

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 17, 2021

CAO File No. 0220-00540-1549

Council File No. 18-0315

Council District: Citywide

To: The Mayor
The Council

From: *Yolanda Chavez*
for Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated April 6, 2020; Received by the City Administrative Officer on May 20, 2021; Additional Information Received through June 17, 2021

Subject: **VARIOUS ACTIONS RELATED TO AN INCLUSIONARY ZONING FEASIBILITY STUDY**

RECOMMENDATIONS

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

1. Adopt recommendations A, B, C, D and G of the Housing and Community Investment Department (HCID) transmittal dated April 6, 2020 (Report) related to an inclusionary zoning feasibility study; and,
2. Authorize the General Manager of the HCID, or designee, to execute a contract with the most qualified bidder that meets the City's requirements to conduct a market feasibility analysis of the impact of an inclusionary zoning ordinance in the City, for a compensation amount not to exceed \$100,000 and a contract term from August 1, 2021 through March 30, 2024, subject to the review and approval of the City Attorney as to form, compliance with the City's contracting requirements, and funding availability.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to perform various actions related to presenting policy options and a framework for a potential inclusionary zoning ordinance in the City of Los Angeles, as instructed by Motion (Bonin – Huizar – Koretz - Cedillo). The HCID transmittal dated April 6, 2020 (Report) focuses on the initial steps needed to conduct a feasibility analysis of a citywide inclusionary zoning requirement. Subsequent to the release of its Report, the HCID indicated that there was a typographical error in the Report's date and confirmed it should have been dated April 6, 2021. The HCID requests that the Council: 1) adopt the HCID's inclusionary housing feasibility framework; 2) authorize the HCID to conduct and complete the first phase of the feasibility study; 3) authorize the use of \$100,000 in Housing Impact Trust Fund

monies to implement the feasibility study; 4) authorize the HCID, in consultation with the Department of City Planning (DCP), to issue a Request for Bids (RFB) utilizing the Office of the City Administrative Officer's pre-qualified list of Real Estate and Economic Development Consultants to select a consultant to complete market feasibility analysis of a citywide inclusionary housing zoning requirement; 5) authorize the HCID to execute a contract with the most qualified bidder selected from the RFB process; 6) authorize the Controller to appropriate funds within the Housing Impact Trust Fund to fund the inclusionary zoning study; and, 7) direct the HCID, in coordination with the DCP and the Office of the City Attorney, to report back on the contractor recommendation and the findings of the feasibility analysis, including a proposed citywide inclusionary ordinance.

This Office does not recommend approving the recommendation related to the Housing Impact Trust Fund appropriation for the inclusionary zoning study since an identical appropriation request was included in the Affordable Housing Linkage Fee Oversight Committee report approved by the Housing Committee at its June 9, 2021 and now pending the Mayor and Council's approval (C.F. 17-0274). This Office also revised the HCID's request related to the authority to contract with the most qualified bidder to ensure the contract is subject to the review and approval of the City Attorney as to form, compliance with the City's contracting requirements, and funding availability. This Office concurs with the Department's recommendations, as amended.

In 2017, the state legislature passed Assembly Bill 1505 (AB 1505), which authorizes counties or cities to adopt ordinances to regulate zoning within its jurisdiction and to require, as a condition of development of residential rental units, affordability restrictions for a certain percentage of the development's units. AB 1505 also requires that jurisdictions conduct a feasibility analysis prior to adopting any inclusionary ordinance that requires 15 percent or more of units to be affordable to households at or below 80 percent of area median income. Pursuant to AB 1505, the HCID proposes to complete a feasibility study to analyze different options for an inclusionary zoning ordinance in the City that would not impede housing development. The HCID recommends that the study incorporate the following framework: 1) evaluating the optimal ratio of affordable to market rate units that ensure the most opportunities for residents in need of assistance without suppressing overall housing production; 2) exploring the feasibility of requiring a set mix of different affordability levels; 3) evaluating an onsite inclusionary requirement of at least 20 percent of units for low-income households; 4) analyzing a citywide inclusionary requirement that is sensitive to different market areas within the City; 5) analyzing how new affordability requirements may impact existing affordable housing incentives and requirements; 6) exploring the feasibility of onsite affordable housing requirements by project size; 7) establishing standards for homeownership and rental housing developments; and, 8) requiring that affordable housing produced through an inclusionary housing ordinance must, at the minimum, require a 55-year covenant. Additional information regarding inclusionary zoning and the HCID's proposed framework can found in the HCID's Report.

The HCID proposes a two-phased approach for completing the inclusionary zoning feasibility study. The HCID estimates that the cost of implementing both phases will total up to \$400,000, but is only requesting \$100,000 at this time to initiate phase one. In the first phase, the consultant selected from the RFB process will conduct a study of the existing market conditions in various parts of the City. The consultant will assess existing affordable housing incentive programs and/or any other

incentives in the City and the potential value added in implementing a mandatory inclusionary requirement. Once the analysis is completed, the HCID indicates that it will report back to the Mayor and Council with findings and recommendations before proceeding with its proposed phase two of the inclusionary zoning feasibility study. Phase two of the feasibility study would provide concrete policy recommendations including the percent of affordable housing that could be required in each market area of the City.

Pursuant to Charter Section 1022, the Personnel Department determined on February 22, 2021 that City classifications have the necessary qualifications to perform the consultant services related to the inclusionary zoning analysis. Additionally, this Office determined on March 16, 2021 that it is more feasible to contract because the services require technical expertise that exceed staffing availability, additional staff cannot be deployed or trained in a timely manner, and the intermittent nature of the proposed work.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Funding to initiate the first phase of the inclusionary zoning feasibility study will be funded by the Housing Impact Trust Fund.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

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