

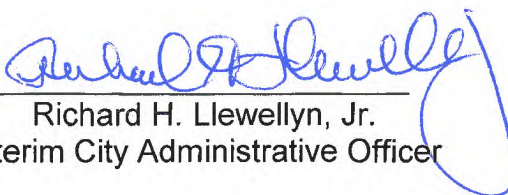
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TRANSMITTAL

TO	DATE	COUNCIL FILE NO.
Homelessness and Poverty Committee	04-18-2017	15-1138-S1
FROM	COUNCIL DISTRICT	
Homeless Strategy Committee	ALL	

At its meeting on March 30, 2017, the Homeless Strategy Committee (HSC) considered a report from the Department of City Planning (DCP) on the implementation status of comprehensive homeless strategies 7F, 7G, 7K, 7L, 7M, 7Q, 8A, 8B, 8C, and 8D. The HSC approved without objection the DCP's recommendation to consolidate strategies 7L, 7M, 7Q, 8A, 8B, and 8C into strategy 7Q – Support House LA Initiative.

The recommendation of the HSC on this matter is hereby transmitted to the Homelessness and Poverty Committee for consideration.


Richard H. Llewellyn, Jr.
Interim City Administrative Officer

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CITY PLANNING**

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March 28, 2017

Office of the City Administrative Officer
1500 City Hall East
Los Angeles, California 90012

Attention: Homeless Strategy Committee

Dear Honorable Members:

**DEPARTMENT OF CITY PLANNING REPORT ON IMPLEMENTATION STATUS OF
COMPREHENSIVE HOMELESS STRATEGIES 7F, 7G, 7K, 7L, 7M, 7Q, 8A, 8B, 8C AND 8D**

I. SUMMARY

The Department of City Planning (DCP) is the lead agency on a number of housing and land use strategies included in the Comprehensive Homeless Strategy. This report serves as a status update on the Department's implementation of the various directives included in the strategies.

In several instances, the intent of each of these strategies is addressed through a variety of overlapping work programs currently in development with the Department. As a result, the Department recommends the five strategies related to homeless housing assigned to DCP be consolidated into a single strategy according to the structure shown in Table 1 on the following page. The proposed consolidation to five reports would more accurately reflect DCP's comprehensive efforts to expand and increase production of affordable housing and permanent supportive housing, in addition to simplifying ongoing reporting to this Committee.

The following report details DCP's status to-date on the Comprehensive Homeless Strategy. Section II of this report describes the status of Strategies 7F (Linkage Fee Nexus Study), 7G (Implement Existing and Recommend New CEQA Zoning Reforms), 7K (Development of Second Dwelling Units Pilot Program), and 8D (Reestablish Mello Act Guidance), which are not being proposed for consolidation. Section III summarizes the proposed consolidation of related Homeless Strategies under Strategy 7Q (Support House LA Initiative) to reflect the City's comprehensive efforts to expand and increase production of affordable housing and permanent supportive housing. Section IV provides additional detail on the status of the strategies

recommended for consolidation and discusses how DCP's various related work programs address the intent of these strategies.

Table 1. Proposed Comprehensive Homeless Strategy Consolidation

Current Organization	Proposed Organization
7F Linkage Fee Nexus Study	7F Linkage Fee Nexus Study
7G Implement Existing and Recommend New CEQA Zoning Reforms	7G Implement Existing and Recommend New CEQA Zoning Reforms
7K Development of Second Dwelling Units Pilot Program	7K Development of Second Dwelling Units Pilot Program
7L Establish Planning and Zoning Policy on Homeless Micro Units	7Q Support House LA Initiative (Homeless Housing)
7M Reform Site Plan Review Ordinance for Homeless Housing	
7Q Support House LA Initiative	
8A Analyze Citywide Zoning for Homeless Housing	
8B Review TFAR, GDHIA and Density Bonus for Homeless Housing Inclusion	
8C Revise Parking and Trip Credit Guidelines for Homeless Housing	
8D Reestablish Mello Act Guidance	8D Reestablish Mello Act Guidance

II. STATUS OF STRATEGIES 7F, 7G, 7K AND 8D

Following is a status update on several Homeless Strategies assigned to DCP, including Strategies 7F (Linkage Fee Nexus Study), 7G (Implement Existing and Recommend New CEQA Zoning Reforms), 7K (Development of Second Dwelling Units Pilot Program), and 8D (Reestablish Mello Act Guidance). As these Strategies are not exclusively tied to the expansion of the City's supply of permanent supportive housing, but address broader housing supply issues, they are not recommended for consolidation under Strategy 7Q.

Strategy 7F - Linkage Fee Nexus Study

Strategy 7F directed DCP to conduct a nexus study for the development of an Affordable Housing Linkage Fee ordinance. An Affordable Housing Linkage Fee program (alternatively referred to as a housing impact fee or benefit fee program) in the City would assess a fee on identified types of new development to support the production and preservation of affordable/homeless housing. The fee proceeds could be used towards affordable housing programs, including bridge housing, rapid re-housing, and permanent supportive housing.

The Department has completed the nexus study and issued a draft ordinance to implement the Affordable Housing Linkage Fee. The draft ordinance was recommended for approval by the City Planning Commission on February 23, 2017 and is currently awaiting consideration by the City Council.

Strategy 7G - Implement Existing and Recommend New CEQA Zoning Reforms

Strategy 7G directed DCP to report on processes and procedures to implement incentives relating to compliance with the California Environmental Quality Act (CEQA) in areas targeted for housing growth and transit-oriented development and to report on potential CEQA-related reforms to benefit homeless housing projects.

The Department has numerous CEQA related initiatives ongoing. The City has been awarded grants from the Southern California Association of Governments (SCAG) and Strategic Growth Council to work on alleviating the major constraints of utilizing CEQA streamlining and incentive provisions. DCP expects to receive the various final work products requested as part of the SCAG grant for CEQA streamlining efforts from the consultant by March 2017. These efforts would provide streamlining and CEQA incentives for projects that include affordable housing. New Transportation Impact Study Guidelines were released by the Department of Transportation (LADOT) in December 2016 as part of the Strategic Growth Council Grant related to SB 743 Transition. The remainder of this project, which will result in a shift of how transportation impacts are measured and is expected to facilitate the development of transit-oriented projects, is anticipated to be completed in approximately one year.

The new Transportation Impact Study Guidelines include important changes to the way the City counts vehicle trips for the purposes of triggering CEQA thresholds or requiring additional Traffic Studies. Prior guidelines provided a 5% reduction in trips for 100% affordable housing projects, including PSH. The new Guidelines allow for trip reductions of 45% for family affordable units, 76% for senior units, and 81% for both permanent supportive housing and special needs housing units. These reductions will ensure that the traffic impacts of affordable housing projects are more accurately assessed. Due to these new assumptions, many affordable housing projects may be screened out from the requirement to prepare a traffic study

Strategy 7K - Development of Second Dwelling Units Pilot Program

Strategy 7K directed City agencies to report on the creation of by-right guidelines for single and multi-family residential zoning that would support second dwelling units. Additionally, the strategy directed City agencies to develop and recommend for Council approval a Second Dwelling Unit Pilot Program that provides incentives to assist homeowners in constructing second units in exchange for providing long-term affordability covenants or requiring recipients to accept housing vouchers. It also requested that the Housing and Community Investment Department (HCID) report on an amnesty program for out-of-code units that incentivizes the use of vouchers.

As of January 1, 2017, the City is implementing two new state laws (AB 2299 and SB 1069), which will significantly increase the ability of residents to build and convert existing structures to Accessory Dwelling Units (ADUs). The new laws established a by-right process for ADUs. The

Department of Building and Safety and Planning issued a joint memorandum on December 30, 2016 that provided guidance to staff and ADU applicants on the new laws.

While state law is now in effect, the City is pursuing the adoption of its own, more tailored ADU ordinance. This ordinance is intended to apply the new state laws to the development and conversion of ADUs within the City, but adds additional regulation governing their allowable size and location. The ordinance was heard at City Planning Commission on December 15, 2016, where it was approved and transmitted to City Council with several minor recommended modifications. The PLUM Committee voted in support of the ordinance with several modifications on March 21, 2017. The ordinance will now go to the City Attorney's Office for Form and Legality review before returning to the City Council for adoption.

This Strategy also focuses on a "pilot program" for Accessory Dwelling Units (ADUs) that will provide development incentives in exchange for a requirement that the ADU be dedicated as affordable housing. However, since the State passed sweeping ADU legislation that removes most of the barriers to developing and legalizing ADUs, the feasibility and appropriateness of developing a pilot program may need to be reconsidered. There are simply very few incentives the City can now offer which would warrant an affordable housing commitment in return. This was not foreseeable when the Strategy was developed.

Strategy 8D - Reestablish Mello Act Guidance

Strategy 8D directed DCP to prepare a permanent Mello Act implementation ordinance for the City's Coastal Zone that results in the replacement of lost affordable housing and/or the requirement to provide inclusionary affordable housing, inclusive of a potential required in-lieu payment option into the Coastal Zone Affordable Housing Trust Fund. DCP was further directed to consider whether the proposed ordinance may include potential additional reforms to the California Coastal Commission oversight that would enable greater residential density and height by-right for projects containing affordable and homeless housing. The ordinance would replace a set of interim administrative procedures in place since 2000.

DCP continues to collaborate with the City Attorney's Office, HCIDLA, Council District 11, and parties originally involved in a 2000 Settlement Agreement concerning the City's implementation of the Mello Act. On-going discussions have begun to set parameters, methodologies, and procedures on how to achieve desired outcomes. A working draft ordinance is now being prepared for further discussion.

III. PROPOSED STRATEGY CONSOLIDATION

The House LA Initiatives (Strategy 7Q) are intended to facilitate shorter timelines and reduced costs for affordable and homeless housing projects throughout the City of Los Angeles. To accomplish this goal, housing development reform is needed to ensure affordable and homeless housing construction can occur more quickly. Such a strategy would reduce the costs associated with building housing, increase residential zoning capacity, streamline planning approvals, reduce discretionary review, and reduce uncertainty and risk in the development process.

Several related Homeless Strategies address portions of this reform, including Strategies 7L, 7M, 8A, 8B and 8C. DCP recommends that these strategies be consolidated into existing Strategy 7Q (Support House LA Initiative) to reflect the City's comprehensive efforts to expand and increase production of affordable housing and permanent supportive housing.

Below are a list of the Strategies that are proposed to be consolidated within Strategy 7Q:

7L – Establish Planning and Zoning Policy on Homeless Micro Units

7M – Reform Site Plan Review Ordinance for Homeless Housing

8A – Analyze City-Wide Zoning for Homeless Housing

8B – Review TFAR, GDHIA, and Density Bonus Programs for Homeless Housing Inclusions

8C – Revise Parking and Trip Credit Guidelines for Homeless Housing

This consolidated strategy would direct DCP to prepare a package of ordinances which would expand and increase supply of PSH and affordable housing by:

- Defining PSH as a unique housing typology;
- Relaxing density and parking requirements to facilitate construction of Micro Units for the homeless;
- Amending Site Plan Review requirements for affordable housing units dedicated to homeless individuals;
- Modifying Transitional Height Requirements to allow affordable and homeless housing along commercial corridors and in transit-oriented developments (TOD);
- Reducing parking requirements for projects that include affordable and/or homeless housing along commercial and transit corridors; and
- Introducing new development incentives for projects that include affordable and/or homeless housing.

These goals would primarily be addressed by two forthcoming ordinances currently in development with DCP. The Permanent Supportive Housing (PSH) ordinance would establish a ministerial public benefit process for qualifying PSH projects that would provide a unique set of development standards such as relaxed density and parking requirements, as well as density bonus-style concessions. The forthcoming update to the Density Bonus ordinance would provide additional incentives for relaxed density and parking requirements for affordable housing units, as well as reconsider Transitional Height Requirements in TOD areas.

Another similar effort which would address these goals is the Department's forthcoming Transit Oriented Communities (TOC) Guidelines. On November 8, 2016, the voters of the City of Los Angeles approved the Build Better L.A. Initiative, known as Measure JJJ. Beyond impacting projects with General Plan Amendments, Zone Changes, and Height District Changes, the Measure mandated the creation of a new affordable housing incentive program called Transit Oriented Communities (TOC). The TOC program will be similar to Density Bonus, but apply only around Major Transit Stops. The program is anticipated to facilitate the development of micro units and reduce parking for projects near transit which include a proportion of affordable units restricted to Extremely-Low, Very-Low or Low-Income residents. The Proposed TOC Guidelines

were released on March 13, 2017 for a 30-day public comment period, and are expected to be reviewed in May by the City Planning Commission.

Additional efforts through the DCP's ongoing re:codeLA and Community Plan updates would further examine potential residential zoning capacity for affordable housing units and permanent supportive housing units. The in-progress Downtown Community Plans update will also consider modifications to the existing Greater Downtown Housing Incentive Area (GDHIA) and Transfer of Floor Area Rights (TFAR) programs.

IV. DETAIL OF STRATEGIES RECOMMENDED FOR CONSOLIDATION

The House LA Initiative (Strategy 7Q) introduced by Councilmember Gil Cedillo (CD 1), Chair of the City's Housing Committee, is intended to address the housing crisis through a series of measures aimed at increasing the City's housing supply. Strategies included under this initiative are intended to facilitate shorter timelines and reduced costs for affordable and homeless housing projects throughout the City of Los Angeles. As described, several related Homeless Strategies address portions of this reform. Following is a description of how the Department intends to respond to these strategies in order to reduce the costs associated with building housing, increase residential zoning capacity, streamline planning approvals, reduce discretionary review, and reduce uncertainty and risk in the development process. When combined, these strategies reflect the City's comprehensive efforts to expand and increase production of affordable housing and permanent supportive housing.

Strategy 7L - Establish Planning and Zoning Policy on Homeless Micro Units

Strategy 7L directed DCP to study the potential impacts of micro units on affordable housing needs (CF 15-1004). The recommendation directs DCP to evaluate recommended density profiles and credits for homeless micro units, the viability of building micro units under existing building codes, and exempted parking requirements.

Micro units do not have a standard definition, but are typically small studio apartments ranging from 200 to 450 square feet in size, with a fully functioning and accessibility-compliant kitchen and bathroom.¹ By maximizing use of space, micro units provide a more affordable housing option, particularly in desirable transit-rich neighborhoods, leasing at approximately 20 to 30 percent lower monthly rent than conventional units. Because they are typically accompanied by robust on-site community spaces and amenities, micro units present an efficient, cost effective affordable housing option.

Density limits and parking requirements, rather than minimum unit size, are currently the primary barriers to building micro units in Los Angeles. The City's Building Code governs the minimum unit size, which is 190 square feet for a typical two-room dwelling unit or 220 square feet for an efficiency dwelling unit which combines kitchen and living areas in one room. These minimum unit sizes are sufficiently small to allow for most micro units. But, because residential projects are

¹ Urban Land Institute, "The Macro View on Micro Units," 2014. Accessed March 13, 2017 at http://uli.org/wp-content/uploads/ULI-Documents/MicroUnit_full_rev_2015.pdf

constrained by their floor area ratio (FAR), maximum density (number of units) and parking requirements, unit sizes are typically driven by trade-offs between maximizing these variables.

If a residential project were to build micro units out to the maximum allowable density, it would not likely maximize its FAR. The developer could charge higher rents for the same number of larger units and still fit within the allowable building envelope. Additionally, micro units do not qualify for reduced parking requirements; thus, a developer may not opt to provide more, smaller units because it would trigger more required on-site parking than would be needed for fewer, larger units. Furthermore the cost of building parking can be as high as \$50,000 per space for subterranean parking, any cost efficiencies gained by providing micro units may be lost when accounting for additional parking costs incurred. As such, the most impactful strategy to incentivize development of micro units would address these primary barriers: density limits and minimum parking requirements.

DCP plans to respond to this strategy by studying the removal of barriers to micro units, including affordable micro units for the homeless, through three initiatives - the TOC Guidelines, future work to update the City's Density Bonus (DB) ordinance, and the Permanent Supportive Housing (PSH) ordinance. The TOC Guidelines are expected to encourage the development of mixed-income micro units in projects near transit by providing development incentives, including increased density and reduced parking requirements, for projects which include a proportion of affordable units. Future work to update the DB ordinance would aim to facilitate affordable micro units by updating incentives to increase density and FAR limits near transit and major employment centers. Similarly, draft concepts identified in the PSH ordinance would remove barriers to developing micro units for the homeless by eliminating density limits and parking requirements for eligible permanent supportive housing projects. The Department has recently hired a consultant to complete the environmental clearance for these two ordinances, and expects them to move forward for adoption within a year.

Strategy 7M - Reform Site Plan Review Ordinance for Homeless Housing

Strategy 7M directed DCP to report on potential amendments to the Site Plan Review (SPR) ordinance to reduce development timelines for affordable housing units for the formerly homeless. Current SPR procedures require all projects with 50 units or more to undergo a discretionary review, which extends the total amount of time needed for project review, creates uncertainty, can require additional environmental review under CEQA, and increases total project costs. The current SPR threshold also has an impact on the City's housing supply, as many applicants may reduce their project to 49 units or less in order to avoid the process. This has consequences for the total supply of PSH in the City; DCP found that an average of 55% of all PSH projects built since 2008 had 49 or fewer units.

SPR does provide benefits, however. The SPR process provides a mechanism for the City to implement design review processes to ensure high-quality projects that do not negatively impact the surrounding neighborhood context. Alternative ways of achieving the same important objectives and outcomes are needed, while ensuring that the process itself is not a barrier to high quality and affordable housing projects.

DCP plans to respond to this strategy by modifying SPR thresholds as part of the forthcoming PSH ordinance. Draft concepts identified in the PSH ordinance will establish an exemption from the existing SPR ordinance, modifying the threshold for qualifying PSH projects and providing relief from additional environmental review requirements. The draft ordinance also includes a set of ministerial performance standards, which projects must satisfy prior to approval. These performance standards would help to ensure high quality projects by creating design standards such as transparency requirements, landscaping, and street-orientation.

More broadly, DCP is also reviewing the SPR thresholds and procedures as they apply to all projects as part of the re:codeLA initiative.

Strategy 7Q - Support House LA Initiative

Strategy 7Q directed DCP to support implementation of House LA initiatives for housing development reform to facilitate production of affordable housing and permanent supportive housing. The strategy directs DCP to support policies which facilitate shorter timelines and reduced costs for affordable and homeless housing projects throughout the City of Los Angeles. This encompasses a variety of initiatives, including using public land for affordable and homeless housing (Strategy 7D), implementing CEQA reforms (Strategy 7G), and developing a second dwelling unit pilot program (strategy 7K), among other related efforts.

The strategy also recommends that a regional approach to implementing these strategies should be pursued wherever possible. The City currently engages in ongoing collaboration with SCAG, LA County, and other local jurisdictions on efforts to address the regional homelessness crisis.

For more information on DCP's current status on these efforts, please refer to the implementation status reports for the various related homeless strategies as well as the discussion in Section III of this report.

Strategy 8A - Analyze Citywide Zoning for Homeless Housing

Strategy 8A directed DCP to report on potential zoning modifications to increase residential capacity for affordable and homeless housing across the city. Relatively low zoning capacities currently act as a barrier to the production of affordable and homeless housing, increasing the need for projects to seek discretionary review in order to be built. Discretionary review extends the length of time to build housing, introduces uncertainty, and increases overall project cost.

In the short-term, DCP plans to respond to this strategy by modifying development standards for affordable housing and PSH through three initiatives - the TOC Guidelines, future work to update the City's Density Bonus (DB) ordinance, and the PSH ordinance. The TOC Guidelines will prioritize additional residential capacity in mixed-income transit-oriented development by providing development incentives, including increased density and modified height requirements, for projects located near transit which include a proportion of affordable units. Potential concepts for a future update to the DB ordinance would consider modifications to transitional height requirements for qualifying projects located near transit that include a minimum percentage of affordable units. Similarly, draft concepts identified in the PSH ordinance will reduce the need for qualifying projects to seek discretionary approval for zoning modifications for Floor Area Ratio (FAR), density, height, setbacks, and parking requirements. This would increase zoning capacity

for PSH while removing the need for discretionary review, as PSH projects would be approved through an administrative clearance process.

In the longer-term, any potential future changes to the City's zoning capacity should be analyzed as part of the comprehensive updates to the City's 35 Community Plans, the creation of the Transit Neighborhood Plans, and the ongoing re:codeLA efforts. These efforts would consider zoning capacity for affordable housing units and permanent supportive housing units as part of a holistic analysis of the City's residential zoning capacity.

Strategy 8B - Review Transfer of Floor Area Rights (TFAR), Greater Downtown Housing Incentive Area (GDHIA) and Density Bonus Programs for Homeless Housing Inclusions

Strategy 8B directed DCP to report on potential revisions to the Transfer of Floor Area Rights (TFAR), Greater Downtown Housing Incentive Area (GDHIA), and the Density Bonus programs to better complement each other and better achieve City-wide objectives of providing affordable and homeless housing.

The GDHIA was established in 2007 to incentivize the construction of housing in the downtown area by removing density limits and modifying parking, yard and open space requirements. Similar to the State's Density Bonus Program, the GDHIA allows for up to a 35% increase in FAR in exchange for the provision of a percent of affordable units (5% Very Low Income, and either 10% Low Income, 15% Moderate Income, or 20% Workforce Income). The GDHIA has been effective at boosting housing construction, but has not led to any significant amount of affordable housing in mixed-income projects. Few projects have requested the additional floor area in exchange for affordable housing. Instead, applicants needing additional floor area tend to utilize the TFAR program, which requires payment of a fee instead of the provision of affordable housing. This fee is lower than the equivalent cost of providing on-site affordable housing. The effect of the "competition" between these two programs is that very little affordable housing has been provided in market rate developments downtown.

To address the net effect of the "competition" between the TFAR and GDHIA programs and encourage the production of more affordable housing downtown, the DTLA 2040 community planning process has undertaken a comprehensive review of downtown housing and planning policies. This work is being coordinated with the downtown Unified Development Code, a toolkit of new zoning regulations customized for the urban core of Los Angeles being prepared as part of the re:codeLA effort. Any necessary changes to the GDHIA or the TFAR ordinances will be addressed in the update to the downtown community plans.

Strategy 8C - Revise Parking and Trip Credit Guidelines for Homeless Housing

Strategy 8C directed DCP to report on lowering parking requirements for affordable housing and permanent supportive housing. Current zoning regulations often require housing developments to include more parking than is needed, particularly for affordable units for the formerly homeless, where lower car ownership is common. Excessive parking minimums increase the overall cost of providing PSH, resulting in inefficient use of public subsidies and preventing additional units from being built.

The strategy also directs DCP to study and recommend adjustments to vehicular trip credits for affordable housing in the City's Traffic Study Guidelines. This study was completed, and the revised Traffic Study Guidelines were released by LADOT in December 2016. Please see the implementation status report for Strategy 7G in Section II of this report for additional information.

DCP intends to respond to this strategy by modifying parking requirements for eligible projects in the forthcoming PSH ordinance, to better reflect actual parking need in such projects. Modifying parking minimums is just one component of a larger set of draft concepts within the ordinance aimed at increasing the production of PSH. Affordable housing projects are currently able to seek parking reductions through the City's Density Bonus ordinance, which the Department is considering updating. State AB 744 provides additional parking reductions for affordable housing projects located near public transit. The proposed TOC Guidelines will also reduce parking requirements for projects located near high quality transit.

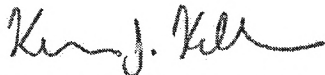
V. CONCLUSION

The Department of City Planning is currently working on a number of initiatives to expand the supply of affordable housing and permanent supportive housing in the City of Los Angeles. The Department will continue to provide quarterly updates to this Committee on the status of these initiatives, progress made towards completing these strategies, and reporting on the various performance metrics associated with each strategy.

If you have any questions, please contact Matthew Glesne, Citywide Policy Planning Division, Department of City Planning at (213) 978-2666 or at matthew.glesne@lacity.org.

Sincerely,

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