Credit Program" *The Terner Center for Housing Innovation at University of California*, March 2020, page 21; United States Government Accountability Office, "Low-Income Housing Tax Credit: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management," September 2018, page 30.

- For developments built at an R3, RAS3, R4, RAS4, and/or R5 density, *common* open space must be accessible to all the residents, have a minimum area of 400 square feet, and incorporate recreational amenities. At least 50% of the *total* required usable open space must be common open space.
- *Private* open space must contain a minimum of 50 square feet, of which no more than 50 square feet per dwelling unit can be attributable to the *total* required usable open space (the figure is 100 square feet in RD1.5 zones).

Open space requirements contribute positively to the quality of life. However, open space requirements can place a strain on potential projects by requiring at least 100 sf of open space per unit. At least 50% of total open space can be common open space, but each unit must still provide at least 50 square feet of private open space. For example, smaller-unit developments might find it difficult to provide total open space that meets the typical zoning requirements. Furthermore, in the R3 and RAS3 zones there is a 10-foot rooftop perimeter requirement. This significantly reduces the amount of rooftop area that can potentially be used as common open space.

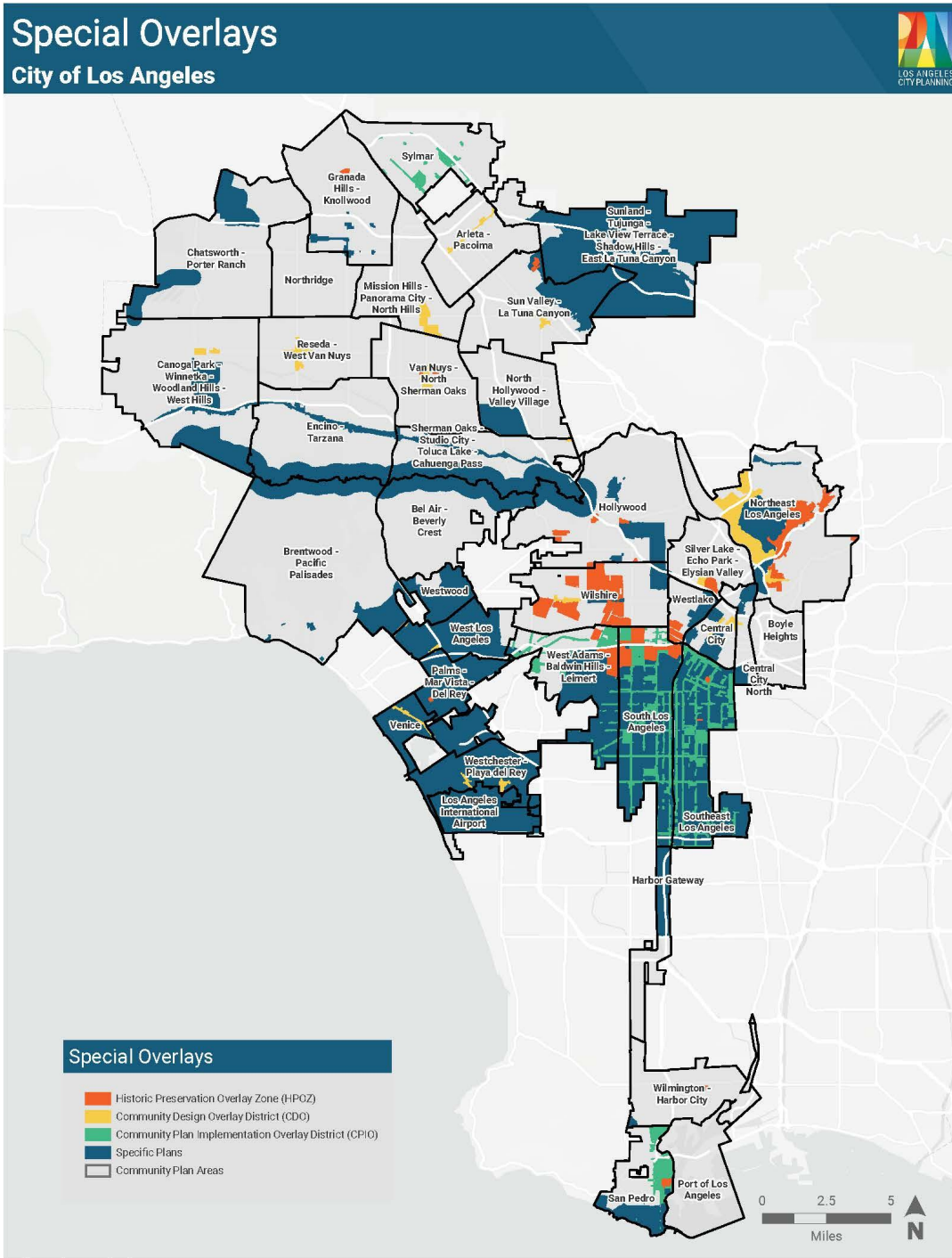
Neighborhood Implementation Tools

Zoning and neighborhood implementation tools impose additional layers of development standards and limitations on uses to clearly defined geographic areas, neighborhoods, or sites. In many instances, these tools can more appropriately direct and promote housing development to places of the City that need more housing, especially affordable housing. However, in other instances, some of these tools can be more restrictive than the Zoning Code and can constraint multi-family housing development by affecting project feasibility, timelines, and costs. Over 49% of the City is affected by at least one neighborhood implementation tool, see the Map 2.1.4 below. The additional layers of requirements imposed by these neighborhood-level tools can further limit the height, buildable volume, and number of units that can be built within a housing development. These standards are also often not clearly understandable by the public as they amend the meaning of a typical zoning designation in ways that are not always clear. Neighborhood Implementation Tools include:

- Community Plan Implementation Overlays (CPIOs),
- Community Design Overlays (CDOs),
- Historic Preservation Overlay Zones (HPOZs),

- Specific Plans,
- Transit Neighborhood Plans (TNPs),
- Qualified (Q), Tentative (T), and Development (D) Conditions, and
- Community Redevelopment Plans.

Map 2.1.4



Community Plan Implementation Overlays (CPIOs)

In 2011, the City enabled Community Implementation Overlay Zones (CPIO) as a new specialized tool through the Zoning Code. The purpose of this specialized zoning tool is to provide supplemental development regulations tailored to each Community Plan Area to ensure that development enhances the unique architectural, environmental, and cultural qualities of specific individual neighborhoods. CPIOs can create approval processes, such as ministerial administrative clearance processes, to enable infill development, including bonuses for projects that include affordable housing or other community benefits. However, because CPIOs further regulate different aspects of proposed housing projects, they can constrain housing development by affecting the overall project development potential by setting density limits and other development standards. CPIOs sometimes also take the place of a TOC Tier Area, as permitted by Measure JJJ. There are currently five CPIOs, and approximately 2.5% of land in the City is within a CPIO. As Community Plans are updated, new CPIOs are often created.

Community Design Overlays (CDOs)

Community Design Overlays (CDO) contain design guidelines that enhance the visual identity and character of a neighborhood. They can apply to new development projects and to improvements to existing properties. CDOs can pose constraints to housing development projects because any addition, alteration, construction, demolition, reconstruction, rehabilitation, relocation or removal of any building, structure, landscaping, natural feature or site within each CDO boundary must obtain a clearance from the City Planning Department before considering the permit process. However, just over 1% of the City is affected by a CDO.

Historic Preservation Overlay Zones (HPOZs)

The City of Los Angeles has many neighborhoods that contain buildings of cultural, historical, and architectural significance. The City uses Historic Preservation Overlay Zones (HPOZs) to protect the fabric and character of historic neighborhoods by ensuring that demolitions, new construction, remodeling projects, and other changes within the neighborhoods follow specific guidelines. HPOZs regulate architectural style (including height and volume) instead of density, and require the use of certain architectural designs and materials. HPOZ regulations apply to both Contributing features (historic buildings) and Non-Contributing Features within the overlay boundaries. Each HPOZ has a Historic Preservation Board with appointed members who review or advise on proposed development projects within the 35 HPOZs in the City. HPOZs can act as a barrier to housing development, particularly affordable

housing, due to the additional layer of architectural regulations and review imposed on development projects. Additionally, as HPOZs are preservation areas, they are less likely to receive additional density and development potential when being rezoned. While HPOZs may create additional barriers for a development, HPOZ neighborhoods also help maintain existing rental housing stock. As much as 69% of housing in HPOZs has more than one unit, with 39% providing five or more units or apartments.⁴ The overall impact on housing production due to HPOZs is limited as HPOZs restrict less than 2% of the City's land area.

Specific Plans

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

Some Specific Plans effectively loosen zoning restrictions and increase residential density, while others act as a constraint on the amount of residential development that could otherwise be built in an area. A few Specific Plans contain measures that incentivize or require the provision of affordable housing, while some other Plans might, inadvertently, result in the accelerated loss of existing affordable rent stabilized housing. For these reasons, it is difficult to ascertain overall impacts to the production and preservation of housing in the City's Specific Plans. More than 34% of the City is under a Specific Plan.

Transit Neighborhood Plans

In June 2012, in partnership with Metro, City Planning launched the Transit Neighborhood Plans (TNPs) program to encourage the growth of livable communities and employment centers around the region's expanding transit network. The plans will encourage mixed-use development, mixed-income housing, employment, and

⁴"Preservation Positive Los Angeles," *The Los Angeles Conservancy*, 2020.

infrastructure in neighborhoods connected by the City's transit network and active transportation corridors. The plans may use strategies such as new zoning, development regulations, and design standards that improve walkability and better facilitate pedestrian, bicycle, and vehicular travel.

The plans generally focus on neighborhoods within a 15-minute walk, or half-mile, of the transit stations or corridors. Each station neighborhood has a unique character and distinct mix of housing and businesses, which City Planning will take into account in its approach to stations' neighborhood plans. TNPs generally create new housing and job opportunities and do not create new constraints.

The following Transit Neighborhood Plans were adopted:

- Expo Line Transit Neighborhood Plan

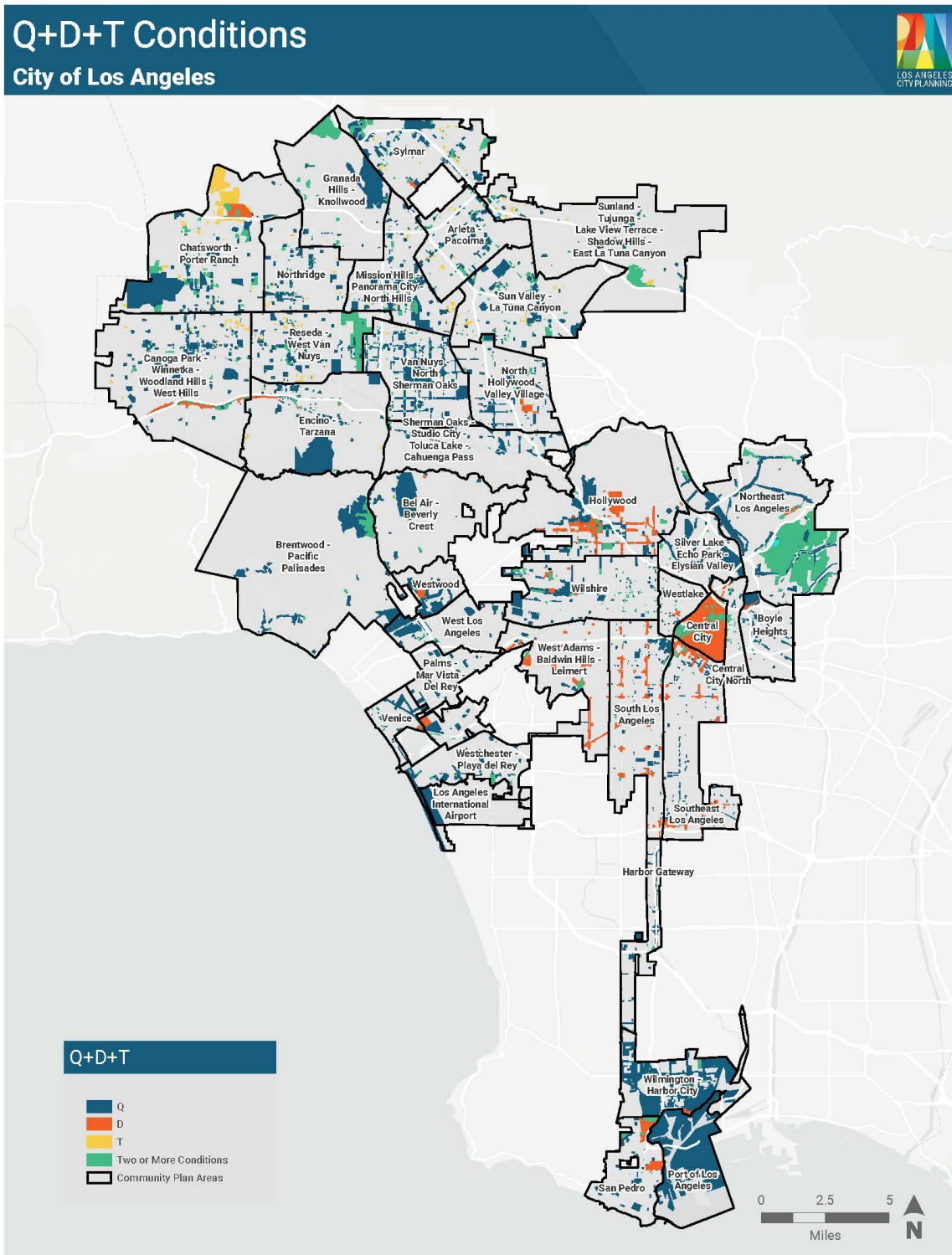
The following Transit Neighborhood Plans are in progress:

- Orange Line Transit Neighborhood Plan
- Slauson Transit Neighborhood Plan

Qualified, Tentative, and Development Conditions

In the City, certain zone or height district change cases can impose additional restrictions on sites through a zoning ordinance. For example, Qualified (Q) conditions place restrictions on the uses and development potential of sites as a result of certain projects, which means that certain residentially zoned sites are effectively down-zoned or prohibited from being used for residential purposes. Development (D) conditions place restrictions on height, FAR, lot coverage, and building setbacks, which limit and constrain development potential as well. Tentative (T) conditions are placed temporarily to ensure that any required public improvements and associated fees are met as part of certain projects. However, T conditions are not always removed and can affect potential housing development projects during the project application process. Approximately 10% of the City is affected by Q, T, and D conditions, see Map 2.1.5 below. For more information, please see the section on "Processing Housing Development Projects" later in this chapter.

Map 2.1.5



Redevelopment Project Areas

The State of California passed ABX1 26 in June 2011, eliminating existing redevelopment agencies statewide, including the Community Redevelopment Agency of the City of Los Angeles (CRA/LA). Redevelopment Plans often contained significant authority to regulate land use and development within redevelopment project areas. At the time of its dissolution on February 1, 2012, the CRA/LA managed 31 Redevelopment Project Areas throughout the City: East Valley, West Valley, Hollywood, Central Downtown, Eastside, South Los Angeles and Los Angeles Harbor.

As of June 2021, there are 17 active CRA plans, 14 have expired. Each CRA plan has a different expiration date, with some expiring as early as January 2022, and others expiring as late as November 2033. The Department of City Planning is responsible for implementing the specific land use provisions of these plans. Any non-land use matters are managed by other agencies and departments. These plans have very specific land use and development standards that can be confusing and constraining for housing development, particularly for affordable housing. This creates a level of confusion and potentially constraints affordable housing development.

Alleviating Constraints Due to the General Plan, Land Use, Zoning Code, and Neighborhood Implementation Tools

Mayoral Executive Directives (ED) 13 and 19⁵

In October 2015, Mayor Eric Garcetti issued Executive Directive Number 13 (ED 13) to prioritize case processing for housing developments of ten or more units that contain at least 20% affordable rental housing (lower income) or 30% for-sale (moderate or lower). The Department of City Planning and Department of Building and Safety were ordered to reduce initial processing times for entitlement applications, building, electrical, plumbing, mechanical, and grading permits by 25%. A quarterly Housing Scorecard to be submitted by various Departments to the Mayor was established, as was an Affordable Housing Cabinet to promote interdepartmental coordination in expediting project approvals for qualified affordable housing developments.

⁵ Los Angeles Mayor Eric Garcetti's Executive Directives may be accessed here:
https://www.lamayor.org/mayor_garcetti_s_executive_directives

In March 2017, Mayor Eric Garcetti signed ED 19 to order the Department of City Planning to develop a schedule and program for the systematic public review and update of all the General Plan's elements, which included the Land Use Element. **See Program 60**

The New Zoning Code (RecodeLA)

While the City is updating all of its 35 Community Plans, it is continuing to work on a major project to comprehensively revise and modernize the City's Zoning Code. The Department of City Planning embarked on this project in 2013, and in 2020, the new zoning framework for Los Angeles was unveiled. The New Zoning Code is meant to be a responsive, modern, and tailored system that will eventually be applied incrementally citywide on a geographic basis through the update of the Community Plans.

The new Zoning Code approach allows a separation of the physical design of a building with its use. Important standards such as density, height and parking will also be more easily modified depending on the unique areas of the City. As updates to the Community Plans are launched, new zoning tools will provide opportunities to create diverse housing options, and reduce site specific constraints, while advancing the livability and sustainability of Los Angeles. This effort will provide a much clearer understanding of what can be built on a property, adding to certainty and transparency. It will also increase opportunities for the production of affordable housing units by embedding the City's affordable housing incentive systems into the code. Finally, the ability to adopt more fine-grained standards will facilitate expansion of more by-right development. See Programs 63, 66 and 67.

Community Plan Updates

Throughout the City, 16 plans are currently being updated, and 13 plans will be updated in the future (see Map 2.1.1). Downtown (DTLA 2040) will be the first community plan area to apply the new Zoning Code. The Department of City Planning has also developed new zoning for the Boyle Heights Community Plan Update. After Boyle Heights, select neighborhoods in the Harbor, the Southeast and Southwest San Fernando Valley, and the Westside will apply the new zoning framework now in development. Community Plan Updates alleviates constraints by ensuring zoning remains relevant and responsive to evolving City needs. Efforts are being taken to provide the housing development community with more clarity and specificity to

mitigate zoning-related constraints on housing production (see Programs 101, 65, 70, 73).

Through this updating endeavor, all updated Community Plans will include every neighborhood implementation tool affecting their respective areas. This means that updated plans will include all necessary rezonings and other neighborhood-level implementation tools, such as specific plans, Community Plan Implementation Overlays (CPIOs), historic preservations and/or design overlays, Q and T conditions where appropriate, and additional planning tools necessary to implement the General Plan Goals. It is important to note that while CPIOs and Specific Plans do apply an additional layer of zoning regulations and standards, they can also include programs that encourage and facilitate the production of affordable housing. These updates will clarify and reduce confusion for potential housing developers in areas with multiple implementation tool layers.

Additionally, Environmental Impact Reports (EIRs) may be certified for each new Community Plan, which can help reduce some of the environmental review requirements for subsequent housing development projects within each area. For example, housing projects below a certain threshold that comply with the Plan would not need additional environmental review. This can reduce project processing delays and costs that often constrain housing development (see the “Constraints Due to the Entitlement Process” section for a deeper discussion).

The Department of City Planning has created new geographic-based Overlay Amendment Units within the Community Plan Bureau assigned to review existing overlays and proposed amendments. This Unit will allow for better monitoring of overlays to ensure they are meeting their intended goals and not acting as an unnecessary constraint on housing.

The Density Bonus Ordinance

The City adopted the Density Bonus Ordinance in 2008 (LAMC 12.22.A.25) to implement State Density Bonus Law. The ordinance has been used widely in Los Angeles because it helps to mitigate the constraining effects of residential development standards by providing incentives or waivers in return for providing a certain percentage of affordable housing units.

The Density Bonus Program offers base incentives such as increased density and reduced or eliminated parking requirements. A menu of incentives is also offered, which includes height increases, reduced open space and setback requirements. The ordinance has not been updated since it was adopted and does not reflect recent changes to state law.

Recent changes to State Density Bonus Law have significantly expanded incentives for 100% affordable, special needs and mixed-income projects located near transit. For example, Assembly Bills 2345 (2020) and 1763 (2019) aim to greatly facilitate affordable housing production, especially 100% affordable housing development production. Some of the recent changes that are not reflected in the City's current Ordinance are as follows:

Incentives for 100% Affordable Housing projects:

- For projects located within a half mile of major transit stops, a height increase of up to 3 additional stories or 33 feet, no parking requirements and no maximum density controls.
- Up to an 80% density bonus for projects not located within a half mile of a major transit stop.
- Up to four on-menu incentives or concessions.
- No vehicular parking requirements if the units are for seniors (62 years or older), special needs persons, or for use as supportive housing.
- New rent and income allowances (can be up to 20% moderate income and 80% can utilize HCD rents)

Incentives for market-rate developments with affordable housing units at 11 to 20 percent levels:

- A required parking ratio of 1.5 spaces per unit for two and three bedroom units and 2.5 spaces per unit for four or more bedrooms.
- A required parking ratio of 0.5 spaces per unit (if at least 11% very low income or 20% low income units) and located within one-half mile of a *major transit stop*.
- Student housing bonuses

The Density Bonus program has led to the creation of housing units throughout the City. Data from DCP shows that between 2015 and 2020, 34,728 units were approved via the

program, of which 6,784 (approximately 20%) units were covenanted affordable housing units.⁶

Transit Oriented Communities (TOC) Program

The Transit Oriented Communities Program (TOC Program) was established in 2017 after being initiated by the voter approval of Measure JJJ in November 2016. The TOC Program, LAMC 12.22.A.31, uses the current Density Bonus framework. The TOC program provides density bonuses in excess of those offered under the Density Bonus Ordinance to projects located within a half mile of a major transit stop provided that they include a certain percentage and level of affordable housing units that exceeds Density Bonus. TOC incentives include

- Density bonuses ranging from 35 to 80 percent
- Parking reductions ranging from 0 to 0.5 spaces per unit
- A 40% to 55% FAR increase
- Up to three additional incentives

The TOC program has become a major way to produce housing in Los Angeles. Between 2019 and 2020, about more than 40% of the land use incentive program housing units sought through planning entitlements were approved via the TOC Program (in contrast to 17% via the Density Bonus program). Between 2017 and December 2020, the TOC program produced applications for more than 35,000 housing units throughout the City. More than 7,500 (or 22%) of these units are restricted affordable units. The popularity of the TOC program indicates that it offers the housing development community the kinds of incentives that alleviate constraints posed by development standards throughout the City.

Most affordable units in mixed-income TOC projects are dedicated to extremely low income (ELI) households, which in 2020 required maximum rents of \$391 to \$559 per month (studio to 3-bedroom unit). TOC projects are located in the areas of the City with the best transit options, which includes higher resource, as well as lower income areas of the City.

While TOC (and Density Bonus) projects include replacement requirements and always result in net gains in (deed restricted) affordable units, there have been concerns about

⁶ Los Angeles Department of City Planning

displacement and the demolition of RSO units by projects using these programs. There are changes that can be made to counter these negative impacts (see Programs 27 and 54).

Both the Density Bonus and TOC Programs currently only apply to sites that allow with five or more units, which prevents their benefits from being afforded to many sites throughout the City. This limits these programs' potential to facilitate affordable housing production in many areas of the City that need this resource. To address this, the Department of City Planning will be updating the Density Bonus Ordinance to include new opportunities and recalibrated incentives aimed at encouraging and promoting the production of affordable housing units in all areas of the City (see Program 48).

Accessory Dwelling Units

The City's Accessory Dwelling Unit (ADU) and Junior Accessory Dwelling Unit (JADU) Ordinance has been implementing State ADU provisions since 2017. As mentioned earlier, ADUs and JADUs are self-contained housing units with a full kitchen and bathroom located on the same property as a single-family home or multi-family development. By design, ADUs tend to be more affordable to build and rent because they do not involve the purchase of land or major new infrastructure. For example, structures such as garages and Movable Tiny Houses are allowed to be used as ADUs. A recent study from the Turner Center showed that the average cost to construct an ADU in Los Angeles is among the lowest in California, at about \$1000, in large part due to the number of garage conversions (see fees section below).⁷ Recent changes to state law now allow ADUs to be constructed on properties with a proposed single family dwelling, as well as multi-family dwellings. ADUs that meet the provisions of state law and the ADU Ordinance are approved ministerially.

Nationally, the City of Los Angeles has become the leader in ADU production. Between 2017 and 2020, 19,731 ADU applications have been submitted and 14,280 ADU permits were issued. In 2020, 22% of all housing units permitted in the City were for ADUs. The most common type of ADU in Los Angeles is a conversion of existing space (44%), with additions next (35%) and then new construction (20%). ADUs are being permitted across the City, but especially in the central and west San Fernando Valley as well as northeast and southwest Los Angeles.

⁷Karen Chapple, Ph.D., Dori Ganetsos, and Emmanuel Lopez, "Implementing the Backyard Revolution: Perspectives of California's ADU Owners," *UC Berkeley Center for Community Innovation*, April 22, 2021.

Unpermitted Dwelling Units

Since May 2017, the City has been legalizing eligible unpermitted units in multi-family buildings through the Unpermitted Dwelling Unit (UDU) Ordinance. The UDU Ordinance established a voluntary program that allows property owners to legalize qualifying unpermitted units if all life safety conditions are met and the property provides at least one low or moderate income affordable housing unit for each legalized unit. Only units that were built or occupied between 2011 and 2015 are eligible. These existing units may legally join the housing market if the owner follows the stipulated six-step process involving HCIDLA, LADBS and LADCP. UDUs preserve unpermitted housing units, encourage their legalization and create much needed deed-restricted affordable housing throughout the City. The most recent data shows that the City has issued certificates of occupancy to 39 UDU projects.

Emergency Homeless Shelters

In 2019, the City of Los Angeles amended the Zoning Code to include sections on emergency homeless shelters (LAC 12.80 and 12.81). Emergency homeless shelters are allowed on any property owned or leased by the City in any zone as a matter of right without the number of beds or persons served. Emergency homeless shelters that operated from property owned by religious institutions or non-profit, charitable organizations are also allowed in the R3, RAS3, R4, RAS4, R5, C2, C4, C5, CM, M1, M2, and M3 zones without regard to the number of beds or persons served. With regards to parking requirements, if the lot on which any such shelter is located does not have sufficient area to provide the number of parking spaces required by the Zoning Section Code, then the number of spaces required shall be the number for which adequate area exists. If insufficient area for any parking spaces exists on the lot, no spaces shall be required. These code amendments streamlined the process and also expanded the areas where this much needed housing resource can be provided from in order to provide shelter to some of the City's most vulnerable residents.

Permanent Supportive Housing Ordinance

The City adopted the Permanent Supportive Housing Ordinance in April 2018. This ordinance removes regulatory barriers and streamlines the review process for supportive housing projects for the most vulnerable and at-risk populations experiencing homelessness. Supportive housing and transitional housing are

considered residential uses and are permitted in any zones that allow residential uses. The purpose of the ordinance is to provide density, parking and other incentives and to reduce the time it takes to secure planning approvals from a matter of years to months. The Ordinance creates a streamlined ministerial “public benefit” process for supportive housing projects with less than 150 units (or 210 units in Regional Centers) by amending Site Plan Review provisions, please see section on Entitlements for more information on this review process. This ordinance reduces constraints posed to housing development meant to help some of the City’s most vulnerable residents: persons with low incomes who have one or more disabilities and may include, among other populations, adults, emancipated youth, families with children, elderly persons, young adults aging out of the foster care system, individuals exiting from institutional settings, veterans, and homeless people. Supportive housing is linked to onsite or offsite supportive services, and any floor area used for these services is considered accessory to the residential use.

Interim Motel Conversion Ordinance

The Interim Motel Conversion Ordinance was adopted by the City in April 2018. This ordinance established regulations to facilitate and streamline the process of retrofitting and temporarily reusing underutilized existing hotels, motels, apartment hotels, transient occupancy residential structures, and hostels for supportive housing or transitional housing for persons experiencing homelessness or those at risk of homelessness. The ordinance allows these structures to go back to their original operations once they stop being used for interim supportive housing or transitional housing.

Together, the Permanent Supportive Housing and Interim Motel Conversion Ordinances promote creative and cost-effective strategies that can provide solutions for people experiencing homelessness in the City.

Floor Area Averaging and Transfer of Floor Area Ratios (TFAR)

Constraints on the production of housing created by density and FAR limitations are being addressed by expanding the concept of FAR averaging and Transfer of Floor Area Ratios (TFAR). The averaging of floor area ratios is permitted citywide for buildings which comprise a unified mixed-use development in the C or M zones, as a Density Bonus on-menu incentive, or in the R5 zone within the Central City Community Plan

Area, even if buildings on each individual parcel or lot would exceed the permitted floor area ratio. In addition, the Transfer of Floor Area Ratios between sites has been established in new Specific Plans such as Cornfield-Arroyo Seco near downtown, as well as continued in the Central City Community Plan Area after the dissolution of the Redevelopment Authority necessitated changes to the program's administration. New draft Community Plans such as for Hollywood include a new transfer of development rights program for historic properties in the area's Regional Center.

Addressing Proposition U Restrictions

In order to address the restrictions on housing imposed by Proposition U, the City Council adopted two new zones in December 2002 that permit an increase in FAR on commercial boulevards. These zones (Residential Accessory Services, RAS3 and RAS4) permit 100% housing projects or housing above ground floor neighborhood services, and allow a floor area ratio of three to one, reduced setbacks, and a 50-foot height limit. Property owners must apply for a zone change on a specific site in order to utilize the RAS zones. The City's TOC program also addresses the constraining effects of Proposition U by offering density and FAR increases to housing development projects along commercial corridors within close proximity to transit, for example allowing at least 2.75:1 FAR on corridors.

Constraints Due to the Entitlement Process

In the City of Los Angeles, housing development projects must comply with the Zoning Code and any other applicable regulations before being issued any construction permits. The permitting process can often act as a constraint to developing housing, particularly affordable housing, because it can delay projects, create uncertainty, and increase overall project costs. The size and complexity of proposed development projects and how they comply with all zoning and other applicable regulations will determine the required level of review as it makes its way through the permitting process. This means that in addition to review and clearance from the Department of City Planning, projects must also be reviewed and cleared by the Departments of Building and Safety (compliance with the Building Code), Water and Power (for on- or off-site improvements), Transportation (traffic impacts and improvements), and others.

Ministerial Procedures

Housing development projects that comply with all applicable zoning, development, and environmental regulations may be eligible to be processed ministerially (or “by-right”). The main exceptions are certain projects located in zoning overlays or projects in excess of Site Plan Review thresholds (50 net new units for residential).

The ministerial process, also referred to as “by-right,” is a more predictable and streamlined process that results in shorter processing timelines, lower processing fees and lower legal risk. Ministerial housing projects are directly filed with the Department of Building & Safety and do not require any discretionary review by the Department of City Planning, and are not subject to the California Environmental Quality Act (CEQA). Projects are reviewed within approximately 21 days. Ministerial projects face a lower risk of being litigated because they are not subject to CEQA, which has been used by project opponents as grounds for initiating lengthy and costly legal cases against housing development projects. As a result, these projects benefit from project certainty, shorter processing timelines, and lower processing fees.

Discretionary Procedures and the California Environmental Quality Act (CEQA)

Development proposals that do not fully comply with all applicable zoning and development regulations or that necessitate compliance with special overlays or other conditions require discretionary action(s) from the Department of City Planning. Discretionary actions are also referred to as “land use entitlements.” Examples of discretionary projects include: variances, zone changes, conditional use permits, tract and parcel maps, Site Plan Review, Specific Plan Exceptions, and General Plan amendments. Discretionary actions typically require a complex application involving the submission of plot plans, floor plans, elevations, radius maps, mailing labels of property owners and occupants within a 500-foot radius, completed questionnaires, and justifications for requests. Discretionary projects face additional levels of staff review and are often subject to public notification, hearings and appeals. Certain findings (established by law) must be made in order to approve the projects and any requested deviations from zoning and other applicable regulations. The discretionary process affects many housing development projects, especially when projects involve changes in zoned capacity or exceptions to it.

Most residential development projects that require a discretionary action are subject to the California Environmental Quality Act (CEQA). The exceptions are projects deemed to be eligible for a statutory exemption, which are specific exclusions from CEQA

consideration as defined by the State Legislature (delineated in PRC § 21080 et seq). Projects otherwise subject to CEQA may also qualify for a categorical exemption, which is made up of classes of projects generally considered not to have potential for impacts on the environment and are defined in the CEQA Guidelines (14 CCR Section 15300-15331). Unlike statutory exemptions, categorical exemptions are not allowed to be used for projects that may cause a substantial adverse change in the significance of an historical resource.

For non-exempt projects, CEQA requires an analysis of potential environmental impacts. If there are no impacts, a Negative Declaration (ND) is issued and no further environmental analysis is required. If potential environmental impacts are identified, but can be mitigated to a level less than significant, a Mitigated Negative Declaration (MND) is issued and the mitigation measures are included as conditions of approval for the project. If the project is deemed to create significant environmental impacts that cannot be mitigated to a level of insignificance, an Environmental Impact Report (EIR) will be required. The preparation, review and certification of an EIR may take up to two years.

CEQA lawsuits are the main way residential projects are opposed and litigated, often for projects that meet all objective zoning standards. This significantly raises the risk and potentially holding costs for homebuilders, particularly in wealthier areas of the City. The City currently has about 25 housing development projects with almost 5,000 units in active CEQA court cases, which often take years. CEQA law is highly technical and subject to continued interpretation. CEQA lawsuits have also been filed against various planning efforts that facilitate increased housing production, including Community Plans, Hybrid Industrial Districts, Transit Neighborhood Plans, the Permanent Supportive Housing Ordinance, Interim Motel Conversion Ordinance, etc.

There are many types of planning entitlements with different processes and procedures. Depending on the type of discretionary project, approval will be determined by different decision makers as follows:

Director of Planning Determinations

Entitlement applications that require Director of Planning approval are reviewed internally by the Department of City Planning staff to confirm compliance with zoning standards and address urban design issues. An example of such an entitlement is the Site Plan Review, which is required for all multi-family housing development projects that create a net increase of 50 units or more on a site. There is no public hearing and

the review does not affect the number of units (or other entitlements) of a project. However, site plan review determinations may be appealed to their respective geographically-specific Area Planning Commission, or to the City Planning Commission if the site plan review is combined with other entitlements that specify this appeal body. Appeals require a public hearing.

Hearing Officer Determinations

Hearing Officer determinations are made by Zoning Administrators who act like judges: they investigate, conduct hearings, and issue determinations on a number of land use considerations, such as variances and certain conditional use permits. They perform quasi-judicial functions pertaining to the administration, interpretation, and enforcement of the Zoning Code.

Legislative Actions (City Planning or Area Planning Commission Recommendation and City Council Approval)

Entitlements such as Zone Changes and General Plan Amendments (required when a Zone Change request is not consistent with the General Plan) are first heard by a hearing officer where public testimony is taken on behalf of the City Planning Commission. A staff report is written with a recommendation to the Area Planning Commission (APC) or the Citywide Planning Commission (CPC). The CPC or APC recommendation is subsequently considered by the City Council Planning and Land Use Management (PLUM) Committee, who conducts another public hearing. The PLUM Committee makes a recommendation to the full City Council, which makes a decision. The City Council may place the property in a Tentative (“T”) classification pending the completion of any public street dedications, payments, and infrastructure improvements that were required. Similarly, “Q” (Qualified) conditions may be placed on the property, imposing additional limitations regarding use and development standards. The final Council action must be approved by the Mayor and becomes an ordinance. General Plan Amendments follow the same process as a Zone Change, although the Council action follows the Mayor’s action, and the final approval is in the form of a Resolution, rather than an ordinance.

Measure JJJ, approved by the voters of Los Angeles in November 2016, added provisions to the City’s Municipal Code to require developers (until 2026) of certain residential projects that receive a discretionary General Plan Amendment, Zone Change, or Height District Change to comply with affordable housing and labor provisions. The intent of the Ballot measure was to promote a consistent approach to providing

affordable housing, local hiring and specific wage requirements for projects that are requesting legislative density increases. The affordable housing requirement can be satisfied through the provision of affordable units or payment of an in-lieu fee (see “Constraints Due to Fees” section). Measure JJJ requires applicable projects to comply with local hire and prevailing wage labor provisions that create local jobs but can be challenging to meet in practice and add additional time and costs to a project.

The number of General Plan Amendments, Zone Changes, and Height District Changes related to multi-family housing development decreased significantly between 2016 and 2020. For example, these types of projects represented more than one-third of all units proposed in 2015-16, but less than 10% of units in 2019-20. Many of the remaining housing projects requesting Zone Changes are affordable housing projects who are already meeting the affordability and labor provisions. The decline in these types of projects appears to indicate that the measure’s labor requirements potentially pose constraints to housing development. The only projects not affected by these provisions are 100% affordable housing developments containing 25 units or less.

Determinations by Deputy Advisory Agencies

Deputy Advisory Agencies act on cases involving the subdivision of land for ownership—typically, but not exclusively, for condominiums. These hearings are chaired by a representative of City Planning in coordination with other City departments. The subdivision of land is both the process and the result of laying out a parcel of undivided land into lots, blocks, streets, and public areas for the purpose of sale, lease, or finance. The division of land is subject to the State Subdivision Map Act and Section 17.00 of the City’s Zoning Code. Subdivisions consisting of five or more parcels require tentative and final maps, and subdivisions of four or fewer parcels require parcel maps. Tract map and parcel map applications may include conditions for new streets, open space, and infrastructure prior to the approval of new parcels. These necessary physical improvements are required as conditions of approval (see “On-/Off-Site Improvements” section). Tract and parcels maps identify the location and layout of buildable lots and the number of units, but do not specify the layout or design of the units. These discretionary actions are appealable. Appeals are heard by either the Area Planning Commission or the City Planning Commission. Tract map cases may be appealed further to the City Council. On average, it takes about two years for an applicant to complete the subdivision process, which along with the discretionary process and significant requirements makes subdivisions one of the most difficult processes.

Review Periods

The review periods associated with processing entitlements can be perceived as one of the major constraints to housing development due to the costs that an applicant and/or property owner can sustain while waiting for approvals (generally called “holding costs”). Time costs, driven mainly by the entitlement process, can contribute 30% of the finished cost of a home according to the McKinsey Global Institute.⁸ The average processing times for different discretionary actions are shown in Table 2.1.3.

Table 2.1.3

Discretionary Actions Related to Housing Development		
Decision Maker	Entitlement Type	Average Processing Time (“Deemed Complete” to Planning Approval)
<i>Director of Planning</i>	<ul style="list-style-type: none"> - Density Bonus projects with Base Incentives and On-Menu Incentives (Before January 25, 2021) - TOC projects (Base Incentives and additional (on-menu) Incentives) - Site Plan Review for projects with 50 units or more - Community Design Overlay District Reviews and Adjustments; - Clarification of Q Conditions - Specific Plan Project Permit Compliance, Adjustments, and Modifications - Mello Act Compliance Review - Coastal Development Permits 	Approximately 165 days (About five and a half months)

⁸ “A Tool Kit to Close California’s Housing Gap: 3.5 Million Homes by 2025,” *The McKinsey Global Institute*, October 2016.

<i>Hearing Officer (Zoning Administrator)</i>	- Certain Conditional Use Permits - Certain Variances	Approximately 273 days (About nine months)
<i>City Planning Commission, Area Planning Commission Recommendation, and/or City Council Approval</i>	- Certain Conditional Use Permits - Certain Variances - Zone Changes - General Plan Amendments - Height District Change - Density Bonus Projects with Off-Menu Incentives or Density Bonuses exceeding 35%	City Planning Commission: Approximately 391 days (About 13 months)* Area Planning Commission: Approximately 265 days (Almost nine months)*
<i>Deputy Advisory Agencies</i>	- Tentative Tract Maps - Parcel Maps	Approximately 227 days (About seven and a half months)
Source: Los Angeles Department of City Planning *Note that this average processing time also reflects the City Council's involvement and decision.		

Alleviating Constraints Due to the Entitlement Process

Compared to many other cities, the City of Los Angeles provides for as-of-right development for residential development consistent with base zoning, provided that the development does not exceed 49 units. For projects that do require entitlements, the City processes multi-family developments faster than average, according to a study conducted by the Berkeley Institute for Urban and Regional Development.⁹ The study looked at developments approved between 2014 to 2017 in various California cities and found that discretionary reviews for multi-family developments last approximately 8.4

⁹ "Planning Around Local Politics to Advance Affordable Housing: How Cities Can Use the 2021 Housing Element Update to Support New Development." SCANPH. Webinar, April 8, 2021. <https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/60709e126a3d1f17d85e0131/1617993235086/Moira%27s+SCANPH+Presentation.pdf>

months in the City of Los Angeles. Compared to most other major cities in the study, such as San Francisco, Santa Monica, and Pasadena, the City reviews discretionary multi-family development projects in considerably less time. However, other cities such as Fresno, Oakland and Sacramento process entitlements faster than Los Angeles.

The City has continued to look for opportunities to further streamline application processing and for additional ministerial processing opportunities. In recent years, City Planning has advanced significant legislation, as well as issued various memos, to further streamline affordable housing projects. These efforts are described below in more detail.

Community Plan Updates and the New Zoning Code

The Department of City Planning is conducting a comprehensive update of the City's Zoning Code and is updating all 35 Community Plans, with the aim to achieve more predictability and transparency in the development review process, as well as reduce the number and complexity of entitlements required to start a project. Throughout the City, 16 plans are currently being updated, and 14 plans will be updated in the future (see Map 2.1.1). The Hollywood Community Plan will be the last plan to be updated without the new zoning tools. Updated Community Plans will incorporate a hybrid form-based code to allow and accommodate more by-right multi-family housing, and will also include local incentive programs with ministerial "base/bonus" incentives that encourage multi-family development and affordable housing unit production. As previously mentioned, Mayor Eric Garcetti's Executive Directive Number 19 (ED 19) and subsequent City budget cycles have allocated resources to enable the updating of the Community Plans. Updated Community Plans expand the ministerial process, which reduces constraints to the production of housing, especially affordable housing, throughout the City.

As previously mentioned, updated plans include all the necessary rezonings, neighborhood-level implementation tools (such as specific plans, CPIOs, historic preservations and/or design overlays, and will be removing Q and D conditions), and additional planning tools necessary to implement the General Plan Goals. Each Community Plan effort will also prepare CEQA analysis, typically an Environmental Impact Report (EIR). Overall, updated plans can reduce project processing delays and costs that often constrain housing development. For example, the proposed Hollywood Community Plan is changing the Site Plan Review (SPR) thresholds for projects in

Multi-family Residential and Regional Center CPIO subareas, to increase the SPR thresholds from 50 to 100 base units in the Multi-family subarea, and to 200 base units in the Regional Center subarea.

Process and Procedures Ordinance

The Department of City Planning is currently working on developing the Processes and Procedures Ordinance as the initial part of a larger effort to comprehensively revise the City's Zoning Code. The proposed Ordinance would streamline and reorganize the rules that govern the steps involved in reviewing projects, while also introducing a more user-friendly format that is more responsive, clearer, and accessible. The Ordinance would standardize existing processes for the review of proposed projects and policies by relocating them in one consolidated section of the Zoning Code. This reorganization would provide greater consistency and predictability for both applicants and the public at large. The Ordinance will apply citywide upon adoption in order to ensure that every property is subject to the same administrative rules.

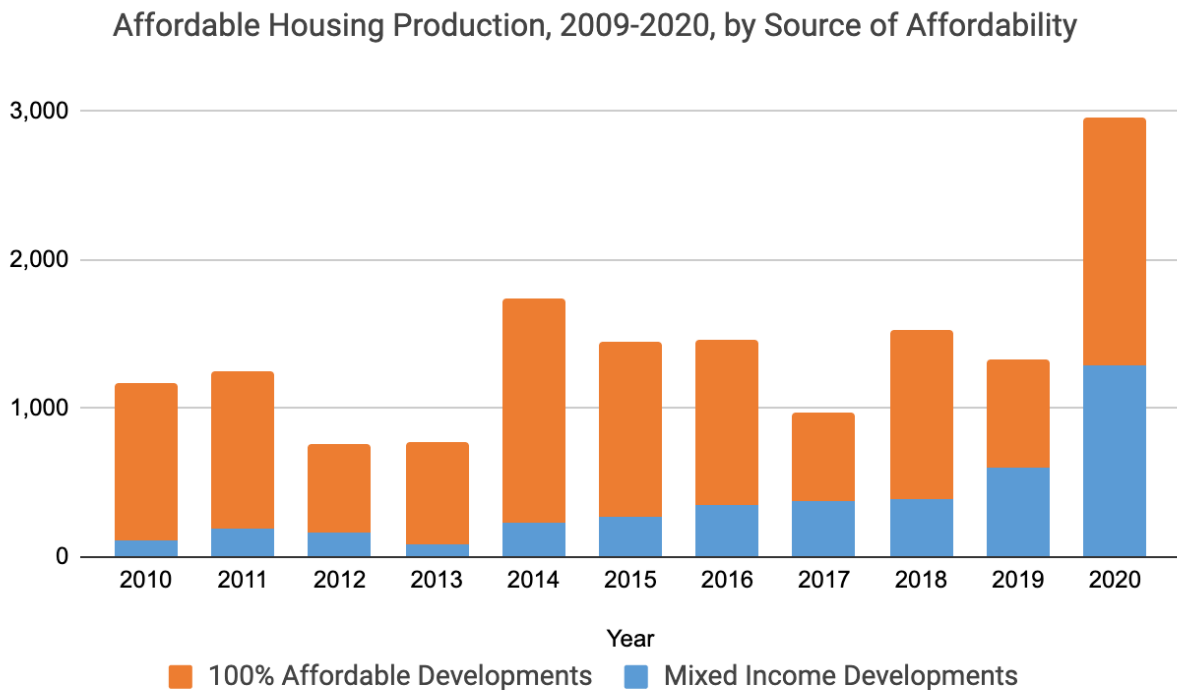
Land Use Incentives Programs

Land use incentive programs, such as the Density Bonus Ordinance and the Transit Oriented Communities (TOC) Program have allowed both ministerial and discretionary projects to produce affordable housing units throughout the City via 100% affordable housing *and* mixed-income housing developments. These programs offer incentives (such as increased residential density) and access to ministerial project review opportunities in exchange for the provision of a required percentage of on-site affordable units.

The number of affordable housing units that have been permitted each year from 2009 to 2020 has grown substantially, see Figure 2.1.1 below, as a result of the City's land use incentives programs. The majority of permitted affordable housing units are within 100% affordable housing developments, which receive public financial subsidies. However, the proportion of affordable units that has been created through mixed-income housing developments increased significantly after 2009. In 2020, nearly 44% of all affordable units permitted were part of mixed-income housing development projects. Since its inception in 2017, the TOC Program has led to the approval of discretionary projects totaling 17,134 units, 24% of which are affordable units, and of ministerial projects totaling 7,910 units, 25% of which are affordable units.

Overall land use incentives have allowed the City to produce 42% more affordable housing units per year on average since 2015. The significant increase in the rate of approved affordable housing, especially ministerially, reflects the City’s ongoing commitment to drive production of mixed-income housing through incentive programs like TOC and Density Bonus. In addition, the Department of City Planning is currently working on updating the Density Bonus Ordinance. This ordinance update will enhance existing incentives and incorporate new ones while also creating more ministerial processing opportunities to incentivize the production of affordable housing units through market-rate housing developments throughout the City.

Figure 2.1.1



Source: HCID and LACP; Annual Progress Reports of the Housing Element, 2010-2020

Density Bonus Memo: Ministerial Review Process for On-Menu Incentives

On January 25, 2021, the Department of City Planning issued a memo regarding an important change to the local interpretation and application of the City’s Density Bonus

Ordinance.¹⁰ In line with state law, the City now permits projects solely requesting “on-menu” incentives to be processed ministerially by the Department. This rendered on-menu incentives requested by Density Bonus projects exempt from analysis under CEQA. This is in contrast to off-menu incentives or waiver requests, which will continue to be processed as discretionary requests subject to CEQA. Although it is too early to fully evaluate the impacts of this change, the Department expects to see an increase in Density Bonus projects being processed ministerially and leading to an increase in affordable housing units throughout the City.

Senate Bill 375 and CEQA

Senate Bill (SB) 375 reformed CEQA provisions to include a menu of streamlined review processes for qualifying Transit Priority Projects (TPPs), such as an expedited Sustainable Communities Environmental Assessment (SCEA) and a Sustainable Communities Project Exemption (SCPE) for housing development projects that meet specific requirements. TPPs must be consistent with the local Sustainable Communities Strategy, consist of at least 50% residential units with a calculated density of at least 20 dwelling units per acre, and lie within a half-mile radius of a major transit stop. Projects that qualify for streamlining benefits may qualify for an expedited review process or be exempted altogether from further CEQA review. A number of high-density infill housing units proposed near transit have benefited from this streamlined review, which incentivizes sustainable and affordable development while helping Los Angeles meet the goals of the State’s climate action plan. Since 2017, 13 housing development projects have been processed as SCEAs, and five housing development projects have been processed as SCPEs.

Streamlined Infill Projects (SIP) per Senate Bill 35 and Assembly Bill 2162

The State of California enacted Senate Bill (SB) 35 in 2017, and Assembly Bill (AB) 2162 in 2018. While both state bills provide for a ministerial review process, each has its own eligibility requirements and review criteria. For example, SB 35 currently applies only to residential or mixed-use developments with at least 50% of the units set-aside as affordable for lower income households (80% of area median income or below), based on the City's current Regional Housing Needs Assessment (RHNA) progress. AB 2162

¹⁰ Memo can be accessed here:
https://planning.lacity.org/odocument/46b07f69-b35d-494d-9879-4959d6a5dbf4/Density_Bonus-Ministerial_Review_Memo.pdf

applies only to 100% affordable projects that include at least 25% of the units as supportive housing. To implement these bills, the Department of City Planning created a new administrative procedure that became effective on September 25, 2020, for processing and tracking housing developments that request these types of state streamlining, called a Streamlined Infill Project (SIP). The SIP process is designed to ensure that eligible projects meet all the necessary objective zoning standards, while providing a streamlined ministerial review process. SIP projects are not subject to CEQA or public hearings, and any appeal process in the Municipal Code unique to the type of entitlement being requested will not be utilized. However, any entitlement requests seeking to deviate from objective zoning code standards, such as zone changes or zone variances, are not eligible for SB 35 Streamlining.

Assembly Bill 1179 and CEQA Exemption for Supportive Housing and Emergency Shelters

On September 26, 2019, the State enacted Assembly Bill (AB) 1197. This bill established new CEQA exemptions for supportive housing and emergency shelters. Any activity that is carried out by the City of Los Angeles in order to provide emergency shelters or supportive housing would qualify for the CEQA exemption. The CEQA exemption encompasses the approval of planning entitlements that solely enable the proposed emergency shelter or supportive housing use, including but not limited to any necessary Zone Change, General Plan Amendment, Conditional Use Permit, or other required land use action that results in one of these projects. This exemption is meant to facilitate the creation of shelter and housing for some of the most vulnerable residents of the City.

The Expedited Processing Section

The Expedited Processing Section (EPS) of the Department of City Planning provides the public with a more efficient alternative for processing planning entitlement applications for an additional fee. The EPS reduces the time it takes to advance an entitlement case to a hearing or decision maker by 30 to 50 percent. Only certain types of projects qualify for EPS's services, such as applications for affordable housing and multi-family (apartments, condominiums, and small lot homes) projects. However, the EPS generally does not accept cases within any special geographic overlay, including but not limited to the Coastal Zone, Hillside Area, Historic Preservation Overlay Zones, Specific plans, or Community Plan Implementation Overlay Districts. This means that

this service is not applicable to multiple potential housing development projects. Prior to filing, applicants must submit a Pre-Intake Consultation form to verify eligibility.

Development Services Case Management (DSCM) Office

The City's multi-agency Development Services Case Management (DSCM) Office helps certain residential projects to identify the required entitlements earlier in the process through a zoning screening pre-check. These services are currently available to major residential projects as well as affordable housing and senior/disabled developments (see *Alleviating Constraints Due to Building Permit Procedures* for more information). This service can create some project certainty in terms of timelines and costs.

The Priority Housing Project (PHP) Program

In response to Mayor Garcetti's Executive Directive 13, as described earlier, the Department of City Planning offers projects with at least 20% affordable units prioritized case review and processing through the Priority Housing Project (PHP) Program. The PHP Program prioritizes the production of affordable housing in alignment with other citywide goals. To qualify, projects must set aside at least 20% of rental units or 30% of for-sale units as restricted affordable units. Residential projects must consist of at least 10 units to qualify for the PHP. In 2019, 56 projects—amounting to 4,700 new units of affordable housing—took advantage of the PHP's specialized services, tripling participation in the program in 2018. Since the program's inception, almost 100 projects have utilized PHP's services, resulting in more than 6,500 new units of affordable housing.

Housing Services Unit

The Housing Services Unit has been established by the Department of City Planning to offer specialized, technical assistance for a number of affordable housing projects, processing the necessary entitlements and clearing the conditions of approval. Projects reviewed by the Housing Services Unit include but are not limited to:

- Priority Housing Projects (PHP)
- Transit Oriented Communities (TOC) Housing Project
- Qualified Permanent Supportive Housing Project
- Density Bonus with on-and off-menu incentives

- Affordable and market rate housing located in the Greater Downtown Housing Incentive Area
- Senior Independent, Assisted Living, Disabled Person, and Elder Care Housing
- Affordable housing in Specific Plan areas
- Residential Hotels and Single Room Occupancy projects
- Funding Forms for projects with an approved entitlement
- Other private, state, and federally funded projects such as SB 35 and AB 2162
- Unpermitted Dwelling Unit (UDU) Project.

The Housing Accountability Act

The State's Housing Accountability Act (Government Code section 65589.5) promotes housing development by establishing limitations on the ability of local governments to deny, reduce the density of, or make infeasible housing development projects that are consistent with objective local zoning and development standards and contribute to meeting housing needs. The law was first adopted in 1982. Amendments were made to the law in 2017, to expand and strengthen it as a way to address the housing shortage across the state. This state law requires that completed housing applications be reviewed for zoning consistency within 30 days after an application for a discretionary action has been deemed complete if the proposed project has less than 150 units, or within 60 days if the project has more than 150 units. Applicants must be provided with written documentation that explains why the project is not consistent with objective standards or a project is deemed consistent.

The Housing Crisis Act of 2019

On October 9, 2019, Governor Newsom signed into law Senate Bill (SB) 330, the Housing Crisis Act of 2019. The act amended existing state laws and created new regulations around the production, preservation and planning of housing that sunset on January 1, 2025. The bill aims to create certainty in the development of housing projects and speed up their review. Housing projects that submit a preliminary application and meet certain requirements are vested with regards to the development standards, policies and standards in place at the time of application. Projects that meet all applicable objective zoning standards are guaranteed a maximum of five public hearings, including hearings associated with City/Area Planning Commissions, Design Review Boards, and HPOZ Boards, and including appeals (except for appeals related to a legislative action). The Bill also shortens the timeline to approve or disapprove a Housing Development

Project with an associated EIR from 120 to 90 days, and from 90 days to 60 days for a project that is at least 49% low-income, publicly subsidized, and involves an associated EIR. SB 330 also prevents zoning actions that reduce the capacity of housing. Any restricted affordable housing unit that is demolished by a project must be replaced on a one-to-one basis at the same income category and of equivalent size, and any unit covered by the Rent Stabilization Ordinance must also be replaced with rent controlled units. In addition, occupants of existing protected units are provided a right to return to a new unit at the same income category and a right to remain in the existing unit up to six months prior to the start of construction.

To ensure consistency with these important laws, the City has modified its review processes for housing development projects. A new Preliminary Application Review Program (PARP) has been established with the goal to improve application completeness prior to entitlement filing in order to reduce holds and processing times post-filing, as well as minimize modifications and “late hits” after a discretionary action has already been reviewed. The PARP provides an early assessment of zoning and land use standards, verifies replacement unit requirements, and provides housing projects an opportunity to vest, prior to an application for a discretionary action being filed. The procedures are applied to discretionary housing projects, as well as ministerial Permanent Supportive Housing Projects, on-menu Density Bonus cases, and projects seeking streamlined review under SB 35 and AB 2162. While the PARP has improved project certainty and agency coordination, it has also likely lengthened the time to be able to file for planning entitlements or building permits. The City continues to enhance procedures for housing projects to further streamline their review, including accepting referral forms via email, which has shortened turnaround times and allows applicants to file remotely without requiring an appointment. Electronic payment using credit cards and e-checks have been implemented to expedite processing of the application.

Constraints Due to Building Codes and Building Permit Procedures

The California Building Standards Code (California Code of Regulations, Title 24) contains statewide general building design and construction requirements relating to fire and life safety, structural safety, and access compliance. State law requires local governments to enforce the California Building Standards Code and authorizes local governments to adopt local ordinances that amend the State Code as reasonably

necessary due to local climatic, geological, or topographical conditions. The regulations of the City of Los Angeles Building Code are necessary for the protection of public health and safety.

The City of Los Angeles' Building Code (LAMC Chapter 9, Article 1) is updated every three years to maintain consistency with evolving State Building Code requirements. The Building Code applies the construction, alteration, moving, demolition, repair, maintenance, and use of any building or structure, including all housing development projects.

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

All housing development projects involving new construction, additions, and/or alterations valued at over \$200,000 must also comply with the City's Green Building Code (GBC). This code is based on the California Green Building Code (CALGreen), which was developed by the State to attain consistency among the various jurisdictions within the State to reduce buildings' energy and water use, reduce waste, and reduce the carbon footprint. The GBC provides specific regulations for projects that can affect site selection. The regulations focus on structural designs, storm water control during construction, construction waste reduction, indoor water use reduction, material selection, natural resource conservation, site irrigation conservation and more. As a result, requirements may be more restrictive in some circumstances and less restrictive in others.

Alleviating Constraints due to the Building Code and Building Permit Procedures

Since the last Housing Element update, LADBS has developed and implemented the following policies and programs to prioritize the processing of housing development projects.

The Affordable Housing Section

LADBS established the Affordable Housing Section to focus on affordable housing development projects, in accordance with Mayor Eric Garcetti's Executive Directive (ED) 13 (Support for Affordable Housing Development) issued in October 2015, ED 24 (Building "A Bridge Home") issued in May 2018, and the Housing Crisis Act (as previously discussed). The Affordable Housing Section aims to help expedite the permitting process for affordable housing development projects by streamlining and providing flexibility in the submittal procedures. The following types of projects are processed and reviewed by the Affordable Housing Section:

- Affordable Housing Development projects under ED 13 that contain at least 20% of on-site rental units that have rents restricted to be affordable and occupied by low-income households, or that contain at least 30% of on-site for-sale units that have sales prices restricted to be affordable to and occupied by low- or moderate-income households.
- Housing development projects covered by SB 330.
- Emergency Homeless Shelters under ED 24.
- Multi-family projects covered by SB 35 (Affordable Housing Streamlined Approval).
- Supportive housing projects covered by AB 2162 (Supportive Housing Streamlined Approval).

Qualifying projects are eligible for:

- Plan Check review to verify compliance with city codes, policies and ordinances.
- Completion of Section III of the Preliminary Zoning Assessment Form.
- Review and approval of Affordable Housing Funding Forms for ministerial (by-right) projects.

Additionally, as of January 28, 2021, LADBS expanded its online plan review system, ePlanLA, to accept all the affordable housing projects mentioned above. This new enhancement allows for affordable housing projects to be submitted, reviewed, and permitted completely online. The ePlanLA online service allows applicants to submit plans for plan check, apply for permits, and track the progress of these applications.

Accessory Dwelling Unit (ADU) Standard Plan Program

The ADU Standard Plan Program was implemented by LADBS to provide applicants with a simplified permitting process for the design and construction of ADUs. The use of standard plans reduces the time required for plan check resulting in faster plan issuance. The new program has plans designed by private licensed architects and engineers to accommodate various site conditions. These plans are reviewed and pre-approved by LADBS for compliance with Building, Residential, and Green Codes. When applicants select an approved ADU Standard Plan, LADBS staff reviews site specific factors for the property, including compliance with the Zoning Code and foundation requirements. In addition, all ADU projects can be submitted via ePlanLA. The entire ADU plan check process can be done electronically, including verification and permit issuance.

The Parallel Design-Permitting Process

The Parallel Design-Permitting Process (PDPP) allows the design process and the permitting processes to run concurrently. LADBS starts to check plans at the conceptual design phase and continues to provide plan check, correction verification, and code consultation services throughout the various design phases. By the time final drawings are completed, the building permit should be ready for issue. This helpful service is available for major project developments, including those with more than 30 dwelling units or six stories.

Development Services Case Management (DSCM)

The City's Development Services Case Management (DSCM) Office brings together experienced staff from the Department of Building and Safety, Department of City Planning, Department of Public Works Bureau of Engineering, Department of Transportation, and Department of Water and Power to solve problems and offer more one-on-one customer service to certain projects. Residential projects with 50 or more

units, affordable housing with 10 or more units, senior housing with 10 or more units, and adaptive reuse residential projects qualify for this service. Case Managers perform project feasibility studies, coordinate pre-development meetings with other City departments, conduct preliminary plan reviews to identify potential building site and code issues, and resolve issues arising from design considerations and code requirements as they assist applicants with plan check corrections and the citywide clearance processes.

Preliminary Plan Check Service

The Preliminary Plan Check Service provides applicants with an opportunity to meet with a plan check engineer to answer questions on Los Angeles Municipal Code requirements or obtain other information concerning their project, prior to plan check submittal. Preliminary Plan Check assists permit applicants with code requirements and with identifying major site-specific issues prior to plan check submittal. Preliminary plan check service can help applicants to navigate efficiently through the various permitting and application processes.

Early Start Permits

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

Constraints Due to On-/Off-Site Improvements and Infrastructure

Infrastructure is a necessary component of residential development, and is planned to accommodate the level and location of growth anticipated in the City's General Plan. All

land that is available for residential development is served by key infrastructure systems and services, including police and fire protection, water, power, sewer and streets. While such infrastructure is available throughout Los Angeles, the City does require public physical improvements in connection with development to ensure that infrastructure serves the safety and quality of life of all residents. The following key infrastructure is necessary for housing development:

- Fire Protection - The Los Angeles Fire Department provides fire protection throughout the City.
- Water and Power - The Los Angeles Department of Water and Power (LADWP) provides water for all City residents and businesses.
- Power - The LADWP, the largest municipal utility in the nation, delivers electricity supplies to residences and businesses in Los Angeles. LADWP has adequate power supply for all planned end users.
- Sewer - The Department of Public Works (DPW)/Bureau of Sanitation is responsible for operating and maintaining one of the world's largest wastewater collection and treatment systems, which operates under a number of federal, state and local laws. The DPW implements a comprehensive inspection program of its system, using both closed circuit television and manual inspections to evaluate the condition of its sewers. The City's sewer system is adequate to serve current and long-term housing capacities. As part of its Strategic Plan, the Los Angeles Bureau of Engineering continues to rehabilitate, maintain, and renew the sewer system by investing \$50 to \$75 million annually on major sewer rehabilitation projects.¹¹
- Streets - Responsibility for transportation issues in the City falls jointly to the Departments of Transportation, City Planning, and Public Works. Streets in many parts of the City operate at or above capacity, resulting in traffic congestion, particularly during morning and afternoon peak hours, and housing development can affect congestion.

Development projects that will affect infrastructure are required to provide improvements in order to ensure that the projects are properly served by the City's infrastructure. Public improvements made within the development site are referred to as "on-site improvements," and improvements made adjacent to or near the development site are referred to as "off-site improvements." Improvements may include street

¹¹ City of Los Angeles Bureau of Engineering, *Strategic Plan 2019-2021*, https://eng2.lacity.org/strategicplan/sp_2019.pdf

development or improvement, utilities (water and electricity), street name signs, fire hydrants, retaining walls, sewers and storm drains, street lights, street trees, traffic signals, pedestrian walks, alleys, easements for public utilities and water systems, and land for park or recreational purposes. For more information on the link between infrastructure and conservation, please see Chapter Three.

Overall, the costs and the time required to comply with on- or off-site improvements to upgrade or replace infrastructure can represent a constraint on housing development. Subdivision requirements such as access requirements, minimum lot sizes, and setbacks pose constraints to smaller more affordable ownership types. The vast majority of required improvements are provided through subdivision approvals of tract and parcel maps. However, some improvements apply to all development approvals. For example, proposed development abutting a major or secondary highway or a collector street may be required to dedicate and improve a portion of the lot in order to meet the standards of the highway or collector street. Some improvements are very specific to location, such as in the Very High Fire Hazard Severity Zone (VHFHSZ). Fire protection and response times are adequate for most development in the City, but building in the VHFHSZ requires compliance with slope density regulations and special conditions of approval to mitigate fire danger. This includes the prohibition on the placement and storage of construction material on substandard public streets and limitations on where trucks and construction vehicles can park.

All tract maps and parcel maps must include the provision of improvements. If the necessary improvements are not already in place, they will be required as conditions of approval of the subdivision request. All improvements included in the conditions of approval must be completed or a guarantee of their completion provided prior to the City Council's approval of a Final Tract or Parcel Map. The applicant is required to provide an Improvement Agreement which outlines the infrastructure improvements the applicant will undertake at their expense, an Improvement Security in the form of bonds, deposits, or notes, and an Improvement Warranty Guarantee for the improvements for up to one-year after the City Engineer's approval.

The City's Department of Public Works (DPW) oversees and approves the installation of the required improvements to ensure infrastructure capacity. However, conditions are not always precisely defined and are left to the discretion of DPW. This unpredictability can result in time delays and increased costs for applicants. While requirements for infrastructure improvements increase the cost of housing, these improvements are

necessary to ensure safety and quality of life of the City's neighborhoods, to mitigate identified environmental impacts, and to assure the orderly development of land. Such improvements are also mandated by the State Subdivision Map Act and the California Environmental Quality Act (CEQA).

Alleviating Constraints due to On-/Off- Site Improvements and Infrastructure

Both on- and off-site improvements required by residential development help ensure the safety and quality of life of all residents in the City by helping to maintain adequate infrastructure. Although improvements can be time consuming and expensive, the City does provide opportunities to reduce their constraints on housing development.

Exemptions and Reductions to Improvement Requirements

To reduce constraints due to improvements required as conditions of approval for subdivision cases, the Advisory Agency considers the unique circumstances and site-specific characteristics of each proposed subdivision and grants exemptions in certain cases as provided in the Zoning Code. California non-profit corporations are also exempted from the Improvement Guarantees to the extent provided in the Subdivision Map Act. Additionally, the conditions of approval requiring on- and off-site improvements may be reduced when housing development is located in fully built-out neighborhoods. Small Lot Subdivisions have decreased constraints in multi-family zones but further reforms are needed.

Waiver of Dedication and Improvement (WDI)

An amendment to the Zoning Code was made in 2017 that allows applicants of by-right or discretionary projects to submit requests for waivers of dedication and improvement (WDI). WDIs are discretionary entitlements, the Director of Planning reviews them and issues a decision that is also subject to an appeals process (LAMC section 12.37.I). The Director of Planning may waive, reduce, or modify the required dedication or improvement as appropriate if any of the following findings are made:

- The dedication or improvement requirement does not bear a reasonable relationship to any project impact.

- The dedication or improvement *is not necessary* to meet the City's mobility needs for the next 20 years based on guidelines the Streets Standards Committee has established.
- The dedication or improvement requirement is physically impractical.

WDIs can improve the quality of the public right of way by maintaining and improving street walls and sidewalk patterns as well as allow projects more lot area for development.

Deferring Costs of Required Improvements

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

Constraints Due to Entitlement Appeals

Most housing development projects that request a discretionary action face the potential of appeal. Appeals must be filed within 10 to 15 days of the issuance of the Letter of Determination (LOD), depending on the planning entitlements being appealed. In the City, many housing developments requesting entitlements can be appealed by a person, other than the applicant, claiming to be aggrieved for the relatively low fee of \$89 (LAMC 19.01.B.1). The Department of City Planning has significantly subsidized non-applicant appeal fees to allow community members the ability to appeal qualifying planning decisions at a minimal personal cost. The intent is to allow individuals to be part of a fair and equitable process and for the public to have the opportunity to question certain decisions. However, those opposed to certain housing development projects can utilize this subsidized process to affect projects that meet all requirements for the entitlements they are requesting. Depending on the entitlements, the date that an appeal hearing must be scheduled varies between 30 days from appeal submission up to 75 days from the last day of the appeal period. This can delay projects and impose additional costs, which ultimately affect the production of housing, especially affordable housing.

Alleviating Constraints Due to Entitlement Appeals

For certain planning entitlements, such as determinations for projects that file under the Density Bonus and TOC Programs, appeals are limited to adjacent and abutting owners of property or occupants. This minimizes the possibility of appeals coming from those who might be opposed to housing production in their neighborhood. However, these projects can still be appealed and delayed for a relatively low cost. It is also important to note that projects that qualify as a Streamlined Infill Project (SIP) are not subject to appeals in the City in response to the California Department of Housing and Community Development's guidelines for the implementation of SB 35 and AB 2162. These are examples of how the City is prioritizing the development of affordable housing.

Constraints Due to Fees Affecting Housing Development

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

Administrative Fees

Filing fees for processing DCP discretionary actions are created by ordinance and are intended to pay for staff time necessary to review projects and to cover the expenses associated with mailing notices and conducting public hearings (LAMC 19.01 - 19.19). Most planning fees are full cost recovery, but some planning programs are subsidized by the City with reduced fees, such as historic preservation applications and appeals (see Appendix 2.4, Table 1).

Building Permit Fees

Building permit fees and plan check fees are assessed by LADBS to pay for the work of reviewing and approving building plans, conducting inspections throughout the construction period, and authorizing occupancy of the completed structure. These fees are calculated by a formula based on project valuation and the square footage of the

project, for specific fees charged on a per square-foot basis, see Appendix 2.4, Tables 4 and 5). As no project is the same, fees will vary by project. For example, five different 10-unit buildings will have five different valuations, and will therefore pay five different plan check fees. In addition to planning and plan check fees, a project is subject to school fees, park fees (Quimby), and energy surcharges, as described below.

Park Fees and Quimby Fees

Pursuant to Los Angeles Municipal Code Section 12.33, all new residential dwelling units are required to dedicate land, pay a fee or provide a combination of land dedication and fee payment for the purpose of acquiring, expanding and improving park and recreational facilities for new residents. The fee amount depends on the type of residential development project as follows:

- Residential Subdivision projects containing any number of dwelling units are subject to the Quimby in-lieu fee and shall pay: \$14,793 per each new (non-exempt) dwelling unit. These fees are collected prior to final subdivision map approval.
- Non-subdivision Residential projects are subject to the Park Mitigation fee and shall pay: \$7,251 per each new (non-exempt) dwelling unit. These fees are collected prior to the issuance of the Certificate of Occupancy.

Park fees are an in-lieu mitigation fee and can increase the overall cost of multi-family housing development should the Advisory Agency condition the project to fulfill the requirements of LAMC 12.33 with the payment of said fee. However, the provisions of LAMC 12.33 provide developers opportunities to reduce any required Park Fees by either providing affordable housing and/or recreational amenities in common open spaces that are either privately accessible by residents or publicly accessible. Additionally, these fees are adjusted on July 1st of each year by a percentage equal to a weighted average of the annual percentage change in the Construction Cost Index for Los Angeles, and the annual percentage change in the Median Home Sales Price for the City. Considering current economic conditions and the rising price of homes, this means that the impact of these fees can be expected to increase.

Housing Replacement, Relocation, and Enforcement Fees

Housing development projects are also subject to certain clearance, enforcement, and relocation fees. For projects providing Affordable Housing units, covenant preparation fees are \$5,770 per project, and housing replacement determination fees are \$1,027 and must be paid on a per unit basis (see Appendix 2.4, Table 2). Projects subject to the Ellis Act must also pay relocation service fees (see Appendix 2.4, Table 2). Covenant preparation, replacement determination, and Ellis-related relocation service fees and other associated fees are paid to HCIDLA, but relocation assistance payments are made to the tenant.

Transportation Fees

Development projects have effects on local circulation, which is why the Department of Transportation imposes fees. Transportation-related fees range between \$365 and \$7,480 and are used to cover traffic studies, reviews of traffic studies, waivers, and clearances (see Appendix 2.4, Table 3).

School Fees

To assist in providing facilities to serve students generated by new development projects in the City, school impact fees are assessed on new residential projects. This fee is another example of an infrastructure fee. School fees are required for new buildings and additions (made within one year) of more than 500 square feet. Effective July 2020, the Los Angeles Unified School District (LAUSD) increased developer fees for residential construction from \$3.79 to \$4.08 per square foot. These fees are collected by the City on behalf of LAUSD to support the development of additional public school facilities. The school fee is part of LAUSD's construction budget.

Project Examples

A new 50-unit residential project with a valuation of \$6,544,500 will incur approximately between \$222,388 and \$232,597 in building permit and other fees, depending on whether surcharges for energy and disabled access are imposed or not (see Appendix 2.4, Sample 1 for detailed calculations of this scenario). This example provides a conservative estimate because it does not include fees for any required entitlements or housing covenants which can significantly increase the overall cost of fees. Building permit fees and filing fees impose a significant cost on housing development, especially affordable housing development.

Building permit fees for Accessory Dwelling Units (ADUs) are also assessed on the value of the scope of work for each proposed ADU. This is why the fees charged by LADBS for an ADU vary largely. For example, a new construction ADU with a project valuation of \$121,200 will incur a total permit fee of approximately \$8,448 (see Appendix 2.4, Sample 2).

Affordable Housing Linkage Fee (AHLF)

As previously mentioned, certain new market-rate residential development projects must comply with the City's Affordable Housing Linkage Fee (AHLF) Ordinance if a development does not include affordable units on-site. This ordinance was adopted on December 13, 2017, to establish a fee on certain developments to generate local funding for affordable housing. This fee is an example of an infrastructure fee and it varies in amount depending on which market area the proposed housing development project is located in. The market areas were established to account for variations in economic feasibility across different parts of the city and include low, medium, medium-high, and high market categories. All projects that are subject to the AHLF shall pay the applicable fee amount that is in place at the time of building permit issuance. Although the revenue generated by the fee can lead to the funding of and construction of affordable housing units, it can also increase the overall costs of housing development projects if not providing affordable units on-site. Depending on the number of units and market area location, overall project costs will be affected on a per square foot basis as indicated on Table 6 of Appendix 2.4.

Alleviating Constraints Due to Fees Affecting Housing Development

City Planning case processing fees, plan check fees and building permit fees compensate the City for processing development applications and permits. Without them, the City's ability to process applications and permits would be impaired. Development impact fees, such as school impact and park fees may be required by state law or be otherwise warranted to pay for the impacts of new housing. Feasibility analysis is normally performed before enacting new fees and exemptions are normally provided to ensure fees do not negatively affect citywide priorities. These exemptions to major impact fees are listed below.

Exemptions from Park and Quimby Fees

The City exempts some housing development projects from the Park and Quimby fees (LAMC 12.33). Park and Quimby fee exemptions apply as follows:

- Projects that alter, renovate, or expand an existing residential building or structure where *no additional* dwelling units are created.
- Projects that replace existing dwelling units on the same lot resulting in no net increase of residential dwelling units.
- Projects that replace a destroyed or partially destroyed or damaged building or structure where no additional dwelling units are created.
- Each restricted affordable housing unit in a project if the affordable housing unit is affordable to a household at or below 120% of AMI.
- In projects with a mix of market-rate and affordable housing units, only the restricted affordable housing units shall receive this exemption. However, if any restricted affordable housing unit ceases to operate as a qualifying affordable housing unit before the 55-year covenant period has expired, then the parks fee for each said unit shall be paid to the City at the then current rate.
- As of December 2019, all Accessory Dwelling Units and Junior Accessory Dwelling Units are exempt.

Affordable Housing Linkage Fee (AHLF) Exemptions and Credits/Deductions

Although the Affordable Housing Linkage Fee Ordinance can increase the overall costs of housing development projects, certain housing development projects are exempt from the fee. Projects exempt from this fee are those that provide specific percentages of affordable housing units or other public benefit uses. The ordinance exempts projects such as:

- Multi-family housing projects with at least the following shares of affordable housing, as determined by HCIDLA, and as calculated based on the total number of units: 40% moderate income units, or 20% low income units, or 11% very low income units, or 8% extremely low income units.
- Other on-site affordable housing or fee payments in excess of the AHLF requirements.
- Affordable housing required by the Mello Act, Central City West Specific Plan, or Measure JJJ (LAMC 11.5.11).

- Single-family detached homes (or additions) that result in less than 1,500 of net square feet.
- Additional floor area in excess of this amount is also exempt if the home remains under the same ownership for three years from the issuance of a building permit. If not exempt, all net new floor area added to a site is charged the fee.
- Developments constructed by or on behalf of a government agency or public institution like public schools, public museums and homeless shelters, as well as private elementary or high-schools.
- Accessory Dwelling Units (ADUs).
- Adaptive Reuse projects involving a designated Historic Cultural Monument converted to a residential use.

It is important to note that the building permit fees incurred by the conversion of garages into ADUs tend to be significantly lower than those for new construction ADUs. For example, the conversion of a 400 square foot garage to an ADU with a project valuation of \$20,000 will incur a building permit fee of approximately \$1,045 (see Appendix 2.4, Sample 3). The relatively low building permit fees for garage conversions to ADUs helps to encourage the provision of ADUs throughout various neighborhoods in the City. As previously mentioned, most ADUs are the result of garage conversions.

Constraints to the Development of Public Land

Within the City of Los Angeles, certain parcels are publicly owned by various Federal, State and local agencies. The agencies and departments that own public sites within the City limits include, but are not limited to, the U.S. Army Corps of Engineers (U.S. ACE), California Department of Transportation (Caltrans), the Los Angeles County Metropolitan Transportation Authority (LA Metro), the Los Angeles Unified School District (LAUSD), the Housing Authority of the City of Los Angeles (HACLA), the Los Angeles County Flood Control District (LA Flood) and more.

The City owns over 4,000 sites within the City limits. Sites where the ownership is listed as “LA City”, “Department of General Services”, “Los Angeles Department of Transportation” (LADOT) and “Housing and Community Investment Department” (HCID) are all owned and controlled by the Los Angeles City Council.

The Los Angeles City Council does not directly control the disposition of land owned by the City’s proprietary departments (Airport, Port, and Water and Power) and the

Recreation and Parks Department (per the City Charter). Instead, disposition is controlled by the Boards or Commissions of these agencies.

The majority of the publicly owned sites within the City limits are in current use for a public purpose. They contain resources and infrastructure necessary for the function of the City. Relocating these uses can be costly and difficult, and may disperse needed services outside of a community. As a result, the majority of publicly owned sites are not available for residential development.

Publicly owned sites that are not in current use for a public purpose are also often not appropriate for housing, due to their size, configuration, location, infrastructure limitations, or previous use. Here are some examples:

- Size: Many publicly-owned sites not in current use are “slivers” or “remnants.”
- Configuration: Publicly owned sites may be long narrow sites along freeways or rivers.
- Location: Publicly-owned sites may be on steep hillsides with no road access.
- Possible Infrastructure limitations: Many publicly-owned sites, and in particular large public housing sites, were developed several decades ago, and might have infrastructure that has yet to be rehabilitated or renewed. As previously mentioned, on- or off-site improvements can be expensive, and can further constrain the ability to develop housing on these sites. .
- Previous use: Sites that were previously used for public services may contain contamination.

When a publicly-owned site is available and appropriate for residential development, it may not be zoned correctly. Publicly owned sites are most often zoned for Public Facilities (PF) use. The PF Zone does not allow residential uses by-right, even if they are located in residential neighborhoods. Even if it is not zoned PF, publicly owned sites with development potential may need multi-agency or multi-departmental coordination and rezoning (multiple discretionary clearances) in order to accommodate residential uses. Such a process is lengthy, costly, and contributes to project uncertainty.

As a result, publicly owned sites with development potential may need multi-agency or multi-departmental coordination as well as rezoning or multiple discretionary approvals in order to accommodate residential uses. Housing development proposals on publicly owned sites that require discretionary clearances also often require review under the California Environmental Quality Act (CEQA) and, when federal actions are involved,

such as for the redevelopment of public housing sites, the National Environmental Protection Act (NEPA). These processes are lengthy and costly, and they contribute to project uncertainty.

Even if housing were to be permitted on any of the public land sites, it can be challenging to determine a site's full development potential without a full site assessment. Additional resources are needed to comprehensively analyze site conditions to assess their development potential.

Finally, the rising costs associated with new housing development, and, in particular, the development of affordable housing, often serve as a constraint to new housing production on publicly owned land. Cost barriers are caused by a variety of factors. For example, land costs have also risen sharply in recent years due to increasing demand for developable land. When publicly owned sites need to be conveyed to a development partnership at fair market value, this can significantly add to the cost of development and place a burden on limited capital subsidies.

Alleviating Constraints to the Development of Public Land

Generally, publicly owned land in the City is zoned PF and does not permit residential uses. However, the City has recently implemented multiple programs to alleviate the need for zone changes for public land, especially for the purposes of providing affordable housing.

Through the implementation of the TOC Guidelines in 2017, joint public and private developments in PF zones may utilize the residential or commercial zoning of adjoining parcels nearby without requiring a zone change, if the TOC affordability requirements are met. This permits PF parcels to fulfill the uses and area standards permitted in the least restrictive adjoining zone, with the phrase "adjoining zone" referring to the zones of properties abutting, across the street or alley from, or having a common corner with, the subject property. The TOC guidelines establish a ministerial process for the development of public land and thereby have greatly reduced the barriers for housing developments.

In May of 2018, an amendment to the Zoning Code became effective to permit Qualified Permanent Supportive Housing (PSH) Projects in the PF Zones. Similar to the TOC

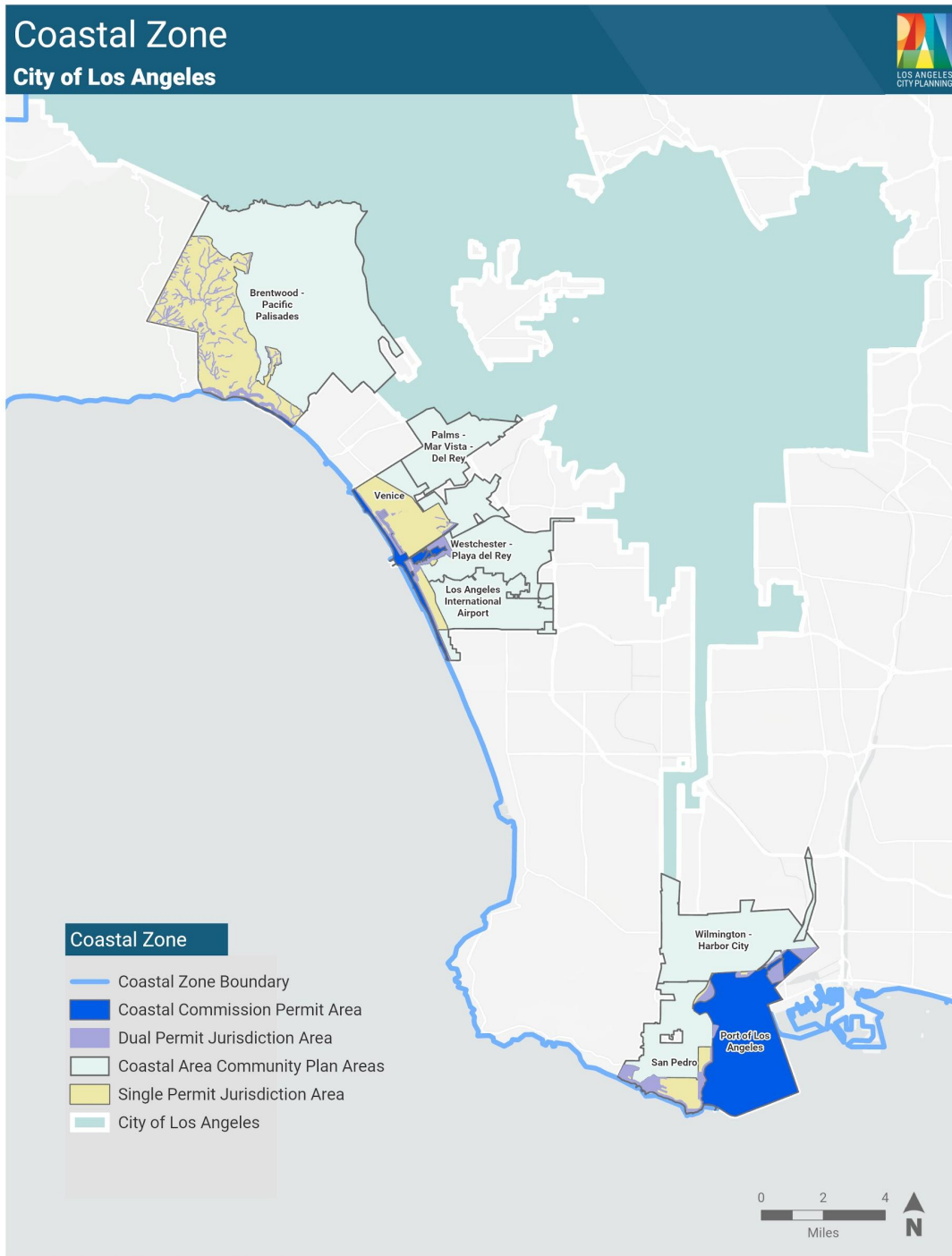
standards described above, these projects may utilize the uses and standards permitted by the least restrictive adjoining zones (LAMC 12.04.09 B.11).

A collaboration between the Office of Los Angeles Mayor Eric Garcetti, his Operations Innovation Team, and the City's Department of General Services led to the creation of the City's first dynamic and searchable database of city-owned properties. The database identifies city-owned properties that have been deemed as "surplus" property, which have the potential to be sold. The surplus property includes declared properties (available for sale), and undeclared properties (not yet available for sale). Approximately 368 properties are currently identified as surplus properties. Databases such as this are important because they serve as a resource to City agencies on the availability of land, which increases access to available information and encourages the utilization of public land for affordable housing. Program 15 (Public Land for Affordable Housing) calls for greater use of public land for affordable housing, including rezoning more public land to allow suitable densities for affordable housing.

Constraints to Development in the Coastal Zone

The California Coastal Zone is generally defined as that land and water area which extends inland 1,000 yards from the mean high tide line of the Pacific Ocean and seaward to the State's outer limit of jurisdiction as established under the Coastal Act of 1976 (California Public Resources Code Section 30000). The Coastal Zone within the City of Los Angeles includes portions of the communities of Pacific Palisades, Venice, Del Rey, Playa Del Rey, San Pedro, and Wilmington. The topography of the City's Coastal Zones varies from mountainous coastal bluffs, beaches and large parkland areas in the Pacific Palisades, to coastal bluffs, wetlands, lagoons and sandy beaches in the south. These Coastal Zone areas include approximately 16,668 acres, comprising 5.5% of the City's total land area, see Map 2.1.6. It is important to note that soil in the Coastal Zone is saturated with water, which typically precludes construction of more than one level of subterranean parking. In addition, a reinforced foundation is necessary for most buildings, which further increases construction costs.

Map 2.1.6



State law imposes affordability requirements on most residential development activity including new construction, conversion and demolition in the Coastal Zone (see City Implementation of the State Mello Act below). Since 1982, a total of 1,577 units

affordable to low- or moderate-income households were added to meet the State requirements. A total of 455 of these units were built in the Coastal Zone, and the remaining 1,122 units were constructed within three miles of the Coastal Zone, as allowed under State law (see Appendix 2.5 for detailed permit activity in the Coastal Zone).

State Regulations and Policy for the Coastal Zone

The State of California adopted the Coastal Act (California Public Resources Code 30000) in 1976 to protect, maintain, enhance, and restore the overall quality of the Coastal Zone environment and its natural and artificial resources by establishing significant land use planning policies for the Coastal Zone. The law also made the California Coastal Commission (CCC) permanent, which in partnership with coastal cities and counties plans and regulates the use of land and water in the Coastal Zone. The CCC establishes regulations to preserve the existing character of coastal communities, protect and enhance public access to and along the coast, and protect wildlife and other ocean resources. While these regulations serve the purposes of the Coastal Act, they can often create constraints on residential development in the Coastal Zone.

The regulations of the Coastal Zone significantly limit opportunities for additional housing by limiting structural improvements and changes in density, height, parking, and land use. For example, the Coastal Commission limits the height of new structures in order to preserve views of the coast. Given that the City's Coastal Zone areas are built out, increases in density and height are often needed in order to develop residential projects. Protecting public access to the beach by maximizing land for public parking, open space, and public right-of-way reduces the amount of land available for additional residential development. Parking requirements along the coast are also generally higher than in other parts of the City.

Implementation of the Coastal Act policies is required to be accomplished primarily through the preparation of Local Coastal Programs (LCPs). The Coastal Act requires each coastal community to prepare a Local Coastal Program (LCP) in order to establish the kind, location, and intensity of land and water uses appropriate to its portion of the Coastal Zone. While each LCP reflects unique characteristics of individual coastal communities, regional and statewide interests must also be addressed.

The California Coastal Commission certifies all LCPs. This certification grants authority to the local government to review and approve coastal development proposals in the Coastal Zone and limits the Coastal Commission’s discretion to consideration of appeals. In the absence of a certified LCP, coastal development permits are under the jurisdiction of the Coastal Commission in addition to the local government. For specific parts of the Coastal Zone, the Coastal Commission retains permanent jurisdiction. Such areas are identified as “Dual Permit Jurisdiction Zones” and development activity within such areas require the approval of the Coastal Commission and the local government. For Dual Permit Jurisdiction Zones in the City’s Coastal Zone, see Map 2.1.6.

While the City has adopted Community Plans for all Coastal Zone communities, it does not have a Coastal Commission-certified LCP. Proposals for residential development in the Coastal Zone are therefore reviewed and approved by both the City and the Coastal Commission if located in the designated Dual Jurisdiction Zone, or are subject to appeals to the latter entity if located in the single or dual jurisdiction areas. This discretionary process is lengthy, subject to multiple fees, and does not guarantee the approval of the proposed development project.

The City’s Coastal Zone has very restrictive density and height regulations. In some coastal communities, Floor Area Ratio (FAR) and parking regulations further limit development options. Table 2.1.4 below summarizes the density, height, FAR and parking requirements in six of the eight Coastal Zone communities.

Table 2.1.4

Coastal Zone Land Use Regulations				
Community Sub-Areas	Density	Height	FAR	Parking
Pacific Palisades	2 to 40 (dwelling Units/acre)	2 stories, 30 feet	.5:1 to 1:1	1 & 2.5 spaces per unit
Venice	3 to 40 (dwelling Units/acre)	22 to 38 feet	.5:1 to 3:1	2-3 spaces per unit
Del Rey Lagoon	24 to 40 (dwelling Units/acre)	45 feet	1.5:1	Code Requirements
Vista Del Mar Bluffs	3 to 24 (dwelling Units/acre)	36 to 45 feet	1.5:1	Code Requirements
San Pedro	3 to 40 (dwelling Units/acre)	26 feet	1.5:1	Code Requirements

Port of Los Angeles	-	Height district for a property	1.5:1	Code Requirements
Source: Los Angeles Department of City Planning				

These land use regulations limit the size of residential projects in the Coastal Zone. Many lots in this area, for example Venice, are zoned for residential use but are considered substandard, which prevents housing development. Unable to spread the cost of development across more units within a project, the cost per unit necessarily increases. It is therefore particularly challenging to provide housing units affordable to lower income households in the Coastal Zone.

City Implementation of the State Mello Act

In addition to Coastal Act regulations, the State’s Mello Act (California Government Code Sections 65590 - 65590.1) mandates local governments to comply with a variety of provisions concerning the demolition, conversion and construction of housing units in California's Coastal Zone. The law prohibits the removal of residential dwelling units for non-coastal dependent or non-coastal related uses, requires that affected existing affordable dwelling units be replaced, and that additional new affordable dwelling units be incorporated into projects, both where feasible. Since 2001, the City has been implementing Mello Act requirements in accordance with adopted Interim Administrative Procedures (IAP) that were established as part of a lawsuit settlement regarding the implementation of the law. The IAP outlines a series of procedural steps to ensure that projects subject to the Mello Act are properly evaluated and conditioned to meet the housing and conservation goals of the state law. While utilizing the IAP, the Department has also been developing a permanent ordinance for the Mello Act, as described below.

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

Alleviating Constraints in the Coastal Zone

The Coastal Zone is subject to many development restrictions due to land use, land costs, and Mello Act compliance. However, the City has taken steps to reduce constraints to development whenever possible.

The City's Mello Act Ordinance

In 2020, the Department of City Planning released a draft ordinance that if adopted, would replace the City's Interim Administrative Procedures in effect since 2000. The City's proposed Mello Act Ordinance would establish a review process, outline the imposed requirements for applicants, and specify the decision-makers and their responsibilities, to ensure that a proposed project is compliant with State law. The ordinance would establish a more transparent review process with clear standards and expectations for development projects. The Ordinance mandates the preservation of existing housing supply (both affordable and market rate) while facilitating the creation of new housing units, with an inclusionary requirement, within the Coastal Zone. Key changes to the City's proposed ordinance would:

- Encourage the preservation of existing units and require that all demolished units are replaced onsite at the same level of affordability as before.
- Require that all new projects containing 5 units or more provide inclusionary units.
- Create a more rigorous and standardized Feasibility Methodology for projects requesting to eliminate Replacement Units and Inclusionary Unit requirements, on the basis of financial "Feasibility."
- Create an in-lieu fee for qualified affordable replacement units and fractional inclusionary units that will be collected in a Coastal Housing Trust Fund, to be utilized specifically in the Coastal Zone.

Along with these changes, numerous clarifications have been woven into the ordinance reflecting the Department's experience with implementing the Mello Act through the IAP.

The Venice Local Coastal Program

In order to comply with the Coastal Act, Los Angeles City Planning is undertaking a multi-year effort, with public input, to prepare, adopt, and certify the Venice LCP as the

coastal planning tool for the area. LCPs have two components: the Land Use Plan (LUP) and the Local Implementation Plan (LIP). In 2001, the Venice Coastal Zone LUP was certified, however, the LIP was not certified. Updates to both policy and implementation measures are needed because much has changed in the past 20 years. LCPs benefit from updates that reflect changed conditions, new information and knowledge, and new programs and policies – especially those related to housing development and preservation, climate change, and sea level rise.

Once the City Council has approved the Venice LCP and the California Coastal Commission has certified it, the Department of City Planning will implement the LCP. Updated LCPs provide stronger coastal resource protection in light of current environmental conditions and create more predictability and transparency for the development process.

Land Use Incentive Programs

Use of the State Density Bonus Law also provides flexibility to offset the constraints to developing housing in the Coastal Zone. This law permits additional units beyond what the zoning would otherwise allow, as well as other land use incentives to facilitate development when affordable housing is provided. To try to harmonize the Coastal Act and Density Bonus law, AB 2797 (2018) requires that any density bonus, concessions, incentives, waivers or reductions of development standards, and parking ratios to which an applicant is entitled under the Density Bonus Law be permitted in a manner that is consistent with that law and the California Coastal Act of 1976.

Constraints to Housing Production on Sites with Currently or Previously Existing Housing Units

Housing projects located on sites that previously had residential units and housing developments proposing to demolish existing residential units are subject to a variety of state, federal, and local regulations. The cost of relocating tenants and replacing affordable housing creates a significant constraint to developers, particularly considering that most residentially zoned parcels in the City currently have some kind of housing on them. Although replacement and relocation requirements may limit the financial feasibility of new projects, they also promote the housing stability of renters, reduce displacement, and promote more on-site affordability.

RSO Replacement and Relocation Requirements

Under the City’s Rent Stabilization Ordinance (RSO) if a building containing an RSO unit that was the subject of an Ellis Act removal is demolished, and rental units are constructed on the same property, and offered for rent within five years of the date the Notice of Intent to Withdraw was filed, the provisions of the RSO shall apply to all newly constructed rental units. However, there are three exceptions to this requirement, including: 1) hardship, 2) owner-occupied buildings with four or fewer rental units, and 3) when affordable housing is provided at certain levels (20% of the number of total units in the new building or the same number of RSO units that existed on the site, whichever is greater).

If the RSO units are occupied, the developer/landlord is required to pay relocation and adhere to the noticing requirements established under the Ellis Act. As shown in the Table 2.1.5 below, the required amount of relocation depends on whether the tenant is an eligible or qualified tenant, the length of tenancy, and the tenant’s income, and ranges from \$8,450 to \$21,900 (as of June 30, 2021). A “qualified tenant” is any tenant who is 62 years of age or older, disabled, or who has one or more minor dependent children and a low-income tenant is defined as any household with an income at or below 80% of the area median income. Unless a tenant is a qualified tenant as explained above, the tenant is an “eligible tenant” and is entitled to receive relocation assistance amount that depends on length of time in a unit and income.

Table 2.1.5

Relocation Assistance Amounts Effective July 1, 2020 through June 30, 2021				
Tenants	Tenants with Less Than 3 Years	Tenants with 3 or More Years	Tenants Qualifying Under HUD Low Income Limits	Tenants Renting Units in Mom & Pop Properties
Eligible Tenant	\$8,750	\$11,500	\$11,500	\$8,450
Qualified Tenant	\$18,500	\$21,900	\$21,900	\$17,050

All property owners/landlords who file an application which requires relocation assistance to be provided to tenants shall pay the *Relocation Service Fee*, according to the tenants Eligible or Qualified status and a *Relocation Administrative Fee* per rental unit (see Appendix 2.4, Table 2).

Density Bonus, TOC, and Local Land Use Incentive Requirements

In addition to the local RSO replacement requirements, projects seeking to use density bonus, TOC, or other land use incentive programs are required to replace any existing housing units pursuant to CA Government Code §65915(c)(3). This includes replacing any unit occupied by a lower income household, or if vacant or demolished, has been within the last five years. When the income for tenants is unable to be established, or the units are vacant, the law includes a presumption that the percentage of lower-income households is the same as reported for renters in the City (this figure is currently 67%). A \$1,027 per unit fee is assessed by HCIDLA for replacement for housing replacement determinations to satisfy these requirements.

SB 330 Requirements

SB 330 extends the State Density Bonus Law replacement requirements to all discretionary projects in the City until 2025. The bill also requires that displaced tenants have the right to return to the new development at an affordable cost.

Requirements for Projects Located on Sites Identified/Rezoned through the Housing Element

State Density Bonus replacement requirements also apply to any site listed in the Housing Element's inventory of sites and any site that is rezoned as part of the mandatory Housing Element rezoning program (see Program 120).

Additional Requirements for Federally Subsidized Projects

In addition to the requirements listed above, federally subsidized projects are required to follow the Uniform Relocation Act (URA) and/or Section 104(d). Under these laws, existing tenants must be provided with a relocation consultant who is responsible for assisting them in finding a comparable replacement unit. The developer is responsible

to pay for the difference between the tenants previous rent and the rent in the new comparable unit for between 45-60 months (60 months for projects subject to Section 104(d) and 45 months for projects subject to the URA). The cost of a relocation consultant and relocation payments can add to the already high cost of developing affordable housing and makes projects less feasible and less competitive for financing.

Affordable Housing Managed Pipeline

In order to reduce displacement and project costs, HCIDLA prioritizes local funding for projects that do not require the permanent relocation of existing tenants. The Affordable Housing Managed Pipeline Application, which the City uses to allocate local funding, awards four additional points for projects that do not result in displacement and two points for projects that require permanent relocation of residential tenants that equate to 10% or less of the total new units proposed.

Constraints to the Creation of Affordable Housing Covenants

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

The covenant process with HCIDLA, is described on the HCIDLA Land Use Covenant website.¹² Residential developers who receive a land use concession from the City or are required by City laws or Ordinances to provide affordable housing, submit a land use application and other required documentation to HCIDLA. Upon review of the documents, HCIDLA will prepare and issue the covenant. The covenants reflect the conditions of approval regarding affordable housing requirements within the development. The HCIDLA, DCP and LADBS work together to ensure that the requirements to be included in the covenants are clear and consistent. This may add time to the preparation of covenants. The approximate timeline of eight to twelve weeks (sometimes longer if the project is complicated) to execute a covenant creates delays in the development of housing, as the covenant is required before a building permit can be issued.

¹² Access here <https://hcidla2.lacity.org/partners/land-use-covenants>

The cost for an affordable housing covenant preparation is \$5,770 per project and \$173 per restricted unit, per year of the covenant length. This cost, timeline and annual monitoring requirements may present a barrier for smaller projects creating affordable housing, such as Unapproved Dwelling Unit (UDU) projects or smaller Density Bonus projects.

Alleviating Constraints to the Creation of Affordable Housing Covenants

The HCIDLA has been working with other City Departments, including DCP and the City Attorney's Office, to reconcile conflicts and develop more streamlined covenant procedures. Increased volume of work and implementation of new Housing State laws further caused delay in the preparation of the covenants. While staffing has been increased, further streamlining the covenant process would reduce delays in issuing covenants.

Constraints to the Availability of Public Funding for Housing

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

Federal Funding

Federal funds, in particular, are the backbone of Affordable Housing financing. Through the tax credit tax credit program and annual appropriation to HUD expenditures, the federal government supports homeownership and the development of for-sale, rental, and homeless housing and services.

The City of Los Angeles' Five Year 2018-2022 Consolidated Plan (ConPlan) is the City's strategic plan for leveraging the U.S. Department of Housing and Urban Development's (HUD) annual entitlement allocations of four federal grant programs: 1) Community

Development Block Grant (CDBG), 2) Emergency Solutions Grant (ESG), 3) HOME Investment Partnerships Program (HOME), and 4) Housing Opportunities for Persons with AIDS (HOPWA). Three of these programs, CDBG, HOME, and HOPWA, support the development of and equal access to affordable, sustainable, accessible, and resilient housing for homeless residents, persons living with disabilities, and other low-income residents. These federal funding sources also create new housing opportunities for low-income households and homeless persons by financing new affordable rental housing and permanent supportive housing. Furthermore, these ConPlan funds contribute in providing first time homebuyers with financial assistance. Lastly, these critical entitlement programs increase the supply of affordable and accessible housing units for people living with disabilities, including HIV/AIDS.

For the FY 2018-22 ConPlan period, the City has estimated an allocation of \$27,783,000 of CDBG funds; \$187,958,000 of HOME funds; and \$18,070,000 of HOPWA funds to develop affordable housing for homeless and low-income populations. The City's goal outcomes for the five-year timeframe are to construct 4,000 rental housing units and direct financial assistance to homebuyers to assist 410 households.

In addition to ConPlan funds, Los Angeles City housing projects receive other critical federal funding from the National Housing Trust Fund (HTF) to support the creation of affordable housing. The HTF was enacted by the "Housing and Economic Recovery Act of 2008" on July 30, 2008 and was implemented in May, 2016.

The State of California is set to receive \$126.5 million from the 2021 HTF allocation. Since 2016, California's annual allocation has steadily increased. As a result, non-profit housing projects who received HTF awards have contributed to creating, rehabilitating, and preserving much needed affordable housing units for the City of Los Angeles. This source of funding is vital, various legislations have been proposed to expand the annual allocation of the HTF. As years proceed, the National Housing Trust Fund could potentially have an increased allocation as a result of legislative adoptions.

Housing Choice Vouchers (HCVs) are another valuable federal resource that provides families and children with significant housing opportunities. The Housing Choice Voucher Program is the largest rental assistance program that has been proven as an evidence-based tool that can be scaled up to help those who are struggling to afford housing costs; research shows that vouchers sharply reduce homelessness, housing instability, and overcrowding. In addition, Choice Vouchers serve more than two-thirds of

households that are headed by a person of color representing a disproportionate concentration of households who rely upon the program.¹³

As the country's economy takes time to recover from the COVID-19 crisis, City of Los Angeles renters will continue to suffer from unaffordable rents and high housing costs. Due to inadequate funding, just about one quarter of voucher-eligible families received any type of federal rental assistance even before the COVID-19 pandemic struck, and there are long waiting lists for vouchers in much of the country.¹⁴ This demonstrates the severe need for additional HCVs. Although the Housing Authority of the City of Los Angeles' 2020 HCV budget authority was almost \$580 million, Los Angeles still suffers from a severe voucher shortage. Expanding the number of vouchers was necessary prior to the pandemic, and it is evident that it is needed more so today. Many renters lost their jobs or had lower wages due to the economic impacts of COVID-19, which threatened their ability to effectively cover their housing expenses. In response to the pandemic, federal resources in the form of rental assistance were deployed as part of the provisions of the March 2020 CARES Act, but federal lawmakers did not enact large-scale funding for emergency rental assistance until late December 2020 with additional amounts included in the March 2021 American Rescue Plan Act.¹⁵

Although various rental assistance opportunities have been made available and will assist many who were financially challenged by the pandemic, it still falls short of the full amount needed to help low-income people afford housing for their families. The funding is temporary, it does not address the actual underlying problem. Many people struggled to afford rent before the pandemic and will continue to struggle in its wake. There is a critical need for policy development that builds upon the federal government's emergency measures with longer term strategies to address the needs of the lowest income households.

State Funding

Additional funding for housing development derives from state legislation that was signed by then-Governor Brown on July 2, 2016 which enacted the No Place Like Home (NPLH) program dedicating \$2 billion in bond proceeds to invest in the development of

¹³ Center on Budget and Policy Priorities. (2021, April 14). *More Housing Vouchers: Most Important Step to Help More People Afford Stable Homes*. [4-14-21hous.pdf \(cbpp.org\)](#)

¹⁴ Center on Budget and Policy Priorities. (2021, April 14). *More Housing Vouchers: Most Important Step to Help More People Afford Stable Homes*. [4-14-21hous.pdf \(cbpp.org\)](#)

¹⁵ Ibid.

permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The funds may be used to acquire, design, construct, rehabilitate, or preserve permanent supportive housing, which may include a capitalized operating subsidy reserve. Counties are the only eligible applicants for NPLH funding, however, the City of Los Angeles benefits from awards made to Los Angeles County or their housing sponsors if Los Angeles' projects are recipients of funding from the County. For fiscal year (FY) 2018-19, Los Angeles County received an award amount of \$230,489,469, and for FY 2019-20, Los Angeles County received a total award amount of \$310,460,112 for Round 2 and Round 3 NPLH competitive allocation. Additionally, the City submitted 14 applications to the state for the Infill Infrastructure Grant in 2019, 13 of which were successful, totaling \$46,122,439. In addition, the City has received awards from the Affordable Housing Sustainable Communities (AHSC) Program. The goal of the AHSC Program is to protect the environment by increasing the supply of affordable places to live near jobs, stores, transit, and other daily needs. Since the commencement of AHSC in 2015, HCIDLA has successfully secured an award in every grant cycle. Total AHSC awards have supported the creation of 2,688 units of affordable housing, bringing a cumulative total of \$330,879,336 to the City of Los Angeles.

While the funds have not yet been received, HCIDLA has an award letter and approved application from the SB 2 Permanent Local Housing Allocation (PLHA). This permanent source of funding allows local entitlement jurisdictions to increase their affordable housing stock over the span of a five-year funding cycle, based on revenues collected from a \$75 recording fee on real estate transactions. HCIDLA's first year allocation is \$26,219,573. The second year allocation is \$40,753,337. Over the five-year period (2019-2024), the City has the potential to receive approximately \$157,317,438 in SB 2 PLHA funds, based on updated estimates from HCD.

Furthermore, the most significant federal resources that are provided at the state level are offered through tax incentives, including tax credits, tax deductions, and lower tax rates. The federal Low Income Housing Tax Credit (LIHTC), instituted in 1986, facilitates the investment of cash from private entities who in return receive a tax credit benefit. Nationally, the LIHTC has been considered an exceedingly successful program. The Tax Credit Allocation Committee ("TCAC") had an increase in tax credit applications across

all programs during 2020 since demand for housing is high and the inventory of housing units across the board remains low.¹⁶

Per the California Tax Credit Allocation Committee's (CTCAC) annual report, in 2020, TCAC awarded a total of \$210.2 million in nine percent (9%) annual LIHTCs to 103 proposed housing projects in California. It is estimated that the 103 projects awarded will induce \$2 billion in private equity investment into projects, allowing recipients to develop a total of 6,884 affordable rental housing units. The majority of these housing units (89%) are to be new construction.¹⁷

Based on a Credits Estimate document published by CTCAC in February 2021, the total available LIHTCs for this year for affordable housing developments in the entire state of California is approximately \$109,833,139. Under its Qualified Allocation Plan, CTCAC, as the state's allocating agency, subdivides this total amount into set-asides based on housing types (e.g., Homeless, Preservation, Large-families, etc.), each set-aside having a specified percentage share of the credits. In addition, it further subdivides the remaining balance of credits into the percentage share of the geographic regions. For this year, the L.A. City Region will receive approximately \$12,226,048 of 9% LIHTCs, which can be translated into roughly \$116 million of capital funding in the form of equity from tax credit investors. The City of Los Angeles receives 17.6% of the state's annual set-aside for the 9% LIHTC geographic apportionment. This is the largest compared to the other 11 regions that receive their allocation of tax credits.

TCAC also made awards to the non-competitive 4% program, awarding \$301.7 million in annual federal tax credit to 181 proposed housing projects in 2020. Award recipients are to develop 16,908 affordable rental housing units, funded with approximately \$3.2 billion in tax credit equity investments. In 2020, as a result of an additional \$500 million in state tax credits, the number of new construction awards increased significantly from previous years.¹⁸

While federal allocations to California for LIHTCs have generally increased over time, fewer low-income units are funded each year as development costs per unit have

¹⁶ California Tax Credit Allocation Committee. (2021, April). *Affordable Housing for California, 2020 Annual Report*. [2020 TCAC Annual Report](#)

¹⁷ Ibid.

¹⁸ California Tax Credit Allocation Committee. (2021, April). *Affordable Housing for California, 2020 Annual Report*. [2020 TCAC Annual Report](#)

increased. LIHTCs are very competitive—applications typically exceed available funds by two-to-one.

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

Local Funding

To supplement federal and state funding resources, the City administers local funding options which have contributed to the creation of further housing for Los Angeles. In 2016, voters approved Proposition HHH (“Prop HHH”) on the State’s General Election ballot. Prop HHH provided the City with authority to issue up to \$1.2 billion in General Obligation (GO) bonds to finance the development of permanent supportive housing (PSH) for chronically homeless and homeless households, affordable housing, and facilities. Prop HHH stipulates 80% of the GO bond proceeds are targeted for PSH units, while no more than 20% of the bond proceeds may be used for affordable housing, including veterans and housing for extremely low-income, very low-income, or low-income individuals and families, who are at risk of homelessness.

In response to the passage of Prop HHH, the City Council and Mayor initially adopted Los Angeles’ Prop HHH Permanent Supportive Housing Loan Program and Facilities Program for Fiscal Year (FY) 2017-18. The City’s Prop HHH Program goal is to build 10,000 units of supportive housing by November 2026. The program is intended to provide early funding commitments to PSH projects that demonstrate the ability to provide properly managed housing, service-enriched housing for the homeless. The program is designed to leverage existing and future City, County, State and Federal funding streams. The Los Angeles Housing and Community Investment Department (HCIDLA) is charged with administering the Prop HHH Permanent Supportive Housing Loan Program. As part of its program implementation, HCIDLA accepts applications for new PSH projects three times per fiscal year on a fixed schedule through a triannual Call for Projects, since FY 18-19. This process enables project sponsors to plan in advance for land acquisition and financing.

Initially, the Prop HHH PSH Loan Program’s per unit subsidy was up to \$140,000 for projects with 4% Low Income Housing Tax Credits (LIHTC) and \$100,000 for projects

with 9% LIHTC. However, the City realized due to the unavailability of a number of key PSH funding sources (e.g., LA County’s Mental Health Fund, “No Place Like Home” Program) until late 2018, the decrease of tax credit equity pricing and the rise in construction costs, substantial financing gaps occurred and were expected to continue in the subsequent year.¹⁹

In response to PSH funding source concerns, the City approved an additional supplemental funding for both 4% and 9% LIHTC projects reaching a revised total subsidy amount of \$220,000 and \$180,000, respectively, for projects applying in FY 2017-18. Despite the City increasing its subsidy amounts, the current average per unit commitment is \$133,652. The average total development cost (TDC) per unit is \$563,913.²⁰ Developers seek additional funding from other sources to leverage the City’s subsidy to meet the total costs for PSH units. The high costs pose a financial strain on producing the level of PSH units necessary in meeting the City’s dire housing needs. In response to concerns about high costs and the length of time to build PSH units, HCIDLA later announced funding for developers through its HHH Housing Innovation Challenge, which utilized Prop HHH funds to identify innovative housing production models and finance up to 1,000 new PSH units. All of which are in different phases of the development process; only about 24% have closed escrow by leveraging the 9% LIHTC and 4% conduit bonds project. While another one-third of the units have started construction, they are expected to be built by the end of 2024.

As of May 2021, the City has committed \$972 million of HHH funds to finance 111 HHH projects. Of these projects, 5,760 units are supportive housing units and 1,423 are non-supportive housing units, totaling 7,305 units. As part of the City’s HHH Housing Innovation Challenge Program, \$84 million of HHH funds have been committed to finance 14 HHH Challenge projects, consisting of 711 supportive housing units.²¹

Although the City has committed over \$1 billion to fund 8,016 housing units, 81% of which are supportive housing units, the City still falls short in meeting its affordable housing needs. Currently, the majority of the HHH projects are either in pre-development

¹⁹ CAO, CLA, and HCIDLA. (2017, August 10). *Amendments to the Proposition HHH Report Dated May 16, 2017 Related to the Permanent Supportive Housing Loan Program Application Process for Fiscal Year 2017-18 and the Facilities Program Fiscal Year 2017-18 Request for Proposals for the Fiscal Year 2018-19 Bond Issuance*. [Central Services Copy RM-20170810165842 \(lacity.org\)](https://www.lacity.org/central-services/copy-20170810165842)

²⁰ Los Angeles Housing + Community Investment Department. (n.d.). *City of Los Angeles Prop HHH Progress Report*. [HHH Progress – HCIDLA \(lacity.org\)](https://www.lacity.org/hhh-progress-hcidla)

²¹ Los Angeles Housing + Community Investment Department. (n.d.). *City of Los Angeles Prop HHH Progress Report*. [HHH Progress – HCIDLA \(lacity.org\)](https://www.lacity.org/hhh-progress-hcidla)

or in-construction phase; loans have successfully closed for a few projects and the number of projects that are in service equates to twelve. However, this is not due to the lack of the City's steadfast efforts to finance additional affordable housing units, particularly for the most vulnerable. Developing service-enriched housing units to address mental health, substance abuse, and other needs for its residents is costly, requires layered funding streams from multiple sources, and takes years to build. These factors pose challenges in developing the number of housing projects and units necessary to meet the permanent housing needs of 41,290 homeless individuals in the City. Of this total, 8,308 represent homeless families.²²

Furthermore, in addition to Prop HHH, other local funding dollars present financial opportunities for the City. In recent years, on December 13, 2017, the Los Angeles City Council adopted the Affordable Housing Linkage Fee (AHLF) Ordinance, which amends Chapter II of the Los Angeles Municipal Code. The AHLF provides a permanent and flexible source of funding for Los Angeles that can significantly increase affordable housing creation while maximizing the leveraging of other public and private funding resources. The Ordinance places a fee on new residential development (ranging from \$1.04 to \$18.69 per square foot, depending on the market area and type of project) and new non-residential developments (ranging from \$3.11 to \$5.19 per square foot, depending on market area) to help mitigate impacts of large new projects and generate local funding for affordable housing production and preservation for the City. The Linkage Fee also stipulates various exemptions and deductions based on certain characteristics.

The AHLF serves as a much needed local funding source for Los Angeles to increase its housing supply and provide additional affordable housing units for the City. In addition, the Linkage Fee serves as a financial leverage for other funding sources to assist in the financing of affordable housing properties. The collection of Linkage Fee dollars began on June 18, 2018. As of the March 2021 AHLF cash balance and receipts report, the City has received \$38.5 million in revenue from permit fees paid to the Linkage Fee. The initial revenues have been lower than long-term estimates due to the fee's grandfathering and phase-in provisions, the COVID-19 pandemic, as well as a high percentage of multi-family projects opting to provide on-site affordable units rather than paying the fee.

²²Los Angeles Homeless Services Authority. (2020). *2020 Homeless Count by City Council District*. [Data \(lahsa.org\)](https://www.lahsa.org)

In spring 2020, the City secured the technical study services of BAE Urban Economics, Inc. (BAE) to conduct an in-depth analysis of Linkage Fee revenue and projections. The City's Linkage Fee revenues that have been collected to date are lower than projected due to multiple factors, which pertain to the implementation of certain project exemptions based on phase-in provisions, and the impact of the COVID-19 pandemic. However, the BAE study concludes that Los Angeles' AHLF may generate approximately \$102.4 million in annual average revenues over the long-term implementation of the AHLF Ordinance, though the City should anticipate significantly less revenue through at least 2021. The annual average of \$102.4 million represents an estimated annual average over a typical five- to ten-year period, though actual revenues in any individual year will be subject to changes in the real estate market cycle. It is important to mention that BAE's estimate is based in part on data from a relatively short time period that provides preliminary insight on AHLF trends. Therefore, BAE tempers its estimate by stating this annual average AHLF revenue estimate may be subject to further refinement as the City continues to collect data on AHLF outcomes over a longer time frame.²³

Although various federal, state, and local housing funds have become available to the City of Los Angeles, these allocations have proven to be insufficient. More specifically, the City of Los Angeles' RHNA allocation of 456,643 total units poses a challenging goal for the City to reach given the limited dollar amounts of its various funding sources. The state's RHNA number of over 450,000 housing units during the eight-year period, including over 180,000 for low-income households, is far beyond Los Angeles' funding availability.

In addition, at times state laws demonstrate a hindrance in achieving housing production goals. In November of 1950, the State of California enacted the Public Housing Project Law, also known as Article 34 of the state Constitution. This law amended the Constitution so as to require public housing projects to obtain voter approval before being built in a community. The law specifically refers to these projects as "low rent housing projects," and describes them as any developments "for persons of low income, financed in whole or in part by the Federal Government or a state public body or to which the Federal Government or a state public body extends assistance by supplying all or part of the labor, by guaranteeing the payment of liens, or otherwise." Support for the passage of this law relied heavily on the real estate industry, which

²³ Los Angeles Housing and Community Investment Department. (2020, May 26). *Annual Report: FY 2019-20 AHLF Expenditure Plan Status Update, Revenue Update Estimate Study Result, and AHLF Revenue Activity Analysis Report*. [17-0274_rpt_HCI_06-30-2020.pdf \(lacity.org\)](https://www.lacity.org/files/assets/departmental/2020/05/26/17-0274_rpt_HCI_06-30-2020.pdf)

argued that taxpayers should vote on public housing projects because they were funded similarly to public infrastructure projects.²⁴ Article 34's effects have been long-lasting and hindered low-income housing in the City, and has been widely used by those opposed to housing and racial equity.²⁵ In the City, public housing projects might not be able to obtain local public financing without voter approval in the near future.²⁶

Alleviating Constraints due to Inadequate Public Funding for Housing

As an alternative to placing every project that will house low-income residents on the ballot, as required under Article 34, the City was able to have voters approve a bank of authority back in the 1990s and confirmed the use in 2008, 3,500 for each City Council District (CD). Importantly, the 3,500 units are specific to each CD, the authority cannot be transferred between CDs, and two of the Council Districts (CDs 1 and 14) are quickly running out of authority. To date, the authority has been distributed on a first-come, first-served basis, with all projects that have more than 49% of their units regulated (those that have a regulatory agreement that requires the units to be kept affordable), needing to utilize a portion of the existing blanket authority. Furthermore, affordable housing units that are funded by federal or state tax credits and are set-aside in private mixed-income housing developments are not subject to voter approval. The City's land use incentives programs, such as the TOC and Density Bonus programs, have allowed for the production of publicly-funded lower-income units through housing developments that are privately funded and mostly geared towards renters and buyers able to afford market-rate units. However, fully publicly-funded lower-income housing developments continue to face the voter approval obstacle. To address this challenge, the voters must approve more authority in Council Districts, or the City's public officials need to be encouraged to work to abolish Article 34 at the state level.

Furthermore, the need for the City of Los Angeles' advocacy efforts are further affirmed. As such, the City continues to advocate for state and federal funding for affordable housing production and preservation. These dollars have the ability to expand the funding for the City's Affordable Housing Managed Pipeline (AHMP) Program. The City's

²⁴ Liam Dillon, "A dark side to the California dream: How the state Constitution makes affordable housing hard to build," Los Angeles Times, February 3, 2019 <https://www.latimes.com/politics/la-pol-ca-affordable-housing-constitution-20190203-story.html>

²⁵ Ibid

²⁶ Ibid

AHMP Program was established in June 2013. The bi-annual Call for Projects enables open competition of new projects selected for the City's AHMP on an ongoing basis. Also in 2013, the California Tax Credit Allocation Committee established a new set-aside for projects located within the City of Los Angeles boundaries. The City recognized the opportunity to set forth clear recommendations for local LIHTC priorities and established the selection process for management of the 9% LIHTC in the City of Los Angeles geographic set-aside. This allows the AHMP to leverage and attract the investment dollars of other public and private entities for the development of affordable housing within the city, based on the ability to coordinate the development process of AHMP projects.

In addition to securing additional funding for the production of housing, there is also a need to expand the Housing Choice Voucher Program for residents who rely upon affordable housing. Mandatory appropriations of Housing Choice Vouchers (HCVs) would be beneficial for many families. Currently, vouchers receive discretionary funding by lawmakers determining the funding level each year in appropriations bills. In the near term, policymakers should increase discretionary funding to provide vouchers to more families. The current recovery legislation that has been requested by President Biden for the federal FY 2022 Budget reflects a historic step forward. The budget includes a significant and much needed increase in vouchers. The request includes \$30.4 billion for HCVs, \$5.4 billion more than policymakers allocated for 2021. Within this increase is \$1.6 billion for 200,000 new housing vouchers, primarily to help people experiencing homelessness or fleeing domestic violence. It also includes \$491 million for services to help families with children using vouchers— particularly Black and other families of color – to overcome barriers that limit their housing options and leave them segregated in communities with fewer resources and opportunities.²⁷

Constraints due to Inadequate Public Funding for Homelessness Housing and Prevention

Since the most recent Housing Element, public funding to address homelessness has increased significantly. At the local level, the City of Los Angeles approved Proposition HHH in November 2016, a \$1.2 billion bond measure to build supportive housing. In March 2017, Los Angeles County voters approved Measure H, a one quarter of a cent sales tax generating approximately \$355 million annually to fund an array of services. At

²⁷ Center on Budget and Policy Priorities. (2021, June 3). Housing Policy News

the same moment, the State of California has begun to increase flexible funding for local jurisdictions to address homelessness. The State approved the Homeless Emergency Aid Program (HEAP) in the FY 18-19 budget, a one-time investment of funds that brought \$81 million to the Los Angeles Continuum of Care and \$85 million to the City of Los Angeles. The State made slightly smaller investments with one-time funds in the FY 19-20 and FY 20-21 budgets through the Homeless Housing Assistance and Prevention Program (HHAP), which allocated flexible funding to cities, counties, and Continuum of Care (CoC) agencies.

Federal funding to respond to homelessness has also increased as a result of the COVID-19 pandemic. In March 2020, Congress approved the CARES Act, which included \$4 billion in Emergency Solutions Grants (ESG) funding for local cities and counties to address homelessness. When Congress approved the American Rescue Plan in March 2021, a \$1.9 trillion stimulus package, this included an additional \$5 billion in homelessness funding through the HOME program, allocated to cities and counties, along with \$5 billion in funding for Emergency Housing Vouchers to serve people experiencing homelessness, allocated to public housing authorities.

This rapid increase in funding has coincided with increased effectiveness and coordination in Los Angeles' homeless services system, which has grown to serve far more people throughout the most recent Housing Element cycle. In 2014, Los Angeles' homeless services system placed about 8,000 people into permanent housing. In 2019, Los Angeles' homeless services system placed 22,769 people into permanent housing. Yet this increase and capacity has come as inflow into homelessness has also rapidly increased. LAHSA estimates that in 2019, approximately 83,000 people fell into homelessness, exceeding the capacity of the growing homeless services system.

In early 2020, LAHSA, in coordination with the City and County of Los Angeles, produced its annual Homeless Services Systems Analysis, which estimated that an additional \$500 million in annual public funding is needed Countywide to end homelessness in Los Angeles.

Alleviating Constraints due to Inadequate Public Funding for Homeless Housing and Prevention

The Los Angeles Homeless Services Authority (LAHSA) is a Joint Powers Authority established in 1993 as an independent agency by the City and County of Los Angeles. LAHSA is the lead agency in the Los Angeles Continuum of Care (LA CoC), and

coordinates and is managing over \$835 million dollars in 2021 in Federal, State, County and City funds for programs providing shelter, housing, and services to homeless persons in Los Angeles City and County.²⁸ LAHSA has historically administered the ESG activities for the City and County of Los Angeles as well as the McKinney Vento Continuum of Care (CoC) program, before expanding to administer Los Angeles County Measure H funds, State of California HEAP and HHAP funds, along with federal CARES Act funding LAHSA's partners provide a diversity of programs ranging from prevention and problem solving, street outreach, access centers, emergency shelters, safe havens, transitional housing for youth, rapid re-housing and shallow subsidy programs, and permanent supportive housing along with the necessary supportive services designed to provide tools and skills required to obtain and retain housing stability.

The Los Angeles Continuum of Care (CoC) has 20,641 interim housing beds as of the 2020 Housing Inventory Count, including winter shelter beds, crisis housing, bridge housing, and recuperative care beds, with specific beds set aside for people fleeing domestic violence, beds for youth, women, families, and other subpopulations. The Continuum has 24,018 beds in permanent supportive housing units, as of the 2020 Housing Inventory Count.

The Los Angeles Housing and Community Investment Department (HCIDLA), the Housing Authority of the City of Los Angeles (HACLA), the Los Angeles County Development Authority (LACDA), and LAHSA continue to work together to build on the County's Coordinated Entry System (CES) to maximize existing and new resources.

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

The City has taken a variety of actions to preserve existing housing stock, to minimize rent increases in existing housing, and to preserve housing stock that serves the poorest households – and therefore those most likely to fall into homelessness. In Central City East/Skid Row, over the last 25 years, Los Angeles has provided funding to

²⁸ LAHD Substantial Amendment to the 2011-2012 Action Plan for the Emergency Solutions Grant Program – 2nd Allocation
(<http://lahd.lacity.org/lahdinternet/LinkClick.aspx?link=Substantial+Amendment+4.13.pdf&tabid=36&mid=542&language=en-US>)

preserve approximately 3,500 units in 50 single room occupancy hotels for the City's poorest residents. These units now have covenants and are part of the City's affordable, income-restricted stock and are dedicated to serving extremely low- and very low-income households. The replacement cost for this portfolio today would be more than \$500 million dollars.

Furthermore, the Housing Authority of the City of Los Angeles (HACLA) has invested in serving the most vulnerable households, which include homeless individuals and families. HACLA has committed permanent supportive housing (PSH) assistance to almost 23,000 households of formerly homeless and chronically homeless individuals and families through the following rental assistance subsidy programs:

Waiting List Limited Preference: Homeless Program

The goal of the program is to provide permanent affordable housing for homeless individuals and families while insuring them access to supportive services to maintain independent living. The Homeless Program's allocation of 4,111 housing choice vouchers, targets homeless individuals and families living in transitional housing, emergency shelters, and the streets. HACLA currently works with 19 non-profit and public agency partners located throughout the City of Los Angeles.

Waiting List Limited Preference: Tenant-Based Supportive Housing Program

The Tenant Based Supportive Housing program (TBSH) provides affordable, permanent, supportive housing for high-service-need chronically homeless individuals and families by providing rental subsidies and supportive services through the collaborative effort of the Authority and the L.A. County Departments of Mental Health and Health Services. The intensive supportive services enable chronically homeless individuals and families to stabilize their living conditions and remain successfully housed for the length of time that they are on the program. The TBSH program has an allocation of 800 housing choice vouchers.

Permanent Supportive Housing Project-Based Voucher Program

The Permanent Supportive Housing (PSH) Project-Based Voucher (PBV) Program provides long-term rental subsidy contracts that facilitate development of housing for homeless and chronically individuals and families, targeting a variety of special needs populations such as seniors, families, transition-aged youth, veterans and the disabled.

Program partners provide on-site supportive services. Under federal regulations, a public housing authority may choose to provide Section 8 PBV rental assistance for up to 20% of its units under the Housing Choice Voucher Program (HCVP) and an additional 10% of units can be used to house the homeless. The Housing Authority selects projects for PBV through a competitive Notice of Funding Availability (NOFA) issued jointly with HCIDLA and the Los Angeles County Health Departments as the Permanent Supportive Housing Program (PSHP). The Housing Authority currently has 170 PSHP PBV projects online or in development, consisting of 7,490 units.

HUD-VASH Program

The HUD-VASH (Veterans Affairs (VA) Supportive Housing) Program is a partnership that was developed by Departments of Housing and Urban Development (HUD) and the VA to provide permanent housing and supportive services to homeless and chronically homeless veterans. The HACLA partners with the West L.A. Veterans Affairs Medical Center (VAMC). The HUD-VASH goal is to combine Section 8 rental assistance vouchers with case management and clinical services provided by the VA at its medical centers to enable homeless and chronically homeless veterans and their families to re-integrate in the community, remain in stable housing, and lead healthy, productive lives. In the fourth quarter of 2018, HACLA was awarded 340 new HUD-VASH vouchers, bringing the City's total allocation of these units focused on housing homeless and chronically homeless veterans to 4,615.

Emergency Housing Vouchers (EHVs)

HACLA was awarded 3,295 Emergency Housing Vouchers (EHVs), to be effective July 1, 2021. This award represents almost 20% of all vouchers allocated to the State of California and it is the second largest award at the national level. These EHVs are limited to individuals and families who are (1) homeless; (2) at risk of homelessness; (3) fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking or human trafficking; or (4) recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability. The funding was authorized by the American Rescue Plan Act of 2021.

Waiting List Limited Preference: Homeless Veterans Initiative

Section 8 increased the Waiting List Limited Preference for Homeless by 500 vouchers to support the Homeless Veterans Initiative which targeted homeless veterans who

were not VA healthcare eligible, a population that had not been assisted. HACLA's non-profit and public agency partners provided supportive services which enabled the veterans to maintain independent living and remain successfully housed.

Continuum of Care (Shelter Plus Care) Program

The Continuum of Care Program, formerly called the Shelter Plus Care Program, was created under the McKinney Homeless Assistance Act and is designed to provide permanent housing with supportive services to chronically homeless persons with disabilities. Shelter Plus Care grants require a supportive services match from the program partner. The grants provide for a variety of rental housing components: Tenant-Based (TRA), Sponsor-Based (SRA) and Project-Based (PBA) assistance. The targeted disabilities for the program are mental illness, substance abuse or HIV/AIDS. The HACLA has participated in the Continuum of Care (Shelter Plus Care) program since 1992 and has a current allocation of 4,382 units with 22 partner agencies.

Moderate Rehabilitation Single Room Occupancy (SRO) Program

The legacy Moderate Rehabilitation Single Room Occupancy (SRO) Program was created under the Stewart B. McKinney Homeless Assistance Act of 1987. The Section 8 rental assistance provided under this program is designed to bring more SRO units into the local housing supply to assist homeless persons into permanent housing. HUD's strategy is to convert existing housing, a rundown hotel, or even an abandoned building into safe and decent housing. The rental subsidy in the Moderate Rehabilitation SRO Program is attached to the building or unit as Project-Based rental assistance. The HACLA currently has an allocation of 974 SRO Moderate Rehabilitation units with five non-profit developers.

Table 2.1.6

HACLA Homeless Initiative Totals	
Program	Allocation
Homeless Program	4,111
Tenant Based Supportive Housing Program	800

Permanent Supportive Housing PBV Program	7,490
Homeless Veterans Initiative	500
HUD-VASH Program	4,615
Shelter Plus Care Program	4,372
Moderate Rehabilitation SRO Program	974
TOTAL	22,862
Source: Housing Authority of the City of Los Angeles	

Moving On Program

HACLA has made it possible for formerly homeless residents in the Continuum of Care program who have stabilized their lives and no longer need the level of supportive services provided by that program to transfer to the Housing Choice Voucher program. This provides people with maximum independence and mobility, and frees our highest-impact, highest-service provision units for chronically homeless individuals who need them. This innovative program has assisted more than 500 formerly chronically homeless individuals to reintegrate into the community.

Home For Good

Home For Good is L.A.'s plan to end veteran and chronic homelessness. The Home For Good Funders Collaborative aligns public and private, City and County resources in a seamless NOFA process that supports shared goals, timing of grants and a continuum of funding to extend the reach of all partners working to end homelessness. HACLA has aligned vouchers from the Tenant Based Supportive Housing program, Permanent Supportive Housing PBV program, Homeless Veterans Initiative and Moving On program with the Funders Collaborative. The Home For Good Coordinated Entry System (CES) focuses outreach and housing navigation assistance to LA's most vulnerable homeless, matching them for prioritized access to available PSH units. The Home For Good Standards of Excellence are a community- driven set of standards and best practices that have been adopted to enrich the provision of supportive services and outreach for

the homeless. HACLA performs a valued leadership role in each of these core Home For Good initiatives.

Homeless Incentive Program (HIP)

Funded by Los Angeles County Measure H revenue, the Homeless Incentive Program offers landlords incentives to rent their units to clients from HACLA's tenant based homeless programs. Funds are available to hold units for homeless applicants, pay for their security deposits and furnishings, and provide a damage mitigation fund for landlords. HACLA has housed over 1100 homeless households through use of these funds.

Non-Governmental Constraints

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

Constraints Due to Land Costs

The cost of land available for residential development is quite high in Los Angeles, both as a percentage of development costs and property value. A recent study by UC Riverside showed land costs account for nearly one-sixth of a multi-family project's total development cost in the City of Los Angeles, compared to less than 2% in other Southern California cities studied (Anaheim, Oxnard, San Bernardino, and Riverside).²⁹

High land costs in Los Angeles are a result primarily of a huge demand to live and work here. This is exacerbated by: the relative scarcity of developable land, the likelihood that zoning limits density, difficulty of assembling small parcels, high cost of clearing land of existing uses and buildings, the cost of displacement or relocation of current occupants, costs associated with remediation of various types of contamination (or at minimum

²⁹ Bond, Victoria Pond, "Why multifamily housing is expensive to build in Los Angeles: Report calls for policymakers to enact zoning and other reforms," *UC Riverside News*, March 5, 2020
<https://news.ucr.edu/articles/2020/03/05/why-multifamily-housing-expensive-build-los-angeles>

the testing of the land to determine the presence of potential contaminants) and the additional time required to make previously-developed and occupied land available.

Land costs are typically measured in dollars per square foot. In a city the size of Los Angeles, land costs vary considerably by factors that include geographic location, proximity to amenities such as waterfront location or views, proximity to commercial services, allowable density of development, proximity to transportation and other factors such as perceived community safety and the quality of schools. In addition to significant variation in costs across the City, land costs have also increased substantially from year to year.

Alleviating Constraints due to Land Cost

While some elements of land cost are market driven and out of the City's direct control, zoning can play an important role in reducing land costs/minimizing the land cost per unit (that is, spreading out over more units). The City of Los Angeles has undertaken, and employs, a number of mechanisms to alleviate the impact of land cost on the development of housing. These include:

- Allowing by-right **increases in development density** by as much as 35%, as well as up to three on-menu incentives with the requirement that between 11% and 20% of the units be affordable to very low-income (less than 50% of area median income), low-income (less than 80% of area median income) or moderate-income (less than 120% of area median income) households. Larger density bonuses are available near major transit stops through the TOC Program (up to 80%), as well as through a Conditional Use Permit in LAMC 12.24 U.26 (without limitation), in exchange for higher percentages of affordable housing.
- Making available, on a priority basis, **City-owned sites** (including former CRA-owned sites) for housing development. This includes surplus property (which is offered on a priority basis to the City's Housing Department, and/or to non-profit housing developers) and opportunities to develop in conjunction with or on top of City facilities such as public parking lots and garages.
- Reducing the parking requirements to offset a portion of the development costs for senior housing, for housing developed in certain mixed-use configurations (by allowing shared parking), and for housing developed in Transit Oriented Districts. With subterranean parking averaging around \$50,000, parking

reductions can reduce construction costs significantly. In addition, where parking requirements can be lessened, site requirements can be reduced, resulting in land acquisition cost savings as well.

- Providing additional funding to affordable housing projects through the City's **Affordable Housing Trust Fund**.

Constraints Due to Construction Costs

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

Within the last Housing Element cycle, hard costs (labor and materials) have increased to an average of 60% of total development costs.³⁰ This includes the cost of plastics, composites, timber, and steel. Due to President Trump's steel trade tariffs, prices hit their highest level in at least 13 years, \$1,176/ton in February 2021. Steel is not the only material cost to have risen significantly, according to the National Association of Home Builders (NAHB), timber prices have increased 200% since March 2020 due to the pandemic's impact on the supply chain. The demand for lumber is way up due to an increase of existing homeowners investing in renovations during the pandemic. Increased demand paired with decreased supply has increased timber costs for multi-family new construction by \$1,000,000 to \$4,000,000 according to NAHB March 2021 Multi-Family Market Survey. The fluctuating cost of materials in short time spans creates an urgent need for more financing for the project to close.

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

Over the last decade, the City of Los Angeles has experienced an increase in construction projects (both public and private) covered by prevailing wage through

³⁰ Raetz, H., Forscher, T., Kneebone, E., Reid, C. "The Hard Costs of Construction: Recent Trends in Labor and Materials." March 2020. The Turner Center, University of CA Berkeley

Project Labor Agreements (PLAs) and associated policies that also include local and targeted hire requirements. Most recently, prevailing wage requirements have been expanded to include publicly-subsidized Affordable Housing development. Using both city data and other research conducted, it is important to assess the impact such costs may have on the production of affordable housing and other factors to account for. PLAs can be negotiated for both publicly-funded and private development projects.

In the public sector, PLAs are entered into between local (or state) government agencies and a local building and construction trades union council (a set of affiliate unions) in order to establish the labor terms and conditions on a public or subsidized construction project, and is included as a condition of awarding a contract for a development project. PLAs include terms that ensure a peaceful manner of setting labor disputes and grievances without strikes, work stoppages, or lockouts. In the City of Los Angeles, PLAs have included a local hire requirement, which include the goals of 30% local hiring, 10% transitional/disadvantaged worker hiring and 50% of all apprentice hours to be performed by local residents. Construction unions agree to open up their Joint Labor-Management Apprenticeship programs which cover the necessary training to begin a career in construction at a set apprentice-level wage until the individual reaches journey-level status to earn the standard prevailing wage rate, which are set by the CA Department of Industrial Relations. Labor-Management Apprenticeship programs must also be certified and approved by CA Division of Apprenticeship Standards (DAS) and the US Department of Labor (DOL). Overall, PLAs and local hire requirements have demonstrated the need for ensuring that contractors have a large pool of well-trained labor, that projects are completed on time and on budget, and have the necessary support to ensure local hiring requirements are met through the use of a Jobs Coordinator. This role was created to assist Contractors in meeting their targeted hire percentages by coordinating the local hire referral process with unions, WorkSource Centers, and Community-Based Organizations, and maintaining a database of pre-qualified local residents to work on a covered project. It is important to note that both union and non-union contractors are allowed to bid on PLA-covered projects and are required to comply with prevailing wage requirements, which include the use of a Jobs Coordinator.

In 2016, the voters of the City of Los Angeles approved Proposition HHH that issued \$1.2 billion in bonds over the next decade to achieve the goal of creating up to 10,000 permanent supportive housing units. As part of the implementation of Proposition HHH, a PLA was negotiated to meet the City's goal of reinvesting in local neighborhoods and

residents by training and employing them on HHH-funded projects. The PLA also included the following established targeted hiring requirements:

- At least 30% of project hours performed by local residents
- At least 50% of apprentice hours performed by local residents
- At least 10% of project hours performed by transitional workers³¹

The City's Bureau of Contract Administration maintains up to date tracking of projects covered by such agreements in the City of Los Angeles. As of January 2020, total hours worked on all active HHH projects³² subject to PLA with local hire were 322,228 hours. Of the total hours worked across 10 active projects, 51% were completed by local hire residents, 65% were completed by local apprentices and 13% were completed by transitional workers.³³

Several studies have analyzed the impacts of prevailing wage requirements on affordable housing development. A 2015 working paper from the University of Utah looked specifically at the cost of nine affordable housing projects subject to a PLA and compared them to similar projects without PLA requirements by using three approaches to comparing costs: 1) simple comparison of average square foot cost and average per unit cost, 2) a visual inspection of the cost data by increasing size of projects measured by square foot size and housing unit size, and 3) "nearest neighbor" analysis comparing the nine PLAs each to the four nearest comparisons along the dimensions of size, units, stories and targeted population.³⁴ The study concluded that the differences in costs using the three approaches was not statistically significant enough to make a determination that PLAs raise construction costs. A 2020 UC Berkeley Turner Center

³¹ "Transitional Worker" is defined as any individual whose primary place of residence is within the City of Los Angeles, and who prior to commencing work on a HHH PLA-covered project, has been certified as satisfying at least one of the qualifying criteria: (1) having Veteran status, having a documented history of involvement with the criminal justice system, being homeless or (2) an individual facing two or more barriers to employment: having a household income less than 50% of the Los Angeles County median annual income, receiving public assistance, lack a GED or High School diploma, being a single custodial parent, suffering from long term unemployment, being emancipated from the foster care system, or being an apprentice with less 15% of the apprenticeship hours required to graduate to journey level in a program.

³² As of January 2020, "active projects" are HHH projects currently under construction. To date, no HHH has reached 100% completion, per correspondence with the Los Angeles Department of Public Works, Bureau of Contract Administration.

³³ Data provided by the Los Angeles Department of Public Works, Bureau of Contract Administration on January 5, 2021. For more information on the HHH PLA requirements, see https://bca.lacity.org/HHH_PLA_Docs.

³⁴ Philips, Peter; Littlehale, Scott; "Did PLAs on LA Affordable Housing Projects Raise Construction Costs?"; University of Utah, 2015. Accessed via https://economics.utah.edu/research/publications/2015_03.pdf

report titled “The Hard Costs of Construction” stated prevailing wage requirements are associated with higher hard costs. However, it should be noted that prevailing wage or PLA requirements are a policy choice designed to provide public benefit by stabilizing employment and benefits in a high-risk field and those broader benefits are not captured in the analysis. Moreover, prevailing wage requirements are a common public policy choice designed to provide public benefit by stabilizing employment and providing social benefits in a high-risk field where residential construction has historically paid lower wages. A UC Berkeley Labor Center study found that “almost half (48%) of construction working families are enrolled in one or more of the five means-tested programs” examined. Of particular note, almost one-third receive Adult Medicaid benefits (31%) and/or Earned Income Tax Credit (32%).³⁵

From 2013 to 2021 Davis-Bacon prevailing wages for common construction wage determination classifications (e.g. electricians, elevator mechanics, carpenters, etc.) have increased for most classes of workers, in some cases significantly (e.g. electrician’s wage has more than doubled) (see Table 2.17 below).

Table 2.1.7

2013-2021 Hourly Wage Adjustments for Selected Construction Occupations				
Wage Classification	Determination	Hourly Wage 2013	Hourly Wage 2021 (as of March)	\$ Change per Hour
Asbestos Removal Workers		\$18.70	\$20.63	(\$1.93)
Framer & Finisher Carpenter		\$29.55	\$42.54	\$12.99
Electrician		\$20.20	\$51.50	\$31.30
Elevator Mechanic		\$48.23	\$59.32	\$11.09
Ironworker		\$33.00	\$41.00	\$8.00
Source: US General Services Administration, Davis-Bacon Wage Determination #CA20210017, Last revised April 23, 2021.				

Rehabilitation Costs

³⁵Jacobs, Ken and Kuochih Huang, “The Public Cost of Low-Wage Jobs in California’s Construction Industry,” UC Berkeley Labor Center, June 9, 2021; see <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>

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

Project Financing

Because housing is so expensive to build a developer must often cobble together multiple sources of financing to make a project feasible. Financing costs for multi-family development typically include the interest rate for construction loans and permanent loans, loan points and/or fees, and legal costs associated with loan documentation. Furthermore, financing costs include loan fees, construction period interest, tax credit syndication fees, funding reserves. Developers are required to take risks at each phase of the construction project.

Financing costs for new construction and rehabilitation of multi-family structures fluctuated during the height of the financial crisis of 2007 and 2008, but have largely remained relatively low and stable since 2009. The cost of funds through the Federal Reserve Bank, to which lenders add one to two points in lending funds to residential developers went from 2.8% in the first quarter of 2012 to 2.7% in the last quarter. However, according to Fannie Mae's Housing Forecast, the projection for 2021 through 2022 shows an increase in rates, from an estimated average of 3% in 2021 to 3.1% in 2022³⁶. Although the cost of funds has dropped, lenders are still challenged in making loans due to stubborn credit access issues and risky loan repayment due to the continuing fragility of the housing market and the economy in general.

Depending on the type of financing, financing costs can add substantial costs to a project. Bond transactions require legal and professional fees, affordable housing developers typically pay 5-6%. Due to the high cost of bond issuance, projects with less than \$5 million in tax-exempt bonds (smaller projects with fewer units) generally do not

³⁶ Fannie Mae, Economic and Strategic Research, "Housing Forecast: March 2021. Rates stated are for 5-year, adjustable rate mortgages.

make sense economically. Furthermore, with limited state volume cap, these projects must compete in a highly competitive market. These complex policies and transaction costs create constraints to financing affordable housing with 4% credits.

Regardless of the stage of development, there are inherent financing risks. In the pre-development phase, there is a chance that the project will not be approved. The rent the project collects must exceed the required amount that is owed in debt service. This makes gap financing a critical role that local government must play.

Because lenders require a guarantor with assets equal or greater than the requested loan, significant barriers to entry exist for new developers to enter the market.

Home Loan Financing

Financing is needed to also address the housing needs of those who desire homeownership, but can benefit from additional financial support. Some individuals/households require special funding assistance to fill a financial gap. For homebuyers, the City accesses federal, state, local, and private resources for a variety of homebuyer assistance programs, including the Mortgage Credit Certificate (MCC) Program which provides purchase assistance for first-time homebuyers. From the period of January 1, 2013, through April 15, 2021, the City has successfully assisted 749 low- and moderate-income, first-time homebuyers consisting of 2,234 household members, with \$47.7 million of purchase assistance loans. Additionally, during this timeframe, the City issued 862 Mortgage Credit Certificates to first-time homebuyers for a total credit amount of \$41.7 million.

Affordable Housing Financing

Affordable housing development, including new construction and rehabilitation activity, blend market financing with public, lower-cost financing. Public resources include loan products that offer very low interest rates and/or deferred payments, or no repayment if the development serves the intended lower income population for the required period of time. Such loan products are available from federal, State, County and local governmental entities. In addition, significant equity is raised from investors through the federal Low Income Housing Tax Credit (LIHTC) program, which provides a tax credit to the investor for relatively minor up-front financing costs to the project (syndication fees, legal fees). However, these public funds often have additional requirements which

off-set to some degree the cost savings of the public resource (i.e., requirement to use prevailing wage rates, living wage requirements, Service Contractor Worker Retention requirements).

Table 2.1.8 below provides the average construction cost, by type, of building new and rehabilitating affordable housing based on multi-family projects that the Los Angeles Housing and Community Investment Department reviewed and recommended for funding in 2018 and 2019. Per unit Construction costs, for the 2018 and 2019 projects analyzed represented between 20% to 69% of the Total Development Costs per unit.

Table 2.1.8

2018-19 Estimates of Average Construction Cost for Affordable Housing by Housing Type			
Type of Project	Construction Cost per Unit	Total Development Cost (Avg./per unit)	Percentage of Total Development Cost
Preservation	\$83,419	\$408,043	20%
Acquisition/Rehabilitation (Newly Affordable)	\$233,351	\$476,491	49%
New Construction (Newly Affordable)	\$296,335	\$504,476	69%

Source: Los Angeles Housing and Community Investment Department, Public Policy & Research Unit; Based on projects that were either funded by the Affordable Housing Managed Pipeline, Affordable Housing Trust Fund, or were financed with bond proceeds in 2018 and 2019.

Alleviating Constraints due to Construction Costs

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

Nevertheless, with respect to identifying and quantifying cost components, including construction costs statewide, the California Tax Credit Allocation Committee, the California Debt Limit Allocation Committee (CDLAC), the State Department of Housing and Community Development (HCD) and the California Housing Finance Agency

(CalHFA) procured an analytical consultant to help conduct a cost study. This multi-agency sponsored study will provide vital insight into the nature of cost drivers for affordable housing development, and importantly, will inform how capital sources of financing might accommodate or address high development costs, including construction costs. A final draft version of the study is planned for 2013.

To support affordable housing development for very low-, low- and moderate-income households, the City reduces financing costs by making local funds available for construction and permanent loans. Over the past three years, the City has provided approximately \$31 million each year from its HOME and CDBG allocations for affordable housing development. The funds from these sources are made available at very low interest rates with deferred or no repayment requirements (i.e., deferred repayment, repayment if cash flow permits, or no repayment if the development serves the intended purpose for the life of the loan).

In addition to these local sources, the City assists developers in accessing other low-cost public resources from County, State and Federal sources. The local funds, described above, are in fact leveraged for these other public resources. In addition, the HCIDLA administers other programs through the Affordable Housing Managed Pipeline (AHMP), formerly known as the Affordable Housing Trust Fund, allocating locally-controlled federal funds to affordable housing projects. Between 2006 and 2019, HCIDLA awarded approximately over \$773 million in AHMP dollars for affordable housing development.

While labor costs associated with PLA requirements in residential construction have been studied to assess its overall impact on rising housing costs, the City of Los Angeles, for close to two decades, has made a commitment to increasing training and career opportunities in low income communities facing significant socioeconomic barriers to accessing jobs in high road industries, and to minimize the impacts of the skilled labor shortage facing the construction industry. This investment is intended to increase the labor pool and reduce hard costs in the future.

Some workforce strategies that could be explored to address any significant impacts to overall project costs include stronger apprenticeship requirements to affordable housing development subject to prevailing wage or a PLA that expands training to local residents and are subject to a lower apprenticeship wage, continued health and safety training to ensure injuries and fatalities do not occur to prevent any major cost delays, and enforcement of local and targeted hire requirements that will expand economic

opportunities for communities most in need and address any concerns on whether there will be a localized benefit to residents from affordable housing development being built in their neighborhoods.

Constraints due to Financing Availability

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

There are few institutions willing to finance land acquisition and predevelopment costs, the riskiest part of the development process. This is a particular hardship for developers of affordable housing. Without access to site acquisition financing, potential sites are lost to market rate development. Capital availability is identified as a major constraint in a study by the University of California, Berkeley, Institute of Urban and Regional Development titled *Raising the Roof: California Housing Development Projections and Constraints, 1997-2020*.³⁷

This difficulty continues to persist; availability and access to capital for acquisition and pre-development costs for affordable housing projects is scarce and when it does exist, particularly at a local level, it's limited and expensive. Anecdotally, affordable housing developers identified loan terms that required repayment in too-quick a turnaround timeframe, as well as an unmitigated risk of borrowing from the pre-development loan funds with no clear source of "take-out" financing as a challenge.

In the City of Los Angeles, the New Generation Fund, a \$68.5 million, pre-development acquisition fund was launched in 2008 for affordable housing developers to access, with the intent of creating an affordable housing pipeline. The New Generation Fund has had good utilization due to the pipeline created as part of the Affordable Housing Managed Pipeline and the HHH Supportive Housing Loan Program.

For affordable multi-family development, public resources for all phases of development are available, but in amounts far below the demand and need. As discussed above

³⁷ John D. Landis, Dept of City & Regional Planning, U.C. California, Berkeley, Reprinted 2000

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

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

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

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

As of 2021, current Fannie Mae mortgage loan limits for the Los Angeles and Long Beach Metropolitan area are at \$822,375 for one unit, which is up from \$652,500 in 2013. In a previous section, this report discusses a regional median home price that hovers around \$728,703. This price is a 10% increase from the previous year. While the current loan limits appear to accommodate home prices, the challenge still resides in a relative scarcity of housing stock at prices that conform to Fannie Mae-backed loans, as well as a more stringent set of underwriting criteria. Former homeowners - those with recent foreclosures and/or short sales in their credit profiles – will have limited access, or no access at all, to Fannie Mae-backed loans. A re-emerging loan product, in the form of subprime loans, is increasing in accessibility to respond to former homeowners with bad credit profiles due to bankruptcies, foreclosures and short sale transactions. The renewed need for non-conforming loans, in the form of subprime loans, or loan products that accommodate bad credit scores, means higher mortgage costs in the form of additional points, fees and higher interest rates. This allows the lender to adequately cover the loan risk.³⁸ In addition, defaults in the mortgage market have led to a lack of funds for other mortgages, and this liquidity crisis has led lenders to remove entire mortgage product lines, such as zero-down loans. Lenders have also tightened eligibility standards, such as requiring substantial down payments as well as higher Fair Isaac and Company (FICO) credit scores.

Alleviating Constraints due to Financing Availability

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

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

In 2021, the City renewed its New Generation Fund and resized it at \$68.5 million with an option to further increase this amount at a later time depending on the demand. This amount was based on lessons learned to accommodate the market needs, providing, in

³⁸ Reckard, E. Scott, “Lenders Venturing Back Into Subprime Market.”, Los Angeles Times. April 27, 2013.

part, a longer holding period. This change was in direct response to developer input regarding one of the more onerous loan requirements. The success of the New Generation Fund was and is dependent on a known source of capital financing.

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

Housing for People with Disabilities and Special Needs

Constraints to Providing Housing for People with Disabilities

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

More recently, per HUD's final 2015 Affirmatively Furthering Fair Housing (AFFH) rule, the City developed and submitted to HUD its first Assessment of Fair Housing (AFH) Plan in 2017, which replaced the previous AI requirement. Los Angeles' 2018-2023 AFH Plan was completed in partnership between the Los Angeles Housing and Community Investment Department (HCIDLA) and the Housing Authority of the City of Los Angeles (HACLA). The City's AFH Plan was adopted by City Council and Mayor in October 2017.

The AFH provides a comprehensive framework for improving access to housing and opportunity for all City residents (i.e., persons with disabilities, seniors, etc.) and promoting equity and justice for historically marginalized groups. Furthermore, the AFH analyzes a variety of fair housing issues including patterns of integration and segregation of members of protected classes; racially or ethnically concentrated areas of poverty (R/ECAPs) within Los Angeles and regionally; disparities in access to opportunity in education, employment, transportation, environmental health, and exposure to poverty; and disproportionate housing needs. The AFH also provides an overview of demographic data, examines fair housing issues, evaluates contributing factors for each issue, and outlines meaningful goals as well as strategies to implement in order to achieve positive change and overcome those fair housing issues and contributing factors.

The AFH derives from the Fair Housing Act (FHA) of 1968. The Fair Housing Act not only prohibited discrimination in housing on the basis of protected characteristics but also created a responsibility to affirmatively further fair housing through intentional actions to overcome the legacy of segregation, unequal treatment, and historic lack of access to opportunity in housing.

A significant portion of the goals and strategies in the City's AFH Plan address the housing needs of people with special needs. Persons with mobility disabilities, including people who use wheelchairs, and people with hearing and vision disabilities often require special housing to accommodate their special conditions. For many who have mobility disabilities, features such as handrails, ramps, wider doorways, specially designed cabinetry and electrical outlets, special door and faucet handles, and non-skid flooring are necessary. People who have hearing disabilities may require doorbells and emergency alarms that use flashing light instead of sound, and people who are blind or have a visual disability may require that large print, braille labels, or tactile dots be placed on equipment, tools, facilities, and documents. In addition, people with developmental disabilities may live in small group homes or with a roommate and be provided with support services.

The City's Zoning Code has been developed over many decades and sometimes includes obsolete terminology and provisions that may have unintentionally diminished housing opportunities for people with disabilities. The City's Code includes the following definition of a person with disabilities as a person who has: (a) physical or mental disabilities, which seriously restricts that person from operating a motor vehicle; (b) is

expected to be of long, continued and indefinite duration; (c) substantially impedes his or her ability to live independently; and (d) is of a nature that the ability to live independently could be improved by more suitable housing conditions (LAMC Section 12.21 A.4 (u))”.

The siting of disability-related special needs housing is not restricted regarding location. There are no distance requirements in the City regulating the siting of any type of disability-related housing. The Los Angeles Building Code (LABC) incorporates provisions of the California Building Code (CBC) related to needs of people with disabilities. Local amendments to CBC tailor the LABC to local conditions but do not diminish the ability to accommodate people with disabilities.

Another regulatory and practical constraint impacting housing for people with disabilities is the unwillingness of some landlords to comply with state and federal fair housing laws by providing reasonable accommodations and allowing reasonable modifications. An analysis of the fair housing complaints serves as evidence for the need to revise regulations and change practices that impede housing siting, development, and access for people with disabilities. Based on data collected citywide, physical disability was the leading cause of fair housing complaint inquiries, accounting for 47% of all inquiries from 2013-2021. Most of these complaints were from in-place tenants requesting assistance with a reasonable accommodation or modification request. Common requests included: a closer or more accessible parking space, breaking the lease, and a companion or service animal in a building that does not allow pets. Requests made after April 2020 are often related to COVID-19 pandemic issues such as restricting entry to units or requiring that management/maintenance wear PPE and maintain social distancing.

Alleviating Constraints to Providing Housing for People with Disabilities

The Reasonable Accommodation Request Ordinance

The City of Los Angeles adopted Ordinance No. 177325 (effective March 18, 2006) to establish reasonable accommodation request policies and procedures, for requests for relief from planning requirements. The Ordinance provides developers of housing for people with disabilities, as well as individuals seeking to make modifications to existing structures on the basis of disability, flexibility in the application of land use and zoning

regulations or policies (including the modification or waiver of certain requirements) when it is necessary to eliminate barriers to housing opportunities that relate to disability. Requests can include a modification or exception to zoning regulations, standards and practices for siting, or development and use of housing or housing related facilities that would eliminate regulatory barriers. The processes for requesting a reasonable accommodation are as follows (LAMC 12.22.A.27):

- (1) A written request for reasonable accommodation from a land use or zoning regulation or policy shall be made on a form provided by the Department of City Planning by any Individual with a Disability, his or her representative or a developer or provider of housing for an Individual with a Disability.
- (2) A request for reasonable accommodation shall state the basis of the request including but not limited to a modification or exception to the regulations, standards and practices for the siting, development and use of housing or housing related facilities that would eliminate regulatory barriers and provide an Individual with a Disability equal opportunity to housing of his or her choice.
- (3) The Director may request additional information necessary for making a determination on the request for reasonable accommodation that complies with the fair housing law protections and the privacy rights of the Individual with a Disability to use the specified housing. If additional information is requested, the 45-day time period for making a determination on the request stops running until the additional information is provided.
- (4) Prior to the issuance of any permits relative to an approved reasonable accommodation, the Director may require the applicant to record a covenant in the County Recorder's Office acknowledging and agreeing to comply with the terms and conditions established in the determination. The covenant shall be required only if the Director finds that a covenant is necessary to provide notice to future owners that a reasonable accommodation has been approved.

As part of the City's effort to constantly improve its procedures, Program 82 (Reasonable Accommodation forms) in this Housing Element (Chapter 6) includes improving application forms, outreach, advertising and informational materials to increase use of the reasonable accommodation provision by people with disabilities.

All fees to modify dwelling units for people with disabilities for reasonable accommodation are waived and no hearing is held for these cases. An appeal may be filed within 15 days by the reasonable accommodation applicant or abutting property owners. DCP staff distributes information available about requesting a reasonable accommodation with respect to zoning, permit processing, or building laws. Since adoption of the Ordinance, multiple requests for reasonable accommodation have been filed and approved. Examples of accommodation requests include: adding new rooms or floor area that would otherwise not be permitted, constructing an elevator, enlarging driveway access, permitting fewer parking spaces, constructing an over-in-height fence, and installing laundry facilities in a garage.

The Department on Disability continues to work with the City Planning Department to better publicize the Zoning Code's Reasonable Accommodation Ordinance to facilitate developers and other members of the public making reasonable accommodation requests from the City Planning Department. This makes it easier for developers to create accessible and affordable group homes for people with disabilities, and easier for homeowners to make disability-related modifications to their homes.

Reasonable Accommodation, Congregate and Group Living Arrangements

The Reasonable Accommodation Ordinance also amended the Municipal Code Section 12.03 definition of "family," which had previously posed a regulatory impediment against group housing for people with disabilities due to its effect of discriminating against individuals with disabilities residing together in a congregate or group living arrangement (group homes). Group living often provides a more supportive and affordable living environment for those requiring assistance with daily living, including those recovering from addiction. The definition of family includes one or more persons that share common access to living, cooking and eating areas.

The City also does not include a definition of group home in the Zoning Code, and does not regulate or restrict the siting of group homes. Group homes are generally allowed by-right in single family zones. The City does not regulate group living facilities with more than six persons living in them unless they meet the definition of certain uses, such as rooming/boarder houses, dormitories, and fraternity or sorority houses. In addition, the City's Zoning Code does not include occupancy standards, whether for conventional housing or group living facilities. Group living facilities are reviewed on a project-by-project basis, given the specific, relevant facts in each situation, and a

determination is needed as to whether the particular facility falls under a definition or use that is regulated. Then, the corresponding regulations are applied. If the group home is regulated by the Zoning Code, a public hearing is required and public input is incorporated prior to any decision.

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

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

Accessible Housing Program (AcHP)

As an extension of this effort, HCIDLA's Accessible Housing Program (AcHP) plays a pivotal role. Its core goal is to ensure that the affordable and accessible housing units within the City are filled with households that require the accessibility features of those units. AcHP monitors affordable housing developments that receive City funding and requires them to comply with the applicable provisions of Section 504, the Americans with Disabilities Act, and the Fair Housing Act in design, construction, retrofitting, and operation. This monitoring ensures that they are in full compliance with applicable

Accessibility Standards, including the Uniform Federal Accessibility Standard, the Alternative Accessibility Standard, Fair Housing Act Accessibility Guidelines, and the California Building Code. In addition, AcHP monitors and enforces compliance with the specific requirements of the Corrected Settlement Agreement (CSA) with Independent Plaintiffs and the Voluntary Compliance Agreement (VCA) with HUD.

AcHP monitors compliance of affordable housing developments with both physical and programmatic accessibility requirements. AcHP's monitoring ensures that developments have accessible units in the required proportion, distributed throughout the project, that meet the physical accessibility requirements outlined in the Accessibility Standards. AcHP staff also review design plans for new developments prior to their submission to the Los Angeles Department of Building and Safety (LADBS). This review ensures the required distribution of accessible units and resolves any conflicts between various codes as they arise. Retrofit review ensures existing developments are retrofitted to comply with these requirements as well. Failure of developments to comply with these obligations may result in enforcement actions including declaring default under active loan agreements, suing for breach of loan or covenant agreements, negative evaluations and reduction in points for future project consideration, other sanctions limiting the Owner or Sub-recipient from participating in City-administered programs, or referral to the City Attorney.

Developments covered under AcHP are required to establish a procedure for accepting reasonable accommodations, track them, and report them on a quarterly basis. The information recorded includes details on the nature of the accommodation required, whether the requestor is currently an applicant or tenant, the determination of the request, and date of implementation. It is also used to track whether development staff have been adequately trained on processing reasonable accommodation requests, and whether developments have auxiliary aids and services available to accommodate all individuals.

AcHP Grievance Procedures

At times there are grievances due to reasonable accommodation requests. AcHP serves as the intermediary that assists the development and grievant in reaching a resolution, typically in the form of a reasonable accommodation. Grievances filed directly with AcHP provide the City with an avenue to evaluate and guide the correction of a development's practices and procedures that may contribute to barriers for individuals

with disabilities, either physically or programmatically. AcHP has assisted with the successful resolution of numerous reasonable accommodation requests and grievances across many Covered Housing Developments.

The Enhanced Accessibility Program

Furthermore, the AcHP carries out housing accessibility standard components like the implementation of the Enhanced Accessibility Program. This program ensures that future housing developments and developments subject to substantial alterations through retrofit contain specified enhanced accessibility features. The Enhanced Accessibility Program provides above-standard accessibility for individuals with disabilities in new and retrofitted units that participate in the program. Accessibility features that may be made available in an enhanced unit include appliances and gym equipment with buttons, tactile markings, audio features rather than touch screens, emergency systems with light alerts or other visual or tactile alerting (e.g., bed shakers), intercom and security systems at building entrances that do not rely on a resident's or guest's ability to hear, and sign language interpreters available to provide access to meetings and social gatherings. Beginning in 2021, the program will be utilized in any competitive funding for developers of affordable housing in the City, including HOME and the 9% Low-Income Housing Tax Credit funding. Participants in the Enhanced Accessibility Program receive a bonus in allocation points awarded on their application. The program will be marketed to all housing developers in the City as part of the City's commitment to promote enhanced accessibility for individuals with disabilities in all housing being constructed in the City.

Trainings and Outreach Campaigns

In addition to marketing the Enhanced Accessibility Program to developers, AcHP staff also conduct monthly Fair Housing Trainings that provide information to owners, property managers, and other development staff on reasonable accommodations. The content includes options for accepting and processing requests from tenants, applicants, and members of the public, and information about the nature of Reasonable Accommodations. Reasonable accommodation requests can relate to various issues such as applying for housing, being able to fully enjoy a housing unit, auxiliary aids, services for effective communication, or exceptions to a development's policies and procedures. AcHP is developing additional training outlining the City's responsibilities in

processing requests for reasonable accommodations from constituents, vendors, staff, and others.

AcHP is also planning to carry out outreach campaigns to ensure that residents with disabilities are aware of the rights that they have as tenants and the resources available to them. AcHP is also developing plans for improved staff assistance to help tenants access those resources through public counters and technical support.

Services for Homeless Households

As part of the program's efforts to inform tenants with disabilities of available resources, AcHP actively targets homeless households. As Los Angeles experiences an ongoing housing crisis, the need for affordable and accessible housing is growing, especially among low-income homeless households. More than other household types, homeless households have limited access to assistive accessible resources. By ensuring the availability of accessible housing units within affordable housing developments, AcHP provides these individuals with an equal opportunity to use and enjoy a dwelling or common area, and participate in and benefit from services and programs offered by the housing development. AcHP ensures that the developments and their staff adhere to the provisions of the City's Fair Housing Policies Related to Disability through the implementation and monitoring of grievances and reasonable accommodation procedures.

In addition, the AcHP is working in partnership with the Los Angeles Homeless Services Authority (LAHSA) to implement a plan to assist individuals with disabilities experiencing homelessness. This includes coordination around accessible housing units designated for occupancy through the Coordinated Entry System (CES). AcHP's partnership with LAHSA will ensure that service providers are trained to utilize the features and resources of AcHP's Affordable & Accessible Housing Registry to assist CES clients in finding affordable and/or accessible housing. AcHP will also use the Registry to identify individuals experiencing homelessness who need an accessible unit and connect them to CES.

AcHP Challenges

AcHP plays a critical role in addressing the reasonable accommodation needs of tenants and ensuring housing developments comply with both physical and

programmatic accessibility requirements in the City. Given this charge and the AcHP's program size of 700+ existing and future developments within its purview, AcHP requires significant staffing to complete all of the monitoring and implementation required under the terms of the CSA and VCA. The logistical and financial challenge of hiring a sufficient amount of staff to meet the needs of the program, as well hiring contractors to assist with the physical surveying and auditing of the Covered Housing Developments is a constraint that the City must address on an ongoing basis. Despite the challenges, AcHP has supervised the construction of 4,946 new affordable housing units including 1,634 accessible units as of February, 2021, and has certified more than 80% of the Covered Housing Developments as compliant with the City's Revised Fair Housing Policies.

As a result of the COVID-19 pandemic, there were significant delays in AcHP's project development and retrofit construction schedules in 2020 and 2021. Construction has experienced periodic stalling due to state and City health and safety regulations, leading to a bottleneck in the availability of new affordable and accessible housing units for households in need. In 2021, the City is resuming implementation of funding for developments identified for retrofit in an effort to regain momentum on the production of accessible units as outlined in the Accessible Housing Unit Plan (AHUP).