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March 14, 2019

Los Angeles City Council
c/o Office of the City Clerk
City Hall, Room 395
Los Angeles, California 90012

Attention: PLUM Committee

Dear Honorable Members:

**REPORT RELATIVE TO FACILITATING MICRO UNITS FOR PERSONS EXPERIENCING
HOMELESSNESS; CF 18-0600-S58**

On May 18, 2018, the Budget Committee of the City Council adopted a motion instructing the Department to prepare a report to the Planning and Land Use Management Committee regarding facilitating micro units for homeless individuals. This report builds upon the Department's prior reports on homelessness, and includes an update on the Permanent Supportive Housing Ordinance and the Interim Motel Conversion Ordinance, both adopted on April 11, 2018.

Background

On November 17, 2015, the Department submitted a report to both the Housing Committee and the Planning and Land Use Management Committee of the City Council regarding affordable housing, which included specific strategies to increase supply and affordability. Among the strategies discussed was the facilitation of micro units, and the barriers to their development. Subsequently, on February 9, 2016, the City Council adopted the Comprehensive Homeless Strategy (CF 15-1138-S1), which included Strategy 7L: "Establish Planning and Zoning Policy on Homeless Micro Units".

Micro units do not have a standard definition, but typically are small studio apartments ranging from 200 to 450 square feet in size. These may take the form of Efficiency Dwelling Units in which the kitchen, living, and sleeping quarters are in the same room, as opposed to a more traditional Dwelling Unit that has two habitable rooms, one of which is a kitchen. By optimizing 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 smaller in size, micro units present an efficient, cost effective affordable housing option.

The Zoning Code does not limit the size of a dwelling unit, except in Downtown Adaptive Reuse Projects, the regulations for which require that any one unit must be at least 450 square feet with the average size of all the units at least 750 square feet. Aside from Downtown Adaptive Reuse Projects, the City's Building Code governs minimum unit size, which is 190 square feet for a two-room Dwelling Unit or 220 square feet for an Efficiency Dwelling Unit. While these minimum unit sizes are sufficiently small to allow for most micro units, other factors may create obstacles to their construction.

Density limits, rather than minimum unit size, have been identified as the primary limitations to building micro units in Los Angeles. The Zoning Code limits the size of residential buildings both by maximum allowable Floor Area and maximum allowable density. The allowable Floor Area dictates the size of a building that could be filled with a larger number of smaller dwelling units, such as micro units, or a smaller number of larger dwelling units, or some combination thereof. The allowable density dictates the number of dwelling units permitted on a property. Absent density constraints, a developer would decide what size and how many dwelling units best suit the developer's business model. However, density constraints generally tip the scales away from a project emphasizing micro units, since such a project typically would not result in the maximization of allotted Floor Area. Additionally, since micro units typically rent for less than a traditional unit, micro unit projects may result in less revenue where overall residential density is limited, and developers may not have an incentive to build such projects. As such, the most impactful strategy to incentivize development of micro units would be to address density limitations.

Strategies to Facilitate Micro Units

The City has recently approved three housing-related initiatives as part of the City's Comprehensive Homeless Strategy (Strategy 7L - Establish Planning and Zoning Policy on Homeless Micro Units), each of which addresses barriers to affordable micro units for persons experiencing homelessness, including density limits. These initiatives include the Permanent Supportive Housing Ordinance, Interim Motel Conversion Ordinance, and the Transit Oriented Communities Affordable Housing Incentive Program (TOC Guidelines).

Recently Adopted

The Permanent Supportive Housing Ordinance, effective May 2018, was crafted to address Zoning Code barriers that are unique to supportive housing projects, including the need to accommodate smaller-sized units. The ordinance removes barriers to developing micro units for persons experiencing homelessness by eliminating density limits and parking requirements for qualified supportive housing projects that are located near public transit. The ordinance also provides for a streamlined administrative approval process, as well as a menu of additional incentives that provide relief from other development standards. Additionally, the ordinance provides a context- and use-sensitive threshold for Site Plan Review, raising it from 50 units to 120 units (200 units in areas designated as a Regional Center). This allows for a greater number

of residential projects, including those with smaller-sized units or micro units, to be permitted with less delay and uncertainty.

The Interim Motel Conversion Ordinance, effective April 2018, allows for existing hotels and motels to be used as housing for persons experiencing homelessness or at-risk of homelessness. The ordinance streamlines the approval process to allow existing structures, many of which are comprised of smaller-sized guest rooms of less than 220 square feet, to be retrofitted and used as supportive housing or transitional housing for an interim period, depending on the terms of the service contract. In particular, the ordinance allows kitchenettes to be installed in guest rooms without triggering additional zoning requirements such as density limits.

The TOC Guidelines, effective September 2017, 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. The program is unique from other affordable housing incentive programs because it incentivizes the creation of Extremely Low Income (ELI) housing units, which are available to individuals at the greatest risk of becoming homeless. To-date, 38% of all restricted affordable housing units proposed under the TOC Guidelines are reserved for ELI households.

Together, by increasing density limits and providing other development incentives, these three initiatives largely addressed the key obstacles to the development of micro units for persons experiencing homelessness.

Future Initiatives

Future work to update the City's Density Bonus Program will aim to further facilitate affordable micro units by updating affordable housing incentives to consider increased density and FAR limits near transit and major employment centers. The Department is currently in the early stages of evaluating draft concepts to be included in this future update.

The Department is also currently conducting a comprehensive revision of the City's Zoning Code. A significant change being proposed would separate the components of a zone into modules reflecting different standards. Rather than a fixed bundling of form, use, and density regulations within a zone, as is the case in the current zoning system, the proposed new zoning system will include independent modules for each of those components. This new modularity will allow for the flexibility to create tailored zones that can more easily respond to neighborhood context, while also addressing the production of housing units, including micro units, through density, where appropriate.

Conclusion

Through initiatives recently adopted and still in progress, the Department of City Planning has addressed many of the barriers to creating micro units for persons experiencing homelessness. In accordance with Strategy 7L of the City's Comprehensive Homeless Strategy, the Permanent Supportive Housing Ordinance, Interim Motel Conversion Ordinance, and TOC guidelines have been adopted and are already in effect. Future updates to the Density Bonus Program and Zoning

Code will allow for the consideration of increased density, where appropriate, and thereby further facilitate the development of micro units in Los Angeles.

Please contact Matthew Glesne at (213) 978-2666 with any questions regarding this report.

Sincerely,

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