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When making inquiries relative  
to this matter, please refer to the  
Council File No. **17-0274**

# City of Los Angeles

CALIFORNIA



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August 25, 2017

Honorable Mike Feuer  
City Attorney  
Attention: Terry Kaufmann-Macias  
Adrienne Khorasane

Vince Bertoni  
Director of Planning  
Attention: Kevin J. Keller  
Ken Bernstein  
Matthew Glesne

Rushmore D. Cervantes  
General Manager  
Housing and Community Investment Department

## REQUEST FOR FINAL ORDINANCE AND REQUEST FOR REPORT BACK

On August 22, 2017, the Planning and Land Use Management (PLUM) Committee considered reports from the Los Angeles City Planning Commission, Department of City Planning (DCP) relative to a proposed Ordinance adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code (LAMC), as well as adding Section 5.578 of Chapter 172 of the Los Angeles Administrative Code, establishing an Affordable Housing Linkage Fee (AHLF), and a joint report from the DCP and Housing and Community Investment Department (HCID) relative to additional analysis of policy considerations for the proposed AHLF Ordinance.

During the discussion, the PLUM Committee continued the matter and requested the Office of the City Attorney to prepare the final Ordinance(s) within 30 days, with the following amendments:

1. the establishment of four residential market areas by Community Plan Area, with fee levels at eight dollars per square foot (psf) for Low Market, 10 dollars psf for Medium Market, 12 dollars psf for Medium-High Market, and 15 dollars psf for High Market;
2. the establishment of three commercial market areas by Community Plan Area, with fee levels at three dollars psf for Low Market, four dollars psf for Medium Market, and five dollars psf for High Market;
3. the addition of a Project Labor Agreement provision in the Housing Impact Trust Fund (HITF) that is consistent with what the City Council has approved for projects funded with Proposition HHH bond proceeds (Council file No. 17-0090-S1);
4. an exemption for Floor Area that was obtained through a public benefit payment per LAMC Section 14.5.9;

5. an exemption for Low Market commercial areas in the South Los Angeles Transit Empowerment Zone, a federally designated Promise Zone, for three years after effective date of the AHLF Ordinance;
6. a requirement for every five years following the adoption of the AHLF Ordinance, for the DCP and HCID to undertake a new market analysis and adjust market levels and geographies, where necessary, and also report on the revenues, spending, and recommended fee adjustments to the AHLF;
7. a requirement for a comprehensive study, drafted by both the DCP and HCID, to be completed within 12 months after adoption of the AHLF Ordinance, to include information related to the impacts of the AHLF on housing production, housing costs, and commercial development, as well as the distribution of funds in the HITF including types of housing supported/created, implementation of the fee including the information on the performance of the geographical component, and recommendations for ensuring the continued viability of the AHLF balanced against the need for continued robust housing production; and, thereafter a report will be required on a yearly basis outlining the effects of the AHLF on housing production and costs, with recommendations;
8. a requirement to report to City Council if economic, housing, or real estate conditions deteriorate to the point of imperiling housing production or the economic viability of charging the AHLF, and events that would trigger this study include, but are not limited to:
  - a) housing production falling below 10,000 units per year;
  - b) an economic recession or depression;
  - c) property values fall by 5 percent or more;
  - d) housing and/or rental prices fall by 5 percent or more;
  - e) housing and/or rental costs rise by more than 10 percent; and,
  - f) natural disaster that impacts the economy,

with the aforementioned report to include an analysis of what precipitated this event, if the AHLF exacerbated it, the impacts to housing production, overall performance of the AHLF, and recommendations on whether the fee should be suspended, lowered, or addressed in other ways, to be submitted to the City Council within 90 days of this economic event;

9. an increase to the residential AHLF, irrespective of geographical market area, by three dollars psf for any project that results in a net loss of housing units from what previously existed on-site;
10. a removal of the exemption for small multi-family buildings in the geographical areas that are deemed high markets, while leaving the exemption in place for all other market areas;
11. a requirement for any future expenditure plan for the HITF to include funding for the creation and preservation of moderate, workforce, and middle income housing to ensure a sustainable production of housing for our “missing middle”; and, for the DCP, in conjunction with HCID, to produce recommendations for ways to incentivize these types of housing and create a plan for leveraging the funds from the AHLF to create more of these housing types;
12. the implementation of the AHLF through a phased-in approach, with the first six months after adoption of the AHLF Ordinance at zero fee levels, the seventh through twelfth

months being one half of the adopted fee levels, and the full amount of adopted fees effective after the first year of adoption of the AHLF Ordinance;

13. an exemption for all hospitals, subject to City Council or Committee consideration of a report back from the DCP for additional information on hospitals located in the City, including but not limited to operator categories such as private, government-run, and non-profit; and,
14. an exemption for turnkey projects intended for public use.

In addition, the PLUM Committee instructed the DCP and/or HCID to report back relative to the following:

1. the impact or feasibility of reducing the exemption for single family home construction and additions from 1,500 square feet to 750 square feet;
2. options to include AHLF exemptions for non-profit organizations;
3. options for the broadest reach in vesting regulations;
4. the feasibility of an exemption for the first 25,000 square feet of industrial land; and,
5. for the HCID to report back in 90 days following the adoption of the AHLF Ordinance with a final expenditure framework based on current revenue projections.

For the Office of the City Attorney, please transmit the final Ordinance(s) to the City Council, c/o the Office of the City Clerk, City Hall, Room 395. Please reference Council file No. 17-0274 in your correspondence.

For the DCP and HCID, please prepare a written response to the City Council. If you have questions, please contact me at (213) 978-1074 or [zina.cheng@lacity.org](mailto:zina.cheng@lacity.org).

Thank you,

Zina Cheng  
Deputy City Clerk  
Planning and Land Use Management Committee