



September 23, 2024

Los Angeles City Planning Commission
c/o Los Angeles Department of City Planning
200 North Spring Street
Los Angeles, CA 90012

**Re: Recommendations for the Citywide Housing Incentive Program
September 26, 2024 Hearing: CPC-2023-7068-CA, Agenda Item Number 7**

Dear President Lawshe and Honorable Commissioners,

This coalition of the undersigned organizations represents thousands of individual and organizational members in Los Angeles who collectively advocate for greater housing production to address our region’s severe housing affordability crisis, which is rooted in decades-long failure to build enough homes to meet the substantial need for housing. As a result of the housing shortage, Los Angeles has extremely unfavorable conditions for renters and aspiring homeowners. Among large cities in the United States, Los Angeles consistently has the highest levels of homelessness, rent burdened tenants, and overcrowding and the lowest rates of homeownership. As summarized in the City’s Housing Element adopted in 2021:

“Angelenos pay more of their income on housing, live in more overcrowded conditions, and have the highest rates of unsheltered homelessness of any city in the country. Almost half of all households struggle to pay their rent and mortgage, with more than a third of renters spending half their paycheck on rent. . . . This shortage has developed primarily since the 1980s, as the population in Los Angeles grew much faster than the creation of new housing. Downzonings during this period limited the land area and intensities at which housing could be built.”

Los Angeles needs to act with urgency and resolve to produce more housing at all income levels. United with this goal in mind, our coalition is focused on ensuring that the proposed Citywide Housing Incentive Program (CHIP) maximizes the potential for creating new housing in LA.

Our coalition submitted a letter in July 2024 to the Department of City Planning to offer recommendations on the prior version of the CHIP, based on technical guidance provided in partnership by Urban Land Institute Los Angeles’ (ULI-LA) members who have unparalleled expertise and experience with planning, land use and development in LA. Our recommendations in that letter focused on key areas the CHIP could be amended to support the financial feasibility of projects and depoliticization of planning decisions in our city, ultimately with the goal of realizing the full potential of the CHIP to yield substantial new affordable and mixed-income housing across all of the city’s neighborhoods, particularly in high-resource areas. Several of our most important recommendations were incorporated in the current version of the CHIP that has been presented to you.

We appreciate the Department of City Planning incorporating many of our most important recommendations. We are writing to ask that you preserve these provisions as you consider and vote on the CHIP. Additionally, we suggest five additional areas that we believe the CHIP can further be refined to maximize the potential for the CHIP to produce new housing, ensuring its provisions yield financially feasible projects and that its approval pathways are clear, predictable and streamlined and protect against potential politicization of development.

We recognize that the CHIP is a complex program that includes multiple incentive programs within it. It will serve as the successor to the most important housing production tools that currently exist in the city: the Density Bonus (DB) and the Transit Oriented Communities (TOC) programs. It will impact the entire city, and beyond this, there is a tight deadline for the CHIP to be enacted and useable by early next year or else the city will face significant consequences due to state law. We commend City Planning staff for the extensive outreach, genuine engagement and hard work they have done and continue to do to see through the adoption and implementation of the CHIP.

The CHIP contains many strong features to support mixed-income and affordable growth in our city. For example, it (i) creates an incentive program for mixed-income development in commercial corridors, (ii) increases density bonuses in the Mixed-Income Incentive Program (MIIP), (iii) established pathways for streamlined ministerial approvals for mixed-income and 100% affordable projects, (iv) enables development in P zones in some instances, and (v) incentivizes multi-bedroom units. Additionally, staff has modified the CHIP in the most recent version before you to further strengthen its potential. **As such, we recommend preserving the following provisions:**

- **Not counting above-ground parking count as floor area;**
- **MIIP affordable set aside requirements in alignment with existing TOC requirements for lower market tiers;**
- **Affordable Housing Linkage Fee exemption for projects that provide MIIP-level affordability set asides;**
- **Project Review exemption for projects that provide MIIP-level affordability set asides;**
- **More nuanced Environmental Protection Measures rather than the previously blunt approach to Environmental Consideration Areas;**
- **Expanded Administrative Review as no longer appealable and with an optional hearing;**
- **Allowing one waiver under the Affordable Housing Incentive Program (AHIP) through Expanded Administrative Review rather than discretionary review;**
- **Eliminating the potential for appeals for discretionary waiver cases at City Planning Commission; and**
- **Enabling FAR and story incentives for projects with 10% of total units set aside for multi-bedroom units (instead of 20% proposed in prior versions).**

Our coalition called for many of these provisions and we are grateful for their inclusion. They are crucial to creating the best framework for financially viable development to occur under the CHIP and to realize the outcomes envisioned by the CHIP.

Relatedly, we also agree with the Department's findings that a 2-to-1 replacement requirement under the Resident Protections Ordinance (RPO) for units subject to the Rent Stabilization Ordinance (RSO) would not be economically feasible and would be a considerable barrier to the creation of the new housing at all income levels. We note that the RPO includes extensive resident protections for tenants in RSO buildings and that the 2:1 replacement requirement, in addition to impeding needed housing production, will not provide additional protection to those tenants.

Beyond preserving the provisions outlined above, we offer five additional areas the CHIP can be further strengthened:

1. Provide the DB Program with the Same Level of Benefits as the MIIP and AHIP Programs.

The DB program is one of our most effective tools for mixed-income housing production yet, under the CHIP, it is at a great disadvantage compared to the MIIP and AHIP. As proposed, DB projects requesting a single waiver are precluded from using the Expanded Administrative Review procedure. In addition, MIIP and AHIP receive more incentives than a typical DB project. The on-menu FAR bonus is substantially less than that of the MIIP and AHIP. The DB program allows 3 Public Benefit Options (childcare facility, commercial project providing off-site affordable units, and multi-bedroom unit). In contrast, the MIIP and AHIP provide 7 different Public Benefit Options. The severity of the housing crisis requires an “all hands on deck” approach and the DB program should not be restricted.

Recommendation: As noted below, the DB program should be afforded (i) up to 3 waivers before Expanded Administrative Review is not available, and (ii) up to five Additional Incentives or one off-menu incentive. In addition, the DB program should include the same 7 Public Benefit Options as the other CHIP programs and have the same on-menu FAR incentive.

2. Increase the FAR Incentives.

The CHIP presents an excellent opportunity to expand the DB and TOC programs to maximize their potential for producing mixed-income housing. However, the FAR incentives are too low to be effective in optimizing the construction of projects using Type IIIA (i.e., wood frame construction with fire rated improvements on a reinforced concrete podium also known as “5 over 2”) over Type I construction mid-rise buildings.

A. Density Bonus. Under the City’s current density bonus ordinance, the on-menu FAR incentives include (i) an increase in FAR equal to the density bonus percentage (not to exceed 35%), or (ii) up to a 3.0 FAR in commercial zones. For DB projects in the CHIP, the on-menu FAR incentive for projects in C zones has been retained as the greater of (i) the density bonus percentage (not to exceed 35%), or (ii) 3.0, but only if the project is within one-half mile of a Major Transit Stop. (See *proposed* LAMC 12.22.A.37(f)(2)(ii).) This requirement to be within one-half mile of a Major Transit Stop is redundant with the Transit Oriented Incentive program and will force many projects to seek off-menu incentives for FAR, especially considering that projects can now receive up to 100% density bonus under state law. Without adequate available FAR, the additional density cannot be achieved under the on-menu alternative. The density bonus law has proven to one of the City’s most important tools for producing mixed-income housing and, due to our housing crisis, it should be expanded substantially.

Recommendation: The on-menu FAR should be increased to at least 4.5 for both C and multi-family R zones, and without a requirement for proximity to a Major Transit Stop.

B. Transit Oriented Incentive. For Transit Oriented Incentive projects, the maximum FAR in C zones ranges between 3.25 in Tier 1 to 4.65 in Tier 3 and in multifamily R zones the FAR increases between 40% and 45%. For projects in the Opportunity Corridor Incentive areas, the FAR in the C zones ranges between 4.5 and 4.8 and in R zones the FAR increases are between 45% and 60%. These FARs are also too low, particularly in light of the density bonuses ranging between 100% and 120% in the Transit Oriented Incentive areas and the unlimited density in the Opportunity Corridors, and will limit the feasibility of some projects. In addition, the CHIP reconfigures the geography of the four tiers in the TOC, eliminating Tier 4 and expanding Tier 1 and constricting Tiers 2 and 3. (*Proposed* LAMC, Tables 12.22.A.38(e)(2) and 12.22.A.38(f)(2).)

Recommendation: The FARs in Tiers 1 through 3 should be increased further. The FAR in C and R zones should be increased to at least 4.5 in Tier 1, 5.0 in Tier 2 and 5.5 in Tier 3. In the Opportunity Corridor program, the FAR in the C and R zones should be increased to at least 4.5 in OC-1 and to at least 5.5 in OC-2 and OC-3.

3. Maximize the Availability of Ministerial Procedures.

As shown by the success of Executive Directive 1, streamlined ministerial approval procedures dramatically reduce processing time and increase certainty. Shortening delays in the entitlement process can reduce carrying costs and enhance project feasibility. This ministerial treatment is critically important to successfully incentivizing mixed-income housing because it reduces uncertainty and speeds the development process. Some aspects of the CHIP, however, will cause projects that should be able to use a ministerial procedure to instead be forced into a discretionary process.

Additionally, the CHIPs procedures are not uniform across programs. For example, for DB projects, even one waiver triggers this City Planning Commission review (CPC). For MIIP projects, the use of more than one waiver and for AHIP projects more than three waivers triggers this requirement. In most cases, due to the Housing Accountability Act and state density bonus law, the CPC will not have the discretion to disapprove the projects. Besides, waivers of development standards are ministerial in nature and are routinely handled administratively.

With respect to incentives, an eligible Transit Oriented Incentive project is allowed to use four Additional Incentives (on-menu) or one incentive to gain relief from an off-menu development standard. A project in the AHIP is allowed to use five Additional Incentives or one off-menu incentive. By contrast, the DB program follows the State Density Bonus Law and allots the number of incentives in accordance with the level of affordability provided, which can yield only one incentive in many cases.

Recommendation: Any project under the DB or MIIP program should be able to use up to 3 waivers and be eligible for Expanded Administrative Review. Additionally, any project under the DB, MIIP or AHIP should be able to use up to five Additional Incentives or one incentive not on the menu of Additional Incentives.

4. Eliminate the Increases in the MIIP's Affordability Requirements in the High Medium and High Market Tiers.

The CHIP creates a two-tiered structure for affordability requirements in the MIIP programs. For the projects in the High Medium and High Market Tiers under the Linkage Fee ordinance, the CHIP increases the set asides for the Transit Oriented Incentive and Opportunity Corridor Incentives by at least 30%. For example, the CHIP increases the ELI set aside to 11% in Tier 1 (from 8%), 12% in Tier 2 (from 9%), and 13% in Tier 3 (from 10%). (*proposed* LAMC, Tables 12.38.A(c)(3)(iii)). These increases will pose significant financial feasibility challenges for projects, prevent some projects from being developed and may inadvertently push development into lower-income neighborhoods.

Recommendation: Revise the Transit Oriented Incentive and Opportunity Corridor programs to a single tier system by eliminating the increased affordability requirements for the High Medium and High Market Tiers in their entirety.

5. Utilize the Transit Oriented Incentives in All Future Community Plan Updates.

The staff report states that the Transit Oriented Incentive and Opportunity Corridor programs will not be available in community plan updates that will use the new zoning code (Chapter 1A) (i.e., all future community plans and those plans already reviewed by the City Planning Commission). This change will exclude significant areas of the City and substantially erode the benefits of the MIIP as new Community Plans are adopted. There is no reason that the MIIP cannot be adopted so that it applies in all Community Plan areas, including those to be adopted in the future. Given the severity of our housing crisis, we need an "all of the above" approach that presents as many options as possible for developing mixed-income housing.

Recommendation: Amend the CHIP so that it is applicable in all Community Plan updates adopted in the future by the City Council.

We believe these additional recommendations would build upon the most recent version of the CHIP and provide the robust tool that is needed to make significant progress on housing production. Again, we reiterate our gratitude to the Department of City Planning for heeding our prior recommendations and we appreciate the City Planning Commission's consideration of our comments. We welcome the opportunity to further discuss these concerns and recommendations.

Sincerely,



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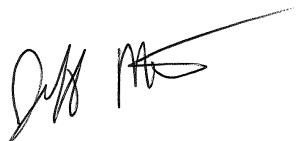
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