

MOTION**HOUSING & HOMELESSNESS**

The Transit Oriented Communities (TOC) Incentive Program has been an extremely popular incentive program, which has produced more covenanted affordable units than through any other local incentive-based program. These are unsubsidized affordable units created through the private market. It is often far more favorable for private developers to utilize TOC than the State Density Bonus Program or other incentive-based programs due to all of the generous benefits developments are able to yield under TOC, such as high density and floor area ratio increases, parking reductions, and open space exemptions, in exchange for the ability to build more residential units than the base zoning allows in qualifying TOC areas.

In October 2022, the Los Angeles Housing Department (LAHD) changed rent schedules for the TOC Incentive Program from Schedule 6 or 7 (HCD rents) to Schedule 1 (HUD rents), resulting in higher allowable rents for affordable units than were previously allowed under TOC. This shift came suddenly. Since the beginning of the TOC Program, the prevailing practice has been to use Schedule 6 for market-rate, unsubsidized projects and Schedule 7 for a small portion of projects receiving LAHD subsidies. Additionally, under State Density Bonus Law and SB330/SB9, all required replacements follow Schedule 6 (HCD), not Schedule 1 (HUD). In October 2022, however, LAHD began processing covenants using Schedule 1 for new, unsubsidized TOC projects. The chart below shows the significant difference in maximum allowable this shift from Schedule 6 to Schedule 1 represents:

| Low Income HH | Maximum Income Level for 1-Person HH | Maximum Rent Level for a Single Room | Maximum Income Level for 3-person HH | Maximum Rent Level for a Two Bedroom |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Schedule 6 (used prior to October, 2022) | \$66,750 | \$921 | \$85,800 | \$1,185 |
| Schedule 1 (used since October, 2022) | \$66,750 | \$1,669 (81% increase) | \$85,800 | \$2,145 (81% increase) |

Changing to a higher rent schedule that increases the maximum rent levels by more than 70% in some cases will mean that lower-income households will be priced out of these new affordable units. The shift from Schedule 6 to Schedule 1 in TOC also has significant and far-reaching consequences given that the rent schedule used in TOC forms the basis of many other city planning programs. The Community Plan Updates for Hollywood, Downtown Los Angeles, and Boyle Heights, for example, all base their incentive programs for the Community Plans by incorporating the TOC rent schedule in their feasibility models. The Housing Element's Rezoning Program does the same. Privately financed, mixed-income projects should revert to using Schedule 6 rent schedules to ensure that working families can afford to live in new units being built in the City.

I THEREFORE MOVE that the City Council instruct the Los Angeles Housing Department, with support from the Office of the City Attorney and any other relevant departments, to report back within 30 days with a clear plan for changing the Transit Oriented Communities (TOC) Incentive Program from Schedule 1 (HUD rents), which has been in effect since October 2022, back to Schedule 6 or 7 (HCD rents). The report should also include additional options to minimize rent amounts for lower-income tenants of 100% affordable housing projects while ensuring that those projects meet any other funding source requirements.

PRESENTED BY:


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