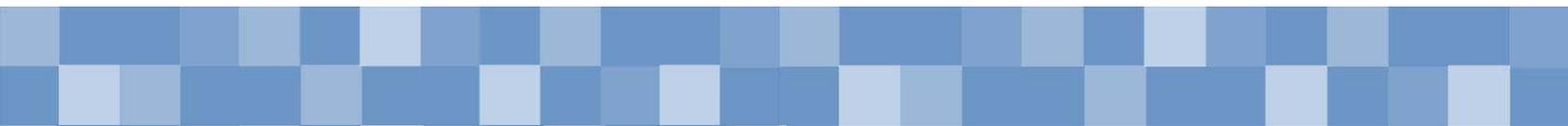


Housing For All: Fair Share Program

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HOUSING FOR ALL: FAIR SHARE PROGRAM

I. INTRODUCTION

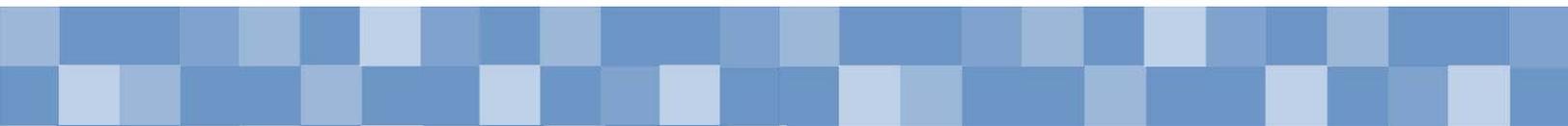
The City of Los Angeles is in the grips of a housing crisis. New housing production has chronically failed to meet the region's housing need, causing housing prices to skyrocket. With the inevitability of population growth, we must work to find practical solutions to increase the supply of housing to serve the needs of all segments of the population.

The population of the City of Los Angeles grew by more than 65,000 last year, but we added fewer than 9,000 new housing units. Those numbers are going to continue to diverge if we do not address the problem now. A study by the Southern California Association of Governments (SCAG) has projected that the region will grow by 6.3 million residents by the year 2030, a 37% increase above the current population. Already, people cannot afford to live in, or even close to, the neighborhoods where they work. Teachers, firefighters, police officers, nurses, City administrators, and others with median level incomes cannot afford to buy even a modest home. The working poor are also shut out of housing opportunities.

With current housing stock so scarce, we must ask how we can increase the production of housing at all income levels, because a city cannot thrive if it cannot affordably house its resident workforce. It has become all too clear that Los Angeles must provide incentives for the production of more housing units overall in order to adequately serve the needs of all segments of the population.

The Fair Share Program would develop more housing of all types and would distribute them all across the City. It would provide incentives to build more housing by cutting through the red tape. It rejects one-size-fits-all regulation and encourages flexibility and neighborhood control. The Program would focus on "workforce" housing for police and firefighters and teachers, while also raising the funds necessary to build more affordable housing for those with low- and very low-incomes. The cost of providing affordable housing would no longer be borne by first-time workforce and middle-class homebuyers, and would instead be distributed more fairly.

It is an ambitious and comprehensive plan because that is what this challenge demands. Short-term, easy fixes have been tried and they have failed. The cookie-cutter approach does not work when faced with the enormity, complexity and importance of providing housing for millions in our community.



All too often, cities resort to passing sweeping “inclusionary zoning” laws to address these types of challenges, mostly due to their simplicity and the support they enjoy from housing advocates. Such a proposal is now before the Los Angeles City Council. These zoning rules require homebuilders to sell or lease a fixed percentage of their new houses or apartments—as much as 40% of the units - to selected low-income individuals at prices below what everyone else must pay. The difference in cost is borne by other buyers and renters through higher prices for market rate units.

Such a program will not be effective in increasing housing production. In fact, mandatory inclusionary zoning will reduce housing production and exacerbate the housing crisis. If the current proposal before the Council were enacted, these standards would result in fewer housing units, higher prices on new homes, and a reduced overall housing supply. Mandatory inclusionary zoning is a tax on middle-class homebuyers and a more comprehensive strategy is needed in Los Angeles.

With support and encouragement from the business and development communities, the City of Los Angeles has made great strides over the last few years in increasing the amount of affordable housing within the City. Under Mayor Hahn’s leadership, many more State and Federal dollars have been captured for Los Angeles’ housing needs. Due to Mayor Hahn’s creation of the Affordable Housing Trust Fund, more than 44% of housing production in the City over the past 3 years was affordable.

These noteworthy numbers were achieved in the absence of a mandatory inclusionary zoning policy.

Our primary concern in this undertaking is to provide the means for building the housing we need. But there are other reasons for fostering a healthy housing market. The housing industry is one of the great engines of the Los Angeles Area economy, generating \$33 billion in economic activity and creating more than 88,000 jobs. We cannot afford to let this economic engine stand idle, or worse, stall because of unnecessary regulation and a new bureaucracy.

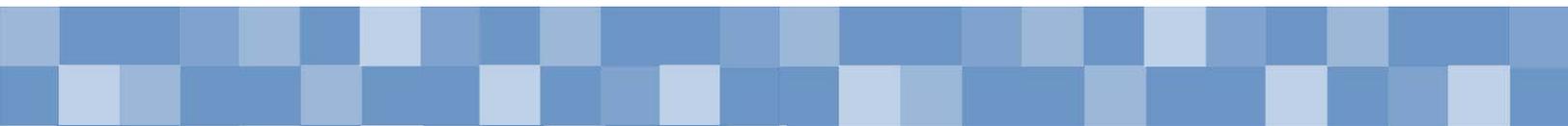
In the interest of developing a comprehensive policy that addresses housing production in the City of Los Angeles, the business community has developed a 2-part plan. The first part, “10 Point Plan: Creating Housing for All,” is a statement of the guiding principles that should lay the foundation for any housing policy.¹ The 10 Point Plan underscores the need for a thoughtful, balanced policy that applies city-wide, yet is flexible enough to suit the unique character and feel of Los Angeles’ varied communities. It also asserts that any program that does not offset the cost of building affordable housing will simply act as a tax on the non-subsidized portion of the housing market, which will also deter housing development and therefore drive up prices up by constricting supply.

The second part of the plan, the “Housing for All: Fair Share Program,” recognizes that an effective solution to Los Angeles’ affordable housing crisis must account for the legal,

¹ Please see attached, “10 Point Plan: Creating Housing for All.”

economic, and practical realities of modern residential development by simultaneously providing incentives for housing production at all levels. It is only by increasing the total supply of housing that the City will make true strides in its attempt to provide housing for all. Affordability begins with availability.

That is what our plan would accomplish – not years away, but right now.



II. WHAT THIS PROPOSAL WILL ACCOMPLISH

- **Increase Production of Affordable Housing:** It will produce a supply of affordable housing in the City of Los Angeles that will help keep pace with the increasing need.
- **Each District Shares Burden:** It will ensure that each district of the City provides an equal number of units to meet the City’s goal – its “fair share” of the required units.
- **Increase Workforce Housing:** It will ensure that the City expands its focus of needed housing to “workforce” housing that will house moderate-income families such as entry-level police officers, teachers and nurses. At the same time, it increases funding for households earning less than 60% of area median income through funds from the issuance of a \$500 million Affordable Housing Bond.
- **Provides Money for Neighborhoods:** It will incentivize neighborhoods to support more housing production by providing them funding for infrastructure improvements and other neighborhood amenities.
- **One-Size Does Not Fit All:** It will give control and flexibility to each Council District to determine, in conjunction with their Neighborhood Councils and the Planning Department, the commercial and transit corridors that would be appropriate for housing projects (“Housing Incentive Zones”). This stands in stark contrast to the current “one-size-fits-all” proposal.
- **Expedites the Development Process:** It will promote development reform to allow housing projects at all income levels to move expeditiously through the City’s entitlement process, while incentivizing developers to produce more affordable housing by providing by-right incentives in Housing Incentive Zones in exchange for the guarantee of a fixed percentage set-aside, adjusted according to income level.
- **Distributes the Cost of Affordable Housing:** It will fairly allocate the cost of producing affordable housing amongst the citizens, the City and developers by including an Affordable Housing Bond and using property tax increment to provide a much-needed revenue source for communities that accept increased density.
- **Addresses All Income Levels:** It proposes to use bond money to fund housing for low- and very-low income households, while incentivizing private developers to produce housing for moderate-income and workforce households.
- **Builds on Existing Law:** It will more effectively utilize and improve existing incentives for affordable housing.

III. OVERVIEW OF “HOUSING FOR ALL: FAIR SHARE PROGRAM”

Recognizing that Los Angeles is an enormous metropolis with an extraordinary variety of unique neighborhoods, the current onerous and “one-size fits all” policy does not fit our City. Instead, the City of Los Angeles should institute a results-based pilot program for 5 years that would significantly increase production of both affordable and market rate housing. This program will allow the City to increase the production of housing for all income levels without unfairly burdening market rate renters or buyers, or the private business community that provides the housing. Highlights of the Fair Share Program are as follows:

- **100,000 Units Over 5 Years**
Building on the premise that constraints in supply drive up housing prices, the City would set a goal of entitling 100,000 units during the 5-year term of the pilot program.
- **Spread Units Evenly Among All 15 Council Districts**
Each Council Member would be responsible for ensuring that an equivalent number of housing units are entitled in each of the 15 Council Districts, thereby equally sharing the increased density throughout the City.
- **Create “Overlay Zones” in Strategic Areas of the City**
The Planning Department would work in conjunction with each Council District to identify transit and commercial corridors that would be appropriate for housing, (Housing Incentive Zones), then create Overlay Zones,² as needed, to allow residential development in sufficient quantity to develop the targeted units per district per year.
- **Increase the Production of Affordable Housing**
When developing in these Housing Incentive Zones, the developer has a right to proceed on one of two tracks: 1) develop according to existing laws, or 2) participate in the Fair Share Program and obtain by-right incentives, and be required to provide a mandated percentage of affordable housing. In order not to unfairly tax the private development industry, developers would only be required to include affordable housing units if the project receives all of the by-right incentives outlined in the Fair Share Program.
- **City-wide Application**
City-wide application of the voluntary inclusionary housing program ensures that each Council District will do its fair share to solve the problem.
- **Neighborhood Incentives**
Neighborhoods directly participate in the financial rewards of increased economic activity by earning a share of the enhanced tax proceeds (City’s share of the property tax increment) created by new residential development.

² An “Overlay Zone” encompasses one or more underlying zones and imposes additional requirements for the development of certain land uses not permitted in the underlying zone. It does not affect existing zoning.

IV. PLAN DETAILS

1. Create Overlay Zones in Specific Areas in Each Council District for Targeted Housing Production

- Premise: Height limitations, Floor Area Ratio (FAR) restrictions, density restrictions and Specific Plan requirements often preclude the use of the City’s existing density bonus program for affordable housing. As a result, a developer that wants to use the density bonus must often seek a zone change or a Specific Plan exception and General Plan amendment. These discretionary approvals may take years and cost tens of thousands of dollars, and there is no guarantee that approvals will be granted.
- Solution: The City can facilitate the use of density and height bonuses and encourage affordable housing production in targeted locations by creating Overlay Zones in areas throughout the City that would be appropriate for higher density market rate projects in which affordable units could be included. In effect, the City would implement an Overlay Zone that would allow by-right development in excess of existing height, density, and FAR restrictions in exchange for a mandated percentage of affordable housing. As a result, developers would not be forced to bear the expense and delay in rezoning projects, the City would facilitate the use of the density bonus, and more market rate and affordable housing would be entitled for by-right development.
- Targeted Locations for Housing Incentive Zones: The Planning Department, with input from the Council Member and local Neighborhood Councils, should identify areas in each Council District that would be suitable for creating an Overlay Zone to accommodate by-right density bonuses and other incentives to streamline and expedite the production of affordable housing. Some areas where Overlay Zones should be used to create a Housing Incentive Zones (HIZ) are³:
 - Residential Accessory Services (RAS) Zones
 - Commercial Zones
 - Transit Corridors
 - “Centers” concept under the General Plan
 - Congestion Management Plan Corridors

³ Because the Fair Share Program is built on the premise of increased FAR, height and density, it would *not* apply to Adaptive Reuse projects, which already have a defined building envelope and therefore cannot take advantage of these incentives.

2. Procedure for Implementation

- Environmental Review: The Planning Department would recommend zone changes and General Plan amendments, if necessary, in each Council District for City Planning Commission approval. The City would then conduct a Program Environmental Impact Report (PEIR) to study the effects of these zoning changes. The analysis would be done with sufficient specificity to allow developers to comply with CEQA⁴ by reference to, or “tier” off of, the PEIR.⁵
- The City Planning Commission would consider the Planning Department report and approve and recommend to the City Council zone changes so that each Council District would have Overlay Zones that would produce a roughly equal number of housing units approved for by-right density bonuses and voluntary inclusionary housing.
- The City Planning Commission recommendations would be submitted to the City Council. The Council would approve or reject the Planning Commission recommendations as a whole. That is, the City Council would vote the recommendations “up or down,” but would not modify the specifics.⁶

3. “Fair Share” Concept

- Under the “Fair Share” concept, the City would set a target number of housing units it must produce in the immediate future in order to keep up with current and previously unmet demand. Historical housing production and census data indicate that the City needs to produce at least 100,000 units over the next five years in order to meet present demand and also catch up for past years with low production.⁷
- Each Council District would make an equal contribution (for example, entitlement of approximately 1,300 units per district per year for five years) to providing affordable housing and increasing housing production. Council

⁴ California Environmental Quality Act

⁵ “Tiering” allows for streamlined environmental review of individual projects after an agency has adopted a program, plan, policy or ordinance with an EIR focused on the “big picture.” The California State Legislature has decided that EIRs ought to be tiered whenever possible so that agencies can avoid repetitiveness, wasted time, and unnecessary premature speculation by preparing a series of EIRs and/or negative declarations on related projects.

⁶ The federal government successfully used this approach in its efforts to close military bases. In the base closure context, the Department of Defense formed a commission that was charged with making recommendations to close military bases on the merits- that is, bases that were not needed for military purposes, rather than economic importance to any particular congressional district. The commission’s recommendations were forwarded to Congress, which could only approve or reject the recommendation as an entire package. Congress could not modify the list of bases to be closed. As a result, there was a sufficient majority to approve the base closures.

⁷ While this is a lofty number, we believe it is worthwhile to choose an ideal goal and then build toward that number.

Members would be able to explain to their constituents that it is important to support affordable housing and additional density and height in their district because all districts would be making an equal contribution, and neighborhoods will be rewarded.

4. Developer Incentives for Production of Affordable Housing

- **Proposal:** When developing in these Housing Incentive Zones, the developer has a right to proceed on one of two tracks: 1) develop according to existing laws, or 2) participate in the Fair Share Program and obtain by-right incentives, and be required to provide a mandated percentage of affordable housing.⁸ In order not to unfairly tax the private development industry, developers would only be required to include affordable housing units if the project receives all of the following incentives:

- **Density Bonus:** Fifty percent.⁹
- **Minimum Affordable Housing Set Aside/Affordability Level:**

A. Rental Units. Projects would set aside a certain percentage of the new rental units to be affordable at the below levels of affordability. The developer would select the amount of set-aside from the below sliding scale that provides for a greater set-aside when targeting higher income households.

Rental, with Developer Incentives and Financial Subsidy (set-aside/affordability level) ¹⁰	Rental, with Developer Incentives
5% at 50% of AMI ¹¹ or	5% at 80% of AMI ¹² or
10% at 60% of AMI ¹³	10% at 120% of AMI ¹⁴

B. For-Sale Units. An increased supply of for-sale housing is important, especially for the numerous workers who serve the

⁸ The developer must build a prescribed amount of on-site affordable housing, as set forth in a sliding scale that provides for a greater number of units to be set-aside when developers target higher income households.

⁹ Consistent with existing law, the density bonus is determined by the number of pre-bonus units. That is, if a project is entitled to have 100 units, and it obtains a density bonus so that it can build 50 additional units for a total of 150, the set-aside is determined by multiplying the percentage by 100, or the number of units before the bonus units are added.

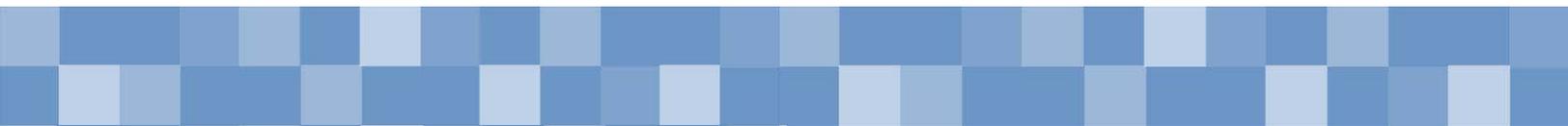
¹⁰ When choosing to offer this deep level of affordability for rental developments, developers will have by-right access to funds from the Affordable Housing Trust Fund and/or funds from the proposed Affordable Housing Bond Measure in an amount that will offset the cost of producing the units.

¹¹ \$29,750 (All incomes are based on 2004 HUD income limits for a family of 4.)

¹² \$47,600

¹³ \$35,700

¹⁴ \$71,400



City of Los Angeles but are currently priced out of the dream of home ownership. Issues including, but not limited to, the economics of home ownership, the sensitivity of interest rates, and administrative issues with respect to unrealized appreciation make income controls on for-sale housing complicated. However, the City should use the following for-sale housing set-asides for workforce housing, but may also want to consider other creative options such as equity sharing and price controls.

For-Sale, with Developer Incentives
5% at 80% of AMI or
10% at 120% of AMI or
15% at 150% of AMI ¹⁵ or
20% at 200% of AMI ¹⁶

- **Building Height:** Must be exceeded as needed to achieve density bonus units.
- **FAR:** Must be exceeded as needed to achieve density bonus units.¹⁷
- **On-site Open Space:**
 - If project is located near a park, neighborhood school or other existing open space amenity, then the requirement for on-site provision of open space could be satisfied by paying an in-lieu fee to fund enhancements or defray maintenance and other costs at such existing open space community facilities.
- **Location of Affordable Units:** Units should be dispersed or clustered throughout the project at the developer's discretion. E.g., seniors often want to live near each other, and lower floors should be available for affordable units.
- **Design of Affordable Units:** Allow smaller units and more modest interior finishes than in neighboring market units (follow TCAC standards).
- **Fees:** Defer until Certificate of Occupancy is issued.
- **Parking reductions:**
 - 1:1 for affordable units.
 - Waive guest space requirement on transit corridors.
- **Density Calculation:** Eliminate "habitable rooms" from open space requirement, instead calculating open space "per dwelling unit."

¹⁵ \$89,250

¹⁶ \$119,000

¹⁷ This is a critical component of the program, and FAR *must* be increased, by-right, to allow the construction of density bonus units.

- **Site Plan Review:** Threshold should be 150 units.¹⁸
- **Facilitated Processing:** To developers, time is money, and the City can directly shave dollars off of the bottom line cost of housing units, and therefore the price, by simply approving projects in a timelier manner.
 - Expedite construction and permit processing, placing projects with an affordable housing component ahead of those without.
 - Coordinated approach: Obtain buy-in from all relevant City departments and establish the creation of housing as a top priority for the City as a whole.
- **Program EIR:** (See also Section IV(2), above.)
 - First-tier environmental review of the Fair Share Program would occur under a PEIR. Subsequent projects within the scope of the program will be examined in light of that EIR to determine whether an additional environmental document is needed.
 - Subsequent projects whose effects and mitigation measures were completely addressed in the Program EIR require no new environmental document (e.g., EIR or negative declaration). Such projects are within the scope of the Program EIR.

5. Improve City-wide Density Bonus

- Premise: The City of Los Angeles presently provides a density bonus to developments that include affordable units. For projects near transit corridors and regional centers, the density bonus is 35% of the units; for all other projects, the density bonus is 25% of the units. The density bonuses are utilized in some projects, but the bonuses are subject to existing zoning constraints such as height limitations, FAR requirements, density restrictions and Specific Plan requirements. As a result, the density bonuses are under-utilized by residential developers.

The premise of the Fair Share program is that the existing incentives should be improved and expanded so that substantially more affordable housing production is dispersed in market rate projects without mandatory inclusionary zoning. Although some density bonuses are available under State and City law, they are not attractive enough to entice developers to utilize them and the existing laws do not result in nearly enough affordable housing to address the problem. Furthermore, because most ordinances target low- or very low-incomes, much-needed workforce housing is largely ignored and Los Angeles continues to exacerbate the problem of its dwindling middle class.

¹⁸ Site plan review should only be used for limited purposes, as intended, and not treated as a vehicle by which the City can expand its discretionary review and add burdensome layers of complexity or exact some other social or economic contribution from developers.

- Solution: The City should amend the Zoning Code to provide a specific density bonus for workforce housing. In this case, because the cost to the public of providing workforce housing is less than for very low-incomes, the corresponding set-aside would be greater than when a developer chooses to target lower-income households.
- Solution: In the immediate future, while the City further develops its housing production strategy and conducts the required environmental and other studies, it must commit to fulfill the letter and intent of recent changes to State law that purport to give density bonuses by-right. Instead of undermining these important State-mandated measures, the City must guarantee developers that “by-right” means “by-right,” and that additional housing units will not fall victim to discretionary actions that make their production impossible.

6. Rewarding Flexibility: Dedicate Revenue Streams to Neighborhoods that Embrace New Residential Development

- Premise: Often, neighborhoods object to new housing production, affordable and market alike, because they feel it results in increased burdens on local infrastructure. To address this issue, fairness dictates that neighborhoods that are willing to absorb more density and height should be rewarded financially through increased funding for local infrastructure.
- Solution: Funds for community improvements should be tied directly to new housing production, so that public funds are available to mitigate the impact of new developments on local infrastructure. The City should adopt a program whereby the City uses the property tax increment created by new housing development to create financial incentives for Council Districts and neighborhoods to entitle new housing, affordable or market rate. The City would dedicate any incremental increases in property tax from any residential projects to local neighborhood improvements (street maintenance, community centers, library facilities, landscaping/beautification, etc.) in order to reduce local resistance to new housing production.
- Example: Property A is valued at \$2,000,000 and pays \$20,000 per year in property tax, of which \$4,000 is received by the City and goes into the City’s General Fund.¹⁹ If Property A were redeveloped with 150 units of new housing, its value would increase to \$22,000,000. The property tax bill for Property A would increase to \$220,000 and the City’s share of the property tax would increase to \$44,000 per year.

The incremental increase in the City’s tax revenue (or \$40,000 per year) could be dedicated to neighborhood improvement projects (e.g., street trees, sidewalk

¹⁹ Although the City’s share of property tax varies by Tax Rate Area, we use 20% for purposes of illustration.

repairs, streetlights, park improvements, street improvements) for a specified period (such as 10 years). The money would go into a Neighborhood Housing Trust Fund that would be directed by the Council Member for improvements in that district.

7. Give the City the Right to Set Aside New Rental and For Sale Housing at Fair Market Value

- Premise: Housing advocates object that City-subsidized housing developments that are comprised of 100% affordable units concentrate the low-income families in existing low-income neighborhoods. According to the housing advocates, inclusionary housing has the additional social benefit of bringing low income families to new market rate projects in higher income neighborhoods, thereby providing access to lower crime rates, better schools, better parks and better opportunities for advancement.
- Goal: In addition to creating more units of affordable housing, advocates of mandatory inclusionary housing have the additional social objective of dispersing low-income families in new market rate housing projects in neighborhoods all over the City.
- Solution: Developers should give the City the right to purchase an “affordability easement” against residential units in new residential developments and set them aside for affordable housing, so long as the City pays the developer the fair market value of the unit. The City would have an option to set aside up to 15% of the units in each new rental or for-sale housing development for very low-, low-, or moderate-income families. With this approach, the City would be able to achieve social integration by moving restricted-income families to any neighborhood in the City. However, the costs of achieving this social goal would not be unfairly borne by the developer.
- Rental Properties: In the case of rental properties, the option would be available to the City for 30 days after the project is entitled.
- Upon exercising the option, the City would pay the developer, in cash, the fair value of the units set aside. The specified units would then be set aside at the specified levels of rent, and the City would record a standard affordability easement against the property, restricting the acquired units to low-income residents.
- Once the City exercised the option, the program would operate like a conventional inclusionary ordinance. The apartment owner would select the low-income tenants to rent the restricted apartments and would be required to verify income levels. The restricted apartment would have rent restrictions like the standard inclusionary program: the apartment owner would be prohibited from

renting the unit in excess of a set percentage of income, based on a percentage of Los Angeles County area median income.

- The fair market value of the units acquired by the City would be determined by capitalizing, at a market cap rate, the difference between fair market rent and the restricted rent. For example, if the fair market rental for the units is \$1,500 per month and the maximum rent for a very low income resident is \$800 per month, the annual cost of the subsidy to the developer would be \$8,400 per year. If the market cap rate were 9%, the City's cost to acquire the set aside for the unit would be \$93,333.
- For-Sale Properties: The same concept would apply: the City would pay the developer of for-sale units for the right to cause the new home or condominium to be sold as a price-controlled unit.
- The City would have the right to purchase the affordability easement against the units for 30 days after the project is entitled.
- The amount paid by the City would be the difference between the fair market value of the unit and the amount paid by the low-income or restricted-income buyer. For example, if the fair market value of the new condominium unit were \$380,000²⁰ and the controlled price for a low-income family was \$240,000 for a moderate-income family, the City's option price would be \$140,000.
- Result: This purchase program allows the City to achieve the public policy goal of integrating low-income families in market rate developments, developers do not bear the cost of providing affordable units, and City housing funds go further by taking advantage of private sector economics and efficiencies. The City would also have more flexibility in determining whether to devote funds to very low-, low-, or moderate-income families.

²⁰ As determined by actual sales prices for comparable units.

V. INCREASE FUNDING FOR AFFORDABLE HOUSING

The business community is committed to joining forces with the City, as well as non-profit and affordable housing advocates, to build a Coalition that will maximize the funds available to develop affordable housing. Los Angeles currently does not optimize the amount of funds coming to the City through federal programs, State bond and tax credit allocations, State bond funds, and other private and non-governmental sources (e.g., Fannie Mae, Century Housing, and private foundations). This Coalition should work together to identify and earn every source of funding available for housing and ensure that Los Angeles leverages its public and private lobbying clout in Washington, Sacramento, and other sources to bring every possible funding dollar home to Los Angeles.

1. \$500 Million Bond

Most for-profit developers have a capital structure that is not always well-suited to take advantage of tax credits and bonds aimed at very low income populations. Currently, these segments are primarily housed by non-profit developers of 100% affordable projects, who are better positioned to compete for scarce government funding. Supporters of this proposal are committed to supporting a bond measure, the funds from which would be directed toward low, very low, and homeless housing, possibly managed through the Affordable Housing Trust Fund.

This bond money, which would have to be approved by the citizens of Los Angeles, would be used to promote the goals of the Affordable Housing Trust Fund and subsidize housing for low- and very low-income households. In the real estate development industry, where financing can be hard to obtain and market demand can change with a wide variety of factors, it is virtually impossible to develop housing at a deep discount for very low-income residents without getting public subsidy.

2. Prop 46 State Bond Funds

The Coalition would work with non-profit housing groups to see that the maximum amount of Prop. 46 housing bond funds flowed toward Los Angeles, especially to fund multi-family urban infill.

3. Property Tax Increment Financing (PTIF)

See section IV(6), above, regarding the use of property tax increment from new housing development to support affordable housing and mitigate neighborhood impacts.

4. Housing Trust Fund

The Coalition must continue to fight to maximize the amount of affordable housing funds flowing to the AHTF.

VI. ADDITIONAL DEVELOPMENT REFORMS

In order to create a truly comprehensive housing-for-all policy that focuses on the need for increased housing production, the City of Los Angeles also needs to quickly enact additional development reforms. These reforms are ideas that have been presented to the City over the past three years and, yet, have never been acted upon. It is critical that the City take a true leadership role in pushing reforms that will increase the housing supply. All of the following reforms are critical components of our plan.

While some of these reforms may take significant time, effort and resources to enact, they should be closely monitored by the City Council to ensure they become a reality. Solving the City's housing crisis will require a comprehensive strategy. These reforms must not be ignored any longer.

1. **Make M.O.R.E. (Maximizing Our Real Estate) Lands Available for Residential Development**

- “M.O.R.E.”: Currently, the Mayor is compiling an inventory of vacant and/or underutilized City-owned properties. These can be used and traded to promote better neighborhoods by converting them to parks, housing, community centers, etc.
- The City should immediately identify the properties appropriate for housing development, make the properties available for housing development, and then transfer these properties to residential developers at little or no cost, in exchange for production of a percentage of affordable units. If they are sold at a discount, the developer should be required to provide affordable housing units in proportion to the value of the discount. This would not cost the City any money out-of-pocket, but would promote the production of both market rate and affordable housing.

2. **Reassess “One-size Fits All” Approach**

- City needs to reassess its one-size fits all approach to housing, such as adopting minimum lot areas of 5,000 square feet for single-family homes, attached housing, and “detached condos” (i.e., bungalows that share common/reciprocal open space). The City should provide both building envelope flexibility and lot size reduction.

3. **Create a Fire Zone 1A**

- Current law designates outdated fire zones for some urban areas of the City. Specifically, only Type III (4-hour fire resistant construction) is allowed in Fire Zone 1, (but not Type V or 2-hour fire resistant construction), which, due to cost,

limits the viability of this zone for low-rise residential projects. We recommend that the designation of Fire Zone 1 be amended to include a new Fire Zone 1A overlay that in certain locations shall allow the construction of Type V buildings.

4. Review, Update, and Improve Transportation Plans

- The City should take this opportunity to revise and update its transportation plans for all parts of the City, and especially in the areas around residential neighborhoods. Specifically, we also recommend that the Los Angeles Department of Transportation (LADOT) formally recognize the use of Transportation Demand Management (TDM) programs for multi-family housing projects, which are located within a transit corridor, within proximity to a transit center/station, within a transportation or traffic Specific Plan area, within proximity to established bikeways or high-density urban neighborhoods.

5. Defer Regulatory Costs of Development

- Encourage all remaining regulatory costs to be imposed at Certificate of Occupancy, rather than Building Permit stage.

6. Revise SB 975

- SB 975, a state prevailing wage law, acts as a disincentive for developers to take advantage of public assistance for development projects, thus reducing housing production, particularly for low- and moderate-income projects. We recommend that the state enact legislation that would remove prevailing wage requirements from all private and public housing projects.

7. Incentivize Mixed Use

- Parking and tax incentive should be provided to commercial developers who add residential units on top of commercial uses, or to business owners who choose to locate in residential projects.

8. Meet the Rules, Get Your Permit!

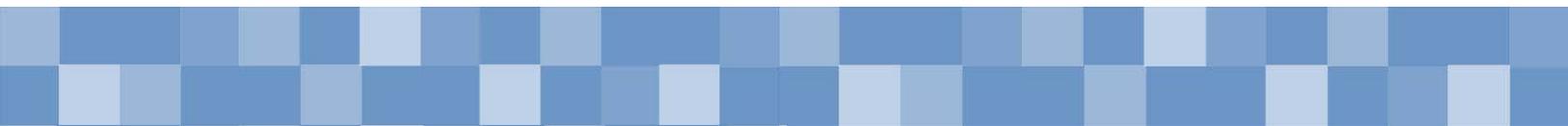
- Residential developers should be assisted by the City of Los Angeles in both purchase and negotiation with surrounding neighborhoods, rather than allowing projects to be negotiated only by the developers themselves. Since we are experiencing an affordable housing crisis, reductions or vetoes of projects should be rare.

9. Encourage Public and Private Housing Rehabilitation

- Fix what is clearly broken with Los Angeles' housing stock, to put thousands of units in areas already zoned for higher density housing back to use, while

simultaneously improving housing conditions and eliminating blight. Develop legal and legislative solutions to encourage public and private rehabilitation of the following housing types, including allowing market-rate units to be added to projects to subsidize continued affordability of the remaining units:

- Red-tagged units remaining from the 1994 Northridge Earthquake
- City-determined substandard units
- Uninhabited units (The Gas Co. has determined there are 50,000 in LA)



VII. ACTION ITEMS FOR THE NEXT 90 DAYS

- City Council adopts the Fair Share Program and 10 Point Plan, in concept.
- City Council and Departments pledge their commitment to entitling residential developments at the maximum allowable density, if requested, under existing laws.
- City Council establishes city-wide housing production goal, e.g., 100,000 units over the next 5 years.
- City gives priority to residential development over commercial, industrial, etc.
- City Council gives the Planning Department a deadline to submit a list/map of potential Housing Incentive Zones, indicating the location of transportation corridors, RAS zones, etc.
- The City must acknowledge the urgent nature of the crisis, and commit now to enforcing existing State and City density bonus and other laws that attempt to promote the production of affordable housing, yet go largely under-utilized because they are treated as discretionary incentives. Both the letter and spirit of the law dictates that these incentives should be granted by-right.

City of Los Angeles Housing-For-All Program

10-Point Plan: Creating Housing-For-All

There is a need for more housing at all income levels in the City of Los Angeles. The current inclusionary zoning proposal that the City is studying would impose another tax on housing and exacerbate the problem. Instead, to address the shortage of housing and combat escalating prices, the City needs a workable, sustainable overall housing policy. Any comprehensive housing policy must reflect all of the key concepts in the Housing-For-All Plan package:

Precept #1: *Los Angeles has a housing crisis. Increased production of housing with a range of price levels is necessary for a healthy Los Angeles.*

- Affordability begins with availability. Los Angeles already has a current housing shortage of over 100,000 units. In addition, housing production is not keeping up with growing demand. Last year, the City of Los Angeles added less than 9,000 new units in a year where the population grew by more than 65,000 new residents. There is a huge housing deficit that will only get worse over time if the City does not take action.
- The shortage of supply is the key element in escalating housing prices and decreased mobility. The housing shortage is a byproduct of the last few decades of housing policies that have discouraged the development of new units, including AB 283 downzoning, Proposition U, increased regulation, and the impact of the economic downturn of the late 1980's. The City of Los Angeles is still trying to overcome these historical hurdles and the current inclusionary zoning proposal would only exacerbate the problem.
- The CCA Report on "L.A.'s Housing Supply Crisis: A Plan to Increase Housing Production in Los Angeles" identifies the need for increased housing supply, as well as directives to overcome current obstacles to housing production.

Precept #2: *Do not make matters worse. The current inclusionary zoning proposal would only worsen the housing crisis. We need comprehensive housing policies that help – not harm – housing production within the City.*

- Unlike other jurisdictions that have enacted inclusionary zoning policies, 44% of housing production within the City last year was affordable. The problem is in the level of production. A further tax on housing production in the form of inclusionary zoning would only drive down production.
- The housing shortage in the City exists at all price points. A broad spectrum of housing should be encouraged that is affordable to the full range of homebuyers, so that we are not favoring some buyers at the expense of others that do not meet artificial thresholds.

Precept #3: *Focus should be on workforce housing.* While the City should strive to increase the supply of housing at all levels, including very low and low-income housing, the creation of workforce housing is critical for those who directly serve the Los Angeles community and for creating upward mobility for all.

- Community serving workers – including police officers, firefighters, teachers, and city employees – should be able to live in the city they serve.
- Employers need more workforce housing for employees or they will leave Los Angeles and make us a less competitive business location.
- Policies must recognize that Los Angeles has a relatively low area median income (\$54,000) compared, for example, to San Francisco (\$95,000) and Orange County (\$74,000) and avoid arbitrary income targets that do not work. As drafted, the current proposal would make rental units affordable to people earning \$27,000 (50% of AMI), which would do nothing to serve clerks, secretaries, nurses, teachers, firefighters and others in the City who earn more than \$27,000.

Precept #4: *There is a need for comprehensive housing policies.* In order to increase housing, the solution must include comprehensive policy changes.

- The people are already here. We need comprehensive housing policies that provide long-term planning solutions for the City.
- To increase production, housing policies should consider new housing supply and demand from a citywide perspective, rather than on a project-by-project basis.
- Targets for a specific number of new housing units could be required to be met in each areawide planning district, thereby spreading the new housing throughout the City and addressing the differences among geographic neighborhoods.
- Policies should focus on development in Los Angeles centers and transit corridors.
- Comprehensive policy fixes for the City could be implemented and supported by state measures.

Precept #5: *Costs must be more than offset to increase production.* Any comprehensive housing policies must include incentives and other balancing offsets that exceed the costs of any affordable and workforce housing in order to avoid decreasing housing production.

- The costs of inclusionary zoning will reduce housing unless there are balancing offsets. Balancing offsets should include by-right entitlements for projects. Incentive zoning works in other jurisdictions and can work in this City, but continued disincentive zoning does not.
- Housing projects should be exempt from the site plan review process.
- Offsets must go above and beyond the current RAS, density bonuses, and other existing policies in order to truly balance the burden.
- In addition to density bonuses, parking reduction, FAR, height and yard allowances, examples of other offsets could include a waiver of open space requirements, a fire zone overlay that allows construction of Type V buildings and incorporation of

International Building Code standards that decrease costs without compromising safety.

- Discretionary review should not be allowed to cancel out the incentives offered.

Precept #6: *Environmental review can provide streamlining incentives.* *The procedural steps to adopt Housing-For-All policies should include the preparation of an EIR that eliminates or streamlines additional environmental review of individual housing projects that are consistent with the housing policies.*

- EIR for the Housing-for-All program should include program-level review of targeted new housing units. Builders who fall within the defined limits will have expedited review.
- Citywide overriding considerations (based on housing state-of-emergency findings) should be adopted and relied on for buildout of housing units.
- Set package of criteria-based project conditions would apply according to “fair share” of project impacts.

Precept #7: *Housing Trust Fund should be funded.* *Housing-For-All program should consider additional income generators that encourage housing production at all levels.*

- Should include, for example, \$500 million bond to fund and expand the Housing Trust Fund for the next 5 years, as well as creative new funding, such as supplemental sign district funds that could go directly to the Housing Trust Fund.

Precept #8: *Policies should not deter incoming projects.* *Any affordability requirements must be phased – or at least subject to defined grandfathering requirements – that do not negatively impact incoming projects.*

- Timing should be clearly delineated in order to not disincentivize potential projects that are in the pipeline.

Precept #9: *Policies must work for a diverse Los Angeles.* *Proposed comprehensive housing policies must be tailored to the Los Angeles housing market, development patterns and demographics, and comparisons to other jurisdictions must recognize the unique aspects of the Los Angeles housing market.*

- Policies must be flexible to account for economic fluctuations and how they specifically affect the housing market in Los Angeles, including changes in interest rates.
- Must acknowledge the differing market forces on for sale versus rental housing units. For example, the affordability of for-sale units is dependent upon changing economic forces such as interest rates.

Precept # 10: *Process matters.* In order to be effective, the creation of comprehensive housing policies must include an inclusive process with feedback from all stakeholders.

- This is a great opportunity to improve housing for all in the City of Los Angeles, but it will not work unless all stakeholders are included in the process.

Housing for All

Fair Share Program



Building Industry Association
Greater LA/Ventura Chapter



Los Angeles Area
Chamber of Commerce



SOUTHLAND REGIONAL
ASSOCIATION OF REALTORS, INC.



For Immediate Release

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Business and Civic Leaders Announce Plan to Solve the Housing Crisis and Escalating Home Prices in the City of Los Angeles

Housing-for-All Program Offered as the Only Credible Alternative to "Inclusionary Zoning" Proposal Now Before City Council

Los Angeles, California (August 10, 2004) – The Central City Association (CCA), the Building Industry Association-Los Angeles/Ventura Chapter (BIA/GLAV) and a host of civic and business leaders today unveiled the "Housing-for-All: Fair Share Program" at a news conference on the steps of Los Angeles City Hall.

Aimed at solving the home affordability crisis in the City of Los Angeles, the plan calls for increased production of housing at all income levels, including very low- and low-income and workforce housing. The plan then offers a set of realistic, practical and proven ways to achieve the goal.

The City of Los Angeles currently has a housing shortage of over 100,000 units. Housing production has not kept up with a growing demand. Last year, the City of Los Angeles added fewer than 9,000 new units in a year where the population grew by more than 65,000 new residents. The shortage of supply is the key element in escalating home prices and decreased mobility.

An "inclusionary zoning" proposal now before the City Council could make things worse. The coalition of business and civic leaders is offering the "Housing for All: Fair Share Program" as a workable alternative.

"Affordability begins with availability," said Ray Pearl, executive officer of the BIA/GLAV. "The only true policy to solve the home affordability crisis in Los Angeles must address the supply and production of new homes for families at all levels of income – from very low- and low-income to our working families like our firefighters, police officers, teachers and nurses. Only then will we meet the demand that has caused the price of homes to escalate beyond the grasp of the City's residents and workforce. Every employee who protects, nurtures and betters our community should be given the opportunity to live here as well."

Carol Schatz, president and CEO of the Central City Association, said, "Our plan provides incentives to build more housing by cutting through the red tape. It rejects one-size-fits-all regulation and encourages flexibility and neighborhood control. It is an ambitious and comprehensive plan because that is what our challenge demands. Short-term, easy fixes have been tried and they have failed. The cookie-cutter approach of 'inclusionary housing' does not work when faced with

the enormity, complexity and importance of providing housing for millions in our community.”

To solve the problem of escalating home prices and the discrepancy between housing production and population growth, the CCA and BIA/GLAV have proposed the “Housing for All: Fair Share Program” a comprehensive housing policy which addresses the root cause of our City’s housing crisis, the lack of production of new housing to adequately serve the needs of all segments of the population.

The “Housing-For-All” Program would increase the production of housing for families across all income levels. It would equally distribute the new housing units among each of the council district, thereby sharing the increased housing throughout the City. It would provide incentives to build more housing by cutting through the red tape. It rejects one-size-fits-all regulation and encourages flexibility and neighborhood control. The Program focuses on “workforce” housing for police and firefighters and teachers, while also raising the funds necessary to build more affordable housing for those with low- and very low-incomes. The cost of providing affordable housing would no longer be borne by first-time workforce and middle-class homebuyers, and would instead be distributed more fairly.

The Central City Association and Building Industry Association are joined by a coalition of business and civic groups in support of the “Housing-For-All” Program, including: Los Angeles Police Protective League, Los Angeles Area Chamber of Commerce, BOMA of Greater Los Angeles, Southland Regional Association of Realtors, Pasadena-Foothills Association of Realtors, Glendale Association of Realtors, Valley Industry and Commerce Association, Apartment Association of Greater Los Angeles, California Apartment Association of Los Angeles, Greater Los Angeles African American Chamber of Commerce, Beverly Hills/Greater Los Angeles Association of Realtors.

For a copy of the “Housing-For-All: Fair Share Program”, please contact Larry Barrios at 213-486-6560.

For a copy of the "Housing For All" plan, go to:
www.bialaventura.org/housingforall.htm.

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