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April 27, 2022

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:

## **AFFORDABLE HOUSING OVERLAY ZONE – DEPARTMENT OF CITY PLANNING REPORT BACK; CF 21-0972**

### **I. SUMMARY**

On October 28, 2021, the Los Angeles City Council adopted a motion (CF 21-0972) instructing the Department of City Planning (DCP), with the assistance of the Los Angeles Housing Department (LAHD), to report back with options for an Affordable Housing Overlay Zone (AHOZ) in the City of Los Angeles, or an update to the City's development incentive programs, to prioritize 100% affordable housing projects in high-opportunity areas. The motion further directed this report to include an evaluation of AHOZs in effect and under consideration in other jurisdictions. Lastly, the motion directed the report to specifically consider incentive options, potential affordability levels, incorporation of fair housing and equitable distribution considerations as well as potential exemptions for sensitive communities and provisions to ensure no net loss of covenanted affordable and rent-stabilized units, and protections for existing tenants occupying covenanted affordable and rent-stabilized units.

The shortage of affordable housing is an ongoing crisis in the City of Los Angeles. Creation of deed-restricted affordable housing is a central priority; however, the lack of adequate federal, state, and local funding combined with inequitable zoning result in insufficient production and a lack of affordable housing options in higher resource areas. Affordable housing developers face a competitive disadvantage to market-rate housing developers, particularly due to a scarcity of available and suitably zoned land and high land prices and construction costs. They also encounter the same challenges faced by other housing developments, including the need for zoning entitlements and discretionary review, which increase risk, timelines, and overall project costs. These factors, along with others described in a May 21, 2021 City Planning report pursuant to Council File 19-0416, limit overall production and promote an inequitable distribution of affordable housing, which perpetuates continued racial and economic segregation and other disparities.

## II. KEY RECOMMENDATIONS

In furtherance of the goals described by the motion, several key recommendations have been developed. The recommendations below describe ways in which the City may establish a set of incentives and streamlining measures for projects with 100% deed-restricted affordable housing (exclusive of managers' units) as part of the pending update to the City's affordable housing incentive land use programs (e.g., Density Bonus, Transit Oriented Communities (TOC), etc.).

1. Develop a zoning ordinance with tailored incentives in different contexts, as well as ministerial approval, for 100% affordable housing projects that meet objective criteria, including:
  - a. For projects located on land already zoned for multi-family housing (at least five units), expand upon and exceed existing affordable housing incentives, including consideration of form-based density limits, an expanded menu of incentives (floor area, height, parking, commercial or ground-floor requirements, etc.), and ministerial approval of defined waivers or modifications. Focus these efforts particularly in commercial (C) zones, transit areas and on corridors.
  - b. Develop unique zoning incentive strategies to more easily allow 100% affordable housing on publicly-owned land (Public Facilities Zones (PF), Parking Zones (P and PB), land owned or leased by faith-based institutions, and certain industrial-zoned (M) land located on corridors when consistent with General Plan policies.
  - c. For projects located in lower density multi-family residential zones (R2 and RD zones that allow less than five units) that do not currently qualify for affordable housing incentives, allow contextual modifications to existing zoning regulations, including modestly increased development envelopes (height/floor area ratio) with density limits to promote a mix of housing types and deviations from standards such as building separation, passageway, parking, and setbacks.
2. Through a forthcoming economic feasibility study and stakeholder engagement process, further analyze the following issues in order to maximize production of affordable housing using the zoning tool described above, particularly in higher resource areas, and to affirmatively further fair housing, including:
  - a. Variations in the level of incentives and development standards in higher resource areas, as well as based on proximity to transit, activity centers and major corridors.
  - b. Potential non-applicability in High-Segregation and Poverty Areas (per the California Tax Credit Allocation Committee Opportunity Map).
  - c. Variations to affordability requirements, including income-mixing, applicable rent schedules, HUD Fair Market Rents paired with Housing Choice Vouchers, income averaging, etc.
  - d. Enhanced tenant protections and replacement requirements for existing housing units on site, particularly in areas experiencing displacement pressures.
3. As part of the development of the zoning tool, create new policies and processes that further important City objectives, including:
  - a. Tailored regulations and mitigations for historic properties and areas with increased risk of environmental hazards.
  - b. An advisory design consultation process through the LA City Planning Urban Design Studio.
4. Explore, in a future report back (CF 21-1045), the development of a contextual "affordability bonus" in single-family residential zones, with incentives to increase ownership opportunities, including traditional and non-traditional (shared) ownership, (e.g., higher income allowances, sale to nonprofits, land trust and cooperative incentives, simplified parcel map requirements, early start permits, etc.)

5. As part of the effort to update local affordable housing incentives (Density Bonus, TOC, etc.) for *mixed-income* housing, create a local incentive program that requires increased affordability requirements in higher resource areas compared to current requirements.
6. Report back at an appropriate time on the feasibility of developing additional subsidy sources to assist development of affordable housing that may utilize the zoning tool, including:
  - a. A potential partnership with HACLA that could provide assurance to affordable housing developers regarding the availability of rental subsidies (housing vouchers) to lower rents to deeper affordability levels and to foster greater integration in higher resource areas.
  - b. Potential expansion of the California Property Tax Welfare Exemption through statewide legislation, as well as potential new revenue sources such as the real estate transfer tax funding measure being proposed for the November 2022 ballot, or a vacancy tax, etc.

### **III. BACKGROUND AND ANALYSIS**

#### **Affordable Housing Overlay Zones**

Affordable Housing Overlay Zones (AHOZs) are a type of zoning overlay tool that enables qualifying types of residential development on a parcel to exceed specified zoning parameters without modifying the standards of the underlying zoning district. Usually, they have specific affordability requirements and other conditions that must be met to take advantage of the provisions of the overlay. Overlays often include development incentives to encourage developers to utilize the overlay to achieve the goal of increased creation of affordable housing.

Key potential benefits of AHOZs include encouraging affordable housing development without imposing additional costs to jurisdictions, opening new sites to be available exclusively for affordable housing development, and lowering the per unit cost of affordable housing development. AHOZs accomplish this primarily by providing flexibility and valuable incentives for affordable housing developers that are not available to other developers. In this way, AHOZs maximize land available for affordable housing without increasing competition for land. Affordable developers will be able to buy land at a lower per unit cost than market rate developers. Increased density also allows developers to spread out the cost of land across more buildable square feet, helping them produce more affordable housing.

AHOZs can be tailored to meet citywide policy goals and to meet the individual needs of existing neighborhoods. These policy goals and priorities are important to establish, in order to guide future analysis and ordinance development. The report's recommendations are based on an assumption that the primary goal is creation of as many deed restricted affordable units as possible in higher resource areas, at a variety of income ranges, while minimizing displacement. This must be balanced with other important policy goals such as equity, sustainability, mobility, land use consistency, urban form, and infrastructure.

#### **Using AHOZs to Meet Housing Goals**

As demonstrated in the City's recently adopted 2021-2029 Housing Element, there is a substantial need to increase zoned residential capacity to accommodate development of affordable housing and meet the City's Regional Housing Needs Assessment (RHNA) allocation. The State of California Department of Housing and Community Development (HCD) has recommended that AHOZs can be implemented to assist in meeting the City's RHNA allocation. An AHOZ concept is included as part of the 2021-2029 Housing Element as a rezoning strategy to help meet the

City's RHNA shortfall (see Program 121 as well as page 189 of Chapter 4 of the 2021-2029 Housing Element).

HCD recently provided guidance on the development and use of AHOZs to ensure they can be utilized as part of the housing element RHNA process. In order to ensure these units can be considered part of a jurisdiction's zoned capacity for RHNA purposes, overlays must demonstrate the following:

- There is no additional discretionary action needed above what is otherwise required in the base zoning for a developer to take advantage of the overlay.
- Development standards allow for the density accommodated under the overlay.
- The developer can access State Density Bonus Law in addition to using the densities allowed in the overlay, including that the density bonus is calculated in addition to the densities allowed in the overlay.
- If the overlay has conditions such as an affordability requirement, incentives should be sufficient and available to make development feasible and more profitable than the underlying zoning.

### **Current Incentives for 100% Affordable Housing**

In 2019, Governor Newsom signed Assembly Bill (AB) 1763, amending State Density Bonus Law (California Government Code 65915) to create significant incentives for 100% affordable housing developments. While not an overlay, the density bonus framework operates in much the same manner in that it prescribes certain development standards and bonuses for housing projects that are 100% affordable (up to 20% can be moderate income). The law waives minimum parking requirements and grants an increase of up to 33 feet above the permitted height limit, with a waiver on density restrictions for projects located within a half-mile of major transit stops (which aligns with the City's TOC Areas). AB 2345 (2020) later clarified several of the provisions, and on November 10, 2021, City Planning released a memorandum on its local implementation.

The City also offers various streamlining options and development incentives for projects that provide 100% affordable housing, including through the TOC Program, Permanent Supportive Housing (PSH) Ordinance and the Value Capture Ordinance. As part of the TOC Program, 100% affordable projects are eligible for a higher level (Tier) of incentives, as well as zero parking requirements. The PSH Ordinance includes a tailored set of incentives for supportive housing, which requires 100% affordability with at least 50% of units set aside for the formerly homeless target population. These incentives are processed through an administrative clearance process, helping to provide commonly requested incentives through a ministerial review. The Value Capture Ordinance provides scaled density increases as affordability percentages increase, which is particularly valuable for affordable housing projects.

Additionally, recent (and pending) Community Plan Updates include Community Plan Implementation Overlays (CPIOs) for defined areas, which provide additional zoning incentives for 100% affordable housing projects, including reduced parking and additional density or increased floor area ratio (FAR). State law has created a streamlined ministerial review process for supportive housing developments (AB 2162) and for projects that are at least 50% affordable and include certain labor standards (SB 35). The City also provides for certain fee waivers and exemptions for affordable units, including an exemption from the Parks Fee and Affordable Housing Linkage Fee for development projects that exceed a specified percentage of affordable housing.

As described above, there are multiple incentives and streamlining programs that currently benefit 100% affordable housing developments. However, not all programs work well together, and sometimes difficult decisions need to be made to qualify for one or the other. One important aim

of this potential work program is to reconcile and combine related programs for greater simplicity and ease of use for affordable housing developers.

Finally, it is important to understand that jurisdictions like Los Angeles don't have anywhere near the sufficient funding or land to build the necessary affordable housing to meet the need. An AHOZ can potentially incentivize affordable housing production from the private sector when there is limited capital funding for new construction, but this will likely require trade-offs, as discussed in Section IV below.

### **Affordable Housing Overlay Zones in Other Jurisdictions**

Several jurisdictions have developed versions of AHOZs or are actively considering them. These include the cities of: Cambridge and Somerville, MA; Berkeley, CA and Oakley, CA. Their experience offers guidance for the recommendations in this report.

#### *Cambridge and Somerville, MA*

The City of Cambridge, Massachusetts passed an Affordable Housing Overlay amendment to its zoning code in October 2020 and the neighboring City of Somerville followed later that year. The purpose of these overlays was to address the high cost of land in the cities, which limits the production of affordable housing. These overlays provide affordable housing developers an advantage by permitting greater buildable area and densities, including increased height, reduced setbacks, zero required parking and unlimited density in qualified projects, beyond what is otherwise limited by the underlying zoning. The projects are also eligible for ministerial approval if the project conforms with objective zoning standards. An advisory design consultation process is also included as part of the process. Through the overlay, affordable four-story apartments with minimal setbacks may be built in all residential areas of these cities, including single-family and lower density zones. Along commercial corridors, up to seven stories may be permitted, again without density limits within the allowable building form. All units (except manager's units) must be affordable to households earning at least 100% of the Area Median Income (AMI), with at least 80% of units occupied by households whose gross household income is no more than 80% of AMI. Since adoption in Cambridge, approximately 350 affordable units have been proposed under the overlay, which is well above prior figures.

#### *Berkeley, CA*

As part of their Housing Element update in late 2021, the Berkeley City Council directed staff to create an affordable housing overlay for 100% affordable housing. The direction specified the overlay should exceed the standards set forth in state law (through AB 1763), with additional local height, floor area and density incentives, including waivers and modifications, and ministerial approval for qualifying projects. Staff provided separate recommendations for sites that already qualify for AB 1763 (including removal of FAR limitations and higher lot coverage allowances) and those in lower density zones (including granting an additional ten feet in height and removing density limits). The City Council direction also specifies that the AHOZ should incorporate protections for historic landmarks, exclude Very High Fire Hazard Severity Zones (VHFHSZs), and maintain housing replacement and tenant protections provided in state law.

#### *Oakley, CA*

The City of Oakley established an AHOZ in response to a state mandate, making it one of the first jurisdictions in California to adopt an AHOZ. In June 2005, HCD, citing an insufficient number of parcels designated for multifamily development, issued a "conditional certification" for Oakley's 2001-2007 Housing Element, conditioned upon the city adopting an AHOZ. Oakley selected one

16.3-acre area with light industrial and commercial uses for its AHOZ. To encourage high-density multi-family development, the city offered several incentives, including higher density requirements, reduced parking standards, reduced setback requirements, fee waivers, and a density bonus for proposed developments. The program requires development projects to provide the necessary percentage of affordable units to qualify for a density bonus, for a minimum term of 30 years. In addition to the incentives provided by the AHOZ, developments are eligible to utilize the provisions of State Density Bonus Law. Oakley's AHOZ program proved successful in increasing the number of multi-family units, resulting in a total of 509 affordable housing units and meeting the lower income housing need (RHNA) of the city during that Housing Element cycle.

#### **IV. Options for Affordable Housing Overlay Zone Incentives**

The motion requested options for incentivizing affordable housing as part of the AHOZ including height, density, and floor-area-ratio (FAR) incentives, setback reductions, and reduced parking requirements. The motion also requested these incentives be scaled according to existing zoning and land uses.

Staff has examined current constraints and spoken to developers of affordable housing to better understand how existing state and local incentives are working and potential areas of improvement. The case studies presented above are also instructive. Generally, it seems clear the more valuable the development incentives included in an Overlay Zone, the more effective the program will be in encouraging production of affordable homes and reducing development costs, particularly in higher resource areas.

The AHOZ may be used to expedite the approval and permit processes for affordable housing projects that might otherwise require a discretionary process, including off-menu incentives, amendments to the General Plan or lengthy zone change entitlements.

When determining appropriate incentives, it is also helpful to consider ways to reduce the overall cost of building affordable housing. If development costs can be reduced, more units can be produced. An Affordable Housing Cost study conducted by the state found the following development incentives substantially reduce costs related to constructing affordable housing: increasing allowable density, reducing required parking, facilitating a by-right review process, and allowing larger buildings. For example, an increase of 10% in the number of allowable units reduced the cost per unit by 2% (HCD, 2014).

Current availability of State Density Bonus incentives for 100% affordable housing (see AB 1763 discussion, above) presents a solid base for establishment of a potential citywide affordable housing overlay. These existing incentives can be built upon to fill existing gaps based on commonly requested waivers or modifications and allow for certain requests such as overly restrictive ground floor non-residential requirements, "Q" or "D" development limitations, restrictive height limits, parking, setbacks, transitional height, exemptions to commercial requirements, etc.

However, like other affordable housing incentive programs such as the TOC Program, the existing state incentives are not applicable to properties that are not zoned to permit the development of at least five multifamily residential units. This limitation precludes most properties in the city from being eligible for affordable housing incentives. If the City Council wishes to expand areas where affordable housing could be built, an AHOZ strategy could establish new development incentives and permit multifamily residential use in areas that currently do not allow it. Concepts developed in the adopted 2021-2029 Housing Element to increase affordable housing production include publicly-owned land (including the Public Facilities, or PF), Parking Zones (P and PB), land owned or leased by faith-based institutions, certain industrial-zoned (M) land located on corridors when

consistent with General Plan policies, and multifamily residential land zoned for 5 or fewer housing units.

Allowing the Overlay Incentive to be used in lower-density residential areas (zoned for 5 units or fewer) is included as it would significantly increase affordable development opportunities, especially in higher resource areas. While the recently adopted 2021-2029 Housing Element recommends the overlay be developed in all suitable residential areas in higher resource areas, including single-family areas, this report focuses on immediate development in multi-family zoned areas (e.g., R2, RD and smaller R3 and R4 lots). A future report back will focus on affordability opportunities in single-family areas (see CF 21-1045).

An affordable housing overlay tool such as the one described above could be developed and integrated into the pending comprehensive update to the City's affordable housing incentive programs (including Density Bonus, TOC Program, the PSH Ordinance, and Value Capture Ordinance). This work effort is part of the implementation of the recently adopted 2021-2029 Housing Element, for which a Rezoning Program is currently getting underway. The Department has released a request for bid (RFB) to select a consultant that will evaluate policy options and economic feasibility for the Rezoning Program, including an Affordable Housing Overlay.

For 100% affordable projects (exclusive of managers' units) that meet defined affordability requirements (see discussion of *Qualifying Affordability Levels*, below), a tailored set of development incentives could be developed to allow increases in allowable height, floor area ratio (FAR) limits, density, and parking reductions. The incentives are recommended to prioritize higher resource areas and vary based on existing zoning/land use as well as proximity to transit, centers, and corridors.

In addition, staff recommends the consideration of a ministerial project approval process, as well as streamlined permitting, potential fee reductions, and the allowance of multi-family housing in certain locations not currently zoned for this use. Ministerial project review could apply to 100% affordable projects that meet all objective zoning and design standards (including Density Bonus), without requiring a zoning variance or other exception. This would effectively waive discretionary procedures such as Site Plan Review and Project Permit Compliance similar to current state streamlining measures described under the Current Incentives section above.

Following is a discussion of the key considerations that should be further developed and refined, in coordination with public and stakeholder engagement, as part of the development of the City's affordable housing overlay program.

## **Key Considerations**

### *Qualifying Affordability Levels*

To qualify for the development incentives as part of an AHOZ, housing development projects must meet baseline affordability qualifications pursuant to the local zoning code. The Council Motion directed prioritization of 100% affordable projects as well as considerations for mixed-income projects with affordability levels that exceed those required in current incentive programs. The highest affordability levels required by current programs is TOC Tier 4, which requires 25% Lower Income, 15% Very Low Income or 11% Extremely Low Income.

Affordability levels could be set flexibly to allow a mix of income levels, including some limited market rate units, or more narrowly to apply to only 100% affordable projects. Relatedly, the policy could be set to apply only to those serving more deeply lower income levels (e.g., very low or extremely low) or set more broadly to encourage a greater variety of income levels, including up

to moderate income (120% AMI). These are critically important questions that will significantly influence usage of the program.

Obviously, the greatest need is for deed-restricted affordable housing at the lowest income levels, but additional considerations may warrant a more flexible approach. First, State Density Bonus law (through AB 1763) already allows considerable flexibility for 100% affordable projects, including the use of income averaging (allowing different income levels that average to a specific level), higher HUD rent schedules (for up to 80% of the units) as well as allowing projects to include up to 20% moderate income. These provisions were designed to align with recent changes made to the Low Income Housing Tax Credit Program, which is the most used public subsidy for affordable housing. It therefore likely makes sense to align the proposed AHOZ with these existing State Density Bonus affordability levels in areas that are already able to access State Density Bonus, to not require developers to choose between the AHOZ and already significant state law incentives. However, in other areas there may be more flexibility to target policy goals (equitable distribution, deeper affordability, ownership, etc.) through different affordability requirements.

One way to potentially achieve lower income levels, while not making projects infeasible, particularly in higher resource areas, is to pair the program with targeted rental subsidies, such as housing choice vouchers generally administered by HACLA. Initial discussions with HACLA have indicated there may be a way to assure project developers that vouchers may be available up front for their projects so they can model their economic assumptions correctly. Vouchers allow for deeply low rents to be paid by renters, but higher amounts paid to landlords through the voucher. Another way to assist project feasibility is through the utilization of a property tax "welfare" exemption pursuant to Section 214 of the Revenue and Taxation code. Some private sector developers, both for-profit and nonprofit, have found that it may be financially viable to develop affordable housing projects without direct upfront public subsidy, if they can access the property tax exemption. However, to get the property tax exemption, pursuant to Section 214g, the developer is required to have some sort of public financing, which is not universally available, or if available, may trigger additional requirements that make the project infeasible. The Southern California Association of Governments (SCAG) is currently engaged in research and potential advocacy efforts on this issue. Finally, there may be new funding sources on the horizon, including potential initiatives such as the real estate transfer tax funding measure being proposed for the November 2022 ballot, as well as a future potential City Council initiated vacancy or empty homes tax measure (CF 19-0623). See recommendation 6.

Because 100% affordable projects largely require public subsidies, which are severely limited, allowing some moderate income or market rate units in some projects may facilitate greater affordable overall housing production, particularly if a key aim of the AHOZ is to bring production to higher resource areas with more expensive land costs. Staff recommends prioritizing AHOZ for 100% affordable projects but also studying a variety of affordability levels to determine what would create the most new affordable units, particularly to encourage use in higher resource areas by countering high land prices there.

The Department of City Planning has secured grant funding (REAP) to pursue economic feasibility testing, which can evaluate different affordability scenarios - including different AMI levels and different applicable rent schedules. These calculations must carefully balance a variety of policy priorities including: project feasibility, maximizing affordable housing production, providing the deepest income targeting possible, and reducing economic and racial segregation (discussed below).

The motion requested geographic considerations of a proposed affordable housing overlay be incorporated into the report to quantify where affordable housing is most needed, consistent with the goals of equitable distribution and Affirmatively Furthering Fair Housing (AFFH). Using the California Tax Credit Allocation Committee's (CTAC) Opportunity Maps. The motion also requested recommendations for potential exemptions for low-resource and high-segregation and poverty census tracts and/or sensitive communities currently facing gentrification and displacement pressures.

An AHOZ can influence where production occurs geographically by exempting certain areas and/or offering different types of incentives or affordability requirements in different areas. To ensure the tool is used in a way that affirmatively furthers fair housing (AFFH), the adopted Housing Element proposed excluding an AHOZ in high-segregation and poverty census tracts. This would focus new opportunities in areas where affordable housing is most lacking and ensure the tool does not contribute to more concentration in the same high-poverty neighborhoods. However, it is important to note that exempting use of the AHOZ in these areas of the City would not prevent affordable housing to be built using existing zoning and funding tools, particularly since these areas already have, by far, the most land that zoned for higher density housing and the greatest access to transit (as discussed in Council File 19-0416).

Lower-resource areas, including those facing gentrification and displacement pressures perhaps face a different set of considerations. Adding deed-restricted affordable housing in areas experiencing housing pressures is a critically important anti-displacement strategy, ensuring long term affordability in areas experiencing increased housing pressures. However, the tool must be designed to ensure other important goals such as tenant stability and wealth generation for BIPOC communities are not negatively impacted. As discussed in more detail in the next section, the AHOZ should be paired with strengthened anti-displacement strategies to protect communities experiencing gentrification. Forthcoming anti-displacement studies being led by LAHD and LACP will identify areas subject to displacement pressures as well as potential strategies to counter them. Additionally, depending on the AMI level and rent schedule used, affordable rents may be higher than existing rents in some lower-resource areas of the city. Combined with the need to ensure the AHOZ tool is utilized in all neighborhoods, particularly higher resource areas, this may call for a variety of affordability requirements in different areas of the city.

Through additional stakeholder engagement, City Planning will assess the geographic applicability of AHOZ incentives. The stakeholder engagement will focus on how to calibrate these incentives in ways that meet the need for affordable housing, reduce displacement, protect communities experiencing gentrification, and actively address racial and economic segregation. There may be some components of the Overlay that are best suited to apply citywide and others that are geographically restricted.

#### *No Net Loss of Affordable and Rent-Stabilized Ordinance Units*

The AHOZ can be structured to ensure no net loss of affordable housing and greater protections for existing tenants than exist today. This may be warranted given the nature of the zoning tool, which provides greater local incentives with the explicit goal of creating a net gain in affordable housing. To ensure a net affordability gain in all circumstances, staff recommends going beyond the current housing replacement and tenant protection framework established by the City's Rent Stabilization Ordinance as well as state law (AB 2556/SB 330/SB 8). This may include consideration of a 1:1 (or higher) replacement policy and expanded right to return.

The feasibility study and anti-displacement studies discussed above can assist in evaluating different approaches to ensure maximum gains in affordability in addressing displacement concerns. A supplemental report back on replacement requirements and right to return is also currently being prepared by LAHD and LACP for City Council consideration (per CFs 19-0400 and 20-0047). The specifics of the AHOZ proposal may depend in part on City Council direction on these issues citywide.

#### *Overlay Zone vs Incentive-Based Approach*

The motion requested that this report consider options around creation of a traditional overlay zoning tool or an update to the City's development incentive programs. The background section described the current density bonus incentive-based framework that already exists for 100% affordable housing in the Density Bonus and TOC affordable housing incentive programs. Building on these current tools and approaches, rather than creating a new type of affordable housing overlay zone, may offer several advantages in a city as large and diverse as Los Angeles. First, a well-developed affordable housing incentive-based system already exists in Los Angeles and an update to the Density Bonus and TOC programs is a core component of the Housing Element's required rezoning program, set to launch this year. Creating a new overlay system that is disconnected from the City's existing incentive programs would add complexity by creating two separate affordable housing incentive structures. The incentive-based approach also has the benefit of working in a variety of different zones and land use contexts because it can be based on the existing zoning and built form.

## **V. CONCLUSION**

As detailed in this report, there are many important considerations in the development of an incentive-based approach to encourage more 100% affordable housing projects. The general recommendation is to pursue a strategy that welcomes the creation of deed-restricted affordable housing in areas where it is not easily permitted today, through the development of incentives that only apply to affordable housing developments. This report recommends the development of different context-specific incentives based on the existing zoning and land use. It also calls for evaluation, through an economic feasibility study and stakeholder outreach, whether to vary incentives or affordability requirements to ensure the tool will work in all areas of the city, particularly higher resource areas, and avoid negative impacts in sensitive communities.

A proposed AHOZ should be tailored to meet citywide policy goals but must also address the individual needs of existing neighborhoods. These policy goals and priorities are important to establish, in order to guide future analysis and ordinance development. The report's recommendations above reflect the goal of creating as many deed restricted units as possible, particularly in higher resource areas, at a variety of income ranges, while minimizing the displacement of existing residents. The recommendations aim to make it easier to build affordable housing in many more neighborhoods of Los Angeles, including those zoned for other uses, as well as lower density residential areas, with the overall goal of providing greater access to affordable housing. This objective must be balanced with other important policy goals such as equity, sustainability, mobility, land use consistency, urban form and infrastructure, which will require additional consultation and analysis.

PLUM Committee

CF 21-0972

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For questions, please contact Senior Planner Matthew Glesne at (213)978-2666 or [matthew.glesne@lacity.org](mailto:matthew.glesne@lacity.org) in the Department of City Planning's Housing Policy Unit

Sincerely,

A handwritten signature in blue ink, appearing to read 'Vincent P. Bertoni', with a large, stylized flourish at the end.

VINCENT P. BERTONI, AICP  
Director of Planning

VPB:AV:NM:MG