

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: June 16, 2016

To: The Mayor
Attn: The Council

From: Miguel A. Santana, City Administrative Officer 

Subject: **INNOVATION FUND RECOMMENDATION – MAYOR’S OFFICE OF BUDGET AND INNOVATION SECONDARY UNIT PROTOTYPES**

The City Administrative Officer herewith transmits the recommendation of the Innovation and Performance Commission (IPC) to approve funding in the amount of \$60,000 from the Innovation Fund (IF) for the Mayor’s Office of Budget and Innovation’s (MOBI) Innovation Team (i-team) Secondary Unit Prototypes, to cover the cost associated with the development and distribution of a Secondary Unit Handbook and permit fees related to its Secondary Unit Prototypes initiative. Please note, as with all IPC recommendations, this report presents the idea as submitted by the Department and approved by the IPC along with the necessary recommendations to implement the idea as presented. If the scope of the Innovation Fund item changes after the Department receives funding, the Department must return to the IPC to present the revised scope to the Commission to determine whether alternative recommendations are required.

Secondary units are legal second units built on sites with single family homes. They are typically detached, new construction in the property’s rear yard and may be used for rental income or to house extended family members. The i-team has stated that the Mayor has clearly articulated secondary units as a key part of his strategy to build 100,000 units of housing by 2021, as reflected in the Sustainability Plan, the Housing Element, and the recently-released Comprehensive Homelessness Strategy Report. The i-team’s research and project design has also led to a request from the the City Council for the i-team to work with the Planning Department to develop an ordinance that will reduce regulatory barriers to secondary units, and a request to develop a prototyping project to demonstrate feasibility and design excellence.

The i-team is launching an initiative focused on addressing the market for secondary units as an important housing option in Los Angeles. This initiative will include permit streamlining, zoning code changes, marketing, and new financing tools. In addition, this initiative is a prototyping project to design and construct two secondary units in two different neighborhoods in Los Angeles. These prototype units will demonstrate the feasibility of this housing option to neighbors, elected officials, architects, and lenders. Photos, plans, and other information from these prototypes will be incorporated into a Secondary Unit Handbook that will help homeowners navigate the process of designing, permitting, constructing, and placing tenants in secondary units. These handbooks have been developed in other cities such as Seattle, Portland, and San Francisco which have helped increase awareness and interest.

According to the i-team, it has secured a \$300,000 commitment from Genesis LA that will cover the construction costs for two secondary units, estimated at \$150,000 each. The i-team has also stated that it has secured a \$25,000 in-kind contribution of staff time and materials from La Más, UCLA's CityLab, and Kevin Daly Architects to cover the costs associated with the design, permitting, administration of construction, and documentation of the project. The documentation of the project, which will include site photos, floor plans, budgets, 'before and after' photos, and so on, will be part of the 'how to' handbook made available to homeowners to provide guidance and assistance in building secondary units of their own.

The i-team also plans to use the requested funds to pay for the permitting fees of as many secondary units as the allotment allows. The i-team plans on hosting an event where secondary unit applicants can submit their plans, receive feedback from the Department of Building and Safety to ensure the plans are correct, and potentially qualify applicants for fee subsidy for permitting. The i-team has stated that it has partnered with the Planning Department, Department of Building and Safety, and the Housing and Community Investment Department to provide support for this initiative.

The Commission recommends \$60,000 to support the MOBI Secondary Unit Prototypes initiative. Of that amount, \$10,000 will be used for development of and community outreach for the Secondary Unit Handbook and the remaining \$50,000 will be used to cover the permit fees for secondary unit applicants

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Create the following account in the following amount within the Innovation Fund No. 105/10:
 - MOBI – Secondary Unit Prototypes \$60,000
2. Instruct the City Clerk to place on the agenda for the first regular meeting on or after July 1, 2016, the following item:

Transfer \$60,000 from the Innovation Fund 105/10, Account to be Established, MOBI - Secondary Unit Prototypes to Fund 100/46 Office of the Mayor account as follows:

<u>Account No.</u>	<u>Account Name</u>	<u>Amount</u>
003040	Contractual Services	\$60,000

3. Instruct the Office of the Mayor to:
 - a. Separately track all encumbrances and expenditures of Innovation Fund monies so that unspent funds can be returned to the Innovation Fund at the end of the fiscal year;
 - b. Report to the Innovation and Performance Commission with an accounting of the funds, the lessons learned, and any obstacles faced; and

- c. Report to the Innovation and Performance Commission if after the receipt of funds, the scope of the funded item differs from the scope approved for funding by the Mayor and the City Council.
4. Authorize the CAO to make technical corrections as necessary to those transactions included in this report to implement Mayor and Council intentions.

FISCAL IMPACT STATEMENT

As of July 1, 2016, the Innovation Fund will have a balance of \$1,265,398. Approval of these recommendations will allocate \$60,000 of the remaining balance. This \$60,000 will be transferred to the Office of the Mayor to begin implementation of the Secondary Unit Prototypes consistent with the idea that was submitted to the Innovation and Performance Commission. If this idea is deemed successful, the department will incur ongoing costs.

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