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January 28, 2016

The Honorable Planning and Land Use Committee of the City Council, City of Los Angeles
c/o City Clerk, Room 395
200 North Spring Street,
Los Angeles, California 90012

CF 15-0129
CPC 2005-8252-CA

Previous related Council Files: CF 12-0600-S62, CF 11-2146, CF 08-1151, CF 05-1425, CF 02-0198, CF 98-0255.

Honorable Members,

You requested the Department report to you on preparing a permanent ordinance and on various current matters regarding implementation of the Mello Act within the Coastal area in the City of Los Angeles.

The primary reasons there is a call for such an ordinance are the increased pace of development of modest sized residential projects, community's desire to protect the existing affordable housing stock, and to provide greater affordable housing opportunities in the coastal areas.

The Mello Act is a state law, which went into effect in January 1982, intended to protect and increase the supply of affordable housing in California's Coastal Zone. The law imposes two primary duties on local governments. First, a city or county may not approve a project that removes or converts existing housing units occupied by low or moderate-income households, unless provision is made for their one-for-one replacement with new affordable units. Exceptions based on feasibility are provided. Second, a city or county may not approve a new housing development unless it provides the affordable units it can feasibly accommodate. The exceptions and rules based on "feasibility" complicate the local enforcement and administration of the Mello Act.

In the City of Los Angeles, the Mello Act applies to the Pacific Palisades, Venice-Playa Del Rey and San Pedro-Harbor areas that collectively have a population of around 100,000 persons. A settlement agreement that went into effect in January 2001 resolved a lawsuit filed against the City in 1993. The settlement agreement created a document called the "Interim Administrative Procedures," designed to give further specificity to an interim Mello Act policy that the Council had actually adopted many years before in July 1982.

The Interim Administrative Procedures are the City's current mechanism for implementing the state Mello Act. Those procedures require that developers of residential projects within the coastal zone areas of the City both replace existing affordable housing at the project site and, in addition, set aside a specified percentage of the project's units for lower income residents or buyers. The procedures also require that such set-aside units be built on the same site as the project or off-site at another property in the coastal zone, upon the granting of a feasibility waiver by the West Los Angeles Area Planning Commission.

The Interim Administrative Procedures were adopted by City Council in May 2000. At various times since then, the Department of City Planning has brought forward a draft permanent Mello Act Ordinance for adoption. The most recent time that this occurred was in 2008. At that time, the Planning Department prepared a staff report regarding the enactment of such an ordinance, along with a draft ordinance were sent from the City Planning Commission with a recommendation for approval to the City Council. In 2011, the draft ordinance was revisited but consensus could not be reached on revisions to the draft ordinance.

The settlement requires the City to hire a consultant to study the kinds of residential development projects typically proposed in the Coastal Zone and their capacity to provide affordable housing. Since any affordable housing requirement is an added cost of development, the consultant will determine how much of a contribution can be imposed without making the project financially infeasible. If the required contribution were set so high that it causes developers to stop building in the Coastal Zone, then the housing that remains would become even more unaffordable than it already is. An effective affordable housing policy, on the other hand, would address the real estate market's failure to provide housing for low and moderate-income families without causing it to shut down. An adopted Mello Ordinance would, at long last, provide the City with permanent Mello Act regulations.

The Planning Department and the Housing and Community Investment Department (HCID) have been monitoring implementation of the Interim Administrative Procedures. The Planning Department, as part of the ongoing geographic reorganization, has created a unit to manage and process all applications in the coastal area. The Department adjusted the processing of Mello applications within the Venice Specific Plan in January 2015 and in August 2015 the same unit was assigned to review and process all new Coastal Development Permit and Mello applications. Starting the first quarter of 2016, a manager is assigned for only the Coastal areas of the City. Planning Department and HCID will continue to monitor implementation of the Interim Administrative Procedures. The Department is requesting funding in the Budget process for a Housing Monitoring Unit and a Code Amendment Unit. These units would assist in the preparation of an ordinance and provide on going monitoring of the Mello Act.

The Interim Administrative Procedures allow applicants to submit a financial feasibility analysis report under certain circumstances. The Planning Department has generated a list of economic consultants and is searching for resources to provide for expert review of financial feasibility analysis reports.

If you have any questions regarding this matter, please contact Senior City Planner Simon Pastucha at (213) 978-0628. He or another member of this Department will be available when you consider this matter to answer any questions you may have.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael LoGrande", written over a horizontal line.

Michael LoGrande
Director
Department of City Planning