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May 21, 2021

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 CITYWIDE EQUITABLE DISTRIBUTION OF AFFORDABLE HOUSING (CF 19-0416)

I. SUMMARY

The City Council requested Los Angeles City Planning (LACP) and the Housing and Community Investment Department (HCIDLA) to report with recommendations on short-term and long-term policies and programmatic strategies to address the equitable distribution of new restricted affordable housing units within the City and affirmatively further fair housing, including identification of minimum affordable housing requirements in high resource/high opportunity areas and developing incentives for the provision of affordable housing in these geographies.

The City Council further instructed LACP and the HCIDLA to prepare and present recommendations on how the City's Community Plan Update and Housing Element planning processes can be utilized to establish a fair share distribution of affordable housing on a citywide basis as informed by the Regional Housing Need Assessment (RHNA) process, including but not limited to an analysis of minimum affordable housing requirements for each Community Plan, how the Community Plan will meet its share of the City's affordable housing demand, and where existing policy tools will not facilitate affordable housing production, new mechanisms to reach the identified affordable housing need for each Community Plan Area.

Summary of Key Findings

This report includes an analysis of housing production trends and potential factors that have led to an unequal distribution of affordable housing options in areas with high opportunity. Below is a summary of the key findings addressed in this report.

- **Relatively Little Affordable Housing Has Been Developed in High Opportunity Areas.** Of the affordable units permitted in the last ten years, only 14% (almost 1,600 units) were produced in the City’s High or Highest Resource (referred to as “High Opportunity”) areas, while 62% were located in the Low Resource and High Segregation and Poverty areas.
- **In High Opportunity Areas, Mixed-Income Affordable Housing is More Likely to be Built than 100% Affordable Housing.** Overall, mixed-income projects supported by land use incentives have a much higher rate of producing affordable housing in high opportunity areas, compared to those produced through financial subsidy alone. Nearly half (46%) of the non-subsidized affordable housing units produced through land-use incentives were in the high opportunity areas, whereas only 6% of subsidized affordable projects were built in these areas. Overall, subsidized affordable developments are overwhelmingly located in lower resourced neighborhoods.
- **Single and Multi-Family Zoning is Not Equitably Distributed throughout the City.** Considering all land zoned to allow residential uses, approximately 76% of residential parcels in Highest and High Resource areas is limited to single family uses and approximately 20% is zoned to allow multifamily. In contrast, just 18% of the residentially zoned land in the areas considered High Segregation and Poverty is allocated to single family uses, whereas over 80% allows multifamily development. Additional details with respect to ecologically sensitive or hazardous areas, including risk for high fire and sea level rise, as well as impacts on communities of color, should also be noted. (See Figure 5.)
- **Funding Criteria Make It More Difficult to Build Affordable Housing in High Opportunity Areas.** Maximum loan amounts and cost containment measures in local and State funding programs make it difficult to finance subsidized affordable housing in high opportunity areas, while TCAC amenity scoring may inadvertently place a preference on projects located in lower resource areas. The City and State have amended several affordable housing funding applications to give priority points to projects in High and Highest Resource areas, however, the changes are recent and research as to the impact of these changes is to be determined.

II. KEY RECOMMENDATIONS

To address these key findings, and in furtherance of the goals described by the motion, a number of key recommendations are presented below. The recommendations describe ways in which the City may establish a more equitable distribution of affordable housing.

The LACP and HCIDLA will engage in robust community outreach efforts to encourage a wide range of participation, particularly by underrepresented communities, regarding the further development and consideration of all the measures. The measures are grouped into shorter-term and longer-term strategies below.

Shorter-Term Efforts

1. Utilize the 2021-2029 Housing Element Update to promote housing equity.

- a. Equitable RHNA Rezoning.** Create a Housing Element Rezoning Program that focuses a majority of the additional capacity in high opportunity areas with good access to jobs and/or transit. The rezoning program should include protections for tenants and vulnerable communities, as well as ecologically sensitive areas. The program can create new housing opportunities and incentives that expand where affordable housing can be constructed through a number of zoning tools including citywide affordable housing incentive programs, citywide rezoning ordinances, and Community Plan Updates.

While this program will continue to be refined through an extensive public outreach process, initial considerations include focusing rezoning strategies on commercial and residential corridors, in existing regional centers, on public land, and in other areas where multifamily, and therefore affordable housing, is not permitted today. The Rezoning Program may also include more flexible zoning and incentives for existing single-family or lower density residential areas to create opportunities for more “missing middle” low-scale housing typologies, particularly in the higher-opportunity areas referenced above. Opportunities for housing streamlining and value capture will also be explored through expansion of adaptive reuse, micro unit housing, and additional incentives for 50-100% affordable projects, senior housing, and special needs housing. These efforts will be coupled with deeper affordability requirements and stronger anti-displacement measures than offered today.

- b. Update Housing Element Goals, Policies, Objectives and Programs.** Update the Housing Element to place greater emphasis on the equitable distribution of affordable housing and providing greater access and opportunity to housing in high opportunity areas of the City. Create new goals, objectives, policies and implementation strategies (programs) to ensure equity is at the core of future land use decisions.

2. Explore the feasibility of a citywide affordable housing inclusionary policy.

- a. Conduct an Inclusionary Zoning Feasibility Study.** Consistent with the recommendations presented in the HCIDLA report filed under CF 18-0315, conduct a two-phased study to first evaluate what additional value an inclusionary ordinance could contribute to the City, and second prepare recommendations related to a citywide inclusionary housing policy. The study should include evaluating the existing incentive-based zoning system, as well as a citywide or a

geographic-based approach to inclusionary zoning that would evaluate policies such as requiring higher affordability levels in higher market areas.

Longer-Term Opportunities

3. Create Targeted Fair Share Zoning Allocations by Community Plan area to guide future plan updates and ensure an equitable distribution of housing.

- a. As part of the effort to update the City's growth strategy, or General Plan Framework Element, create a new community housing needs assessment methodology that would allocate citywide housing targets across Community Plan areas in a way that seeks to address patterns of racial and economic segregation, promote jobs/housing balance, provide ample housing opportunities, and affirmatively further fair housing. The methodology would also balance traditional factors such as job and transit access with a new prioritization for high opportunity areas, anti-displacement and other equitable housing considerations. The outcome of this process would include the creation of numerical housing goals and zoning targets for each Community Plan Area, and subareas, by income category.

4. Reduce or eliminate barriers to prioritize affordable housing developments in higher resource areas.

- a. Report back on any relevant legislative or regulatory changes that would impact the ability to build affordable housing in higher resource areas.
- b. Prioritize local resources, such as funding and public land, in areas of high opportunity, and evaluate revisions to funding metrics or policies that may act as a barrier to projects locating in high resource areas.
- c. Seek partnerships with other public and private entities to facilitate new potential development sites in these areas for affordable housing.
- d. Monitor and report with analysis regarding proposed state legislation that would streamline CEQA review for housing developments that include affordable housing.

III. BACKGROUND AND ANALYSIS

The City of Los Angeles is facing an affordable housing crisis that negatively affects the quality of life in the region. A confluence of factors – including an insufficient regional housing supply, rising housing costs that have outpaced wage growth, and limited funding for subsidized housing – have contributed to severe housing cost burden, overcrowding, and rising homelessness. As housing costs have increased, affordable housing has become an ever more critical lifeline for lower-income Angelenos. To help address the crisis and ensure fair housing goals are being met, there is a need to ensure that adequate affordable housing is provided in all neighborhoods throughout the City.

This report responds to a City Council request to identify recommended solutions to address disparities among the current distribution of affordable housing across the City. To provide context and aid in the identification of effective solutions, the report describes current housing production trends, the geographic distribution of affordable housing, the state and federal fair housing framework and description of as well as an analysis of potential factors that have led to an unequal distribution of affordable housing options in these areas.

A central finding of this report is that existing land use and zoning, combined with high land values, have resulted in conditions that make it infeasible to develop affordable housing in many areas of the City which have the highest incomes, resources, amenities, and access to economic opportunity. To address these disparities, the report provides a comprehensive set of short-term and long-term strategies to ensure all areas of the City, but particularly high opportunity areas, provide for a greater diversity of housing types and tenure, including affordable housing.

Affordable Housing Production in Los Angeles

In recent years, the City has undertaken significant efforts to increase the number of affordable housing units that are financed and permitted, and to ensure that they are more equitably distributed. One example of these efforts is the passage of Proposition HHH in 2016, and the subsequent commitment by all City Council members to support the approval of 222 units of supportive housing in each council district. This was complemented by City efforts to incentivize and streamline approvals of supportive housing with the adoption of the Permanent Supportive Housing Ordinance in 2018. Other local tools, such as the Transit Oriented Communities (TOC) Affordable Housing Incentive Program, the Affordable Housing Linkage Fee, and local implementation of state Density Bonus law (including the Value Capture Ordinance and Unpermitted Dwelling Unit Ordinance), have reinforced these efforts and led to a significant expansion in the number of affordable units that have been proposed and built in recent years.

For the purposes of this report, affordable housing is defined as deed-restricted housing made available on a long-term basis (i.e., a term of 55 years or more) at a cost that is affordable (no more than 30% of income) for lower or moderate-income households. The term lower income includes housing that is affordable for extremely low income, very low income, and low-income households, as defined in Section 50079.5 of the Health and Safety Code. Deed-restricted affordable housing is typically created either as a result of a public subsidy or the result of a land use policy or incentive that requires affordable housing within an otherwise market-rate development. The geographic location of both types of projects is typically selected by a private housing developer.

Figure 1 shows the number of affordable housing units that have been permitted each year from 2009 to 2020. The majority of permitted affordable housing units are within 100% affordable housing developments, which receive public financial subsidies. However, the proportion of affordable units created through land use incentives and located in mixed-income developments has increased substantially over the past 11 years - to account for nearly 44% of all affordable units permitted in 2020.

This increase is due in part to the increased utilization of land use incentive programs such as TOC and Density Bonus, both of which provide land use incentives (such as increased residential density) in exchange for the provision of a required percentage of on-site affordable units. As a result of both increased availability of public subsidies and land use incentives, since 2015, the City has produced 42% more affordable housing units per year on average than in the previous six years (2009-2014).

Figure 1. Affordable Housing Production, 2009-2020, by Source of Affordability



Forward-looking data from City Planning’s online [Housing Progress Dashboard](#) indicates a further substantial increase in the anticipated number of affordable units coming down the development pipeline. In 2019, the number of affordable housing units approved by City Planning more than doubled from any prior year to a record level of about 5,700 units. Going back further for perspective, this compares to an average of only about 1,300 units from 2014 to 2016. On a percentage basis, the percent of affordable units approved by City Planning has been increasing steadily since 2015, when only about 7% of approved units were affordable. In 2019 and 2020, the figure is now more than 20% affordable.

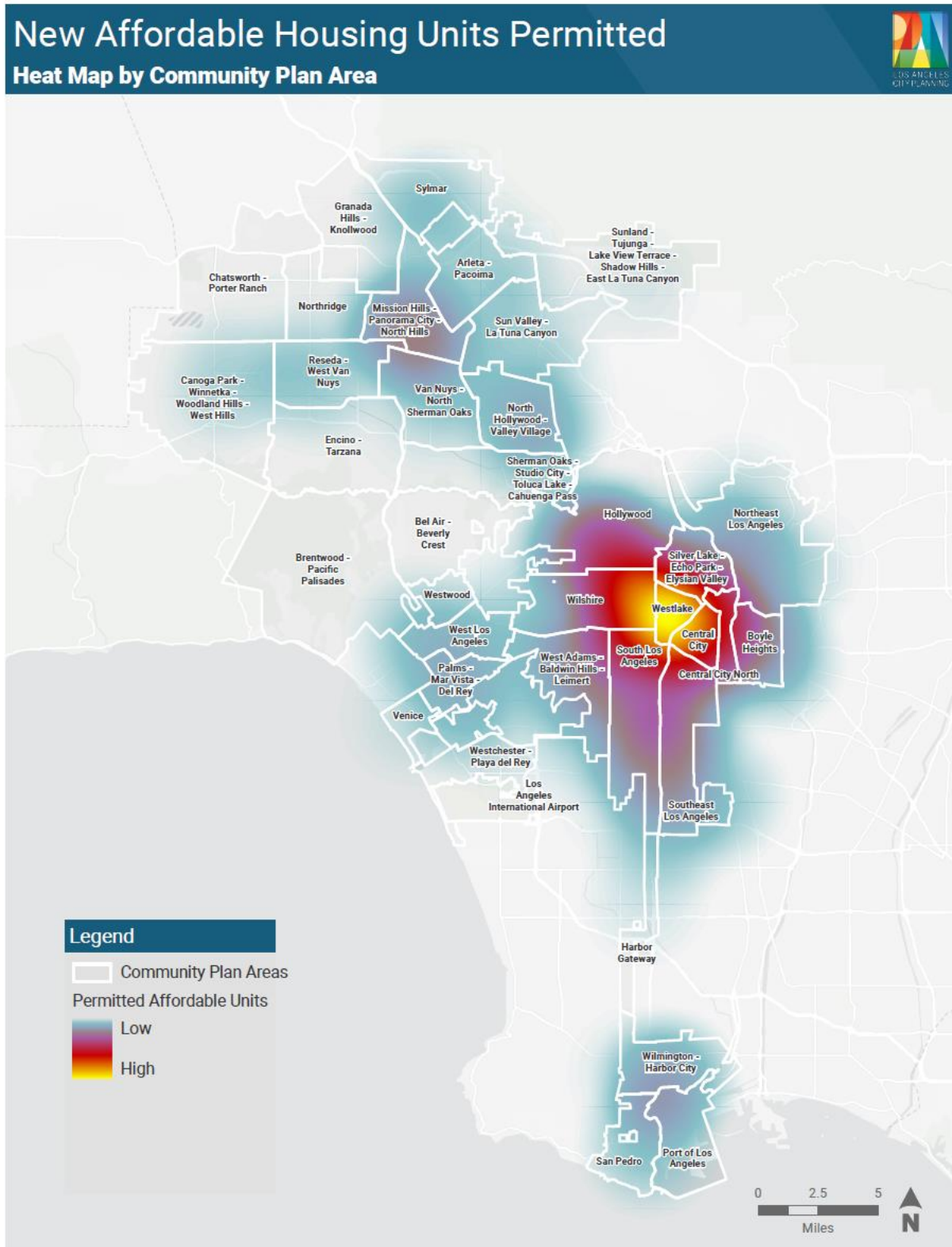
The significant increase in the rate of approved affordable housing reflects the City’s ongoing commitment to drive production of mixed-income housing through incentive programs like TOC and Density Bonus, the impact of the Affordable Housing Linkage Fee spurring on-site units, the additional requirements instituted by Measure JJJ, and the increased availability of funding through Measure HHH and state funding sources.

Geographic Distribution of Affordable Housing

While the City has made progress in developing more affordable housing, the production of new affordable units is not equitably distributed across neighborhoods. Affordable units tend to be concentrated in areas of the City with higher levels of environmental pollution and greater rates of poverty. As described further below, a combination of existing zoning regulations, prohibitive land costs, limited financing, and potential for risk and delay due to community or neighborhood opposition all contribute to the persistent concentration of newly constructed affordable housing in lower-resource communities.

Figure 2 shows the distribution of affordable housing that has been permitted across the City from 2009 to 2020, with Community Plan Area (CPA) boundaries provided as reference. The data used to create this figure are provided in Appendix A, further broken out by project type. Five of the CPAs have seen zero or fewer than 20 affordable units permitted over the prior 12-year period (Bel-Air-Beverly Crest, Chatsworth-Porter Ranch, Encino-Tarzana, Granada Hills-Knollwood and Westwood); On the opposite end, five CPAs have seen more than one thousand units each (Hollywood, South Los Angeles, Southeast Los Angeles, Westlake, and Wilshire).

Figure 2. New Affordable Housing Units Permitted, Heat Map by Community Plan Area, 2009-2020



Similar disparities exist across Council Districts (CDs). As shown in Appendix B below, seven Districts (CDs 1, 8, 9, 10, 13, 14 and 15) have seen more than a thousand permitted affordable housing units, while several have seen no more than a few hundred (CDs 3, 4, 5, and 12). In the remaining four Council Districts, a range of about 600 to 1,000 affordable units have been permitted over the eleven-year period.

Section IV of this report goes into further detail in outlining why certain areas of the City have significantly lower rates of affordable production compared to others. The geographic analysis above indicates that areas with limited affordable housing production may be grouped into two broad categories. The first are areas with a lack of multifamily zoning, which typically have the fewest affordable units (such as the Bel Air-Beverly Crest, Chatsworth-Porter Ranch and Encino-Tarzana CPAs). A second category includes areas of the City that have a concentration of multifamily housing production, but comparatively fewer affordable dwellings (such as the Central City and West Los Angeles CPAs). This is likely due to a combination of factors including the high cost of land, opposition to affordable housing, limited applicability of existing land use incentives, existing zoning, and financing criteria that makes it more expensive, risky, and difficult to build affordable developments in these areas.

Affirmatively Furthering Fair Housing

The disparity in the siting of affordable housing is not just a concern in Los Angeles; it is a concerning trend seen in most communities across the country. National research shows that a zip code or the community where one grows up often determines access to opportunity, wealth, wellness, and life expectancy. Further, ongoing disparities in access to good education, jobs and health are rooted on the continued legacies of racial segregation, discrimination and exclusion which perpetuate fair housing concerns to access to opportunity and housing choice. The promotion of diverse inclusive communities has become enshrined as a principle of fair housing law, as well as federal and state law, under the term *affirmatively furthering fair housing* (AFFH).

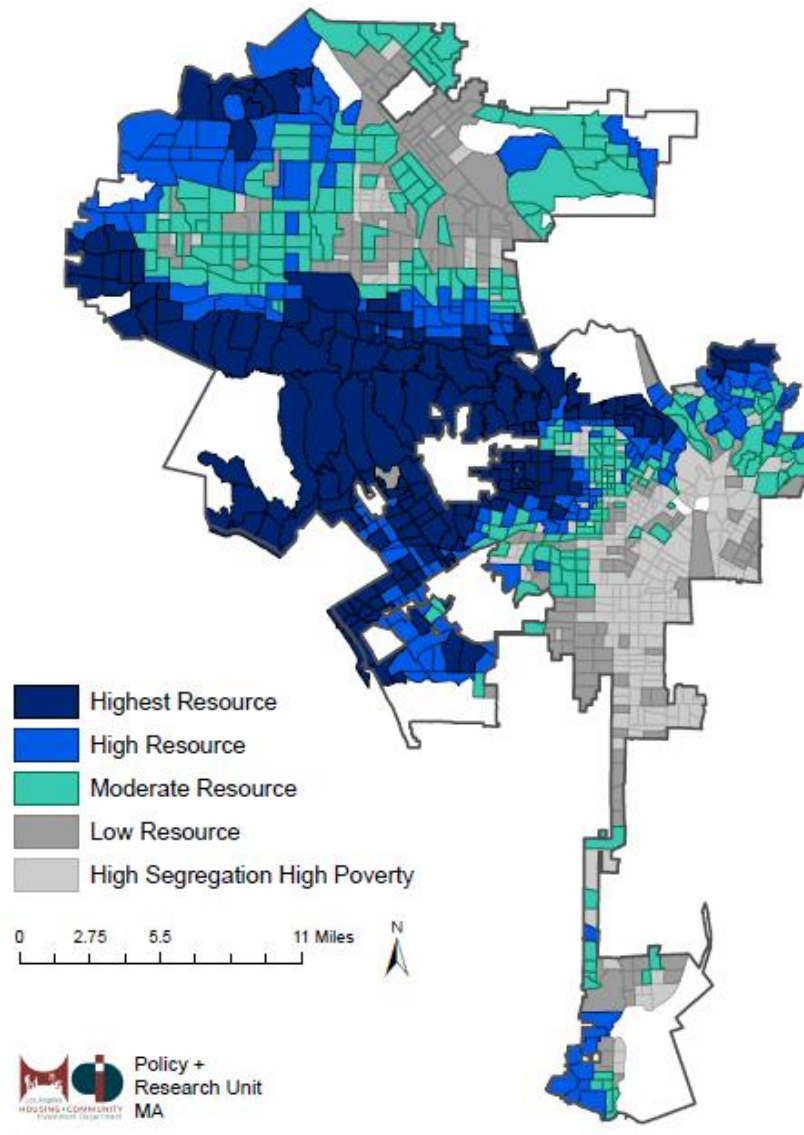
Although the federal AFFH regulation was rescinded by the Trump Administration and only recently reinstated by the Biden Administration, the State of California passed Assembly Bill (AB) 686 in 2018, which established AFFH compliance as a core component of state housing law, including the Regional Housing Needs Assessment (RHNA), Housing Element updates, as well as in other housing and community development activities and programs. As such, AFFH offers an important new framework for analyzing the issues presented in this report. Specifically, the State of California defines AFFH as follows:

Taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.

To aid localities in AFFH analysis, the State Tax Credit Allocation Committee (TCAC) and the Housing and Community Development Department (HCD) developed an index and opportunity mapping tool to identify areas of high opportunity (labeled “Highest Resource” and “High Resource”) and, on the other extreme, areas of high segregation and poverty (labeled “High Segregation and Poverty areas”). High opportunity areas are identified in the index as communities where, according to research, low-income children and adults have the best chance at economic advancement, high educational attainment, and good physical and mental health. The index is intended to incentivize affordable housing development in high opportunity areas through preferential funding criteria (this report uses the term “high opportunity” generally to refer to High and Highest Resource areas). Please note: the analysis and maps in this report are based on the 2019 Opportunity Maps. TCAC and HCD have since made minor revisions to the methodology and maps.

LACP and HCIDLA used the state’s opportunity index to compare recent affordable housing development to areas considered to be High or Highest Resource under the methodology (blue areas shown in Figure 3). High Resource areas are concentrated in western Los Angeles, including many hillside neighborhoods and areas near the southern and western edge of the San Fernando Valley, including portions of Council Districts 3, 4, 5, 11, 12 and 13. Communities with significant areas considered Highest Resource include Granada Hills, Porter Ranch, West Hills, Encino, Sherman Oaks, Hollywood Hills, Bel-Air, Westwood, Venice, Beverly Grove, Cheviot Hills, Beverlywood, Silverlake, Fairfax, Los Feliz, and Toluca Lake. As shown in the tables in Appendix B, there are deep disparities between Council Districts. For example, 90% of the census tracts in CD 9 are considered High Segregation and Poverty, while 80% of the census tracts in CD 5 are considered Highest Resource.

Figure 3. 2019 TCAC/HCD Opportunity Area Map, City of Los Angeles



The TCAC/HCD opportunity criteria described above can be analyzed to further illustrate the disparate outcomes regarding the location of affordable housing units. Of the affordable units permitted in the last ten years, only 14% were produced in the City's High or Highest Resource areas, while 62% were in the Low Resource and High Segregation/Poverty areas (see Figure 4). Council Districts 4, 5, and 11 collectively comprise more than 75% of the City's Highest Opportunity Tracts (see Appendix C) and 26% of the City's land area, but these three council districts only accounted for 10% of the City's total affordable housing production between 2009 and 2018. These findings are consistent with the City's adopted 2017 Assessment of Fair Housing Plan.

Figure 4. Affordable Units Permitted in the City by TCAC/HCD Resource Category, 2009-2018

Resource Category	Affordable Units	% of Total	% of City Tracts*
High Segregation & Poverty	4,104	35%	24%
Low Resource	3,160	27%	23%
Moderate Resource	2,737	24%	18%
High Resource	1,038	9%	18%
Highest Resource	553	5%	17%
Insufficient/Missing Info*	11	<1%	
TOTAL	11,603	100%	100%
*Excludes 13 census tracts that were not evaluated because of insufficient data			

It is also important to understand which type of affordable housing is more likely to be located in high opportunity areas. Overall, mixed-income projects supported by land use incentives have a much higher rate of producing affordable housing in high opportunity areas. Almost half (46%) of the non-subsidized affordable housing units produced through land use incentives were in the High or Highest Resource areas. This compares to just 6% of the subsidized affordable housing projects, which are largely located in lower resource neighborhoods.

Some of the reasons for the overall inequitable distribution of affordable housing are discussed in the next section.

IV. BARRIERS THAT IMPACT DISTRIBUTION OF AFFORDABLE HOUSING

There are a number of significant barriers which limit the ability of subsidized affordable housing and affordable housing created through land use incentives to be located in high opportunity areas. Factors such as higher land costs, planning and zoning requirements, project opposition and delays, and the grant criteria for affordable housing funding all contribute to the inequitable distribution of affordable housing.

The recommendations presented at the beginning of this report are designed to help overcome these barriers, discussed in detail below.

Zoning and Land Use

Zoning and land use policy and practices are significant factors relating to the distribution of affordable housing. The development standards permitted by a property's zone determine what type of housing may be built on a given property, and at what density. Under State Housing Element law, an urban site must permit at least 30 units per acre to feasibly accommodate housing affordable for lower income households. In Los Angeles, more than 83% of residential zoned acreage does not allow these higher density uses.

While there are many reasons for variations in zoning across Los Angeles, the history of zoning and public and private investment patterns is deeply rooted in racist policies including redlining, restrictive covenants, exclusionary zoning, and urban renewal. The legacies of discriminatory land use and housing policies and practices have led to entrenched patterns of racial segregation and inequitable access to high quality schools, employment, health, and other critical determinants of life outcomes. Despite the 1968 passage of the Fair Housing Act which prohibited racial discrimination, racial and economic segregation persist to this day. A recent study by UC Berkeley's Othering & Belonging Institute found that the prevalence of single-family zoning is a direct impediment to the development of affordable housing and results in higher home costs, which makes integration more difficult and perpetuates economic and racial disparities.¹ This result echoes 2015 work from two UCLA scholars which found that metropolitan areas across the US with greater land use controls are correlated with higher levels of economic segregation.²

Analysis below shows that higher density multifamily zoning is disproportionately concentrated in lower income areas of the City, while high opportunity wealthier areas are disproportionately zoned for only single-family residential use (see Figure 5). More than 75% of the City's residential parcels that are located in the High and Highest Resource (high opportunity) categories are limited to single family uses. These areas also have a significantly higher percentage of non-Hispanic white residents compared with the rest of the City. Although the entire City is just 29% white, the population in the highest resource areas is nearly 70% white. In contrast, High Segregation and Poverty Areas have much higher density and are disproportionately home to people of color. Over 80% of the residential zoned parcels in the areas considered High Segregation and Poverty can accommodate multifamily development and less than 20% is limited to single-family use. The lack of multifamily zoning in higher resource areas perpetuates racial and economic segregation in the City. More than a third of all Latinx and Black households in the City live in High Segregation and Poverty areas (37% and 33% respectively) compared to just 6% of White residents and 14% of Asian residents.

¹ Stephen Menendian, Samir Gambhir, and Arthur Gailles, "Racial Segregation in the San Francisco Bay Area, Part 5," *Othering and Belonging Institute*, accessed December 14, 2020 at <https://belonging.berkeley.edu/racial-segregation-san-francisco-bay-area-part-5>

² Michael C. Lens and Paavo Monkkonen, "Do Strict Land Use Regulations Make Metropolitan Areas More Segregated by Income?" *Journal of the American Planning Association* 82 (2016): 1, accessed December 14, 2020 at <https://www.tandfonline.com/doi/abs/10.1080/01944363.2015.1111163>

Figure 5. Share of Residential Parcels Zoned for Single-Family Residential Use by TCAC/HCD Resource Category

Resource Category	Single Family Parcels*	All Residential (R) or Commercial (C) Parcels**	Percentage Limited to Single-Family
Highest Resource	163,493	207,338	79%
High Resource	104,810	143,105	73%
Moderate Resource	125,859	184,710	68%
Low Resource	74,234	120,194	62%
High Segregation & Poverty	20,824	113,784	18%
N/A (Missing or Insufficient Information)	2,678	3,012	89%
Citywide Totals	491,898	772,143	64%
*Single-family parcels include all zones in which residential uses are restricted to one-family dwellings (as well as accessory dwelling units). **Commercial (C) zoned parcels are included as they generally allow 100% residential uses.			

There are other additional factors to consider. Much of the city’s single family zoning is in ecologically sensitive and hazardous areas of the city. In fact approximately 35% of the parcels of the City’s single family zoning is located in ecologically sensitive and hazardous areas of the city (Very High Fire Hazard Severity Zone (VHFSZ) and Sea Level Rise (SLR) areas).

In addition, the prevalence of single-family housing in Los Angeles means that this component of the housing stock exists across nearly all communities in the City, including many established Black communities and communities of color, as well as ecologically sensitive and hazardous areas. Any policy changes to single-family zoning should be carefully nuanced to consider potential unintended consequences, particularly in these sensitive communities.

As described in the recommendations, rezoning efforts should be sensitive to the different ecologically and socially sensitive areas described above. For example, although 64% of the City’s residentially zoned parcels (all R and C zones) are zoned for single-family, when subtracting out ecologically sensitive and hazardous areas (defined as VHFSZs and SLR areas), as well as socially sensitive areas (defined here as Low Resource and High Segregation and Poverty resource categories), the figure is reduced to 30%. If Moderate Resource areas are also subtracted out, and only High and Highest Resources areas are counted, the single-family figure is further reduced to 17%.

The City's General Plan Framework and Housing Element include goals, policies, and objectives that direct higher density multifamily growth to commercial and mixed-use districts, centers, and boulevards, particularly in proximity to public transit, job centers and other amenities. While these policy documents promote a more equitable distribution of affordable housing opportunities throughout the City (Goal 4.1 of the General Plan Framework and Objective 2.5 in the Housing Element), there are opportunities to hone those policies and create a strong, clear, and consistent set of land use policies to guide implementation efforts (see Recommendation 1.b).

Recent planning efforts have worked to reverse the legacy of inequitable planning and zoning practices, including the Affordable Housing Linkage Fee, Permanent Supportive Housing (PSH) Ordinance, Transit Oriented Communities (TOC), Community Plan updates and Transit Neighborhood Plans. These efforts have promoted greater housing opportunities around high-quality transit and job centers. The Affordable Housing Linkage Fee ensures most new housing development projects include some sort of affordable housing commitment, either through fee payment or provision of onsite affordable housing. Additionally, all forthcoming Community Plans and Transit Neighborhood Plans include strong zoning incentives to create more affordable housing. The investment in new transit lines alongside current planning efforts in the Westside and the South Valley present important opportunities to advance equitable planning for more affordable housing opportunities.

Furthermore, recently enacted state laws have provided additional streamlining tools that can assist in furthering a more equitable distribution of affordable housing (e.g. AB 1763, SB 35, AB 2162, etc). These laws generally allow for a ministerial entitlement approval process, which does not trigger CEQA review, which aids in lessening risk and project cost. In the last year, City Planning issued three policy memos that build on state affordable housing incentives to further clarify and streamline the approval process for affordable housing projects and further expand affordable housing opportunities (see the *Latest News* section of the City Planning website).

To make further progress in achieving a more equitable housing distribution, additional targeted policies and programs are needed. As such, this report recommends an update to some of the citywide growth policies in the General Plan to better guide local planning efforts in achieving a more equitable siting of housing. The Housing Element of the General Plan is currently being updated, which offers a prime opportunity to review and update current goals, objectives, and policies in line with the goals of this report (see Recommendation 1.b).

The Housing Element update will trigger the need for a targeted rezoning program to meet the RHNA allocation of 456,643 housing units. The RHNA rezoning will be required prior to October 2024, which corresponds to the three-year deadline for rezoning in state law. City Planning recommends that the Housing Element's Rezoning Program focus largely on high opportunity areas and moderate resource areas, and include protections for tenants and vulnerable communities, as well as ecologically sensitive areas. (see Recommendation 1.a). Rezoning opportunities include commercial corridors, existing and new regional centers, on public land and other areas where housing is not permitted today (including Parking (P) Zones).

However, the Rezoning Program will also consider upzoning and incentives for some existing single-family or lower density areas to create opportunities for more “missing middle” housing typologies, particularly in the higher-opportunity areas identified above.

City Planning was recently awarded a Regional Early Action Planning (REAP) Grant from SCAG to prioritize planning activities that accelerate housing production and meet community housing needs (see CF 20-1637). Funding will support a variety of activities including support for the RHNA rezoning program described above. Recognizing the importance of the City’s growth strategy to achieving equitable housing goals, City Planning applied for REAP funding to support the development of a new growth policy framework informed by studies on equitable development, resilience, anti-displacement, and economic development. In addition, City Planning will utilize the funding to create an affordable housing policy guide to help ensure that citywide housing policies are implemented in a consistent and more equitable way, such as by imposing higher affordability requirements in higher market areas and developing unique housing strategies for differing kinds of communities.

To translate the goal of a more equitable housing distribution from a citywide policy vision to individual Community Plan Areas in a more defined way, the City could establish a citywide RHNA-like allocation process within the city that would establish quantified housing capacity targets for each Community Plan area and subareas by considering various factors that further equitable distribution goals, including income, housing costs and access to good jobs and/or transit (see Recommendation 3.a). This new framework would better ensure that citywide goals around growth and equity are being executed when Community Plans are updated, as well as better align with the RHNA.

HCIDLA and City Planning also recommend using Linkage Fee funding for a citywide Inclusionary Zoning Feasibility study (as detailed in the report back for CF-180315). Inclusionary Zoning would require that all new housing developments include a certain percentage of affordable units. The framework for the feasibility study proposes to carefully analyze how an inclusionary zoning policy could complement the City’s existing Affordable Housing Linkage Fee and affordable housing incentive structure as well as create additional public value without impeding development.

Neighborhood Opposition and Project Delays

The City’s Assessment of Fair Housing (dated October 2017) acknowledges that community opposition is another barrier to a more equitable distribution of affordable housing. Neighborhood opposition to 100% affordable housing and supportive housing occurs through both the community planning process described above, and on a project-by-project basis. Affordable housing developments often face opposition from neighborhood residents. The result can be that an affordable housing development that meets all objective zoning criteria is delayed or downsized, leading to fewer units. This has the potential to further discourage affordable housing developers from pursuing projects, particularly in high opportunity areas. Most appeals and lawsuits on affordable housing projects are based on the California Environmental Quality Act (CEQA), which is required for any project seeking a discretionary entitlement.

Affordable housing developers report that they actively seek to avoid discretionary development in high opportunity areas given the increased risk and added time and cost.

Recent efforts to facilitate affordable housing (such as the City of Los Angeles' Permanent Supportive Housing Ordinance and state bills such as AB 1743, AB 1197, AB 2162, and SB 35) have provided affordable housing developers greater assurances and lowered costs for development. While these laws have helped to facilitate certain types of affordable housing developments, these reforms do not apply to all projects and the extent of the housing crisis requires deeper, more comprehensive citywide solutions. Recommendation 1.a includes an update of existing affordable housing incentive programs in such a manner that streamlines the development of affordable housing developments, creates more affordable housing in a more equitable manner, and increases the number of affordable units produced using the programs, particularly in high opportunity areas.

A complementary recommendation could be to revise the City's existing Adaptive Reuse program to facilitate the reuse of underutilized nonresidential space for new housing, including affordable housing (see Recommendation 1.a.). The ability for Adaptive Reuse projects to be processed using a streamlined by-right process is limited to certain geographic areas of the City that also happen to be lower income areas.

Land Cost

In multiple focus groups and stakeholder engagement efforts conducted by HCIDLA, affordable housing developers have repeatedly cited the high cost of land as one of the biggest barriers impacting the development of subsidized housing in high opportunity areas. Affordable housing developers compete with market rate developers for the same limited sites for new multifamily housing. Prohibitive land costs, coupled with other obstacles to development in high opportunity areas, often make affordable housing infeasible in these areas.

To address this, the City is currently exploring innovative ways to minimize land costs for affordable housing development. For example, HCIDLA is working on a new program to streamline the acquisition and development of publicly owned land for affordable housing. In addition, land use policies can create more land available for multifamily housing, as well as create more incentives that prioritize affordable housing development, which would decrease per-unit cost pressures and allow affordable housing developers to compete for land more effectively (see Recommendations 1.a).

Affordable Housing Finance Programs – Maximum Loan Amounts and Cost Containment

Housing developments that are able to find suitable, affordable land in high opportunity areas may also be disadvantaged due to the structure and rules of some housing subsidy programs. For example, most programs reward lower cost projects and often cap the amount of funding that can be allocated to any single development. The Affordable Housing and Sustainable Communities Grant (AHSC), Infill Infrastructure Grant (IIG), Multifamily Housing Program (MHP), and the Low Income Housing Tax Credit (LIHTC) all have maximum loan amounts, which make it difficult for developers to leverage sufficient funding to execute deals in high opportunity areas that tend to have higher land costs. All of these programs also provide additional points for projects that have greater financial leverage or lower costs, which make more expensive housing projects less competitive for funding.

State officials at TCAC and the California Debt Limit Allocation Committee (CDLAC) have also expressed a desire for future regulations that would incentivize “cost containment” for affordable housing development. HCIDLA will continue to monitor this statewide discussion and future rulemaking efforts to ensure unintended impacts that limit affordable housing development in high resource areas are addressed.

Recently, there has been progress to incentivize affordable housing development in high opportunity areas through competitive scoring and in some cases higher loan limits. For example, the state’s MHP’s 2019 guidelines give additional points for family projects located in High or Highest Resource areas and increase the per unit loan limit by \$25,000 for such projects. Beginning in 2019, family projects located in High and Highest Resource areas that apply for 9% tax credits are also significantly more competitive than family projects outside of those areas. It is still too early to determine if the changes in policy and scoring criteria have incentivized more affordable housing developments in high opportunity areas. The State is currently working towards creating better alignment across multiple funding sources, which could result in more funding sources prioritizing projects in High and Highest Resource areas.

Locally, HCIDLA incorporated guidelines into the HHH regulations to incentivize developers to pursue projects in areas that have not historically seen much affordable housing development. Specifically, the guidelines incorporate the federally designated “small difficult to develop areas” (SDDAs) which include areas with high housing costs relative to the area median gross income (i.e., high construction, land, and/or operating costs). For such eligible projects, the developer is permitted to receive more of their tax credit-governed developer fee at construction loan closing. Further, in April 2021, HCIDLA will be issuing its Affordable Housing Managed Pipeline NOFA which will seek to incentivize affordable housing projects that are located within one of the TOC tiers and/or located within TCAC’s Highest or High Resource areas of the City, with an extra point allotted for projects that are located in both a TOC and TCAC High or Highest Resource area.

Alternative financing, subsidy, and land use approaches must be found that can lower costs in high opportunity areas. For example, many other cities such as New York and Boston develop affordable housing by cross subsidizing extremely low-income rents with moderate-income rents.

This strategy is rare in Los Angeles and much of California. Greater outreach and utilization of new funding sources such as CalHFA’s Mixed-Income Loan Fund could help encourage this kind of mixed-income, 100% affordable project.

Affordable Housing Finance Programs – Amenity Scoring Criteria

In addition to cost containment, amenity scoring can also act as a barrier to the development of affordable housing in high opportunity areas. The largest source of funding for affordable housing – the Low-Income Housing Tax Credit program – rewards developments that are located near certain amenities such as public transit, parks, grocery stores, and healthcare providers. Because the program is highly competitive and always oversubscribed, projects typically need to receive the full points on the amenity scoring portion of the funding application to be considered for a tax credit allocation.

While these policies are important, amenity scoring often has the unintended consequence of perpetuating residential segregation. To illustrate, HCIDLA staff analyzed the locations of parcels that would earn full points under the application’s amenity section. All city parcels were first evaluated based on their proximity to high-frequency transit service and supermarkets, which earn the highest share of points. This subset of qualifying parcels was then assessed for their adjacency to other amenities, such as public parks, schools, and health facilities to cast the widest possible net. Finally, these parcels were evaluated based on their location on the TCAC/HCD Opportunity Map as well as their existing zoning regulations.

As shown in the analysis below, the majority of qualifying parcels most competitive for tax-credit allocations are within low resource tracts, or tracts with high rates of poverty and segregation, with less than a quarter of qualifying tracts in High or Highest Resource areas. The primary reason for this disparity is due to differences in transit accessibility. Public transit access, particularly high frequency bus lines, is disproportionately concentrated in lower-income neighborhoods.

Figure 6. Parcels Competitive for 9% Tax Credits Based on TCAC Amenity Scoring Criteria

Resource Category	Parcels	Percentage
Highest Resource	8,122	12%
High Resource	7,461	11%
Moderate Resource	16,088	24%
Low Resource	9,676	15%
High Segregation & Poverty	24,138	36%
<i>N/A or Missing Data</i>	967	1%
TOTAL	66,452	100%

V. CONCLUSION

The number of affordable housing units produced each year is clearly insufficient to address the need. The discrepancy is greatest in areas of high opportunity, where there are often many lower-wage jobs but a lack of affordable housing for workers. The bulk of 100% affordable projects remain concentrated in lower-market areas due to various forces, discussed above. Adopting a comprehensive set of recommendations that include: requiring and further incentivizing affordable housing through land use, updating the city's growth strategy, financially incentivizing affordable housing in high resource areas, and advocating for state-wide changes to CEQA and affordable housing subsidy programs can help the city overcome a legacy of racially discriminatory and exclusionary policies and better ensure that residents of all income levels have access to the opportunities they need to thrive.

For questions regarding this report, please contact Matt Glesne in the Department of City Planning at matthew.glesne@lacity.org, or Maya Abood in the Housing + Community Investment Department at maya.abood@lacity.org.

Sincerely,



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Director of Planning
Los Angeles City Planning



for
Ann Sewill
General Manager
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APPENDICES

Appendix A. Affordable Housing Units Produced, by Community Plan Area 2009-2020, by Type

Community Plan Area	Total Affordable Units	% in Subsidized Housing	% in Non-Subsidized Housing
Arleta - Pacoima	192	99%	1%
Bel Air - Beverly Crest	2	0%	100%
Boyle Heights	634	95%	5%
Brentwood - Pacific Palisades	34	0%	100%
Canoga Park - Winnetka - Woodland Hills - West Hills	211	82%	18%
Central City	898	89%	11%
Central City North	296	95%	5%
Chatsworth - Porter Ranch	10	10%	90%
Encino - Tarzana	6	0%	100%
Granada Hills - Knollwood	0	-	-
Harbor Gateway	158	100%	0%
Hollywood	1,392	62%	38%
Mission Hills - Panorama City - North Hills	670	40%	60%
North Hollywood - Valley Village	503	47%	53%
Northeast Los Angeles	716	92%	8%
Northridge	30	0%	100%
Palms - Mar Vista - Del Rey	434	26%	74%
Reseda - West Van Nuys	314	90%	10%
San Pedro	283	80%	20%
Sherman Oaks - Studio City - Toluca Lake - Cahuenga Pass	53	8%	92%
Silver Lake - Echo Park - Elysian Valley	93	39%	61%

South Los Angeles	1,353	83%	17%
Southeast Los Angeles	1,237	79%	21%
Sun Valley - La Tuna Canyon	171	89%	11%
Sunland - Tujunga - Lake View Terrace - Shadow Hills - East La Tuna Canyon	109	41%	59%
Sylmar	304	99%	1%
Van Nuys - North Sherman Oaks	348	58%	42%
Venice	70	76%	24%
West Adams - Baldwin Hills - Leimert	795	78%	22%
West Los Angeles	340	36%	64%
Westchester - Playa Del Rey	45	0%	100%
Westlake	1,582	86%	14%
Westwood	15	7%	93%
Wilmington - Harbor City	548	100%	0%
Wilshire	2,040	71%	25%
TOTAL CITYWIDE	15,886	75%	25%

Appendix B. Affordable Housing Units Permitted, by Council District, 2009-2020

Council District	Total Affordable Units
1	2,423
2	733
3	437
4	489
5	472
6	985
7	649
8	1,084
9	1,047
10	1,485
11	629
12	40
13	2,151
14	1,909
15	1,353
TOTAL	15,886

Appendix C. TCAC/HCD Opportunity Tracts, percent of each Council District, 2019

Council District	Highest Resource	High Resource	Moderate Resource	Low Resource	High Segregation & Poverty	N/A
1	0%	11%	20%	14%	55%	0%
2	11%	18%	29%	28%	14%	0%
3	20%	8%	53%	12%	5%	2%
4	67%	24%	7%	0%	1%	1%
5	81%	15%	3%	1%	0%	0%
6	1%	1%	21%	49%	27%	0%
7	0%	5%	36%	45%	9%	5%
8	0%	0%	9%	45%	45%	0%
9	0%	0%	0%	10%	90%	0%
10	3%	19%	49%	11%	18%	0%
11	51%	39%	4%	1%	1%	3%
12	21%	48%	21%	6%	1%	3%
13	1%	24%	47%	8%	19%	0%
14	7%	14%	21%	20%	34%	3%
15	0%	13%	19%	30%	34%	3%
Total	18%	17%	23%	18%	23%	1%

Appendix D. Residential Zoned Land by Council District, by Allowed Use and Density

Council District	Single-Family Only	Lower Density Multifamily*	Higher Density Multifamily**
<i>Total Citywide</i>	71.1%	12.4%	16.5%
1	42.2%	23.0%	34.8%
2	69.5%	8.7%	21.8%
3	82.0%	3.4%	14.6%
4	78.7%	6.8%	14.4%
5	81.9%	3.6%	14.5%
6	71.8%	7.8%	20.4%
7	88.1%	7.3%	4.5%
8	46.6%	30.6%	22.8%
9	5.5%	61.2%	33.3%
10	29.3%	33.6%	37.1%
11	82.3%	5.3%	12.4%
12	89.2%	4.0%	6.8%
13	22.1%	33.3%	44.6%
14	49.8%	27.6%	22.7%
15	54.1%	28.4%	16.7%

*Lower Density Multifamily is defined as multifamily residential zones that permit less than 30 units per acre, including R2 and RD Zones

**Higher Density Multifamily is defined as multifamily residential zones that permit more than 30 units per acre, including R3, R4, R5, RAS3, RAS4, C1, C2, C4, and other related zones.

Appendix E. Residential Zoned Land by Community Plan Area, by Allowed Use and Density

Community Plan Area	Single-Family Only	Lower Density Multifamily*	Higher Density Multifamily**
<i>Total Citywide</i>	71.1%	12.4%	16.5%
Arleta - Pacoima	84.2%	8.6%	7.2%
Bel Air - Beverly Crest	99.2%	0.6%	0.2%
Boyle Heights	7.2%	67.1%	25.7%
Brentwood - Pacific Palisades	95.7%	1.8%	2.5%
Canoga Park - Winnetka - Woodland Hills - West Hills	82.8%	2.5%	14.7%
Central City	0.0%	0.0%	100.0%
Central City North	0.0%	3.3%	96.7%
Chatsworth - Porter Ranch	82.7%	7.3%	9.9%
Encino - Tarzana	91.5%	1.1%	7.4%
Granada Hills - Knollwood	93.5%	1.8%	4.7%
Harbor Gateway	60.9%	20.7%	18.4%
Hollywood	63.8%	13.6%	22.6%
Mission Hills - Panorama City - North Hills	74.5%	9.9%	15.6%
North Hollywood - Valley Village	55.0%	13.5%	31.5%
Northeast Los Angeles	67.4%	21.3%	11.3%
Northridge	88.0%	3.1%	8.8%
Palms - Mar Vista - Del Rey	63.2%	4.1%	32.6%
Reseda - West Van Nuys	83.6%	5.4%	11.0%
San Pedro	57.5%	33.2%	9.4%
Sherman Oaks - Studio City - Toluca Lake - Cahuenga Pass	82.8%	2.8%	14.3%
Silver Lake - Echo Park - Elysian Valley	36.5%	47.9%	15.7%

South Los Angeles	33.5%	37.6%	28.9%
Southeast Los Angeles	16.4%	56.2%	27.4%
Sun Valley - La Tuna Canyon	89.7%	3.8%	6.5%
Sunland - Tujunga - Lake View Terrace - Shadow Hills - East La Tuna Canyon	93.7%	3.5%	2.9%
Sylmar	79.7%	14.3%	6.0%
Van Nuys - North Sherman Oaks	64.2%	9.5%	26.3%
Venice	35.1%	41.9%	23.1%
West Adams - Baldwin Hills - Leimert	43.3%	29.9%	26.7%
West Los Angeles	61.4%	5.7%	32.9%
Westchester - Playa Del Rey	62.7%	4.4%	32.9%
Westlake	0.1%	15.9%	84.0%
Westwood	70.5%	4.7%	24.8%
Wilmington - Harbor City	52.6%	25.5%	21.9%
Wilshire	35.5%	14.6%	49.9%
<p>*Lower Density Multifamily is defined as multifamily residential zones that permit less than 30 units per acre, including R2 and RD Zones **Higher Density Multifamily is defined as multifamily residential zones that permit more than 30 units per acre, including R3, R4, R5, RAS3, RAS4, C1, C2, C4, and other related zones.</p>			