

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) NARRATIVE:

ENV-2015-1939-CE

I. PROJECT DESCRIPTION

General Description

The proposed project is to create a new zone type in the City, the Hybrid Industrial (HI) Zone and involves adoption of an ordinance to create the new zone including the accompanying land use and development standards of the new HI Zone. While the project includes the introduction of the new zone into the City's Zoning Ordinance it does not include the re-zoning of any land to the new zone and does not include any proposed development projects.

The proposed ordinance adds the Hybrid Industrial ("HI") Zone classification to the Los Angeles Municipal Code by amending Section 12.03; Section 12.04.A; Section 12.04.C; and by adding Section 12.04.06. The purpose of this new zone classification is to regulate the development of light industrial, live/work, hotel, and other commercial uses in areas with a land use designation of Hybrid Industrial. This ordinance contains a definition for a Live/Work Unit as well as development standards intended to preserve industrial uses, while also allowing a mix of live/work and other compatible uses. The proposed development standards would regulate building form and construction features to ensure that flexible space for jobs can continue to be accommodated. Through future application of the HI Zone, the City hopes to protect industrial land while acknowledging the changing nature of employment that is reflected in live/work environments. These standards are meant to encourage the reuse of existing structures and to allow new construction of a mix of uses that include live/work units and nonresidential, job-generating uses. This new zone also prohibits conventional residential uses and requires that Live/Work Units allow for nonresidential employment activities in a hybrid industrial environment.

New and Novel Zoning Type

The proposed HI Zone is the first industrial zone of its kind in the City of Los Angeles. The new industrial zone is intended to regulate a new type of live/work use that requires floor space for nonresidential uses in all live/work units developed on properties with this zone. This new live/work use is required to comply with Section 419 "Live/Work Units" of the 2013 California Building Code and subsequent amendments to it. This new zone allows for up to five nonresidential employees to work in a single unit. None of the City's existing industrial zones permit this type of live/work use. The proposed HI Zone permits the mixing of live/work units with commercial and certain compatible industrial land uses, in addition to addressing the built form through design regulations. Furthermore, the proposed HI Zone has a system of development standards, including a minimum mandatory nonresidential square footage requirement for projects that elect to take advantage of floor area bonuses. The minimum mandatory nonresidential square footage requirement (for select projects) is intended to retain and grow the City's job base, and is one example of the type of provisions that distinguishes this zone from other zones in the City's Zoning Code. In sum, the proposed regulations of the HI Zone provide for a range of public benefits that support a broader mix of uses in industrial areas, while continuing to maintain them as industrial districts. This new zone is a departure from traditional zoning in that it specifies regulations that govern building form in addition to

establishing incentives in the form of increased development rights, in exchange for public benefits.

The novelty of the HI Zone is not only limited to the City of Los Angeles, but to all cities in the United States. During the drafting of the zone provisions, city staff conducted extensive research on the regulation of live/work uses and hybrid industrial zoning in other cities in the United States. Professional Planning articles and studies, hybrid industrial zoning research, market studies, live/work development sources, were used as early background research and identified other cities which have created various forms of regulations related to live/work uses and hybrid industrial zoning. A deeper analysis of 21 key cities identified through this research, including the top 10 manufacturing cities in the country, was conducted to examine the regulation of live/work uses, tiered zoning, and hybrid industrial typologies. This research reinforces that the proposed Hybrid Industrial Live/Work Zone would be the first of its kind in several key ways:

1. **Live/Work Unit Standards.** Live/Work Units constructed under the HI Zone would be characterized by the equal combination of residential with another non-residential use (20% of which must be assigned an industrial use). Live/Work Units would be built largely in an open floor plan configuration, subject to size limitations, built with ceiling heights taller than otherwise required by the Building Code, and allowed both in adaptive reuse and in new construction. No other city regulates live/work subject to all of these measures. In other cities' live/work uses are typically contemplated to be developed within existing buildings and often are limited exclusively to adaptive reuse. Of the cities that were included in this research, only a few had regulations for live/work units that are applicable to new construction. They include Chicago, Seattle, Oakland, San Francisco and Denver. In most of the cities examined, the non-residential space of a live/work unit in new construction is limited to office and business uses, with industrial uses prohibited outright, and non-resident employees or customers would not be allowed. None of these Cities' regulations require that the live/work units be designed to permit both the maximum number of nonresidential employees allowed by the Building Code and a range of commercial and compatible industrial buildings in each unit. This requirement in the proposed HI Zone ordinance is a foundational provision that enables each live/work unit to function as a business that can employ up to five (5) nonresidential employees (as permitted by Section 419 of the Building Code) and a wide range of business functions.
2. **Live/Work Uses and Conventional Residential.** Under the HI Zone the only permitted type of residential use would be Live/Work, when built to the zone's unique standards. The new zone was created to meet policy objectives to retain a jobs emphasis in appropriate industrially zoned areas, while allowing for greater mixing of uses in the form of live/work units. In most of the cities that were examined that regulate and allow a permutation of live/work use, do so in zones that also allow other forms of residential use such as traditional multi-family apartments and even single family residential. In very limited instances, such as Santa Monica and Denver, have cities prohibited the construction of conventional housing units in its Hybrid Industrial zones which otherwise permit live/work.
3. **Tiered Approach to the Hybrid Industrial Live/Work Zone.** The HI Zone is unique for its wide range of allowable development potentials. The zone's base allocation of Floor Area Ratio is set at 1.5:1. With the provisions of public benefits and other development features a project could exceed an FAR of 1.5 up to a maximum of 6:1. The required

provisions include incentives given for affordable housing, non-residential floor area, public art, inclusion of public open space, underground parking, and buildings using entirely Type I, II, or IV construction. Further, the zone includes an FAR exemption for the reuse of existing structures. The consequence of these unique provisions is that projects can range significantly in size, intensity and uses based on what incentives a project applicant elects to take advantage of. The zone sets forth both requirements and incentives as a set of unified standards that seek to advance the above-stated policy objectives and effectively regulate such future development. While it gives incentives, any development will result in widely varying financial costs associated with a project depending on land costs, individual parcel configuration, the selected public benefits, and the construction type of the building. The research shows many cities have created zoning provisions that offer additional development potential when development features and/or public benefits are included. The distinctive quality of the HI Zone in this regard is the range of development potentials under the tiered structure, the incentives offered for construction type, and the combination with exemptions for reuse of existing structures.

In sum, staff research has indicated that cities have taken a variety of approaches to the regulation of live/work as a use and to hybrid industrial zones. In all cases, there is not an equal to the approach that the proposed HI Zone takes in terms of live/work unit dimensional standards, use allowances, and tiered zoning and there is certainly no equivalent that combines of all these regulations.

Future Plan Amendments and Rezones Required

Under this ordinance, the new zone is not being applied to any particular property within the City. Ultimately, the City is most concerned with retaining space for jobs in industrial areas, while allowing and regulating a new type of live/work use and ensuring the compatibility of resulting projects and surrounding uses. The new zone will only be viable if and when economic conditions make actual projects financially feasible under the proposed regulations. Additionally, as noted above, there could be a variety of permutations of projects that could meet the zone's development standards; for example, the scale of future projects could vary greatly depending upon which incentives, if any, are being invoked. Developers will need to evaluate the following factors including, without limitation, the cost, design, scale, lot size, location and market demand. This new zone will allow the City to preserve industrial areas by keeping these areas flexible for a variety of potential light industrial uses (known and unknown) and ensuring that they can adapt over time to accommodate changes in market demand.

The HI Zone ordinance does not amend the general plan or any specific plan. This ordinance does not rezone any particular parcel, nor does it add this corresponding zone to any part of the City. This ordinance does not propose any new development and includes no changes in land use, intensity or density. The zone cannot be applied without significant future discretionary review by the City that involves legislative actions.

II. BACKGROUND

In 2007, the former Community Redevelopment Agency of Los Angeles and the Los Angeles Department of City Planning initiated the Industrial Land Use Policy Study (ILUP) in response to intense pressure to convert industrial land to residential and other non-industrial uses. The project examined the City's various industrial districts and provided geographically specific

direction on how to craft new and more tailored zones and long range plans that would adapt to future City needs. These findings and the Background Report, *Los Angeles Industrial Land: Sustaining a Dynamic City Economy*, provided guidance on how to consider changes of land use in industrial and employment areas as part of City's New Community Plan Program. In particular, the ILUP identified the need for new zoning tools to address industrial mixed-use areas where the City aims to retain a jobs focus but allow limited residential uses that are compatible with and can support employment activities.

The current Zoning Code does not contain regulations that effectively address the unique mix of land uses contemplated by this ordinance. All the City's current industrial zones prohibit any residential uses, including live/work uses, and are a product of antiquated Euclidean zoning that requires the segregation of incompatible uses. This segregation of uses may have been necessary in the past, but is no longer necessary for light industrial and contemporary creative and clean technology industries that would be compatible with live/work uses, and is counter to people's desire increasingly to live and work in the same space or in close proximity. In response to the lack of adequate zoning tools to respond to the changing nature of industry and how people work, the proposed HI Zone would provide the City with an option to regulate uses for hybrid industrial districts that advances many General Plan goals to preserve industrial land for jobs. This new proposal is a significant departure from the previously proposed Central City North Arts District Policy Initiative. This new proposal is premised on findings from the ILUP but is also the product of an ongoing and evolving evaluation of the City's available tools and strategies to preserve its industrial properties. The City has taken a flexible and aggressive approach in designing a new zone that would preserve job-producing land in industrial areas that could be potentially available across the City. At the same time, the City is cautiously approaching this new zoning tool by requiring considerable future evaluation of specific properties to determine if the new zone can and will be appropriate for any specific property. The City has determined that the decision of where this new zone may be applied can only be made when the City has collected more information about the potential range of projects that could be submitted by developers.

It remains unclear whether this new zone is a permanent solution or an interim measure. The creation of this new zone is a proposed set of regulations that will require subsequent evaluation to determine whether it should be applied in particular industrial area(s) of the City, and if so, which parcels would be appropriate. As potential proposals come forward, it will greatly enhance the City's ability to evaluate this new zone as an effective tool to protect its industrial land, while allowing a mix of live/work and other compatible uses.

Each industrial area of the City has its own unique mix of manufacturing and industrial uses, geographic constraints, community character, proximity to other destination locations, and access to the City's transportation network. Without any specific project details to evaluate in response to an applicant's request for the City to apply this new zone, the City's environmental analysis will be ineffective in informing the public of the tradeoffs associated with any contemplated future land use and zone change. City staff remain unsure if developers will actually request a general plan amendment and a rezoning in order to apply this new zone once specific project details come forward. For example, projects seeking an increase in floor area under the new zone must provide an extensive list of public benefits such as: affordable housing; a dedicated portion of floor area for nonresidential "arts and productive" uses; pedestrian paseos; pedestrian plazas; public art/façade treatments; and resident production/art gallery space. Ultimately, it may be economically infeasible for projects to comply with the public benefit requirements, despite the incentives offered. Nonetheless, the City has taken a strong position that any conversion of existing industrial properties to these hybrid uses must

generate a significant number of public benefits to make these new uses foster attractive and viable live/work environments that are also compatible with existing industrial uses. Other floor area incentives are not available unless all parking requirements are met through subterranean garages. Another floor area incentive requires projects to be built to specific construction types (Type I, II or IV Construction) in order to promote durable buildings that can accommodate a wide range of employment functions.

Limiting this proposed project to a new zoning classification without applying it to any discrete area allows the City to inform the public of a set of regulations that can be applied to implement stated policy objectives. As future applicants make requests to apply the regulations to their proposed projects, it will allow the City to evaluate the viability of the regulations in the context of a particular industrial area. Making this zone classification available for consideration citywide will permit developers to apply for a range of unique projects that will also satisfy rigorous public benefit requirements. In addition, this new zone classification provides communities with an additional zoning and development tool to consider applying as part of their ongoing community plan update process.

III. EXISTING ENVIRONMENT

With an estimated population of four million residents, Los Angeles is the second largest city in the United States. The City's boundaries cover 498.3 square miles of land and 29.2 square miles of water, reflecting a diverse terrain of urbanized areas, beaches, mountains and valleys. The City is divided into 15 City Council districts and 35 Community Plan Areas. Currently, only the Cornfield Arroyo Seco Specific Plan (CASP or Specific Plan) area contains a Hybrid Industrial land use designation. For clarification purposes, the CASP comprises portions of the Central City North, Northeast, and Silverlake-Echo Park Community Plan Areas. Only parcels within the Specific Plan have been given the underlying Hybrid Industrial land use designation. Of these three community plans, only the Central City North and Northeast Community Plans (within the Specific Plan boundaries) have parcels with the Hybrid Industrial land use designation.

To further clarify, this underlying designation has not been given to any parcels in the Arts District, Palms/Mar Vista, Westchester-Playa del Rey or the Venice Community Plan area, despite these areas being identified by members of the public as possible suitable locations for the hybrid industrial designation and, more specifically, the application of the HI zone. This ordinance does not introduce, expand or modify this land use designation in any area of the City. With the adoption of the proposed zone classification into the Zoning Code, the City will still have discretion to approve or deny the application of the corresponding zone to the existing Hybrid Industrial land use designation within the CASP. Furthermore, the City is not aware of any interest to rezone the CASP to use this new HI zone. Outside of the CASP, all areas of the City will require a general plan amendment and a zone change.

Only the City has the authority to initiate a general plan amendment. As part of this proposed ordinance, there are no specific parcels in the plan areas referenced above or elsewhere in the City that are being rezoned as part of this project. In addition, any application of this new zone would require a subsequent environmental review as part of a requested or initiated zone change, and either a general plan or specific plan amendment. When applied to a particular parcel in the future, the proposed HI Zone must correspond with and implement the Hybrid Industrial land use designation.

IV. CEQA DETERMINATION

The State California Environmental Quality Act (CEQA) Guidelines section 15061(b)(3) establishes the general rule that CEQA applies only to projects that have the potential to cause a significant effect on the environment. CEQA Guidelines section 15306 provides that a project is exempt if it consists of basic data collection, research, experimental management and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. In addition, the City's CEQA Guidelines, Article II, Section 2, class (m) also exempt ordinances that do not result in an impact on the physical environment.

Importantly, there is no possibility that the proposed new zone classification would have a significant effect on the environment because the project does not involve any construction activities, does not change the use or intensity of any existing site, does not affect density distribution nor rezone any specific parcel. Consequently, the proposed designation does not result in any direct or reasonably foreseeable indirect physical environmental impacts and has no potential to cause a significant environmental impact. In addition, the creation of the new zone classification does not commit the City to any definite course of action nor does it dictate how funds will be allocated or spent in the future. Therefore, the project is exempt under CEQA Guidelines Section 15061(b)(3) as well as the City's CEQA Guidelines, Article II, Section 2, class (m).

Consistent with CEQA Guidelines section 15064(d)(5), the City determines that no foreseeable impacts can be identified at this time. The City cannot ascertain where and how the proposed zone will be used because the eligibility criteria and development standards for the HI Zone are entirely unique as compared to any zone previously considered or adopted by the City. The HI Zone not only provides a new zone classification but is structured such that the provisions of the zone may apply to different projects in a variety of ways. Therefore, potential project designs that future applicants may propose to comply with the HI Zone criteria will differ depending on parcel size and configuration, density, and whether certain incentives are utilized. In turn, certain locations may be suitable or entirely impracticable based on the unique specifics of each project. Even if the City were to study several areas where the HI Zone might be used, a sample would neither capture the array of different considerations that applicants will use to determine whether the HI Zone is desirable for particular projects in particular areas, nor would a sample study show how the HI Zone will be used for different projects in different locations. Any study without more detail could be widely misleading to the public. Importantly, how the private sector will respond is unknown and therefore any effects of the new zone as to particular locations are too remote and too speculative to be evaluated at this stage. The types of projects that could potentially make use of the HI Zone regulations could vary widely, ranging from a change of use of an existing industrial structure to a single live/work unit, to the redevelopment of a site to accommodate a substantial number of live/work units and the associated required nonresidential uses. A project might seek a zone change to the HI Zone because the HI Zone regulations would allow for such changes of use where the regulations of another industrial zone would not. Analysis of the potential impacts of this range of potential projects would depend on comparing the existing use of a site with the proposed new use, which could be found to be either more impactful or less impactful based on the specific type of industrial use present. For this reason, it is too speculative at this time to determine the potential impacts of development projects that could be permitted under the new HI Zone.

The City has determined that it is too speculative to know where the new zone will be applied because it has the potential to be used in any industrial area in the City. However, outside of the general demand for new housing across the City, City Planning staff cannot reasonably determine an estimate related to the demand for this new HI Zone until the costs associated with its implementation are better understood. At this time, industrial areas across the City are being reviewed as part of the City's comprehensive community plan update process, and through that process, the City will determine appropriate industrial areas, if any, that should be rezoned to the new HI Zone. In addition, applicants with projects that are eligible to request the HI Zone may seek to pursue an alternative zoning and land use course of action, such as a zone change from industrial to commercial zone, in order to avoid the costs of providing the City's desired public benefits associated with the HI zone ordinance. This unknown adds greater uncertainty to the potential use of the proposed ordinance.

The likelihood that the HI Zone will actually be used in lieu of existing land use and zoning regulations in specific community plan areas is currently too speculative to identify reasonably foreseeable indirect impacts to the physical environment. Notably, after further evaluation by Planning staff, the demand previously identified in the Central City North Community Plan area was directly applicable and contingent on the parameters of the prior proposed Central City North Arts District Policy Initiative. This proposed HI Zone ordinance is a citywide enabling ordinance with provisions that differ in key ways from the Central City North Arts District Policy Initiative. For example, the HI Zone requires a higher percentage of restricted affordable units, at lower income levels, than the prior Central City North Arts District Policy Initiative. The HI Zone ordinance also requires that all live/work units be built to accommodate non-work functions within each unit, allowing for up to 5 nonresidential employees to work in each unit. In contrast, the prior Central City North Arts District Policy Initiative would have additionally allowed for live/work units that were not built to such rigorous building code standards. The differences found in each of these sets of regulations may greatly affect the financial feasibility of potential projects requesting the application of the proposed regulations. Rather, the City is uncertain as to where the new HI Zone may be implemented and will rely on information not yet known in order to evaluate the merits of adopting the HI Zone in specific areas. In taking this cautious approach, the City can assess how the development community will respond to this new zone type without specifically zoning a particular parcel or committing to implementing the corresponding zone in any one area.

Importantly, any developer applying for this new zone must undergo a full CEQA analysis (as required for any zone or plan change). As standard practice, all applicants seeking a zone change from an existing industrial zone to the HI Zone must first request that the City initiate a General Plan or Specific Plan amendment to designate specific properties as Hybrid Industrial. In this event, the City would also need to make findings regarding the suitability of the HI land use designation and the corresponding HI Zone to a specific community plan area. Future rezoning to the HI Zone would result in the application of the use and development regulations contained in this proposed ordinance. In order to ensure compatibility with new projects in industrial areas, live/work and hotel uses will be required to comply with development standards and include a range of public benefits as identified in the Ordinance. However, as stated above, it remains unclear if any developers can and will seek application of this new HI Zone. Through mandated environmental review, it may be apparent that a particular project will require mitigation measures that could result in additional limitations beyond those contained in the proposed zone itself.

Additionally, and based on all of the above, the creation of a zone district without rezoning any land will allow significant data collection, research and experiment and is exempt under CEQA Guidelines Section 15306. The project will result in an ability for the City to determine whether the novel approach to zoning for live/use results in the intended benefit of retaining industrial lands by determining whether the zone and its elements are utilized in future development proposals. At the same time, the zone district on its own cannot result in significant impacts because any development proposals will require at least a change in zoning designation to the City's Zoning Map. Additionally, with very limited exception, any project would require a plan amendment. As such, the City can both pilot a new zoning district and new mix of standards and incentives, while at the same time gathering information necessary to prepare future environmental and land use review for permanent projects. The project is exempt under CEQA Guidelines Section 15306 and based on the review of available evidence at this time, there is no basis to find any of the exceptions in Section 15300.2 apply.

PREPARED BY:
CITY OF LOS ANGELES, DEPARTMENT OF CITY PLANNING

2/9/16

DATE



BY