

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: April 29, 2014

TO: Honorable Members of the City Council

FROM: Gerry F. Miller *Kel for*
Chief Legislative Analyst

Council File No. 14-0002-S52
Assignment No: 14-04-0311

SUBJECT: Resolution (Krekorian-Bonin) to SUPPORT AB 2222 (Nazarian).

CLA RECOMMENDATION: Adopt Resolution (Krekorian-Bonin) to include in the City's 2013-2014 State Legislative Program SUPPORT for AB 2222 (Nazarian) which would amend the density bonus law to require affordability covenants for 55 years or longer and require a net increase of affordable units.

SUMMARY

Resolution (Krekorian-Bonin), introduced on April 23, 2014, states that while the purpose of California's density bonus law, SB 1818, was to increase the availability of affordable housing, it has encouraged developers to demolish large numbers of existing affordable units. The Resolution introduces AB 2222, which would increase the affordability covenant on density bonus units from 30 years or longer to 55 years or longer and require a net increase of affordable units. The Resolution states that the law will close a loophole that allows for a net reduction of affordable units in density bonus projects. The Resolution recommends support of AB 2222.

BACKGROUND

Under the state's density bonus law, developers are encouraged to include affordable housing units in their developments by receiving permission to build at a higher density than the planning code would normally allow. In February 2008, the City adopted Ordinance No. 179681, which established procedures for implementing the state density bonus law. To receive the minimum density bonus of 20 percent, the developer must set aside 10 percent of the total units for Low Income households or five percent for Very Low Income households. The density bonus is provided for either rental units or for sale units. The bonus may be increased according to the percentage of affordable housing units provided, up to a maximum bonus of 35 percent. The law contains additional density bonus provisions specific to senior housing, for sale with moderate income restrictions, and the donation of land. AB 2222 contains two key provisions which amend the state's density bonus law:

- Under current law, the low- and very low-income affordable units created under the density bonus receive a covenant which restricts these units as affordable for 30 years or longer. AB 2222 would increase this covenant to 55 years or longer.
- The bill prohibits a developer from receiving a density bonus unless the proposed development would replace existing affordable units with at least the same number of affordable units of equivalent size/type, and would include the additional required set aside of affordable units.


The Housing and Community Investment Department has reviewed AB 2222 and supports the bill because it increases affordability covenants and preserves affordable housing. We recommend adoption of Resolution (Krekorian-Bonin) to support AB 2222 as it is consistent with past City positions to support affordable housing.

DEPARTMENTS NOTIFIED

Housing and Community Investment Department
Planning Department

BILL STATUS

04/22/14 Amend, and re-refer to Com. on Housing and Community Development.
03/28/14 Amend, and re-refer to Com. on Housing and Community Development.
03/28/14 Referred to Coms. on Housing and Community Development, and Local Government.


Clay McCarter
Analyst

Attachment: 1. Resolution (Krekorian-Bonin)

14-0002-552

APR 23 2014

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, California's density bonus law (popularly referred to by its bill number "SB 1818") requires cities and counties to implement local ordinances to create incentives for developers to set aside affordable units in proposed developments; and

WHEREAS, the purpose of the density bonus law was to increase the availability of affordable housing, but in practice it has encouraged developers to demolish large numbers of existing affordable units and replace them with the small percentage of low income units required under the law, thus reaping the benefits of the incentives while creating a net reduction of affordable units; and

WHEREAS, the density bonus law requires a covenant to preserve the new units as affordable for only 30 years; and

WHEREAS, on February 20, 2014, Assemblymember Adrin Nazarian introduced AB 2222, legislation that is intended to clean up the State Density Bonus Act; and

WHEREAS, AB 2222 would require continued affordability for 55 years or longer, for all very-low and low-income units that are required under the density bonus law; and

WHEREAS, AB 2222 would close the loophole allowing for a net reduction of affordable units in density bonus projects, and would instead (i) require a net increase of affordable units, (ii) require an applicant for density bonus to replace existing affordable units with the same number of affordable units to be made available for rent to, and occupied by, persons and families in the same or lower income category, and (iii) requires the housing development includes an additional set aside of affordable units at the percentages set forth in the density bonus law.

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2013-14 State Legislative Program SUPPORT for AB 2222 (Nazarian).

PRESENTED BY: Paul Kerkorian
PAUL KERKORIAN
Councilmember, 2nd District

Mike Bonin
MIKE BONIN
Councilmember, 11th District

Seconded By: Paul Kretz

ORIGINAL

[Signature]
APR 23 2014