ORDINANCE NO. _____

An ordinance establishing the Hollywood Community Plan Implementation Overlay (CPIO) District for the Hollywood Community Plan Area.

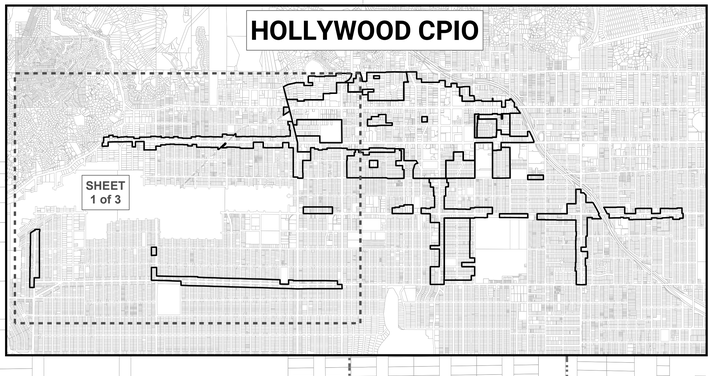
THE PEOPLE OF THE CITY OF LOS ANGELES DO ORDAIN AS FOLLOWS:

Section 1. Pursuant to Section 13.14 of Chapter 1 and Section 13.B.1.4. of Chapter 1A of the Los Angeles Municipal Code, and the City Council's authority to adopt zoning regulations, the City Council hereby establishes and adopts the attached Hollywood Community Plan Implementation Overlay District (Hollywood CPIO District) to read in whole as shown in the attached document. The Hollywood CPIO District's boundaries are identical to the boundaries of the Hollywood Community Plan (Hollywood Community Plan), adopted on May 3, 2023 (Council File No. 21-0934). The City Council establishes ten Hollywood CPIO District Subareas in four categories: the Regional Center Subareas, the Corridors Subareas, the Multi-Family Residential Subareas, and the Character Residential Subarea, for those areas shown in the attached Hollywood CPIO District Boundary Maps.

Sec. 2. The City Council finds that the supplemental development regulations of the Hollywood CPIO District are consistent with, and necessary to implement, the programs, policies and design guidelines of the Hollywood Community Plan.

Sec. 3. **OPERATIVE DATE.** This ordinance shall be operative on February 11, 2025 to comply with the rezoning program deadline of February 12, 2025.

Sec. 4. **URGENCY CLAUSE**. The City Council finds and declares that this ordinance is required for the immediate protection of the public peace, health and safety because this ordinance is necessary for urgently needed housing. As recognized in the Housing Element, the City has a need for the development of approximately 450,000 housing units by the year 2029, including an immediate need of tens of thousands of units to serve an existing shortfall. In order to address this shortfall, the City must complete a rezoning program by February 12, 2025 pursuant to California Government Code 65583(c)(1)(A), at which time a determination of non-compliance could trigger a significant loss of funding for housing and infrastructure, loss of local zoning control, and court-imposed fines. This potential loss of funding for housing could result in less affordable housing being developed citywide, posing a severe threat to the stability of lower income households and further contributing to the City's ongoing homelessness and affordable housing crisis. This ordinance implements a rezoning program that would make the City compliant with state-mandated requirements. For these reasons, this ordinance shall become effective upon publication pursuant to Section 253 of the Los Angeles City Charter.



SEE SHEET 2 of 3 →

Hollywood Community Plan Implementation Overlay (CPIO) Subareas

- Regional Center
- Corridors
- Multi-family Residential
- Character Residential

THIS ORDINANCE ESTABLISHES THE BOUNDARIES FOR THE HOLLYWOOD COMMUNITY PLAN IMPLEMENTATION OVERLAY (CPIO) DISTRICT.

NORTH

1,000 500 0 1,000 Feet

CPC-2016-1450-CPU

CF/ca 030317

SHEET 1 of 3

City of Los Angeles

Hollywood

Data Sources: Department of City Planning, Bureau of Engineering

SEE SHEET
←1 of 3

SEE SHEET
3 of 3→

HOLLYWOOD CPIO

SHEET
2 of 3

Hollywood Community Plan Implementation Overlay (CPIO) Subareas

- Regional Center
- Corridors
- Multi-family Residential
- Character Residential

Data Sources: Department of City Planning, Bureau of Engineering

THIS ORDINANCE ESTABLISHES THE BOUNDARIES FOR THE HOLLYWOOD COMMUNITY PLAN IMPLEMENTATION OVERLAY (CPIO) DISTRICT.

NORTH

1,000 500 0 1,000 Feet

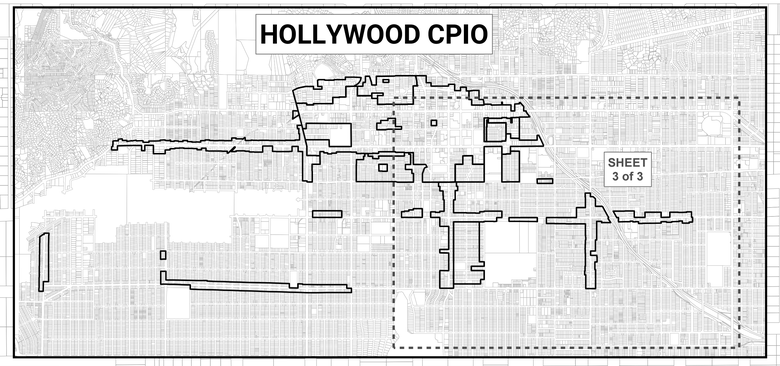
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SHEET
2 of 3

City of Los Angeles

Hollywood



SEE SHEET
← 2 of 3

HOLLYWOOD

RTE 101

FWY

Hollywood Community Plan Implementation Overlay (CPIO) Subareas

- Regional Center
- Corridors
- Multi-family Residential
- Character Residential

Data Sources: Department of City Planning, Bureau of Engineering

THIS ORDINANCE ESTABLISHES THE BOUNDARIES FOR THE HOLLYWOOD COMMUNITY PLAN IMPLEMENTATION OVERLAY (CPIO) DISTRICT.

NORTH

1,000 500 0 1,000 Feet

CPC-2016-1450-CPU

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SHEET
3 of 3

City of Los Angeles

Hollywood

Hollywood Community Plan Implementation Overlay District
(Hollywood CPIO District)

Ordinance No. _____

Effective Date _____

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Appendix A	Environmental Standards
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CHAPTER I – FUNCTION OF THE CPIO DISTRICT

Section I-1. HOLLYWOOD CPIO DISTRICT AUTHORITY AND BOUNDARIES

Pursuant to Los Angeles Municipal Code (LAMC) Section 13.14, the City Council establishes the Hollywood Community Plan Implementation Overlay District (Hollywood CPIO District or CPIO District). The boundaries of the Hollywood CPIO District are identical to the boundaries of the Hollywood Community Plan Area (Community Plan Area) as adopted on May 3, 2023 (Council File No. 21-0934) shown on Figure I-1.

Figure I-1: Hollywood Community Plan - Community Plan Implementation Overlay District

Metro Rail System
- Metro B Line Station

Regional Center Subareas
- RC1A
- RC1B
- RC2
- RC3

Corridors Subareas
- Corridor 1
- Corridor 2

Multi-Family Residential Subareas
- MF1
- MF2
- MF3

Character Residential Subarea

Community Plan Area

City of Los Angeles

Hollywood Community Plan Area

N

Area of Detail Figure II

Riverside Dr
Cahuenga Blvd
Los Feliz Blvd
Griffith Park Blvd
Rowena Ave
Glendale Blvd
St George St
Hillhurst Ave
Sunset Blvd
Fountain Ave
Vermont Ave
Myra Ave
Virgil Ave
Western Ave
Normandie Ave
La Mirada Ave
Bronson Ave
Gower St
Wilton Pl
Vine St
Cole Ave
Cahuenga Blvd
Wilcox Ave
Highland Ave
Fairfax Ave
Gardner St
Franklin Ave
Hollywood Blvd
Yucca St
Santa Monica Blvd
Melrose Ave
Martel Ave
La Brea Ave
La Cienega Blvd
101

LOS ANGELES CITY PLANNING

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0 0.5 1

Miles

Figure I-2: Hollywood CPIO Subareas

Metro Rail System
- Metro B Line Station

Regional Center Subareas
- RC1A
- RC1B
- RC2
- RC3

Corridors Subareas
- Corridor 1
- Corridor 2

Multi-Family Residential Subareas
- MF1
- MF2
- MF3

Character Residential Subarea

Community Plan Area

Hollywood Community Plan Area

CPIO

N

Area of Detail

101

Franklin Ave

Hollywood Blvd

Yucca St

Fairfax Ave

Gardner St

Western Ave

Sunset Blvd

Highland Ave

Fountain Ave

Wilcox Ave

Gower St

Bronson Ave

La Mirada Ave

Normandie Ave

Santa Monica Blvd

Cahuenga Blvd

Vine St

Wilton Pl

La Cienega Blvd

Martel Ave

La Brea Ave

Melrose Ave

LOS ANGELES CITY PLANNING

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0 0.25 0.5

Miles

Section I-2. PURPOSES

The purposes of the Hollywood CPIO District are as follows:

A. To implement the goals and policies of the Hollywood Community Plan.

B. To provide supplemental development regulations tailored to the Community Plan Area in order to promote better urban design and to ensure that development enhances the aesthetic character of the community, maintains compatible land uses, and appropriate development scale, intensity, and density.

C. To establish a local incentive system that tailors and replaces the existing Transit Oriented Communities Affordable Housing Incentive Program Guidelines.

D. To encourage mixed-income and 100 percent affordable housing development through an incentive system that meets the diverse needs of the community and minimizes potential displacement.

E. To establish development incentives that seek to ensure that new development considers the scale of new structures in relation to the scale of existing buildings in lower scale residential and historic areas.

F. To guide how buildings relate to the street and the public realm, and facilitate lively, attractive, and pedestrian-oriented environments through development standards.

G. To provide guidance for the preservation of historic resources and the integration of compatible new development.

H. To establish a review process for the rehabilitation of designated and eligible historic resources and ensure that demolitions of eligible historic resources do not occur without assessment of the eligible resource(s) and environmental review.

I. To create approval processes, including a ministerial Administrative Clearance process, which enables infill development in conformance with these regulations that will positively impact neighborhoods.

Section I-3. SUBAREAS

The Hollywood CPIO District contains four subareas (Subareas) as shown on Figures I-1 and I-2 and precisely delineated by the solid boundary lines on the CPIO District Boundary Maps, attached to the ordinance establishing the Hollywood Community Plan Implementation Overlay District. The Subareas are contiguous or non-contiguous parcels characterized by common overarching Community Plan themes, goals, and policies, and are grouped by a common boundary. The four Subareas are summarized below.

Regional Center Subareas (RC1A, RC1B, RC2, and RC3)

Regional Center Subareas RC1A, RC1B, RC2, and RC3 seek to foster continued investment in central Hollywood, a focal point of regional commerce, identity, and activity. Hollywood's Regional Center has historic theaters, tourist attractions, the Walk of Fame, Metro stations, apartments, hotels, office buildings, and retail. The Subareas are intended to continue to support these types of uses and to direct and accommodate future development to this transit-rich area. The Subareas are also intended to protect the historic character of Hollywood through contextual incentives and design requirements, and by focusing on the pedestrian experience. Projects in the Regional Center Subareas may utilize the CPIO Affordable Housing Community Benefits Program to facilitate the production of housing, programs for non-Residential Uses, and Transfer of Development Rights to facilitate historic preservation.

The four Regional Center Subareas are shown on Figure II-1 and are summarized as follows:

RC1A Subarea

The RC1A Subarea is located in a transit-rich area with local and regional bus lines and two Metro subway stations on Hollywood Boulevard. Incentives include an FAR increase of up to 4.65:1 FAR for 100 percent affordable housing projects.

RC1B Subarea

The RC1B Subarea is also located in a transit-rich area, generally near the Metro B Line Station at Hollywood/Vine and includes areas that have greater development potential. Projects in the RC1B Subarea are allowed greater incentives, including an FAR increase of up to 6.75:1 FAR for 100 percent affordable housing projects.

RC2 Subarea

The RC2 Subarea includes areas around Hollywood Boulevard between Gower Street and the Hollywood Freeway (US 101), and areas with lower development potential than RC1A and RC1B Subareas. Incentives include an FAR increase of up to 3.75:1 FAR for 100 percent affordable housing projects.

RC3 Subarea

The RC3 Subarea is within the historic Hollywood Boulevard Commercial and Entertainment District, listed on the National Register of Historic Places. Incentives include an FAR increase of up to 3.75:1 FAR for 100 percent affordable housing projects. To preserve the historic character of this area, the CPIO District does not provide height incentives for projects in this Subarea.

Corridors Subareas (Corridor 1 and Corridor 2)

Corridors Subareas Corridor 1 and Corridor 2 seek to foster continued investment in the various corridors outside of the Regional Center served by existing or planned bus lines. Development standards for the Subareas provide for well-designed and pedestrian-oriented

projects that are appropriate to the scale and context of each area, and that differentiate between major corridors and neighborhood corridors.

The two Corridors Subareas are shown in Figure III-1 and are summarized as follows:

Corridor 1 Subarea

The Corridor 1 Subarea includes parcels on La Brea Avenue between Hollywood Boulevard and Fountain Avenue, near the Regional Center. This area is adjacent to the Regional Center Subareas and has greater development potential, thus incentives include an FAR increase up to 4.25:1 FAR for 100 percent affordable housing projects.

Corridor 2 Subarea

The Corridor 2 Subarea includes parcels along Sunset Boulevard west of La Brea Avenue, and portions of Santa Monica Boulevard, Vine Street, Fairfax Avenue, La Cienega Boulevard, Western Avenue, and Melrose Avenue. This Subarea is a neighborhood corridor with incentives that allow FAR increases up to 3.75:1 FAR for 100 percent affordable housing projects.

Multi-Family Residential Subareas (MF1, MF2, and MF3)

The Multi-Family Residential Subareas MF1, MF2, and MF3 identify new housing development opportunity areas, including areas near central Hollywood and around major commercial corridors that are well-served by existing or planned transit. Density increases are offered with the provision of affordable housing and development standards guide new infill residential development to be compatible with the context of the existing neighborhood.

The three Multi-Family Residential Subareas are shown on Figure IV-1 and summarized as follows:

MF1 Subarea

The MF1 Subarea is located north of the Regional Center, near the Hollywood/Highland Metro B Line Station, generally located between Highland Avenue, Wilcox Avenue, Hollywood Boulevard, and Franklin Avenue. This area is located near a major commercial corridor with incentives that allow FAR increases up to 6:1 FAR for 100 percent affordable housing projects.

MF2 Subarea

The MF2 Subarea includes three residential areas surrounding the Regional Center. Incentives include allowing FAR increases up to 4.25:1 FAR for 100 percent affordable housing projects.

MF3 Subarea

The MF3 Subarea is located west of the Paramount Pictures studio, between Santa Monica Boulevard, Melrose Avenue, Vine Street, and Gower Street. Incentives include FAR increases up to 4.25:1 FAR for 100 percent affordable housing projects and greater height increases for 100 percent affordable housing projects compared to the MF1 and MF2 Subareas.

Character Residential Subarea

The Character Residential Subarea focuses on preserving designated and eligible historic districts by encouraging well-designed projects that are compatible with the surrounding neighborhood scale and that enhance neighborhood character. The Character Residential Subarea is shown on Figure V-1.

Section I-4. DEFINITIONS

Whenever the following terms are used in this ordinance, they shall be construed as defined in this Section I-4. Words and phrases not defined in this section shall be construed as defined in LAMC Chapter I, including, but not limited to, Sections 12.03 and 14.4.2, or LAMC Chapter 1A. Capitalized words in this Section and the CPIO District shall be as expressly defined in this Section. Any reference to a federal or state statute or regulation in this Section or the CPIO District shall be to the statute or regulation as written and in effect on the date this CPIO District is adopted. Any reference to City ordinances in this Section or this CPIO District is deemed to be amended when those ordinances are amended from time to time.

Active Floor Area – Floor area that is directly accessible from a building's Primary Frontage, and that is dedicated to any of the following: Commercial Uses, hotel lobbies, residential lobbies, residential amenities, live/work dwelling units, or any other uses or design features, subject to the approval of the Director, that activate the Primary Frontage of a Project with patron ingress and egress.

Additional Incentive – A development incentive granted in addition to a CPIO Bonus Incentive as provided in the CPIO District by providing Restricted Affordable Units as required by the CPIO District.

Administrative Clearance – A ministerial approval for a Project in a CPIO District Subarea that is obtained pursuant to Section I-6.C.2.

Arcade – A publicly accessible covered passageway or open hall located on private property. As passageways devoted exclusively to pedestrians, they establish clear connections among streets, plazas and courtyards, building entrances, parking and transit facilities.

Architectural Feature – An aesthetic element of a building's design that is integral to the overall style of architecture, but is not considered habitable, or otherwise counted as part of a building's floor area.

Base – The maximum density, height, or FAR permitted on a Project site by this CPIO District excluding any available CPIO Bonus.

Building Break – A physical separation between structures, or a step in the Façade where a Landscape Amenity Space is provided at the ground level. Building Breaks are measured by the shortest horizontal distance between the exterior wall of a structure to another structure.

Bulkhead – A wall located beneath a display window on the ground story Façade that serves to elevate a window above the surrounding finished grade and the Ground Floor elevation.

CEQA – The California Environmental Quality Act, Public Resources Code Sections 21000, *et seq.*, and the guidelines adopted in California Code of Regulations, Title 14, Chapter 3, Sections 15000, *et seq.* (CEQA Guidelines).

City Planning (LACP) – The Los Angeles Department of City Planning or Los Angeles City Planning.

Commercial Tenant Size – The maximum floor area permitted per Commercial Tenant Space, which floor area does not include common areas, such as corridors and shared restrooms.

Commercial Tenant Space. A tenant space used for Commercial Uses, contained within walls with a single entrance, and which does not have a direct connection with other tenant spaces, but may have connections to common areas and shared facilities.

Commercial Uses – Those uses first permitted in the CR, C1, C1.5, C2, C4, or C5 Zones, as described in LAMC Chapter I, Article 2, and Community Facilities.

Community Facilities – Any use whose primary purpose is to provide government, non-profit, or not-for-profit assistance to the general public. Examples include government offices and services or privately funded services or charities that are provided to the public at a free or subsidized rate, child care centers, job assistance centers, business assistance centers, libraries, schools, adult day cares, health centers, museums, cultural centers, gyms or recreation centers, restrooms open to the general public, and rooms available to the general public for community meetings. Public parking structures are Community Facilities when they include another Community Facility use, such as childcare centers or community meeting rooms. Community Facilities include any related administrative offices.

Community Plan – The Hollywood Community Plan.

CPIO 100 Percent Affordable Housing Project – A Project in which 100 percent of the residential dwelling units, excluding any manager unit(s), are Restricted Affordable Units.

CPIO Additional Affordable Housing Linkage Fee Project – A Project that obtains additional development rights under the Community Benefits Program through the voluntary payment of a Linkage Fee as provided in Section II-4.D.

CPIO Affordable Housing Project – A Project that may also include Commercial Uses that is a CPIO 100 Percent Affordable Housing Project or a CPIO Mixed-Income Housing Project.

CPIO Approval – An approval issued under Section I-6.C that is an Administrative Clearance, a CPIO Adjustment, or a CPIO Exception.

CPIO Bonus Incentive – A development incentive provided to a Project in this CPIO District in exchange for the Project including Restricted Affordable Units or PAOAS at

amounts prescribed in the CPIO District. A CPIO Bonus Incentive does not include Additional Incentive(s).

CPIO Community Benefits Program – The provisions of this CPIO District in Sections II-4, III-2, IV-2, and V-1.B which provide CPIO Bonus Incentives and/or Additional Incentives for a CPIO Mixed-Income Housing Projects, or a CPIO 100 Percent Affordable Housing Project, or a PAOAS Project, or a CPIO Additional Affordable Housing Linkage Fee Project.

CPIO Mixed-Income Housing Project – A project comprised of a mix of market-rate and Restricted Affordable Units at the percentages specified in Sections II-4.A.1, III-2.A.1, IV-2.A.1; V-1.A.1.

CPIO Non-Residential Community Benefits Project – A project comprised exclusively of non-Residential Uses and is a TDR, CPIO PAOAS or an CPIO Additional Affordable Housing Linkage Fee Project.

CPIO Publicly Accessible Outdoor Amenity Space Project (PAOAS) Project – A non-residential project within one of the Regional Center subareas that provides Publicly Accessible Outdoor Amenity Space as a community benefit in exchange for incentives outlined in Chapter II.

Demolition (of an eligible historic resource) – Demolition is the removal of more than 50 percent of the perimeter wall framing, the removal of more than 50 percent of the roof framing, or the substantial removal of the exterior material of a street fronting Façade. The term does not include the removal of exterior wall framing or exterior building materials for the purpose of Rehabilitation or Restoration compliant with the Secretary of the Interior's Standards. Additions involving removal of more than 50 percent of the roof framing shall not be subject to this definition provided that at least 50 percent of the exterior roof area maintains its original slope, location, configuration, and material type.

Designated Historic Resource – A building, structure, object, landscaping element, or natural feature listed or designated as a historical resource, either individually, or as a contributor to a district, at the local, state, or national level.

Development Agreement – As defined in California Government Code Section 65864, *et seq.*

Director – The Director of the Los Angeles City Planning Department, unless otherwise specified.

Donor Site (Transfer of Development Rights) – A site that donates unused floor area under its Base or bonus FAR to a Receiver Site pursuant to Section I-6.C.5.

Eligible Historic Resource – A building, structure, object, site, landscape, natural feature, or historic district identified as eligible for listing either individually or as a contributor to a historic district under a local, state, or federal designation program through Survey LA (the

Los Angeles Historic Resources Survey), the January 2020 Historic Resources Survey Report prepared by CRA-LA Designated Local Authority, or any subsequent historic resource survey completed by a person meeting the Secretary of the Interior's Professional Qualification Standards for Historic Preservation and accepted as complete by the Director, in consultation with the Office of Historic Resources. This term does not include a non-contributor to an eligible or designated historic district.

Extremely Low Income (ELI) Households – As defined in Health and Safety Code Section 50106.

Façade – The above-grade, non-roof portions of the exterior building envelope.

FAR – Floor Area Ratio, as defined in LAMC Section 12.03.

Ground Floor – The lowest story within a building or buildings that is accessible to the street, and is located within three feet above or below grade.

LADBS – Los Angeles Department of Building and Safety.

LADOT – Los Angeles Department of Transportation.

LAHD – Los Angeles Housing Department.

LAMC – Los Angeles Municipal Code.

Landscape Amenity Space – A landscaped space, including plazas, courtyards, Paseos, arcades, patios, covered walkways, and is located at the ground level of a Project.

Lower Income (Lower) Households – As defined in Health and Safety Code Section 50079.5(a).

Mixed-Use Project – A Project that combines a Residential Use with one or more Commercial Uses within a Unified Development.

Office of Historic Resources (OHR) – The Los Angeles Department of City Planning, Office of Historic Resources.

Origin Height – The specified height from the vertical extension of the required front and side yard setbacks that the Encroachment Plane originates from.

Paseo – An outdoor passage on private property devoted exclusively to pedestrians, which serves as an extension of the street grid and establishes clear connections among streets, plazas and courtyards, building entrances, parking, and transit facilities.

Pedestrian Amenity Spaces – Public plazas, retail courtyards, Paseos, arcades, patios, covered walkways, or spaces for outdoor dining or seating that are located at the ground level and accessible to and available for use by the public.

Primary Frontage – The exterior building walls facing the Primary Lot Line. For the purposes of this definition, all exterior walls that intersect a plane parallel to the Primary Lot Line at 45 degrees or less shall be considered the Primary Frontage. When the Primary Lot Line is not straight, a line connecting the points where the secondary or side lot lines and the Primary Lot Line intersect shall be used.

Primary Lot Line – The property line of a lot that is contiguous with a public street. On lots fronting more than one public street, the Director of Planning shall determine the Primary Lot Line based upon neighborhood characteristics, including the designation of the abutting streets and the dimensions of the subject lot.

Project – Any activity that requires the issuance of a building, grading, demolition or change of use permit, unless the activity consists solely of interior tenant improvements, or interior rehabilitation/repair work.

Protected Unit - A dwelling unit that is, or was within the last five years, any of the following: (1) subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower or very low income; (2) subject to any form of rent or price control through a public entity's valid exercise of its police power; or (3) rented by lower or very low income households. A Protected Unit is also any dwelling unit withdrawn from rent or lease per the Ellis Act within the past 10 years.

Publicly Accessible Open Amenity Space (PAOAS) – Public Plazas, pocket parks, and passive and active recreation areas that are accessible for use by the general public.

Receiver Site (Transfer of Development Rights) – A site that receives available unused floor area from a Donor Site pursuant to Section I-6.C.5.

Rehabilitation – The act or process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions or features of the property which are significant to its historical, architectural, and cultural values.

Residential Uses – A use that provides housing accommodations serving as a primary residency or having a tenancy of 30 days or greater. Supportive Housing, and related services, shall be considered a Residential Use. A hotel (including guest rooms or efficiency units), which is primarily used by transient guests who do not occupy the building as their primary residence shall not be considered a Residential Use.

Restoration – The act or process of accurately recovering the form, features, and details of a property as it appeared at a particular period of time by means of the removal of later work or by the replacement of missing earlier work.

Restricted Affordable Unit – A residential unit for which the amount of rent is restricted by a covenant so as to be affordable to and occupied by Extremely Low, Very Low, or Lower Income Households.

Storefront Bay – An area of the Façade located within five feet of a Primary Frontage with a high level of contiguous transparency defined by a Surround and a Bulkhead and may contain an at-grade street facing entrance.

Street-Oriented Entrance – A building entrance (or in the case of multi-tenant structures, multiple entrances) that is visible and directly accessible from the Primary Lot Line and is enhanced with Architectural Features to denote the entrance from the rest of the Façade.

Surround – An Architectural Feature used to highlight an entrance or Storefront Bay. A Surround frames the bay or entry with vertical bands (column, pilaster, etc.) topped by a horizontal band (capital, header, etc.) or with a continuous band wrapping around the entry or bay feature.

Transfer of Development Rights (TDR) – A transfer of development rights from a donor site to a Receiver Site under Section II-3 of this CPIO District.

Unified Development – A development of two or more buildings which have functional linkages such as pedestrian or vehicular connections, with common architectural and landscape features which constitute distinctive design elements of the development, and that appears to be a consolidated whole when viewed from adjoining streets. Unified Developments may include two or more contiguous parcels or lots of record separated only by a street or alley.

Unified Lots – Two or more legal lots owned by one or more owners, which through legal instrument are controlled or developed as one lot, such as lots subject to a covenant, known as a "covenant to hold property as one parcel."

Very Low Income (VL) Households – As defined in Health and Safety Code Section 50105.

Section I-5. RELATIONSHIP TO OTHER ZONING REGULATIONS

A. General Rule. The regulations of this CPIO District are in addition to those set forth in LAMC Chapter I or Chapter 1A, and any other ordinances adopted under the procedures in LAMC Chapter I or Chapter 1A, and the more restrictive provisions in this CPIO District control over the less restrictive provisions in LAMC Chapters I or 1A, or other ordinance. Unless explicitly provided in this CPIO District, the CPIO District does not convey any rights or greater permissions not otherwise granted under the provisions and procedures contained in the LAMC or other ordinances adopted under the procedures in LAMC Chapter I or Chapter 1A.

B. Specific Rules.

1. **Mini-Shopping Center and Commercial Corner Development.** The provisions of LAMC Sections 12.22 A.23 and 12.24 W.27 shall not apply within the CPIO District.

2. **Transit Oriented Communities Affordable Housing Incentive Program**. For properties within the boundaries of the CPIO District, in whole or in part, the Citywide Transit Oriented Communities Guidelines (TOC) shall be superseded by the provisions and requirements contained within this ordinance.

3. **Other Density or Development Bonus Provisions.** A CPIO Affordable Housing Project shall not be eligible for a density or development bonus under any other state or local law, including but not limited to Government Code Section 65915, LAMC Section 12.22 A.25, or an entitlement issued under the LAMC, including but not limited to a general plan amendment, zone or height district change, or a conditional use permit.

4. **Citywide Rent Stabilization Ordinance.** Nothing in this CPIO District is intended to override or conflict with LAMC Chapter XV, including but not limited to applicable rents, replacement requirements, and tenant rights. To the extent there is a conflict between the CPIO District and LAMC Chapter XV, the provisions in Chapter XV control. Additional requirements in the CPIO District that are not prohibited by LAMC Chapter XV are not considered a conflict.

5. **Affordable Housing Linkage Fee**. Except as expressly provided otherwise, nothing in this CPIO District is intended to override or conflict with the regulations set forth in LAMC Section 19.18.

6. **Hollywood Redevelopment Plan**. If there are conflicts between the provisions of the CPIO District and the development regulations set forth in an operable Hollywood Redevelopment Plan the provisions of the CPIO District shall govern.

7. **Project Review Exemptions.** A Project that meets any of the following criteria is exempt from Project Review in LAMC Chapter 1A, Section 13B.2.4 or Site Plan Review in LAMC Section 16.05, as applicable:

    (a) Is in a Regional Center Subarea, is a CPIO Affordable Housing Project eligible for CPIO Bonus Incentives, and creates or results in an increase of 200 or less dwelling units;

    (b) Is in a Multi-Family Residential Subarea, is a CPIO Affordable Housing Project eligible for CPIO Bonus Incentives, and creates or results in an increase of 100 or less dwelling units; or

(c) Is in a Regional Center Subarea, is a CPIO Non-Residential Community Benefits Project eligible for CPIO Bonus Incentives, and creates or results in an increase of 200,000 square feet or less of non-Residential Uses.

8. Developments Combining Residential and Commercial Uses. The provisions of LAMC Section 12.22A.18(a) with regard to the residential density shall only apply to Projects seeking a density bonus pursuant to Government Code Section 65915 or its local incentive program.

Section I-6. REVIEW PROCEDURES

A. Prohibition of Issuance of LADBS Permits Prior to CPIO Approval. LADBS shall not issue a permit for any Project within a CPIO District Subarea (in whole or in part), unless the Project has been reviewed and approved in accordance with this Section I-6.

B. Filing Requirements for Multiple Approvals. A CPIO Adjustment or a CPIO Exception shall be a quasi-judicial approval for purposes of LAMC Chapter 1A, Section 13A.2.10.A.2.b, and shall be processed pursuant to the procedures in LAMC Chapter 1A, Section 13A.2.10, if the project requires multiple discretionary approvals. Pursuant to LAMC Chapter 1A, Section 13.A.2.10, an Administrative Clearance shall be sought after all discretionary approvals, if any, are approved.

C. CPIO Approval. All Projects within a CPIO District Subarea (in whole or in part) shall obtain an Administrative Clearance to demonstrate compliance with the CPIO District, including the Environmental Standards set forth in Section I-9 and Appendix A. For any requirement for which the Project cannot demonstrate compliance, the Project shall obtain a CPIO Adjustment or a CPIO Exception, if permitted by the CPIO District. An application for a CPIO Approval shall be reviewed and approved pursuant to LAMC Section 13.14 G, including as its requirements are modified and supplemented below:

1. Content of Application for a CPIO Approval. In addition to any other information or documents required under LAMC Section 13.14 G.1, an applicant shall provide, at a minimum, two sets of detailed permit drawings and any other exhibits deemed necessary to demonstrate compliance with all applicable provisions of the CPIO District. Each application submitted for a CPIO Adjustment, or a CPIO Exception shall clearly identify and list all of the adjustments and exceptions requested.

2. Administrative Clearance. In addition to the requirements in LAMC Section 13.14 G.2, the following shall apply:

(a) **Director Approval.** The Director shall grant an Administrative Clearance after reviewing the Project and finding that it is in compliance with all applicable provisions of the CPIO District.

(b) **Non-Appealable Ministerial Approval.** The approval of an Administrative Clearance is ministerial and is not subject to appeal.

(c) **Scope of Review and Non-Conforming Uses.**

(i) In reviewing a Project for an Administrative Clearance, the Director shall review the Project for compliance with those regulations that are applicable to the proposed scope of construction or use. For example, a Project that involves only Façade improvements shall comply with applicable transparency standards, but need not comply with parking lot standards.

(ii) Non-conforming uses shall comply with LAMC Section 12.23.

3. CPIO Adjustments. CPIO Adjustments shall be processed pursuant to LAMC Section 13.14 G.2. Unless expressly stated otherwise in the CPIO District, all CPIO District regulations are eligible for a CPIO Adjustment.

4. CPIO Exceptions. CPIO Exceptions shall be processed pursuant to LAMC Section 13.14 G.3. Unless expressly stated otherwise in the CPIO District, all CPIO District regulations are eligible for a CPIO Exception.

5. Review Procedures for Transfer of Development Rights for Historic Preservation (TDR). A Transfer of Development Rights for historic preservation (TDR), authorized under Section II-3, shall be processed as a CPIO Adjustment, except as follows:

(a) **Limitations.** A TDR is not subject to the limitations in LAMC Section 13.14 G.2(a).

(b) **Process.** Prior to issuance of a CPIO Adjustment for a TDR, the following procedures and requirements shall be met:

i. The application for the TDR shall not be deemed complete until the amount of square footage that is available from the Donor Site is verified by City Planning.

ii. Prior to preparing a preservation easement, the applicant shall consult with the Office of Historic Resources to identify, with respect to the Donor Site, the significant

historic features that are required to be maintained, and to identify any Rehabilitation work required to be completed.

iii. An executed and recorded preservation easement must be approved by the Director, in consultation with OHR, as meeting the requirements of Section II-3.

(c) **Findings.** In lieu of the findings in LAMC Section 13.14 G.2(b), the decisionmaker shall find the Project is in compliance with Section II-3.

6. Designated Historic Resource Evaluation. In addition to any requirements in the LAMC, Projects involving a Designated Historic Resource shall be subject to the following additional requirements:

(a) The Project shall be consistent with the Secretary of the Interior's Standards for the Treatment of Historic Properties, as determined by the Director in consultation with OHR and based upon a technical study prepared by a person meeting the Secretary of the Interior's Professional Qualification Standards to assess impacts to historical resources and accepted by OHR.

(b) The Project shall not demolish or remove any building or structure, within a National Register Historic District, or California Register of Historical Places, that is designated as a contributing element, or an altered contributing element, unless the owner can demonstrate to the Director that the owner would be deprived of all economically viable use of the property. In making its determination, the Director shall consider any evidence presented concerning the following:

(i) An opinion regarding the structural soundness of the structure and its suitability for continued use, renovation, Restoration or Rehabilitation from a licensed engineer or architect who meets the Secretary of the Interior's Professional Qualification Standards as established by the Code of Federal Regulation, 36 CFR Part 61. This opinion shall be based on the Secretary of the Interior's Standards for Architectural and Engineering Documentation with Guidelines;

(ii) An estimate of the cost of the proposed Demolition, and replacement project and an estimate of the cost that would be incurred to execute a Secretary of the Interior's Standards for Rehabilitation alternative to the project, as identified in an Environmental Impact Report (EIR), or in the absence of an EIR, when appropriate under CEQA, as identified by the Director of Planning in consultation with the Cultural Heritage Commission or its designee;

(iii) An estimate of the market value of the property in its current condition; after completion of the proposed Demolition and replacement project; and after any expenditure necessary to execute a Secretary of the Interior's Standards for Rehabilitation alternative to the project, as identified in an EIR, or in the absence of an EIR, when appropriate under CEQA, as identified by the Director of Planning in consultation with the Cultural Heritage Commission or its designee;

An estimate from architects, developers, real estate consultants, appraisers, or other real estate professionals experienced in Rehabilitation as to the economic feasibility of Restoration, renovation or Rehabilitation of any existing structure or objects. This shall include tax incentives and any special funding sources, or government incentives which may be available.

(c) Compliance with this Subdivision 6 shall be by administrative clearance, and the Director's decision determining compliance must be supported by the required expert studies. The Director's decisions under this Subdivision are not appealable except by the applicant if approval is denied under the procedures in LAMC Chapter 1A Section 13B.2.5.

7. Eligible Historic Resource Evaluation. A Project that involves an Eligible Historic Resource shall comply with the following:

(a) **Non-Demolitions.** If the Project does not involve the Demolition of the Eligible Historic Resource, the following requirements shall be met:

(i) The Director, in consultation with the Office of Historic Resources, finds, based upon a Phase 1 Historic Resource Assessment and substantial evidence, that the Eligible Historic Resource is not an historical resource, as defined by Public Resources Code Section 21084.1; or

(ii) The Director, in consultation with the Office of Historic Resources and based upon a technical study prepared by a person meeting the Secretary of the Interior's Professional Qualification Standards to assess impacts to historical resources, finds, based upon substantial evidence, that the Project is consistent with the Secretary of Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings; or

(iii) Environmental review in compliance with CEQA is completed on the Project to determine if there will be a substantial impact to a historical resource, and including, if necessary, the adoption of a statement of overriding considerations. For purposes of this paragraph, the Director has discretion to impose mitigation measures or deny the Project if a necessary statement of overriding considerations is not adopted.

(b) **Demolitions.** If the Project involves the Demolition of an Eligible Historic Resource, the following requirements shall be met:

(i) The Director, in consultation with the Office of Historic Resources, determines, based upon a Phase 1 Historic Resource Assessment and substantial evidence, that the Eligible Historic Resource is not an historical resource, as defined by Public Resources Code Section 21084.1; or

(ii) Environmental review in compliance with CEQA was completed to determine if there will be a substantial impact on a historical resource from the Project, and including, if necessary, the adoption of a statement of overriding considerations. For purposes of this paragraph, the Director has discretion to impose mitigation measures or deny the Project if a necessary statement of overriding considerations is not adopted.

(c) **Review Authority.** Compliance with this Subdivision 6 shall be by administrative clearance and is ministerial, except, the Director shall have discretion to impose feasible mitigation measures or deny the CPIO Approval if a necessary statement of overriding considerations is not adopted for actions under Sections I-6.C.7(a)(iii) and (b)(ii). The Director's decision under Section I-6.C.7(a)(i) shall be supported by the expert study required under that paragraph.

(d) **Appeals.** The director's decision under this Subdivision 7 is not appealable, except a CEQA clearance prepared under this Subdivision may be appealed pursuant to LAMC Chapter 1A Section 13B.11.1.F.

Section I-7. RIGHT-OF-WAY IMPROVEMENTS AND STREETSCAPE PLANS

A. **Streetscape Requirements.** When right-of-way improvements are required of any Project, pursuant to the LAMC or conditions of approval on entitlements, and the right-of-way is subject to a streetscape plan, the improvements shall be consistent with the streetscape plan unless the LADOT General Manager or the City Engineer finds either of the following:

1. Consistency with the streetscape plan is not feasible or practical;

2. The cost of making the improvement consistent with the streetscape plan disproportionately exceeds the cost to other property owners who are required to make improvements consistent with the streetscape plan.

B. **Non-Conforming Improvements.** Notwithstanding anything to the contrary in LAMC Section 12.37 A.3 or another adopted City ordinance, improvement requirements shall not be waived or excused for a Project on the basis that the existing improvements currently meet existing City standards and requirements, unless the improvement also conforms to any streetscape plan for the right-of-way. If existing improvements do not conform to the streetscape plan, they will need to be improved to meet the streetscape plan standards unless the City Engineer or LADOT General Manager make the findings in Subsection A, above, or the improvement requirement is otherwise successfully appealed under Subsection E, below.

C. **Streetscape Plan.** For purposes of this Section, "streetscape plan" shall refer to a plan that was approved by the Board of Public Works or the City Planning Commission, or both, or the City Council, and the plan is consistent with the community plan, the Mobility Plan 2035, and the transportation demand management and trip reduction measures of LAMC Section 12.26 J (as determined by LADOT), and is necessary or desirable to improve the aesthetic character of the street and encourage the use of transit and active transportation.

D. **Consistency Determination**. Consistency with the streetscape plan shall be determined by the LADOT General Manager, after consultation with the Director and the City Engineer.

E. **Appeal.** An applicant may appeal any streetscape improvement requirement in Subsection A and B, including the findings under Subdivisions A.1 or A.2., through any appeal process that is available for the imposition of the underlying right-of-way improvement requirement. For example, if the underlying improvement is being imposed under LAMC Section 12.37, the requirement to improve the right-of-way consistent with the streetscape plan may be appealed under LAMC Section 12.37 I. If the underlying improvement is being imposed under Article 7 of LAMC Chapter I, the requirement to improve the right-of-way consistent with the streetscape plan may be appealed under LAMC Sections 17.06 or 17.54, or LAMC Chapter IA, Division 13B.7, as applicable.

F. Subsequent Ordinance. If the City Council later adopts an ordinance to regulate streetscape plan improvements and the ordinance is applicable to the CPIO District, this Section 1-7 shall be of no further force and effect.

Section I-8. CPIO COMMUNITY BENEFITS PROGRAM

A. Administration.

1. Purposes. The CPIO District establishes a tiered incentive structure tailored to the context of each Subarea to support the development of CPIO Affordable Housing Projects, especially around transit systems in order to encourage non-automobile mobility and to reduce greenhouse gas emissions. Together these incentives, granted as CPIO Bonus Incentives or Additional Incentives pursuant to this CPIO District, are intended to ensure that lower income and transit dependent residents can take advantage of living close to Hollywood's attractions and job centers, using existing Metro stations and bus lines to commute to work. In addition, the CPIO District establishes incentives for CPIO Non-Residential Community Benefits Projects within the regional center.

The purpose of these community benefit programs includes the following:

(a) Encourage the construction of 100 percent affordable housing projects and mixed-income housing projects by providing specific density, FAR and height bonuses and streamlined procedures to approve said projects.

(b) Foster project designs that are pedestrian oriented.

(c) Improve the quality of new development as well as its compatibility with existing neighborhoods.

(d) Provide additional tools to promote affordable housing while not undermining the implementation of the state density bonus law codified in Government Code, Section 65915-65918 and LAMC Section 12.22 A.25.

(e) For the Regional Center and Corridors Subareas provide incentives for additional development potential based on proximity to transit, presence of historic resources, development activity, and existing development features.

(f) For the Multi-Family Residential Subareas provide incentives to encourage contextual development in these multi-family residential neighborhoods, including reducing parking requirements to encourage transit use in the adjacent major transit systems.

(g) For the Character Residential Subareas encourage adaptive re-use of existing structures and minimize out-of-scale new construction.

2. Administrative Clearance. CPIO Bonus Incentives and Additional Incentives shall be approved with an Administrative Clearance if they

comply with this Section I-8, and all applicable standards and requirements in Sections II-4, III-2, IV-2 and V-1.B.

3. **Relief.** Requirements in this Section I-8 and Sections II-4, III-2, IV-2 and V-1.B shall not be eligible for a CPIO Adjustment (Section I-6.C.3) or a CPIO Exception (Section I-6.C.4).

B. CPIO Community Benefits Program Requirements.

1. **CPIO Affordable Housing Project Requirements.** A CPIO Affordable Housing Project are subject to all of the following requirements and standards:

(a) **Mixed-Uses**. CPIO Affordable Housing Projects may include Commercial Uses.

(b) **Calculation of Restricted Affordable Units.**

(i) For CPIO Bonus Incentives, the minimum number of Restricted Affordable Units shall be calculated based on the total number of units in the final project.

(ii) For Additional Incentives, required Restricted Affordable Units shall be calculated on Base units.

(c) **Rounding of Fractional Numbers.** In calculating the required number of Restricted Affordable Units or the number of required replacement housing units, any number that results in a fraction shall be rounded up to the next whole number.

(d) **On-Site**. All required Restricted Affordable Units shall be located on-site of the Project unless provided otherwise in the CPIO District.

(e) **Affordable Rent for Lower Income Households.** Affordable rents for the Restricted Affordable Units designated for Extremely Low, Very Low, and Lower Income Households shall meet the minimum income and rent limits applied pursuant to the Transit Oriented Communities Affordable Housing Incentive Program (LAMC Section 12.22 A.31), provided that all on-site Restricted Affordable Units in a CPIO Mixed-Income Housing Project shall be set at an affordable rent defined by Section 50053 of the Health and Safety Code.

(f) **Housing Replacement.** Projects shall comply with any applicable housing replacement requirements of Government Code Section 65915(c)(3), with the requirement that units occupied by persons or families above Lower Income be replaced according to Section 65915(c)(3)(C)(i) if the income level is not known or if the income

is above Lower Income, or by persons or families of the same restricted affordable income level as existing tenants if the income is known, as verified by LAHD prior to the issuance of any building permit.

(g) **Occupant Protections.** Projects that are removing a Protected Unit must meet the following applicable regulations for occupant protections.

(i) **Right to Remain**. All occupants of a Protected Unit being displaced by the Project have the right to remain in their unit until six months before the start of construction activities. Any occupant that is required to leave their Protected Unit shall be allowed to return at their prior rental rate if the demolition does not proceed and the property is returned to the rental market.

(ii) **Relocation Benefits**. All Lower Income Household (as defined in California Health and Safety Code Section 50079.5) occupants of a Protected Unit displaced by the Project are entitled to relocation benefits subject to Chapter 16 (commencing with Section 7260) of Division 7 of Title 1 of the Government Code, LAMC Section 151.09.G, or Section 165.06.

(iii) **Right to Return**. All Lower Income Household occupants of a Protected Unit are entitled to the right to return ("right of first refusal") to a replacement unit at the completed Project. If at the time of lease up or sale (if applicable) of a replacement unit, a returning occupant remains income eligible for an affordable rent (as defined in California Health and Safety Code Section 50053) or if for sale, at an affordable housing cost (as defined in California Health and Safety Code Section 50052.5), owner must also provide the replacement unit at the affordable rent or the affordable housing cost, as applicable. Notwithstanding the above, there is no right to return for a Project that consists of an owner-occupied single-family dwelling unit on a site where a single-family dwelling unit is demolished, or CPIO 100 Percent Affordable Housing Unit Project.

(h) **Project Review Threshold**. The threshold for triggering Project Review in LAMC Chapter 1A, Section 13B.2.4 or Site Plan Review in LAMC Section 16.05, as applicable, shall be based on the number of units allowed prior to a density bonus granted through a CPIO Bonus Incentive.

(i) **Parking.** CPIO Affordable Housing Projects are subject to the following parking provisions:

(i) If the calculation of the number of parking spaces required results in a fraction, the number of parking spaces required shall be consistent with LAMC Section 12.21 A.4(k).

(ii) **Unbundling.** Required parking may be sold or rented separately from the units, except that a Restricted Affordable Unit shall include the cost of any required parking in the base rent or sales price, as verified by LAHD.

(iii) **Bicycle Parking**. The bicycle parking requirements in LAMC Section 12.21 A.16 apply. The provisions in LAMC Section 12.21 A.4 to allow the reduction of automobile parking through bicycle parking replacement do not apply to CPIO Affordable Housing Projects.

(iv) **Consistency**. Parking reductions offered shall always be consistent or greater than those in Government Code Section 65915(p).

(j) **Covenants.** Prior to issuance of a building permit for any CPIO Affordable Housing Project, the following shall apply:

(i) A covenant acceptable to LAHD shall be recorded with the Los Angeles County Recorder, guaranteeing that the affordability criteria required for the Project will be observed for at least 99 years or longer; except:

1) CPIO 100 Percent Affordable Housing Projects may be subject to a minimum 55 years of covenanted affordability.

2) CPIO Mixed-Income Housing Projects that utilize public subsidies that are tied to a specified covenant period may guarantee an affordability period of less than 99 years, provided the affordability is guaranteed for at least 55 years.

(ii) For any CPIO Project that contains for-sale housing, a covenant acceptable to the LAHD and consistent with the for-sale requirements of Government Code Section 65915(c)(2) shall be recorded with the Los Angeles County Recorder.

(iii) If the duration of affordability covenants required by this Paragraph (j) conflicts with the duration of affordability

covenants pursuant to any other government requirement, the longer requirement shall control.

(iv) Covenants must provide for a private right of enforcement by the City, any tenant, or owner of any building to which a covenant applies.

(k) **Multiple Subareas.** If the Project is located in one or more CPIO Subareas (or zones), and the Project has requested the Additional Incentive for Averaging, the Project may utilize the most intense Additional Incentives, as applicable.

2. CPIO Publicly Accessible Outdoor Amenity Space Project Requirements.

(a) **Covenant.** A covenant acceptable to Director must be recorded with the Los Angeles County Recorder's Office, guaranteeing that the Publicly Accessible Outdoor Amenity Space will be maintained in perpetuity and remain open to the public during all required hours.

Section I-9. ENVIRONMENTAL STANDARDS PROCEDURES

The environmental standards in Appendix A are included in the CPIO District to implement the Mitigation & Monitoring Program adopted as part of the Hollywood Community Plan update and reviewed in the City of Los Angeles Hollywood Community Plan Update Environmental Impact Report (Case No. ENV-2016-1451-EIR), certified on May 3, 2023.

An applicant seeking a CPIO Approval shall comply with all applicable environmental standards as set forth in Appendix A, and all other requirements in Appendix A, subject to the following rules.

A. Applicability of Environmental Standards. A Project does not need to comply with any environmental standard that is not relevant to the scope of activities involved with the Project. For example, a Project that proposes only minor Façade alterations and no grading, shall not be subject to environmental standards that apply to grading activities (such as noise and vibration standards). The Director, in their reasonable discretion, shall determine those environmental standards that apply to a particular Project.

B. Plans. Compliance with all applicable environmental standards listed in Appendix A shall be demonstrated on the plans as project features (that is, features that are physically built into the Project such as an air filtration system) or as operational features listed on a sheet within the plans (that is, features that are carried out either during the construction of the Project, or over the life of the project, such as the use of paints, sealants, and other building materials that yield low air pollutants).

C. CPIO Approvals. No CPIO Approval shall be issued until an applicant has demonstrated substantial compliance with all applicable environmental standards or modified environmental standards approved pursuant to Subsection D, below. Determination of substantial compliance shall be in the reasonable discretion of the Director.

D. Modification of Environmental Standards. Modification of an environmental standard does not require the processing of a CPIO Adjustment or CPIO Exception. The Director (or appeal body if on appeal) may modify or not require an environmental standard listed in Appendix A for any Project when: (1) the Director finds in writing, based upon substantial evidence, the environmental standard is not necessary to mitigate an impact, including because of the existence of a similar or more effective regulation that applies to the Project; (2) the City complies with CEQA Guidelines, Section 15162, including by preparing an addendum or subsequent environmental clearance to the Hollywood Community Plan EIR to analyze the impacts from the modifications to the environmental standards; or (3) the City prepares a new CEQA clearance for the Project. No CPIO Approval shall be issued for a Project with a modified environmental standard until this subsection has been complied with. The modification of an environmental standard is not independently appealable.

Section I-10. CEQA CLEARANCE

For purposes of CEQA compliance for subsequent projects approved with a CPIO Approval, including but not limited to, consideration of a CEQA clearance pursuant to Government Code Section 65457, Public Resources Code Section 21155.4; or CEQA Guidelines, Sections 15183 or 15183.3, the Hollywood CPIO District shall operate and be treated as a specific plan, zoning ordinance, and a prior plan level decision for which an EIR was certified.

Section I-11. SEVERABILITY

If any portion, subsection, sentence, clause or phrase of this ordinance is for any reason held by a court of competent jurisdiction to be invalid, such a decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this ordinance and each portion or subsection, sentence, clause and phrase herein, irrespective of the fact that any one or more portions, subsections, sentences, clauses or phrases be declared invalid.

CHAPTER II – REGIONAL CENTER SUBAREAS

REGIONAL CENTER SUBAREAS

RC1A

RC1B

RC2

RC3

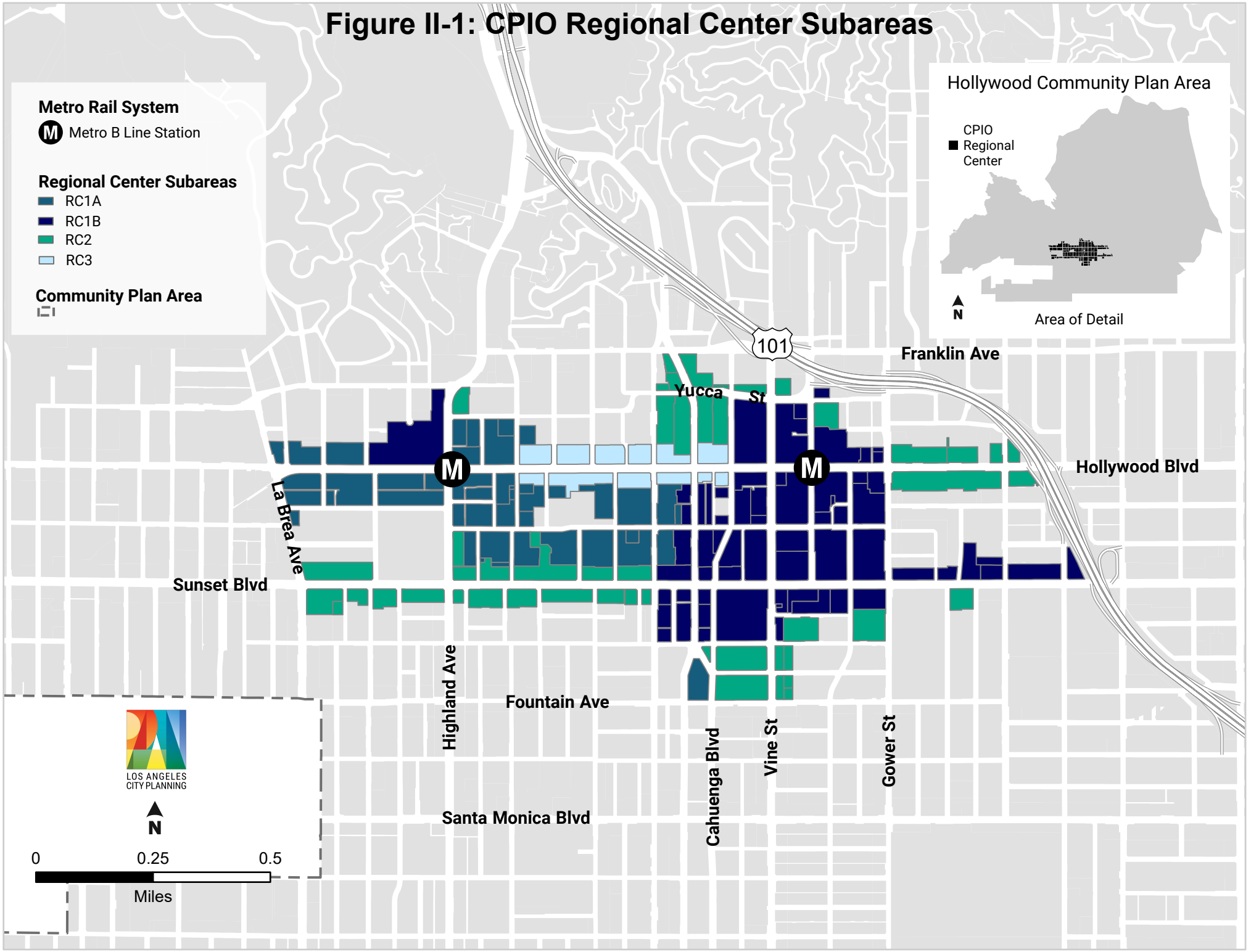
OVERVIEW

The Regional Center is a focal point of regional commerce, identity and activity. Located in central Hollywood, the Regional Center has historic theaters, tourist attractions, the Hollywood Walk of Fame, Metro stations, apartments, hotels, office buildings, and various stores and restaurants.

Regional Center Subareas RC1A, RC1B, RC2, and RC3 seek to continue Hollywood's legacy as a destination with historic character while accommodating future development that is consistent with the Hollywood Community Plan Update's goals, policies, and zoning, including development standards, contextual design requirements, and by planning around the pedestrian experience.

All Projects within the Regional Center Subareas (see Figure II-1) shall comply with the applicable supplemental development regulations in this Chapter II.

Figure II-1: CPIO Regional Center Subareas



Section II-1. LAND USE REGULATIONS

A. **Use.** Any new use or change of use shall be subject to the use regulations set forth by the underlying zoning and the LAMC, except where modified herein.

1. Outdoor dining above the Ground Floor level of a building is prohibited. This includes outdoor dining for restaurants, bars, nightclubs, cafes, eating establishments, or refreshment stands with incidental dining terraces or outdoor eating patios above the Ground Floor. This restriction does not apply to uses conducted wholly within a completely enclosed building.

2. New hotels that require the removal of dwelling units, single-room occupancy, or residential hotels units in the Regional Center subareas (RC1A, RC1B, RC2, RC3) are prohibited.

B. **Existing Uses.** Existing uses made non-conforming by this CPIO, shall comply with LAMC Section 12.23.

Section II-2. CONDITIONAL USE PERMIT

In addition to applicable CPIO District provisions, the following applies:

A. Within Regional Center Subareas RC1A, RC1B and RC2, a Project comprised exclusively of Commercial Uses shall be limited to the Base FAR and Base height standards set forth in this Chapter II, except, a Project may develop to the maximum floor area permissible as shown in Table II-1 provided the Project is not utilizing a CPIO Community Benefits Program and obtains both of the following:

1. A Class 3 Conditional Use Permit pursuant to LAMC Chapter 1A, Section 13.B.2.3, and

2. A Development Agreement that implements the goals and policies of the Hollywood Community Plan through the provision of public benefits.

Section II-3. TRANSFER OF DEVELOPMENT RIGHTS FOR HISTORIC PRESERVATION

A. **Purpose.** The purpose of the Transfer of Development Rights program is to facilitate the preservation of historic resources while enabling available development rights to be utilized on more appropriate sites, all located within the Regional Center Subareas.

B. **Transfer.** A Receiver Site may receive and use all available unused FAR from the Donor Site, including any Bonus FAR granted under the CPIO Mixed-Income Housing Project Program, at a 1:1 ratio (for every one (1) square foot transferred from a Donor Site, a Receiver Site gets one (1) square foot) up to the Receiver Site's maximum allotted Bonus FAR provided the following requirements are met:

1. **Donor Site Requirements**. The Donor Site shall meet all of the following criteria:

(a) Contains or is a Designated Historic Resource or an Eligible Historic Resource;

(b) Is located entirely within one or more Regional Center Subarea(s); and

(c) Has unused floor area under its Base FAR, or bonus FAR pursuant to Section II-4.

2. Receiver Site Requirements. The Receiver Site shall meet all of the following criteria**:**

(a) Is located entirely within one or more Regional Center Subarea(s);

(b) The Receiver Site shall not demolish any Designated or Eligible Historic Resource on the Receiver Site; and

(c) If the Receiver Site involves a Project with five or more dwelling units, the Project has met the minimum qualifications for a 35 percent density bonus under Government Code Section 65915(f).

C. Records and Agreements.

1. Covenants. Prior to the issuance of building permits for a project utilizing a Transfer of Development Rights, the applicant shall provide proof that Donor Site and Receiver Site covenants, in a form approved by the Director, and meeting, and subject to, the following requirements are recorded with the Los Angeles County Recorder's Office and provide certified copies of the recorded covenants to City Planning.

(a) **Donor Site Covenant** shall document the reduced FAR that resulted from the transfer of unused permitted FAR to a Receiver Site, and the location of the Receiver Site(s).

(b) **Receiver Site Covenant** shall document the increased FAR that resulted from the transfer of unused permitted FAR from a Donor Site, and the location of the Donor Site.

(c) **Covenant Applicability.** The covenants shall not be released by the City so long as the transferred FAR is being utilized by the Receiver Site. If the Receiver Site is no longer utilizing the transferred FAR, the City may terminate the covenant upon an application of the owner of the Receiver Site.

(d) **City Planning Records**. City Planning shall maintain a record of any transfers of unused FAR from a Donor Site to the Receiver Site, and other records as may be necessary to provide a current and accurate account of the transferred FAR available for use on any lot.

2. **Preservation Easement.** All owners of the Donor Site shall execute and record a Preservation Easement, with the following minimum standards:

(a) The Preservation Easement shall be executed with OHR or a qualified entity designated by OHR, such as a non-profit Historic Preservation Organization, and;

(b) The Preservation Easement shall include plans, requirements and standards to address, at a minimum the following:

(i) Maintenance of the Designated Historic Resource or Eligible Historic Resource, the property, and significant historic features;

(ii) Additions and alterations to the Designated Historic Resource or Eligible Historic Resource and/or significant elements of any building and the property;

(iii) Demolition of the Designated Historic Resource or Eligible Historic Resource and/or significant elements of any building and the property;

(iv) Required Rehabilitation work, if any, to any significant historic features;

(c) Any required Rehabilitation work must be completed within 10 years of the recordation of the Preservation Easement;

(d) Inspections must occur at minimum once every 5 years, however, the number of inspections may be increased as part of the Preservation Easement;

(e) Other standards and requirements as required by the Director of Planning to ensure the maintenance, repair, and protection of the Designated Historic Resource or Eligible Historic Resource and to ensure the Preservation Easement may be executed, recorded, and enforced;

(f) The term of the Preservation Easement shall be effective so long as the Floor Area is utilized on the Receiver Site;

(g) If the owners of the historic resource that is the subject of the Preservation Easement have violated the Easement, the owners of the historic resource shall pay a fine ten (10) times the first violation fine for a 25,000 square-foot improvement or use, pursuant to LAMC Section 11.2.04;

(h) Any Rehabilitation work on the Donor Site must be done in conformance with the Secretary of the Interior's Standards, unless otherwise approved by the Director, in consultation with the Office of Historic Resources.

3. Violation of the Preservation Easement or any requirements in Subdivision 2, shall be a violation of the LAMC, subject to all administrative, criminal, and civil penalties and enforcement available.

Section II-4. REGIONAL CENTER COMMUNITY BENEFITS PROGRAM

A Project in the Regional Center Subareas (RC1A, RC1B, RC2, and RC3) may obtain CPIO Bonus Incentives and Additional Incentives for CPIO Mixed-Income Housing Projects, CPIO 100 Percent Affordable Housing Projects, CPIO Publicly Accessible Outdoor Amenity Space (PAOAS) Projects, and CPIO Additional Affordable Housing Linkage Fee Projects subject to the following regulations.

A. CPIO Mixed-Income Housing Projects

1. Requirements. A Project that meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section II-4.A.2 and be eligible for the Additional Incentives in Section II-4.A.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of Restricted Affordable Units.** The Project provides Restricted Affordable Units on the Project site at one of the following minimum percentages, depending on income category. The minimum number of Restricted Affordable Units shall be based on the minimum percentages described below, and calculated upon the total number of units in the final Project.

(i) 11 percent for Extremely Low Income Households.

(ii) 15 percent for Very Low Income Households.

(iii) 25 percent for Lower Income Households.

2. CPIO Bonus Incentives. A Project that meets all of the requirements in Section II-4.A.1, shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR.** The FAR shall be as follows, provided the additional FAR is utilized only by Residential Uses:

(i) In the **RC1A Subarea**, the maximum total FAR is 4.5:1.

(ii) In the **RC1B Subarea**, the maximum total FAR is 6.75:1.

(iii) In the **RC2 or RC3 Subareas**, the maximum total FAR is 3:1.

(b) **Residential Density.** The residential density shall be as follows:

(i) In the **RC1A, RC2 or RC3 Subareas:**

1) **100% Residential Use Projects** may have a maximum density up to one (1) unit per each 200 square feet of lot area;

2) **Mixed-Use Projects** may have a maximum density up to one (1) unit per every 115 square feet of lot area.

(ii) In the **RC1B Subarea**, density is limited by the FAR.

(c) **Parking Reduction.** Parking reductions or exemptions shall apply as follows:

(i) For **Residential Uses,** no parking is required; and

(ii) For **non-Residential Uses,** up to 30 percent reduction of the required parking is allowed.

TABLE II-1: REGIONAL CENTER CPIO BONUS INCENTIVES

<table>
<tr><th rowspan="2">CPIO Subarea</th><th rowspan="2">Affordability %</th><th colspan="4">CPIO Bonus Incentives</th></tr>
<tr><th>Density</th><th>FAR total</th><th>Non-Residential Parking</th><th>Residential Parking</th></tr>
<tr><td>RC1A</td><td rowspan="4">11% ELI, or
15% VL or
25% Lower*</td><td>Up to one (1) dwelling unit per 200 square feet of lot area for
100% Residential Projects

Up to one (1) per 115 square feet of lot area
for
Mixed- Use Projects</td><td>Up to 4.5:1</td><td rowspan="4">30% Reduction</td><td rowspan="4">No required parking</td></tr>
<tr><td>RC1B</td><td>Limited by the FAR</td><td>Up to 6.75:1</td></tr>
<tr><td>RC2</td><td rowspan="2">Up to 1/200
for
100% Residential Projects

Up to 1/115
for
Mixed-Use Projects</td><td rowspan="2">Up to 3:1</td></tr>
<tr><td>RC3</td></tr>
</table>

Note: this table is included for informational and illustrative purposes only.
**See definitions*
Density: for example, 1/200 refers to 1 dwelling unit per 200 square feet of lot area.

3. **Additional Incentives.** In addition to CPIO Bonus Incentives, a Project that meets all of the requirements in Section II-4.A.1, may be granted Additional Incentive(s) as provided below.

(a) **Requirement.** A Project that provides Restricted Affordable Units consistent with this Paragraph shall be granted up to three Additional Incentive(s) from the menu of Additional Incentives in Paragraph (b), below, as follows:

(i) One Additional Incentive shall be granted for a Project that includes at least four (4) percent of the Base units for Extremely Low Income Households, or at least five (5)

percent of the Base units for Very Low Income Households, or at least 10 percent of the Base units for Lower Income Households.

(ii) Two Additional Incentives shall be granted for a Project that includes at least seven (7) percent of the Base units for Extremely Low Income Households, or at least 10 percent of the Base units for Very Low Income Households, or at least 20 percent of the Base units for Lower Income Households.

(iii) Three Additional Incentives shall be granted for a Project that includes at least 11 percent of the Base units for Extremely Low Income Households, at least 15 percent of the Base units for Very Low Income Households, or at least 30 percent of the Base units for Lower Income Households.

(b) **Menu of Additional Incentives.** A Project granted Additional Incentive(s) under Paragraph (a), above, may use incentives from the following list, as applicable:

(i) **Commercial Zone Setback.** A Project in any commercial zone may use the yard requirements for the "RAS3" Residential/Accessory Services Zone in LAMC Section 12.10.5 C.

(ii) **Residential Zone Side and Rear Yard Setback**. The required width or depth of any two individual yards or setbacks may be decreased up to 30 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

(iii) **Lot Width.** The lot width may be decreased up to 25 percent.

(iv) **Averaging of Floor Area Ratio, Density, Parking or Open Space, and permitting Vehicular Access**. A Project may average and permit the floor area, density, open space, and commercial and residential parking over the Project site, and permit vehicular access from a less restrictive zone to a more restrictive zone, provided the following is met:

1) If a portion of the Project is located in the RC3 or the Character Residential Subareas, the floor area within those portions of the Project shall not exceed the maximum floor area permitted under the applicable CPIO Community Benefits Program where that portion of the Project is located; and

2) After obtaining this incentive, no further lot line adjustment or subdivision of the housing Project site shall be permitted.

(v) **Density Calculation**. Density may be calculated pursuant to LAMC Section 12.22 A.25(f)(7).

(vi) **Ground Floor Height.** The Project is exempt from the Ground Floor height requirement in Section II-5.

(vii) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas.

1) **Height Increase.** In the **RC1A, RC1B, or RC2 Subareas**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet, except if the Project is located on a lot with a height limit of 45 feet or less, any height increase over 11 feet shall be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

2) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 30 feet above grade at the property line of the adjoining lot in the more restrictive zone.

3) For a Project that has a Residential Use which occupies more than 50 percent of the total floor area within a building, the applicable height increase and transitional height standards above count as one Additional Incentive.

TABLE II-2: REGIONAL CENTER CPIO ADDITIONAL INCENTIVES

CPIO Additional Incentives						
CPIO Subarea	**Commercial Zone Setback**	**Residential Zone Rear/Side Setback**	**Lot Coverage**	**Lot Width**	**Transitional Height**	**Height**
RC1A	Any or all of the yard requirements for the RAS3 zone per LAMC Sec. 12.10.5	30% decrease of two yards	35% increase	25% decrease	Within 25' of Property Line Stepback at 45° originating at 30' in height	2 stories or 22' increase
RC1B						
RC2						
RC3						No increase

Note: this table is included for informational and illustrative purposes only.

B. CPIO 100 Percent Affordable Housing Projects. A Project using incentives in this Section II-4.B shall not use the incentives in Section II-4.A.

1. Requirements. A Project that meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section II-4.B.2 and the Additional Incentive(s) in Section II-4.B.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of On-Site Restricted Affordable Units.** The Project provides 100 percent of the residential units are Restricted Affordable Units, excluding any manager unit(s).

2. CPIO Bonus Incentives. A Project that meets the requirements in Section II-4.B.1 shall be granted all the following CPIO Bonus Incentives.

(a) **FAR**. The FAR shall be as follows, provided that the additional FAR is utilized only by Residential Uses:

(i) In the **RC1A Subarea**, the maximum total FAR is 4.65:1.

(ii) In the **RC1B Subarea**, the maximum total FAR is 6.75:1.

(iii) In the **RC2 or RC3 Subareas**, the maximum total FAR is 3.75:1.

(b) **Residential Density**. The residential density shall be as follows:

(i) In the **RC1A, RC2 or RC3 Subareas**:

1) **100% Residential projects** may have a maximum density up to one (1) unit per each 200 square feet of lot area;

2) **Mixed-use projects** may have a maximum density up to one (1) unit per every 115 square feet of lot area.

(ii) In the **RC1B Subarea,** density is limited by the FAR.

(c) **Parking Reduction**. Parking reductions or exemptions shall apply as follows:

(i) For **Residential Uses**, no parking is required; and

(ii) For **non-Residential Uses**, up to 40 percent reduction of the required parking is allowed.

3. **Additional Incentives**. A Project that meets the requirements in Section II-4.B.1 shall be granted five (5) Additional Incentives to be selected from the menu of Additional Incentives in Section II-4.A.3(b), except the residential zone side and rear yard setback incentive and the height incentive below, shall be used in lieu of those in Sections II-4.A.3(b)(ii) and II-4.A.3(b)(viii), respectively.

(a) **Residential Zone Side and Rear Yard Setback**.

(i) In the **RC1A or RC1B Subarea**, the required width or depth of any two individual yards or setbacks may be decreased up to 35 percent.

(ii) In the **RC2 or RC3 Subareas**, the required width or depth of any two individual yards or setbacks may be decreased up to 30 percent.

(b) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas. The applicable height increases and transitional height standards below count as one incentive.

(i) **Height Increase.** In the **RC1A, RC1B or RC2 Subareas**, this height increase shall permit a maximum of three (3) additional stories up to 33 feet, whichever is greater, over and in addition to any applicable story or height limit.

(ii) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 30 feet above grade at the property line of the adjoining lot in the more restrictive zone.

TABLE II-3: REGIONAL CENTER 100 PERCENT AFFORDABLE HOUSING INCENTIVES

CPIO Subarea	CPIO Bonus Incentives				CPIO Additional Incentives	
	Density	FAR total	Non-Residential Parking	Residential Parking	Residential Zone Rear/Side Setback	Height
RC1A	Up to 1/200 for 100% Residential Projects Up to 1/115 for Mixed-Use Projects	Up to 4.65:1	40% Reduction	No required parking	35% decrease of two yards	3 stories or 33' increase
RC1B	Limited by the FAR	Up to 6.75:1			35% decrease of two yards	3 stories or 33' increase
RC2	Up to 1/200 for 100% Residential Projects Up to 1/115 for Mixed-Use Projects	Up to 3.75:1			30% decrease of two yards	3 stories or 33' increase
RC3	Up to 1/200 for 100% Residential Projects Up to 1/115 for Mixed-Use Projects	Up to 3.75:1			30% decrease of two yards	No Increase

Note: this table is included for informational and illustrative purposes only.
Density: for example, 1/200 refers to 1 dwelling unit per 200 square feet of lot area

C. CPIO Publicly Accessible Outdoor Amenity Space (PAOAS) Projects

1. **Requirements.** A Project that meets all of the following requirements shall be eligible for the CPIO Bonus Incentives in Section II-4.C.2:

(a) **No Residential Uses**. The Project has no Residential Uses.

(b) **Minimum Area of Publicly Accessible Outdoor Amenity Space.** The Project site includes PAOAS on a minimum of 15 percent of the lot area and the PAOAS complies with the development standards in Section II-4.C.3.

2. CPIO Bonus Incentives. A Project that meets all of the requirements in Section II-4.C.1 shall be granted all of the following CPIO Bonus Incentives**:**

(a) **FAR**. For the minimum required 15 percent of PAOAS, the FAR shall be increased up to 1.:1. For any additional PAOAS provided above the minimum, the FAR shall be increased 1.0:1 FAR for every increment of 4 percent of the Project site lot area up to the maximum FAR provided below. Additional PAOAS provided (above the minimum 15 percent), that is less than a four (4) percent increment may be prorated to achieve fractions of FAR. The maximum FAR shall be:

(i) In the **RC1A Subarea**, the maximum total FAR is 4.65:1.

(ii) In the **RC1B Subarea**, the maximum total FAR is 6.75:1.

(iii) In the **RC2 or RC3 Subareas**, the maximum total FAR is 3.75.

(b) **Height Increase**. A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas. In the **RC1A, RC1B, or RC2 Subareas**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet, whichever is greater over any applicable story or height limitation.

(c) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, the building height limit shall be stepped-back at a 45-degree angle as measured from a horizontal plane originating 30 feet above grade at the property line of the adjoining lot in the more restrictive zone.

TABLE II-4: REGIONAL CENTER CPIO PAOAS INCENTIVES

CPIO Subarea	CPIO Bonus Incentives		
	FAR total	Transitional Height	Height
RC1A	Up to 4.65:1	Within 25' of Property Line Stepback at 45° originating at 30' in height	2 stories or 22' increase
RC1B	Up to 6.75:1		2 stories or 22' increase
RC2	Up to 3.75:1		2 stories or 22' increase
RC3	Up to 3.75:1		No Increase

Note: this table is included for informational and illustrative purposes only.

3. **Development Standards.** A Project using incentives from Section II-4.C.2 must comply with the following development standards:

(a) The PAOAS shall be provided as a contiguous space on the ground level of the project site and be directly accessible from the public right-of-way.

(b) The PAOAS shall have a minimum area of 400 square feet with no horizontal dimension less than 15 feet when measured perpendicular from any point on each of the boundaries of the open space area.

(c) The PAOAS shall be open to the sky and have no structures that project into the common open space area, except as provided in LAMC Section 12.22 C.20(b).

(d) The PAOAS shall be open to the general public, at no cost, at least during the hours between sunrise and sunset 7 days a week.

(e) Building Façades that abut the PAOAS and are on the same level shall be at least 50 percent transparent. Blank walls associated with the Project, adjacent to and on the same floor level of the PAOAS shall not exceed 30 feet in width.

(f) The Project shall provide at least one covered public restroom within, adjacent to, or directly accessible from the PAOAS. Up to 400 square feet of public restroom square footage may be counted toward the required PAOAS. Public restrooms shall be made available during the operational hours of the PAOAS and shall not necessitate the need to

enter secured or otherwise publicly inaccessible spaces. Signage viewable from within the PAOAS shall indicate that the restroom is available for public use.

(g) The Project shall provide at least one of the amenity options listed below, which shall occupy a minimum of 400 square feet with no horizontal dimension smaller than 15 feet, within or adjacent to the PAOAS:

(i) Outdoor exercise equipment available for public use,

(ii) Sport courts available for public use,

(iii) Dog run available for public use,

(iv) Children's play area available for public use,

(v) Community garden available for public use, or

(vi) Enriched seating areas available for public use.

(h) A minimum of 25 percent of the PAOAS area shall be planted with live ground cover, shrubs or trees. The planters, shrubs or trees shall be permanent and be at least 30 inches in depth; and lawn or ground cover shall have a soil depth of at least 12 inches. All required landscaped areas shall be equipped with an automatic irrigation system and be properly drained.

(i) At least one 24-inch box tree for every 500 square feet of PAOAS shall be provided on-site and may include street trees in the parkway. Palm trees cannot be used to fulfill the tree requirement.

(j) At least 30 percent of the PAOAS shall be shaded. Shading percentage shall be calculated based on the shadow cast of a mature tree.

(k) The PAOAS shall be unenclosed during hours of operation, and at minimum shall have a gate that is latched open during hours of operation. Any fencing that encloses the PAOAS shall be transparent.

(l) For every 400 square feet of PAOAS, two (2) permanent or movable seats shall be provided. Two (2) linear feet of bench or seat wall are counted as one (1) seat. Seats are required to be at least 18 inches deep and between 16 and 20 inches in height.

(m) Mechanical and utility equipment shall not be located within a PAOAS.

(n) Signs of at least 16 inches by 20 inches shall be posted at every entrance to the PAOAS and shall contain at a minimum the following information:

(i) "Publicly Accessible Outdoor Space", indicating the PAOAS type and that the space is open to the public;

(ii) Hours of operation in compliance with the requirements in Paragraph (e), above;

(iii) The required amenities provided;

(iv) Address of the site;

(v) Name and contact information for the owner or manager of the site; and

(vi) Instructions to call 311 in the case of questions or complaints.

D. CPIO Additional Affordable Housing Linkage Fee Projects.

1. Requirements. A Project that meets all of the following requirements shall be eligible for the CPIO Bonus Incentives in Section II-4.D.2:

(a) **Non-Residential Uses.** The Project is entirely comprised of Non-Residential Uses.

(b) **CPIO Additional Affordable Housing Fee Payment.** Prior to the issuance of a building permit, the applicant shall pay a CPIO Additional Affordable Housing Fee in an amount calculated in Paragraph (c), below. Any fees paid under this Paragraph shall be placed in the trust fund created under Los Angeles Administrative Code Section 5.522 and may be used for any purpose authorized for monies in that trust fund.

(c) **CPIO Additional Affordable Housing Fee Amount.** The CPIO Additional Affordable Housing Fee shall be calculated as the amount of additional floor area (in square feet) above the Base FAR in the Project devoted to the uses described in the CPIO Additional Affordable Housing Fee Schedule below, as determined by the Director, multiplied by the amount of the applicable fee for that use, as found in the most recent CPIO Additional Affordable Housing Fee schedule, as maintained by City Planning, at the time the building permit for the Project is issued. The CPIO Additional Affordable Housing Fee shall be consistent with the "high feasible fee" in the "High Market Zone" in the Los Angeles Affordable Housing Linkage Fee Nexus Study (attached as Appendix B), which may be adjusted by the latest price index as provided the Study, minus the current Linkage Fee for non-residential projects.

Example of the CPIO Additional Affordable Housing Fee Schedule
(from June 29, 2023)

Type of Use	**Fee per Square-Foot**
Office	$33.00
Retail	$27.00
Hotel	$24.00
Industrial	$17.00
Warehouse	$24.00

(d) **Conversion to a Residential Use.** Any Project that utilizes this CPIO Bonus Incentive shall be prohibited from converting existing floor area to a Residential Use or in any manner adding a Residential Use to the property unless the entire Project and property comply with the provisions of Sections II-4.A or II-4.B (whichever is applicable), including the minimum number of residential units, the minimum number of affordable units, and the amount and distribution of the floor area.

2. CPIO Bonus Incentives. A Project that meets all of the requirements in Section II-4.D.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR.** An increase in the maximum allowable floor area in square feet equal to the CPIO Additional Affordable Housing Linkage Fee payment, up to the following maximum FAR:

(i) In the **RC1A Subarea**, the maximum total FAR is 4.65:1.

(ii) In the **RC1B Subarea**, the maximum total FAR is 6.75:1.

(iii) In the **RC2** or **RC3 Subareas**, the maximum total FAR is 3.75.

(b) **Height Increase**. A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas.

In the **RC1A, RC1B, or RC2 Subareas**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet, except if the Project is located on a lot with a height limit of 45 feet or less, any height increases over 11 feet shall be stepped- back at least 15 feet from the Façade of the Ground Floor of the building located along any non-alley street frontage.

(c) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 30 feet above grade at the property line of the adjoining lot in the more restrictive zone.

3. Procedures.

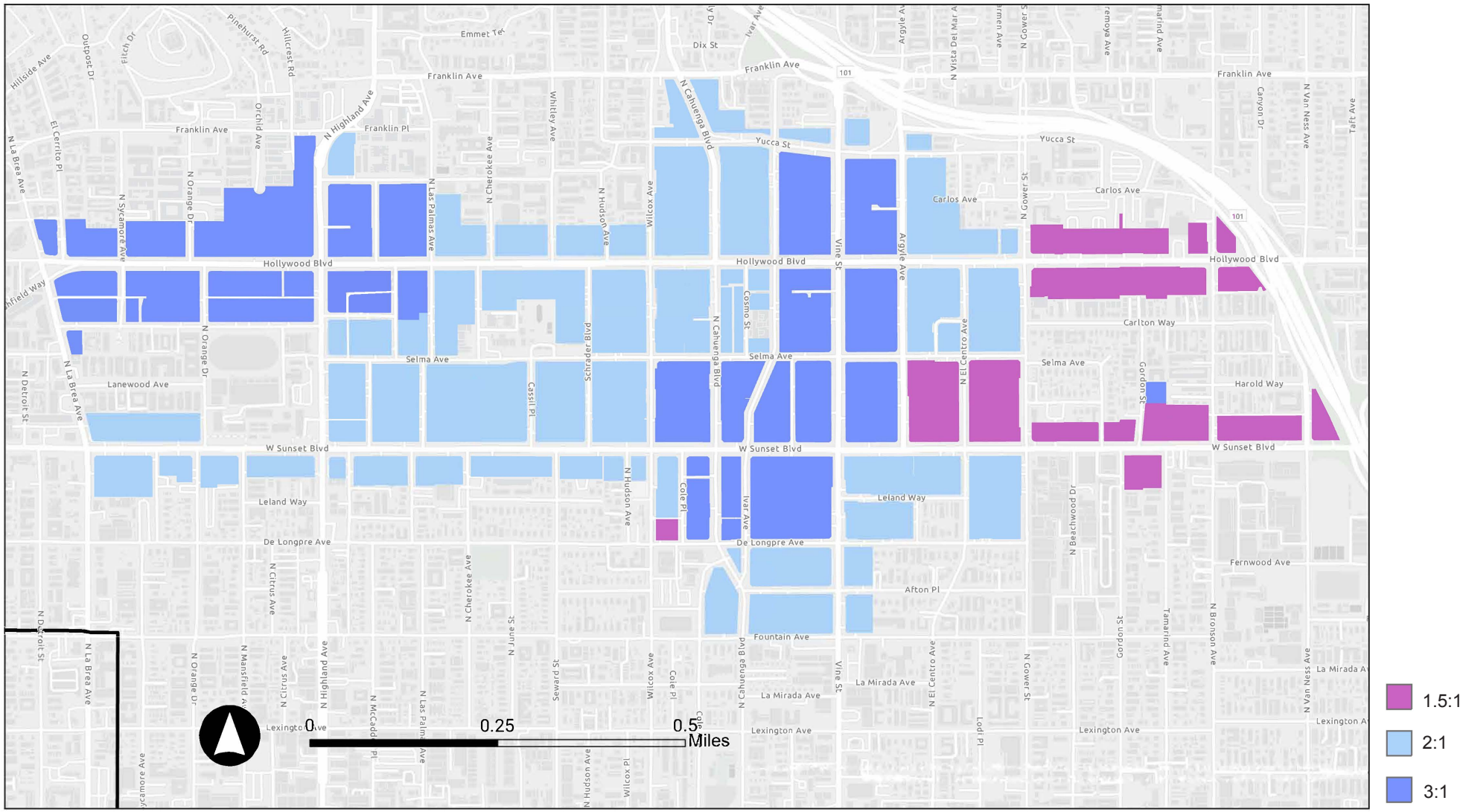
(a) **Assignment of Fees.** In calculating the CPIO Additional Affordable Housing Linkage Fee amount, if a Project includes a mix of use, as described above, those uses with the highest fees will be accounted for first until all the bonus floor area is accounted for.

(b) **Change of Use.** When any part of a Project which utilizes the CPIO Bonus Incentives in this Subsection D seeks a change of use to another use with a

higher CPIO Additional Affordable Housing Linkage Fee, as described above, the Project shall comply with Section II-4.D.1, until all of the bonus floor area is accounted for, except that the payment of any previous fees for the existing use, pursuant to this Subsection D, shall be credited.

Figure II-2: Regional Center Base FAR

The map below indicates the Regional Center Base FAR allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

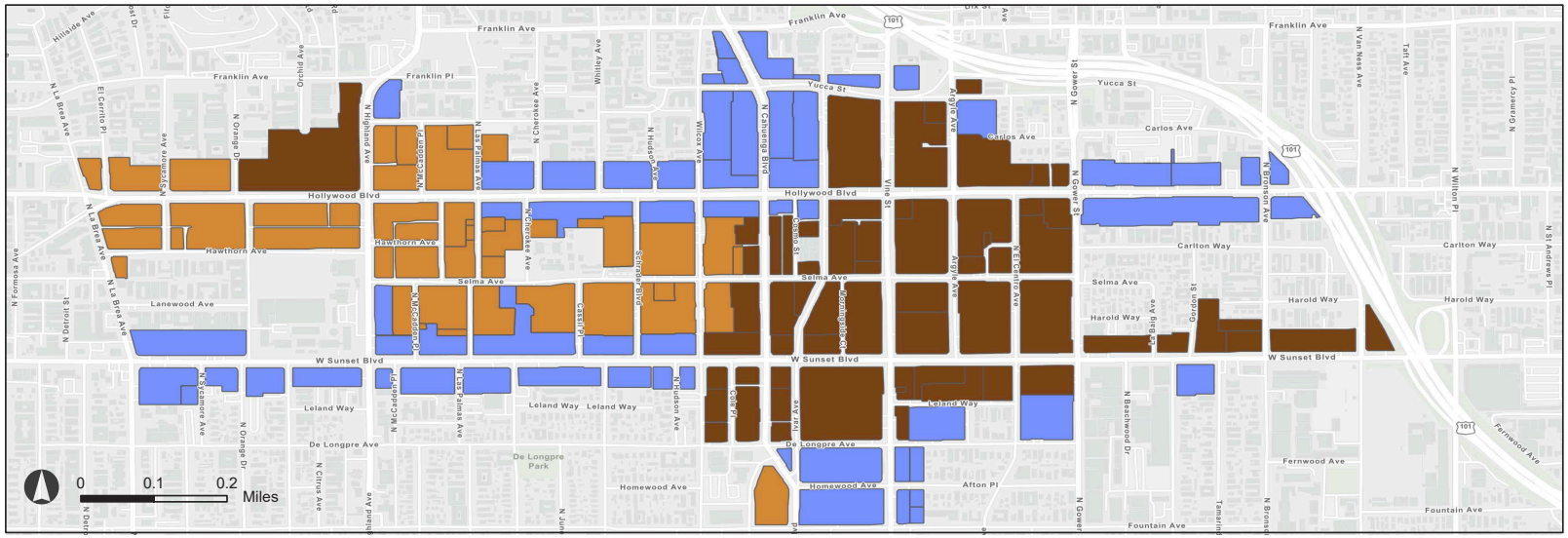


Note: This map is for informational and illustrative purposes only.

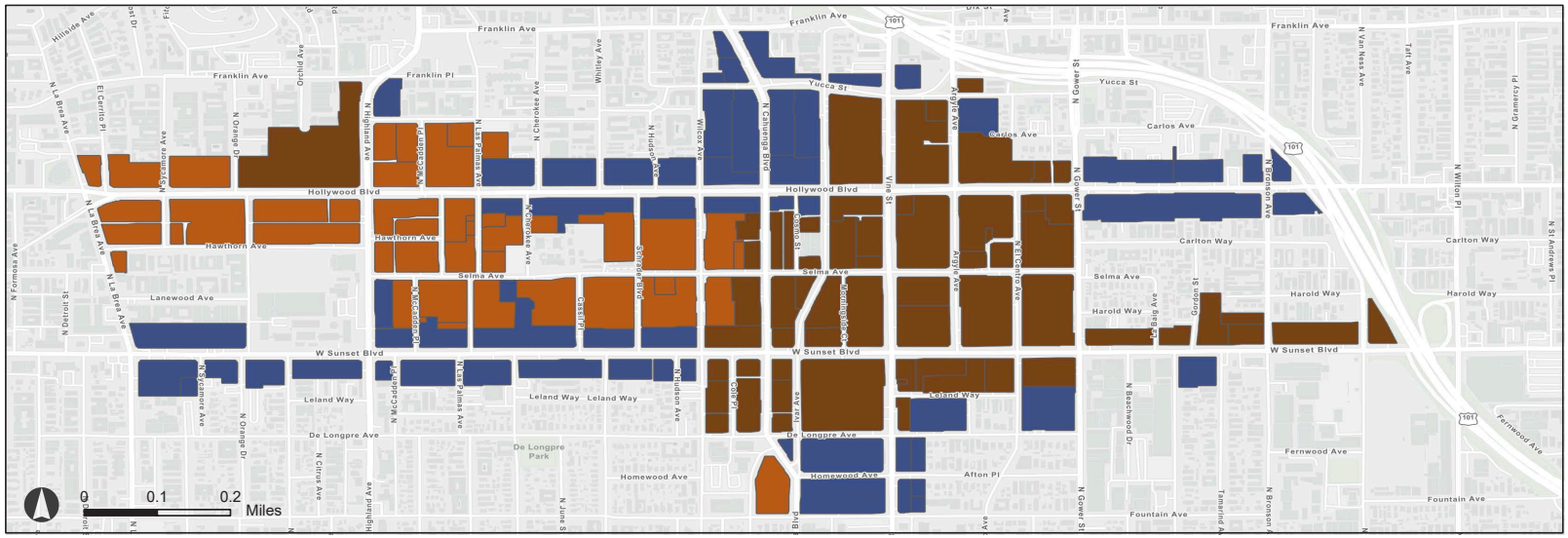
Figure II-3: Regional Center Bonus FAR

The maps below indicate the Regional Center Bonus FAR allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

CPIO Mixed Income Bonus



100% Affordable Housing and Non-Residential Bonus

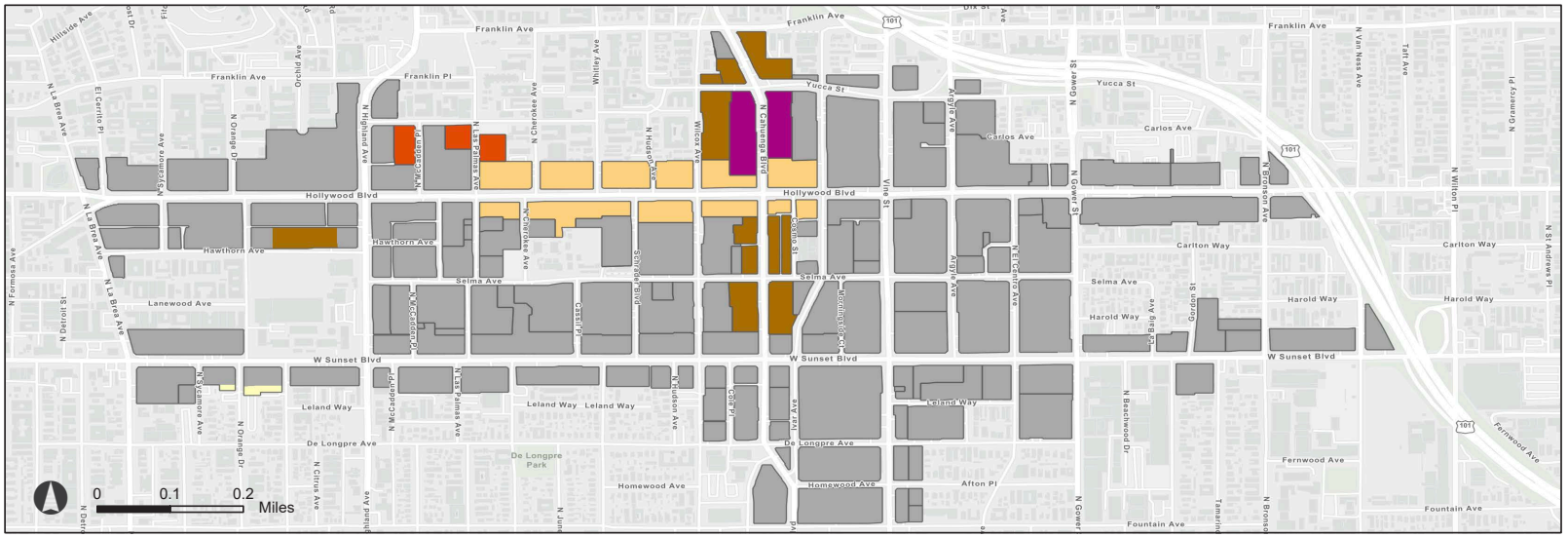


Note: These maps are for informational and illustrative purposes only.

Figure II-4: Regional Center Base Height and Bonus

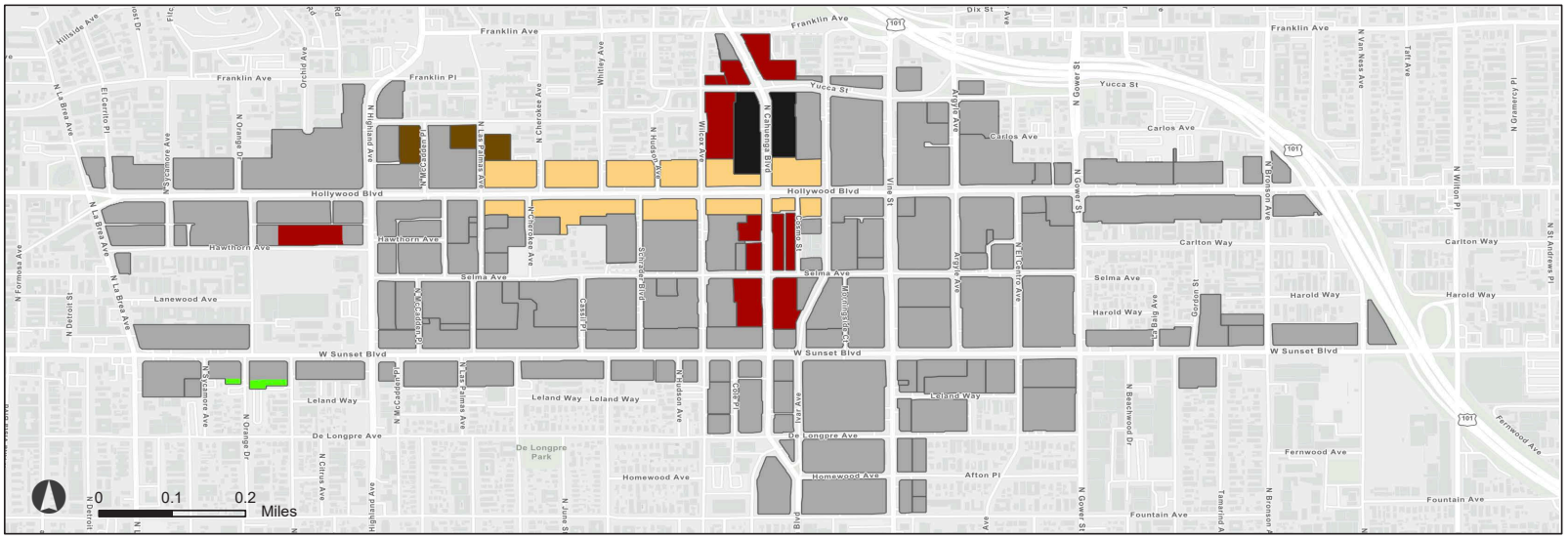
The maps below indicate the Regional Center Base Height and Bonus Height allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



- 30 feet
- 45 feet
- 60 feet
- 75 feet
- 150 feet
- Not Specified

Bonus



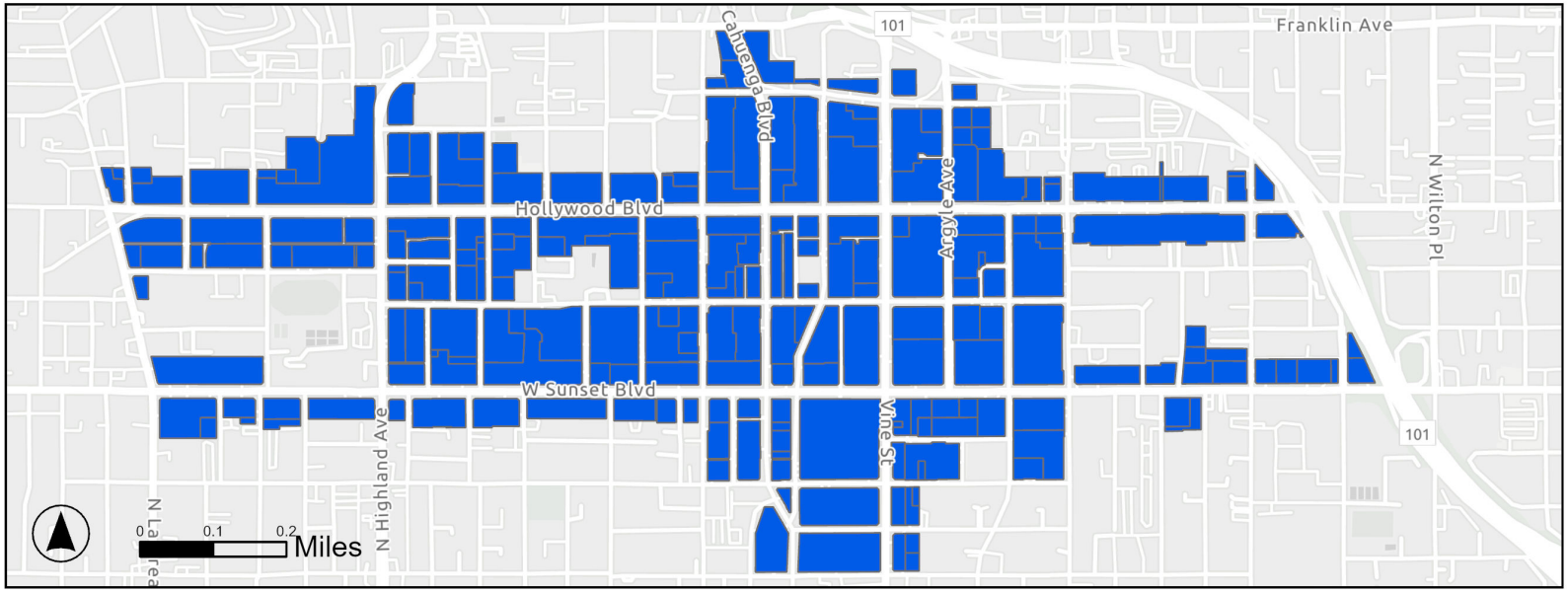
- 45 feet
- 52 feet
- 82 feet
- 97 feet
- 172 feet
- Not Specifed

Note: These maps are for informational and illustrative purposes only.

Figure II-5: Regional Center Base Density and Bonus

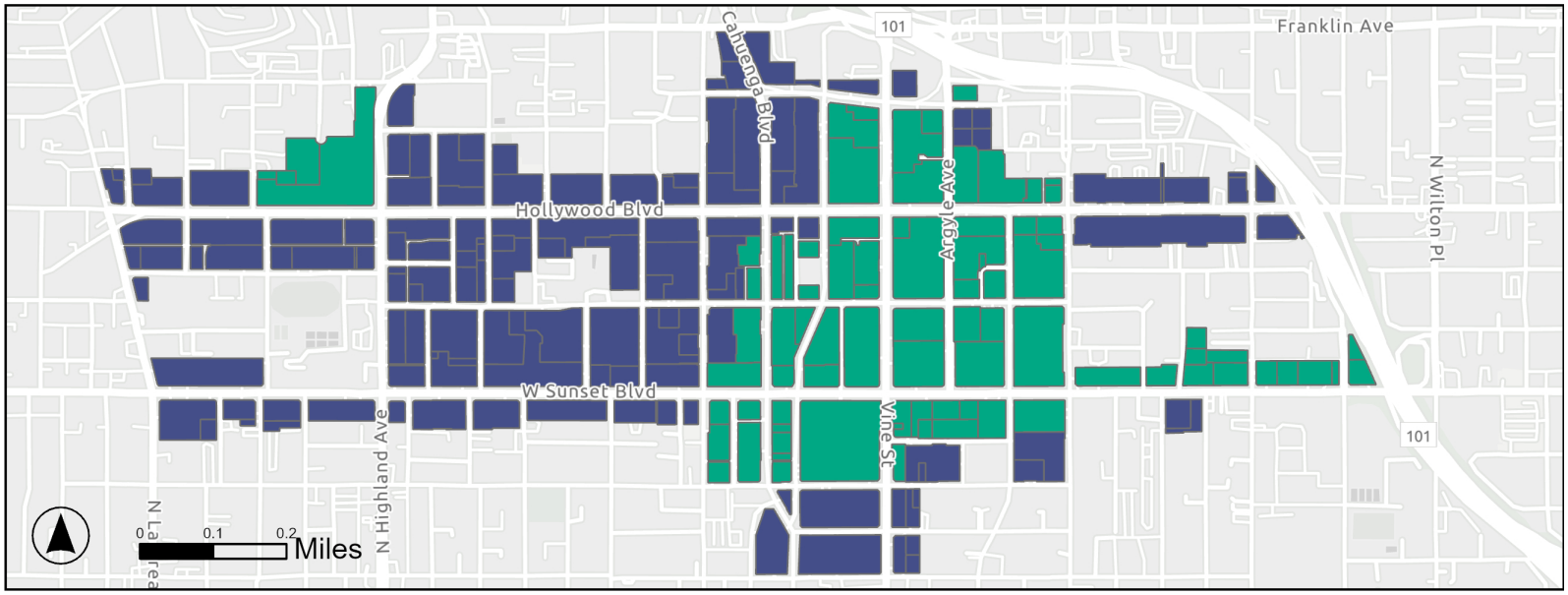
The maps below indicate the Regional Center Base Density and Bonus Density allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



1/400

Bonus



Up to 1/200 for 100% Residential Projects.
Up to 1/115 for Mixed-use Projects.

Density limited by FAR

Note: These maps are for informational and illustrative purposes only.

Section II-5. DEVELOPMENT STANDARDS

All Projects in the Regional Center Subareas shall comply with the following development standards:

A. **Ground Floor Elevation.** The Project shall have a finished Ground Floor elevation located within three feet above or below the existing curb level.

B. **Ground Floor Height**. The Project Ground Floor shall have a minimum floor to ceiling height of 14 feet.

C. **Transitional Height.** A Project on a property that shares a property line with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, within the first 25 feet of the property line that is shared with an "RD" zone or more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 25 feet above grade at the property line of the adjoining lot in the more restrictive zone.

D. **Street Wall and Active Floor Area.** All street fronting Façades of a Project shall comply with the following:

1. Buildings shall be sited so that 100 percent of each street fronting Façade length is located within five feet of the Primary Lot Line.

2. The Ground Floor shall incorporate Active Floor Area along 100 percent of the lot width of the Primary Lot Line to a depth of at least 25 feet. Areas used for vehicular access, pedestrian access, Landscape Amenity Space, or Pedestrian Amenity Space are exempt from this requirement.

3. For the purpose of meeting the 100 percent street wall requirement, a Paseo, Arcade, Landscape Amenity Space, Pedestrian Amenity Space, or PAOAS, no more than 15 percent of the lot width, shall qualify as street fronting Façade.

4. A recessed entry located no more than 15 feet from the setback line qualifies as Façade for the purpose of meeting the 100 percent street wall requirement. The recessed entry may not exceed nine feet in width.

E. **Building Breaks.** A Project site with a frontage of more than 200 feet in width shall provide Building Breaks for each 200 feet or less of building width by either providing a minimum 15-foot wide by 15-foot deep Building Break. No structure shall encroach into the Building Break except for projections allowed pursuant to LAMC Section 12.22 C.20(b).

F. **Pedestrian Access.** Each building shall have at least one Street-Oriented Entrance that provides access to the Primary Lot Line. A Street-Oriented Entrance or a Landscape Amenity Space shall occur once every 75 feet and shall be no more than three feet above or below the adjacent sidewalk grade. For a non-residential Project, a Street-Oriented Entrance shall be accessible during business hours.

G. **Transparency**. Except for any portion of a Façade occupied with Ground Floor residential dwelling units, Façades located along street frontages shall comply with the following:

1. Transparent glazing shall occupy a minimum of 50 percent of the Ground Floor Façade, and a minimum of 30 percent of the upper story Façades along street frontages.

2. Glass as part of the Façade shall be no more reflective than necessary to comply with the Green Building Code or other state or local requirement.

H. **Surface Parking.** New stand-alone surface parking lots shall be prohibited. Surface parking lots for on-site uses shall not be located between a new building and the Primary Lot Line. Where surface parking lots abut public streets that are not the Primary Frontage, a landscape buffer of a minimum of three feet in depth shall be provided between the property line and the subject surface parking.

I. **Parking Structures.** Parking structures within buildings or stand-alone structures shall comply with the following requirements:

1. **Ground Floor Screening.** Parking, loading, storage, and mechanical equipment areas located on the ground level within buildings, including stand-alone parking structures, shall be buffered with Active Floor Area with a minimum depth of 25 feet between the parking, storage, loading or mechanical equipment area and the Façades fronting a public right-of-way, except for necessary access pathways and driveways. Alley-facing Façades are exempt from this requirement.

2. **Upper Floor Screening.** All parking, loading, or vehicular circulation areas located above the Ground Floor shall be screened with materials that are substantially similar in appearance and application to those used on the Active Floor Area portions of the building. Open screening materials such as perforated metal, mesh, or landscape trellis, may not be used to satisfy this requirement.

3. **Adaptability.** All parking, loading, or vehicular circulations shall be constructed so as to be adaptable to habitable floor area with respect to flat floors, floor to ceiling height.

J. **Alleys**. Loading, service and mechanical areas that require access from a public right-of- way shall provide access from alleys where available, or from non-Primary Frontages, where available, and where alleys are not present.

K. **Driveways and Vehicular Access.** Vehicular access to off-street parking and loading areas shall not be provided from the Primary Frontage, unless determined infeasible by the Director, in consultation with the LADOT. Each driveway shall not exceed the minimum width required by LADOT. Multiple driveways located along

the Primary Frontage, as limited above, shall be a minimum of 200 feet apart from each other as part of the same project unless the Director determines such a distance is infeasible to provide access off the Primary Frontage.

L. **Architectural Feature Height**. An Architectural Feature may exceed the allowable maximum height, including the maximum height granted through any CPIO Bonus or any incentive given under LAMC Section 12.22 A.25, by up to 20 percent.

M. **Landscape Buffer.** A five-foot landscape buffer, inclusive of all required setbacks, shall be provided between the Project site and any abutting lot zoned "RD1.5" Restricted Density Multiple Dwelling Zone or a more restrictive zone. Landscaping that is drought tolerant, evergreen, and capable of growing to a height of 10 feet shall be utilized, and a decorative masonry wall a minimum of six feet and a maximum of eight feet in height shall be constructed along any property line shared with an abutting lot zoned "RD1.5" Restricted Density Multiple Dwelling Zone or a more restrictive zone.

N. **Parking for Change of Use.** No additional off-street automobile parking shall be required when a change of use is made within an existing Commercial Tenant Space.

Section II-6. HOLLYWOOD BOULEVARD COMMERCIAL AND ENTERTAINMENT DISTRICT DEVELOPMENT STANDARDS

In addition to the Development Standards enumerated in Section II-5, the following Development Standards specifically apply to all street frontages of parcels within the Hollywood Boulevard Commercial and Entertainment District, listed on the National Register of Historic Places, as shown on Figure II-6, to preserve historic design features and maintain design compatibility. Wherever the standards of Section II-5 are in conflict with the standards of Section II-6, the Section II-6 standards shall apply.

A. **Ground Floor Height.** The Project Ground Floor shall have a minimum floor to ceiling height of 16 feet.

B. **Storefront Bays**. The Project shall comply with the following Storefront Bay requirements:

1. A regular pattern of Storefront Bays shall be provided in intervals of at least 10 feet and at most 30 feet, for at least 75 percent of the applicable ground-floor Primary Frontage. For purposes of measuring the width of each Storefront Bay, include half of the width of the Surround when this is shared with an adjoining Storefront Bay as part of the same Project.

(a) The Surround shall step out a minimum depth of 18 inches from the storefront window surface, and frame the Storefront Bay with vertical bands (column, pilaster, etc.) and a header at least two (2) feet in width. The header shall be either a round arch, segmental arch, pointed arch, or a horizontal band. A Storefront Bay shall be a minimum of 12 feet

in height from the finished grade at the sidewalk to the top of the Surround.

(b) The Bulkhead shall span the distance between vertical Surround elements, except where doors are utilized, and shall be a minimum height of 18 inches and a maximum height of 42 inches in height as measured from the adjacent grade. The Bulkhead's outer surface shall be stepped out at least six inches in front of the storefront window surface.

C. Transparency. All Projects shall comply with the following transparency regulations:

1. Along the Primary Frontage, transparent glazing shall occupy a minimum of 50 percent and a maximum of 80 percent of the Ground Floor elevation, and a minimum of 30 percent and a maximum 80 percent of the upper story Façades. For all other street frontages, transparent glazing shall occupy a minimum of 50 percent of the Ground Floor elevation, and a minimum of 30 percent of the upper story Façades.

2. All window surfaces not included within a Storefront Bay, inclusive of all floors of a building, shall be recessed a minimum of three inches.

D. Security Devices. All Projects shall comply with the below security device regulations.

1. Interior roll-down doors and security grilles are permitted only if they are all of the following:

(a) At least 75 percent transparent (open);
(b) Retractable;
(c) Integrated into the building;
(d) Designed to be fully concealed from public view during business hours; and
(e) Do not detract from or obscure character defining features, as determined by OHR.

2. Exterior security devices are prohibited, including but not limited to the following:

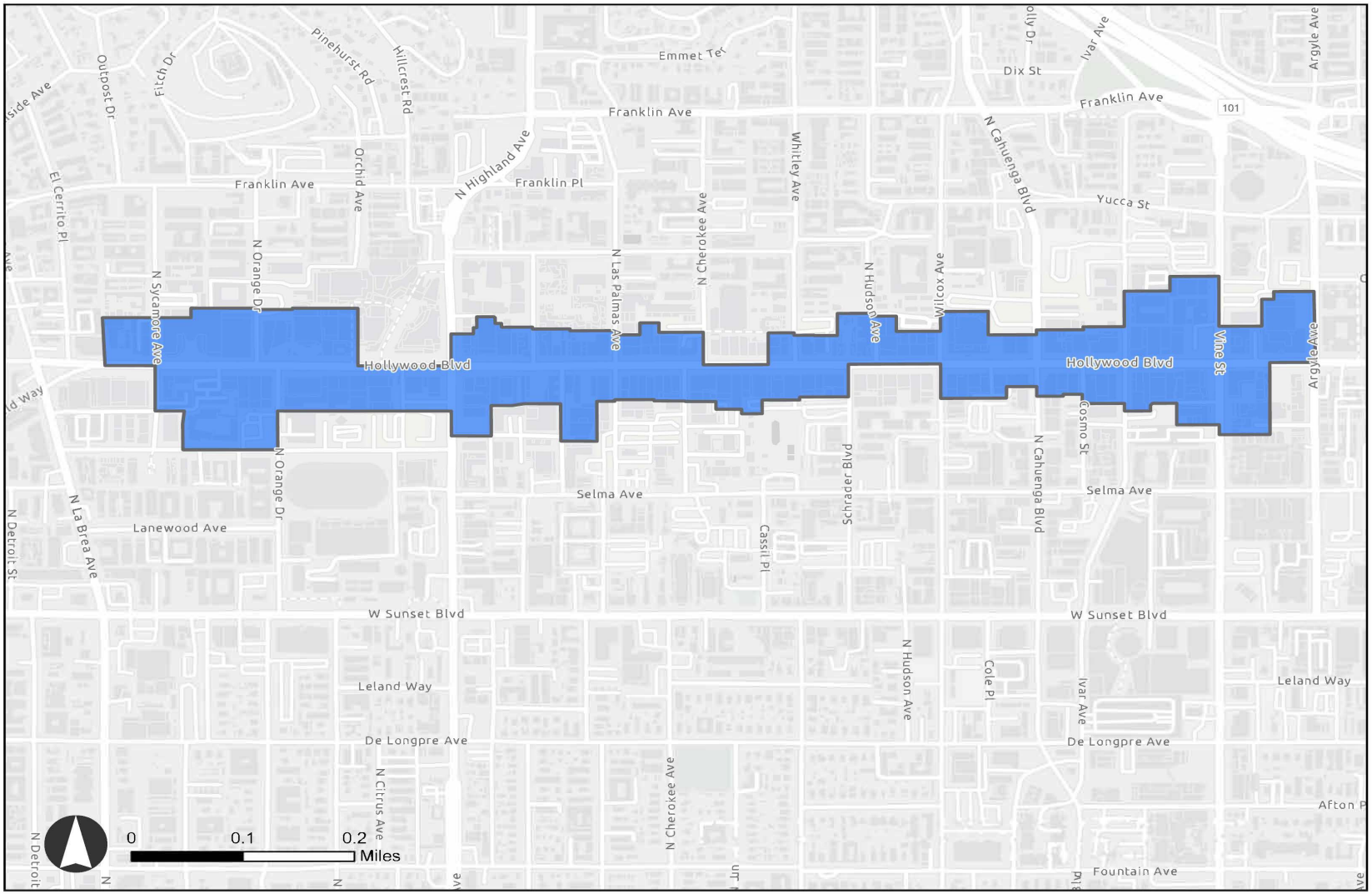
(a) Permanently affixed exterior security grilles or bars;

(b) Exterior accordion (or scissor) gates; and

(c) Exterior roll-down doors or grilles.

Figure II-6: Hollywood Boulevard Commercial and Entertainment District

The map below indicates the boundaries of the Hollywood Boulevard Commercial and Entertainment District.



Hollywood Boulevard Commercial and Entertainment District Boundary

CHAPTER III – CORRIDORS SUBAREAS

CORRIDORS SUBAREAS

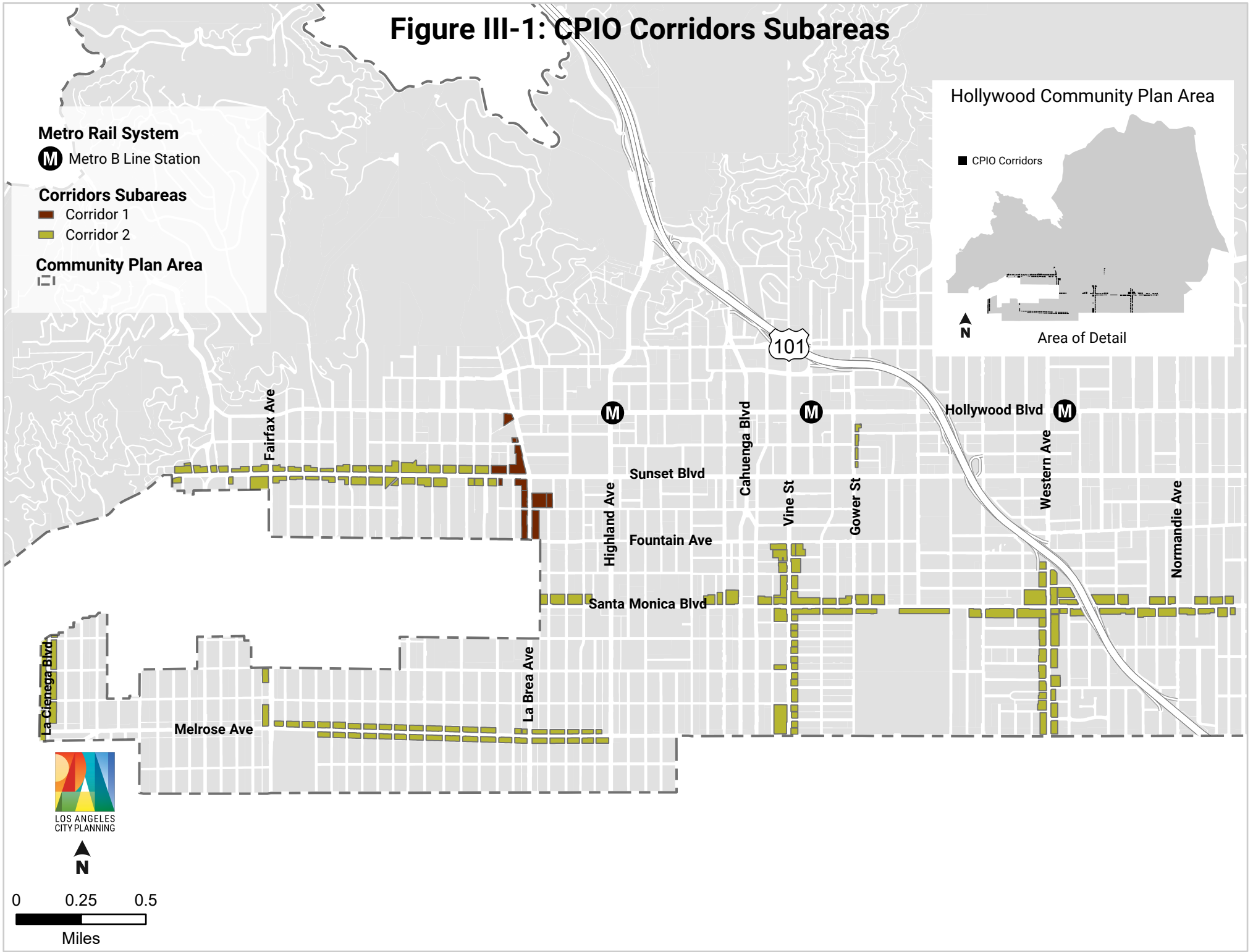
Corridor 1
Corridor 2

OVERVIEW

Corridors Subareas Corridor 1 and Corridor 2 foster continued investment along major commercial corridors generally served by transit, including bus lines. Along these corridors, such as Santa Monica Boulevard, the Corridor Subareas seek to improve the function and design of neighborhoods by enhancing the pedestrian experience and encouraging CPIO Mixed-Income Projects and CPIO 100 Percent Affordable Housing Projects.

The intent of the supplemental development regulations in this Chapter is to provide for well-designed, pedestrian-oriented projects that are appropriate to the scale and context of each specific transit neighborhood, as well as incentivize 100 percent affordable housing and mixed- income housing projects to be built near transit. All Projects within the Corridors Subareas (see Figure III-1) shall comply with the applicable supplemental development regulations in this Chapter III.

Figure III-1: CPIO Corridors Subareas



Section III-1. CONDITIONAL USE PERMIT

A. In addition to applicable CPIO District provisions, properties in the Corridor 2 Subarea located on Melrose Avenue between Fairfax Avenue and Highland Avenue that exceed any individual Ground Floor Commercial Tenant Size of over 5,000 square feet, shall first obtain a Class 2 Conditional Use Permit pursuant to LAMC Chapter 1A, Section 13B.2.2. W.

Section III-2. CORRIDORS SUBAREA COMMUNITY BENEFITS PROGRAM

A Project in the Corridor 1 and Corridor 2 Subareas may obtain CPIO Bonus Incentives and Additional Incentives for CPIO Mixed-Income Housing Projects and CPIO 100 Percent Affordable Housing Projects subject to the following regulations:

A. CPIO Mixed-Income Housing Projects.

1. Requirements. A Project which meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section III-2.A.2 and shall be eligible for the Additional Incentives in Section III.2.A.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of Restricted Affordable Units.** The Project provides Restricted Affordable Units at one of the following minimum percentages, depending on income category. The minimum number of Restricted Affordable Units shall be based on the minimum percentages described below, and calculated upon the total number of units in the final Project.

(i) **Corridor 1 and Corridor 2 Subareas:**

1) 11 percent for Extremely Low Income Households.

2) 15 percent for Very Low Income Households.

3) 25 percent for Lower Income Households.

2. **CPIO Bonus Incentives**. A Project that meets all of the requirements in Section III-2.A.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR**. The FAR shall be as follows, provided the additional FAR is utilized only by Residential Uses:

(i) In the **Corridor 1 Subarea**, the maximum total FAR is 3.75:1.

(ii) In the **Corridor 2 Subarea**, the maximum total FAR is 3:1.

(b) **Residential Density**. The residential density may be up to 1 unit per each 275 square feet of lot area.

(c) **Parking Reduction.** Parking reductions or exemptions shall apply as follows:

(i) For **Residential Uses,** parking may be reduced to 0.5 spaces per each residential unit (not limited to the restricted units), inclusive of handicapped and guest parking.

(ii) For **non-Residential Uses**, up to 30 percent reduction of the required parking is allowed.

TABLE III-1: CORRIDORS CPIO BONUS INCENTIVES

CPIO Subarea	Affordability %	CPIO Bonus Incentives			
		Density	FAR total	Non-Residential Parking	Residential Parking
Corridor 1	11% ELI, or 15% VL, or 25% Lower*	1/275	Up to 3.75:1	30% Reduction	0.5 spaces per unit
Corridor 2		1/275	Up to 3:1		

Note: this table is included for informational and illustrative purposes only.
**See definitions.*
Density: for example, 1/275 refers to 1 dwelling unit per 275 square feet of lot area.

3. Additional Incentives. In addition to CPIO Bonus Incentives, a Project that meets all of the requirements in Section III-2.A.1, may be granted Additional Incentive(s) as provided in this Subdivision 3.

(a) **Requirements.** A Project that provides Restricted Affordable Units consistent with this Paragraph shall be granted up to three Additional Incentive(s) from the menu of Additional Incentives in Paragraph (b), below, as follows:

(i) One Additional Incentive shall be granted for a Project that includes at least four (4) percent of the Base units for Extremely Low Income Households, or at least five (5) percent of the Base units for Very Low Income Households, or at least 10 percent of the Base units for Lower Income Households.

(ii) Two Additional Incentives shall be granted for a Project that includes at least seven (7) percent of the Base units for Extremely Low Income Households, or at least 10 percent of the Base units for Very Low Income Households, or at least 20 percent of the Base units for Lower Income Households.

(iii) Three additional incentives shall be granted for a Project that includes at least eleven (11) percent of the Base units for Extremely Low Income Households, or at least 15 percent of the Base units for Very Low Income Households, or at least 30 percent of the Base units for Lower Income Households.

(b) **Menu of Additional Incentives.** A Project granted Additional Incentive(s) under Paragraph (a), above, may use incentives from the following list:

(i) **Commercial Zone Setback.** A Project in any commercial zone may use the yard requirements for the "RAS3"

Residential/Accessory Services Zone in LAMC Section 12.10.5 C.

(ii) **Residential Zone Side and Rear Yard Setback**. The Project may decrease the required width or depth of any two individual yards or setbacks up to 30 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

(iii) **Lot Width.** The lot width may be decreased up to 25 percent.

(iv) **Averaging of Floor Area Ratio, Density, Parking or Open Space, and permitting Vehicular Access**. A Project may average and permit the floor area, density, open space, and commercial and residential parking over the Project site, and permit vehicular access from a less restrictive zone to a more restrictive zone, provided the following is met:

1) If a portion of the Project is located in the RC3 or the Character Residential Subareas, the floor area within those portions of the Project shall not exceed the maximum floor area permitted under the applicable CPIO Community Benefits Program where that portion of the Project is located; and

2) After obtaining this incentive, no further lot line adjustment or subdivision of the Project site shall be permitted.

(v) **Density Calculation**. Density may be calculated pursuant to LAMC Section 12.22 A.25(f)(7).

(vi) **Ground Floor Height.** The Project is exempt from the Ground Floor height requirement in Section III-3.

(vii) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas.

1) **Height Increase.** In the **Corridor 2 Subarea**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet. For sites that have a 30-foot height limit, the additional two (2) stories or 22 feet height increase is permitted as long as the total building height does not exceed four (4) stories. If the Project is located on a lot with a height limit of 45 feet or less, any height increase over 11 feet shall be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

2) **Transitional Height.** The building height limit shall be stepped-back at a 45 degree angle as measured from

a horizontal plane originating 25 feet above grade at the property line of an adjoining lot in an "RD" Restricted Density Multiple Dwelling Zone" or a more restrictive zone.

3) For a Project that has a Residential Use which occupies more than 50 percent of the total floor area within a building, the applicable height increases and transitional height standards above count as one Additional Incentive.

TABLE III-2: CORRIDORS CPIO ADDITIONAL INCENTIVES

CPIO Additional Incentives						
CPIO Subarea	**Commercial Zone Setback**	**Residential Zone Rear/Side Setback**	**Lot Coverage**	**Lot Width**	**Transitional Height**	**Height**
Corridor 1	Any or all of the yard requirements for the RAS3 zone per LAMC 12.10.5	30% decrease of two yards	35% increase	25% decrease	Stepback at 45° originating at 25' in height	N/A (height is regulated by floor area)
Corridor 2						2 stories or 22' increase

Note: this table is included for informational and illustrative purposes only.

B. CPIO 100 Percent Affordable Housing Projects. A Project using incentives in this Section III-2.B shall not use the incentives in this Section III-2.A.

1. Requirements. A Project that meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section III-2.B.2 and the Additional Incentives in Section III-2.B.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of On-Ste Restricted Affordable Units.** The Project provides 100 percent of the residential units are Restricted Affordable Units, excluding any manager unit(s).

2. CPIO Bonus Incentives. A Project that meets the requirements in Section III-2.B.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR**. The FAR shall be as follows, provided the additional FAR is utilized only by Residential Uses:

(i) In the **Corridor 1 Subarea**, the maximum total FAR is 4.25:1.

(ii) In the **Corridor 2 Subarea**, the maximum total FAR is 3.75:1.

(b) **Residential Density**. The residential density shall be up to one (1) unit per each 275 square feet of lot area.

(c) **Parking Reduction**. Parking reductions or exemptions shall apply as follows:

(i) For **Residential Uses,** no parking is required; and

(ii) For **non-Residential Uses**, up to 40 percent reduction of the required parking.

3. Additional Incentives. A Project that meets the requirements in Section III-2.B.1 shall be granted five (5) Additional Incentives from the menu of Additional Incentive(s) in Section III-2.A.3, except the residential zone side and rear yard setback incentive and height incentive, below, shall be used in lieu of those in Sections III-2.A.3(b)(ii) and III-2.A.3(b)(vii), respectively**.**

(a) **Residential Zone Side and Rear Yard Setback**. The required width or dept of any two individual yards or setbacks may be decreased up to 35 percent.

(b) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas. The applicable height increase and transitional height standards below count as one Additional Incentive.

(i) **Height Increase.** In the **Corridor 2 Subarea**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet. If the Project is located on a lot with a height limit of 45 feet or less, any height increases over 11 feet shall be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

(ii) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or a more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 25 feet above grade at the property line of the adjoining lot in the more restrictive zone.

TABLE III-3: CORRIDORS 100 PERCENT AFFORDABLE HOUSING INCENTIVES

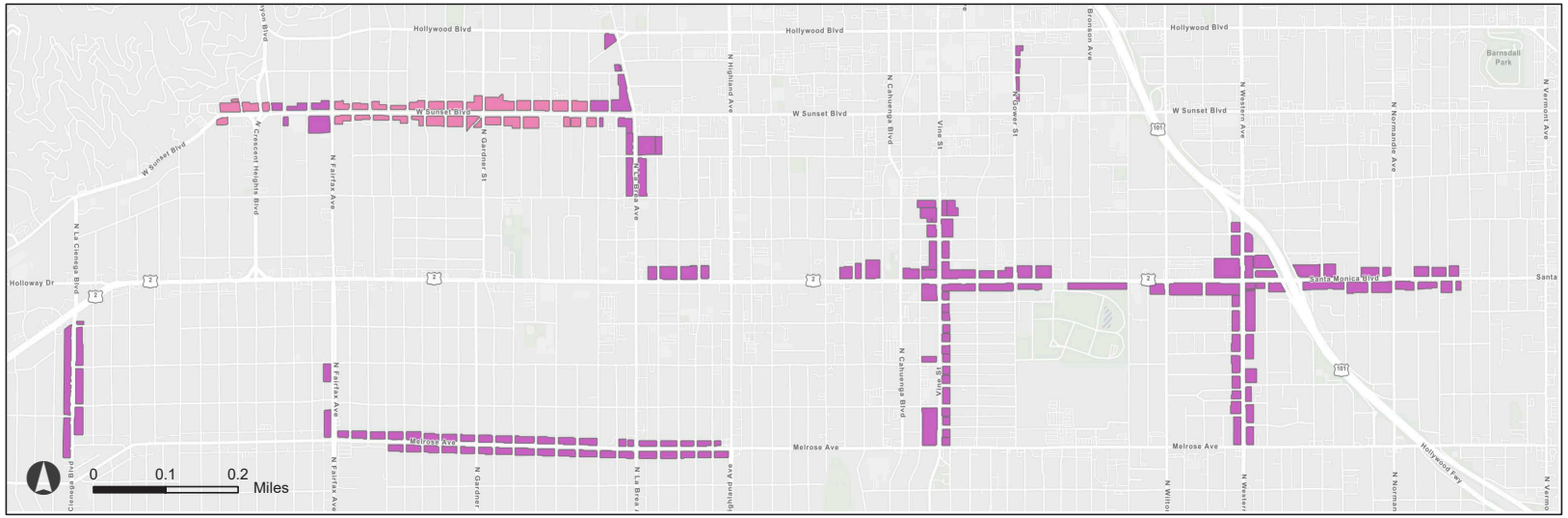
CPIO Subarea	CPIO Bonus Incentives				CPIO Additional Incentives	
	Density	FAR	Non-Residential Parking Reduction	Residential Parking Reduction	Residential Zone Rear/Side Setback	Transitional Height
Corridor 1	1/275	Up to 4.25:1	40%	No required parking	35% decrease of two yards	For the first 25': Stepback at 45°, originating at 25'
Corridor 2	1/275	Up to 3.75:1	40%		35% decrease of two yards	

Note: this table is included for informational and illustrative purposes only.
**See definitions.*
Density: for example, 1/275 refers to 1 dwelling unit per 275 square feet of lot area.

Figure III-2: Corridors Base FAR and Bonus

The maps below indicate the Corridors Base FAR and Bonus FAR allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

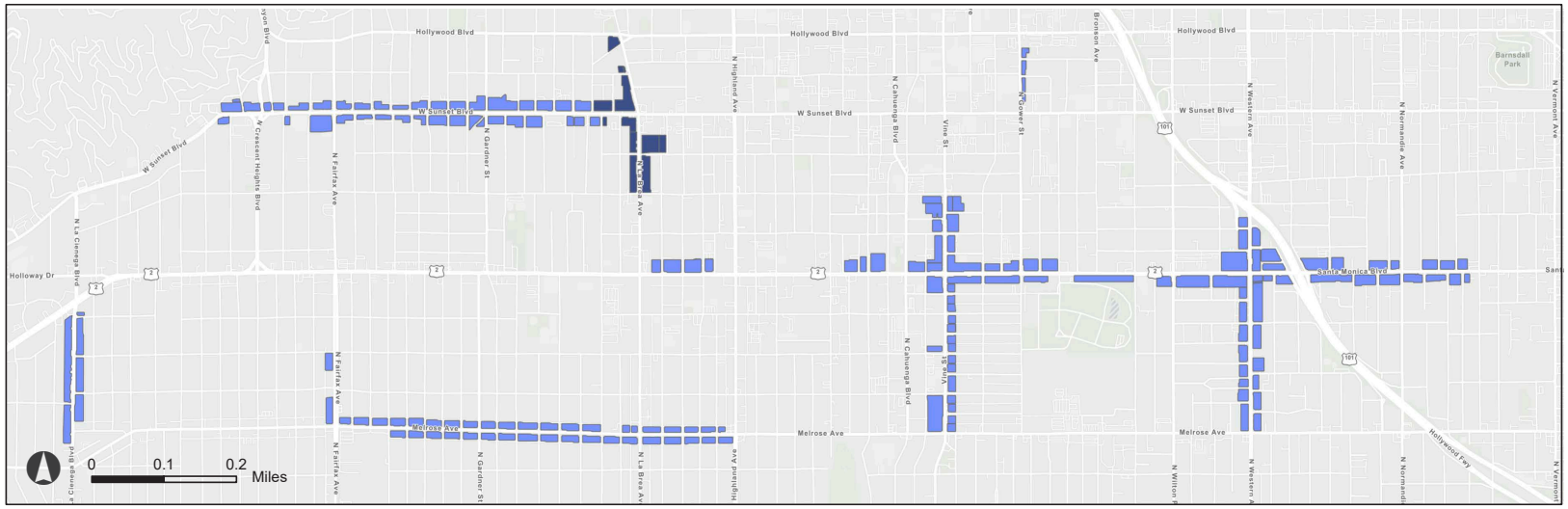
Base



1:1

1.5:1

Bonus



3:1

3.75:1

Note: These maps are for informational and illustrative purposes only.

Figure III-3: Corridors Base Height and Bonus

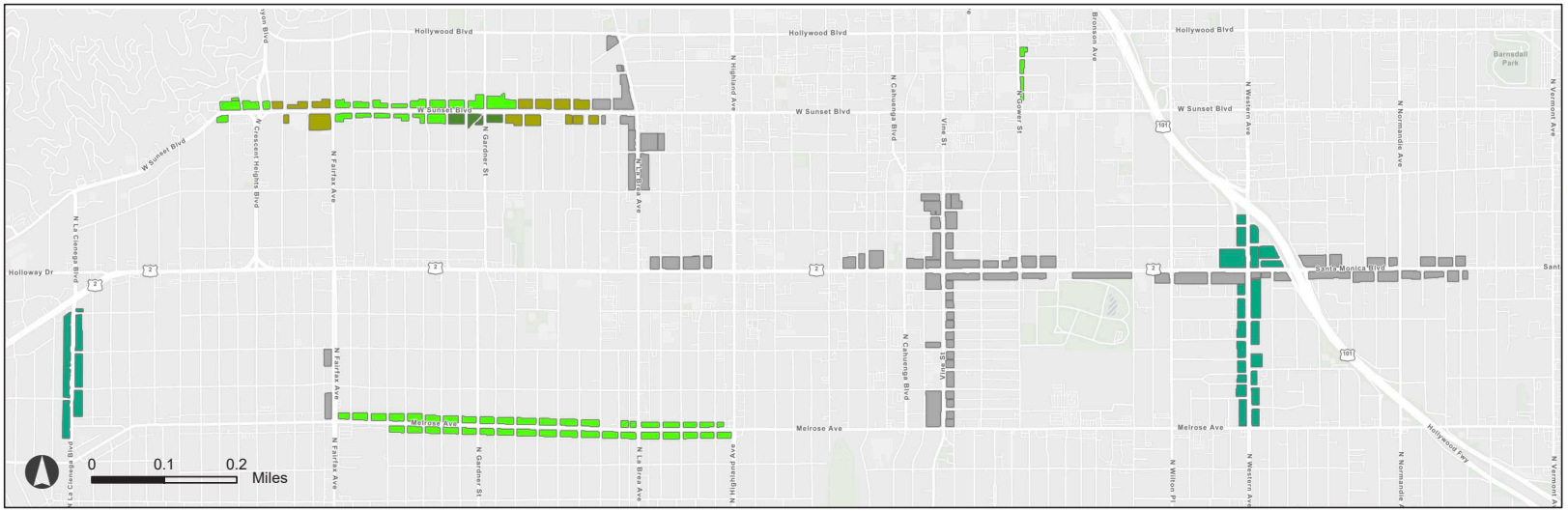
The maps below indicate the Corridors Base Height and Bonus Height allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



30 feet
35 feet
45 feet
50 feet
Not Specified

Bonus



52 feet
57 feet
67 feet
72 feet
Not Specified

Note: These maps are for informational and illustrative purposes only.

Figure III-4: Corridors Base Density and Bonus

The maps below indicate the Corridors Base Density and Bonus Density allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

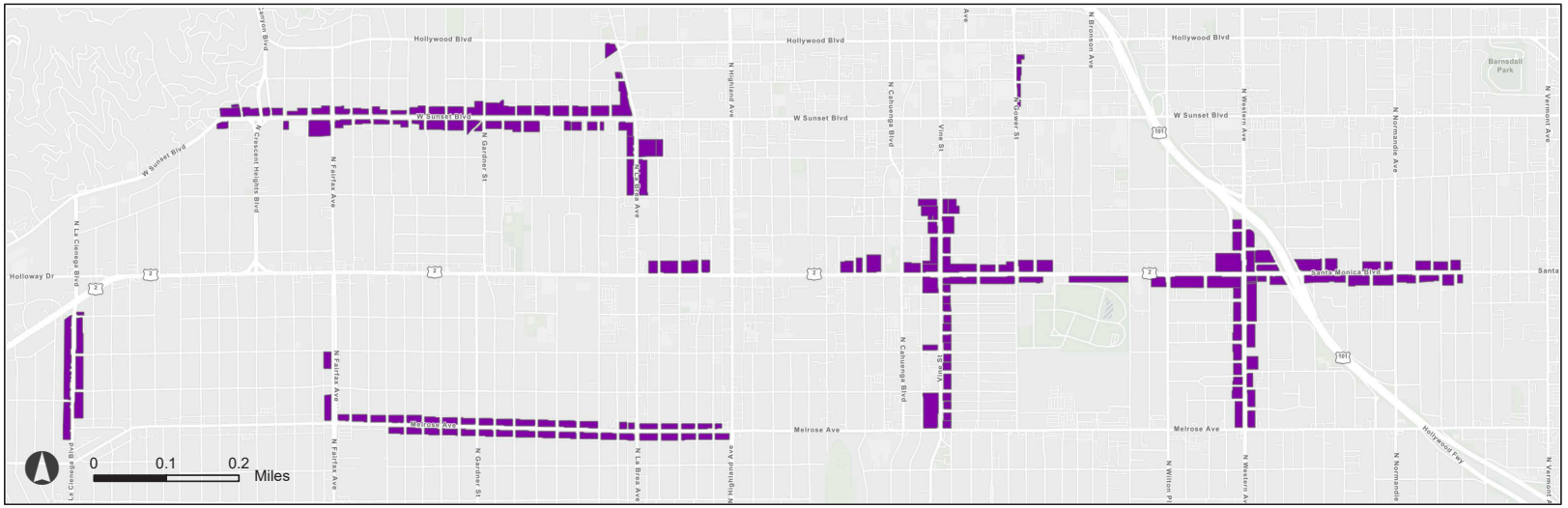
Base



1/400

1/800

Bonus



1/275

Note: These maps are for informational and illustrative purposes only.

Section III-3. DEVELOPMENT STANDARDS

All Projects in the Corridors Subareas shall comply with the following development standards:

A. **Ground Floor Elevation and Height.** Each Project shall have a finished Ground Floor elevation located within three feet above or below the existing curb level.

B. **Ground Floor Height**. The Project Ground Floor shall have a minimum floor to ceiling height of 14 feet.

C. **Transitional Height.** A Project on a property that shares a property line with an "RD" Restricted Density Multiple Dwelling Zone or more restrictive zone, within the first 25 feet of the property line that is shared with an "RD" zone or more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 25 feet above grade at the property line of the adjoining lot in the more restrictive zone.

D. **Street Wall and Active Floor Area.** All street fronting building Façades of a Project shall comply with the following:

1. Buildings shall be sited so that 100 percent of each street fronting building Façade length is located within five feet of the Primary Lot Line.

2. The Ground Floor shall incorporate Active Floor Area along 100 percent of the lot width of the Primary Lot Line to a depth of at least 18 feet. Areas used for vehicular access, pedestrian access, Landscape Amenity Space, or Pedestrian Amenity Space are exempt from this requirement.

3. For the purpose of meeting the 100 percent street wall requirement, a Paseo, Arcade, Landscape Amenity Space, or Pedestrian Amenity Space, no more than 15 percent of the lot width, shall qualify as street fronting building Façade.

4. A recessed entry located no more than 15 feet from the setback line qualifies as building Façade for the purpose of meeting the 100 percent street wall requirement. The recessed entry may not exceed nine feet in width.

E. **Pedestrian Access.** Each Building shall have at least one Street-Oriented Entrance that provides access to the Primary Lot Line. A Street-Oriented Entrance or a Landscape Amenity Space shall occur at least once every 75 feet and shall be no more than three feet above or below the adjacent sidewalk grade. For a non-residential Project, a Street-Oriented Entrance shall be accessible during business hours.

F. **Transparency**. Except for any portions of a Façade occupied with Ground Floor residential dwelling units, all Façades located along street frontages shall comply with the following:

1. Transparent glazing shall occupy a minimum of 50 percent of the Ground Floor Façade, and a minimum of 30 percent of the upper story Façade.

(a) Exception: For any Façade along Melrose Avenue between Fairfax Avenue and Highland Avenue that provides a mural or similar artwork that complies with all applicable City procedures and provisions, the Ground Floor Façade transparency requirement may be reduced to provide a minimum of 30 percent of transparent glazing.

2. Glass as part of the Façade shall be no more reflective than necessary to comply with Green Building Code or other state or local UV requirements.

G. Surface Parking. New stand-alone surface parking lots shall be prohibited. Surface parking lots for on-site uses shall not be located between a new building and the Primary Lot Line. Where surface parking lots abut public streets that are not the Primary Frontage, a landscape buffer of a minimum of three feet in depth shall be provided between the property line and the subject surface parking.

H. Parking Structures. Parking structures within buildings or stand-alone structures shall comply with the following requirements:

1. Ground Floor Screening. Parking, loading, storage, and mechanical equipment areas located on the ground level within buildings, including stand-alone parking structures, shall be buffered with Active Floor Area with a minimum depth of 18 feet between the parking, storage, loading or mechanical equipment area and the Façades fronting a public right-of-way, except for necessary access pathways and driveways. Alley-facing Façades are exempt from this requirement.

2. Upper Floor Screening. All parking, loading, or vehicular circulation areas located above the Ground Floor shall be screened with materials that are substantially similar in appearance and application to those used on the Active Floor Area portions of the building. Open screening materials such as perforated metal, mesh, or landscape trellis, may not be used to satisfy this requirement.

I. Alleys. Loading, service and mechanical areas that require access from a public right-of-way shall provide access from alleys where available, or from non-Primary Frontages, where available, and where alleys are not present.

J. Driveways and Vehicular Access. Vehicular access to off-street parking and loading areas shall not be provided from the Primary Frontage, unless the prohibition is determined infeasible by the Director, in consultation with LADOT. Each driveway shall not exceed the minimum width required by LADOT. Multiple driveways located along the Primary Frontage, as limited above, shall be a minimum of 200 feet apart from each other as part of the same project unless the Director determines such a distance is infeasible to provide access off the Primary Frontage. The above driveways and vehicular access requirements do not apply to parcels

within the CPIO District abutting Sunset Boulevard between Marmont Lane and La Brea Avenue.

K. **Landscape Buffer.** A five-foot landscape buffer, inclusive of all required setbacks, shall be provided between the Project site and any abutting lot zoned "RD1.5" Restricted Density Multiple Dwelling Zone or a more restrictive zone. Landscaping that is drought tolerant, evergreen, and capable of growing to a height of 10 feet shall be utilized, and a decorative masonry wall a minimum of six feet and a maximum of eight feet in height shall be constructed along any property line shared with an abutting lot zoned RD1.5 or a more restrictive zone.

L. **Parking for Change of Use.** No additional off-street automobile parking shall be required when a change of use is made within an existing Commercial Tenant Space.

M. **Tenant Size**. For properties in the Corridor 2 Subarea on Melrose Avenue between Fairfax Avenue and Highland Avenue, Commercial Tenant Size of any Ground Floor restaurant or retail tenant space shall be limited to a maximum of 5,000 square feet unless the tenant space is used for art galleries, furniture and/or rug stores, or secondhand clothing store uses. Direct connections between Commercial Tenant Spaces are not permitted. A Commercial Tenant Space may have a connection to common areas and shared facilities. Any limitations on tenant size restrictions shall apply to the cumulative sum of related or successive permits that are a part of a larger project, such as piecemeal additions to a building, or multiple buildings on a lot or adjacent lots, as determined by the Director. Common areas, including corridors and shared restrooms, are exempt from size restrictions.

CHAPTER IV- MULTI-FAMILY RESIDENTIAL SUBAREAS

MULTI-FAMILY RESIDENTIAL SUBAREAS

MF1

MF2

MF3

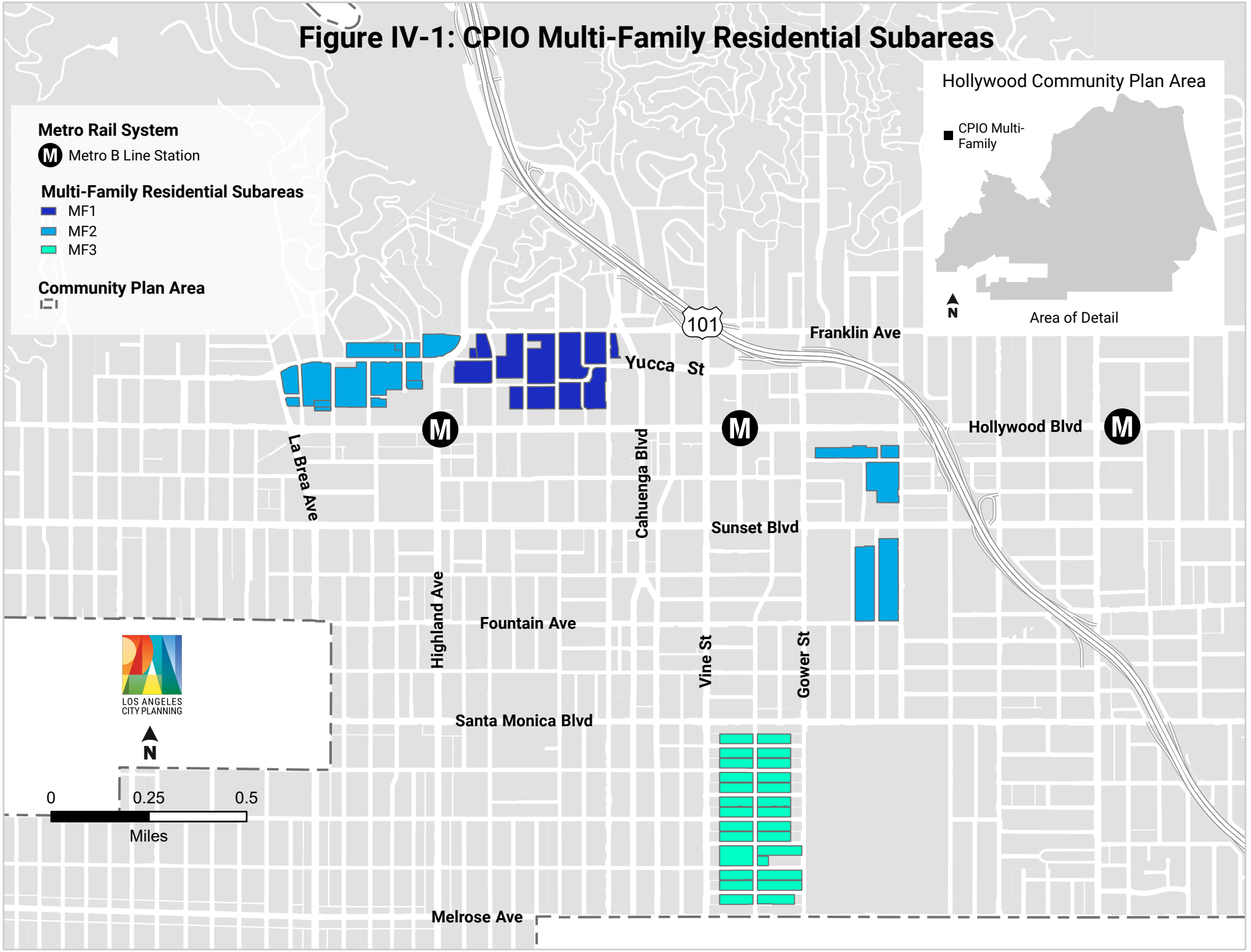
OVERVIEW

Multi-Family Residential Subareas MF1, MF2, and MF3 seek to identify opportunity areas in places where new housing can be built, such as near the Regional Center and major commercial and transit corridors. Residents can take advantage of living near attractions and job centers, and choose several travel options, including walking and using Metro stations and bus lines. Additionally, other areas focus on maintaining residential neighborhood stability, and guide new infill residential development to be compatible with the existing character.

Similar to the other Subareas in this CPIO District, CPIO Mixed-Income Projects and CPIO 100 Percent Affordable Housing Projects are incentivized through the establishment of a base/bonus system, wherein Projects are granted increased development rights when dwelling units are reserved for lower-income households.

All Projects within the Multi-Family Residential Subareas (see Figure IV-1) shall comply with the applicable supplemental development regulations in this Chapter IV.

Figure IV-1: CPIO Multi-Family Residential Subareas



Section IV-1. LAND USE REGULATIONS

A. Uses. Hotel uses are prohibited in the Multi-Family Residential CPIO Subareas.

B. Existing Uses. Existing uses made non-conforming by this CPIO, shall comply with LAMC Section 12.23.

Section IV-2. MULTI-FAMILY RESIDENTIAL COMMUNITY BENEFITS PROGRAM

A Project in the Multi-Family Subareas (MF1, MF2, MF3) may obtain CPIO Bonus Incentives and Additional Incentives for CPIO Mixed-Income Housing Projects and CPIO 100 Percent Affordable Housing Projects subject to the following regulations:

A. CPIO Mixed-Income Housing Projects.

1. Requirements. A Project which meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section IV-2.A.2 and shall be eligible for the Additional Incentives in Section IV-2.A.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of Restricted Affordable Units.** The Project provides Restricted Affordable Units at one of the following minimum percentages, depending on income category. The minimum number of Restricted Affordable Units shall be based on the minimum percentages described below, and calculated upon the total number of units in the final project.

(i) 11 percent for Extremely Low Income Households.

(ii) 15 percent for Very Low Income Households.

(iii) 25 percent for Lower Income Households.

2. CPIO Bonus Incentives. A Project that meets all of the requirements in Section IV-2.A.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR**. The FAR shall be as follows, provided the additional FAR is utilized only by Residential Uses:

(i) In the **MF1 Subareas**, the maximum total FAR is 6:1.

(ii) In the **MF2 or MF3 Subareas**, the maximum total FAR is 3.75:1.

(b) **Residential Density**. The residential density shall be as follows:

(i) In the **MF1 Subarea on a [Q]R5 zoned parcel**, the maximum density shall be up to 1 unit per each 275 square feet of lot area.

(ii) In the **MF1 Subarea on a [Q]R4 zoned parcel**, the maximum density shall be up to 1 unit per each 400 square feet of lot area.

(iii) In the **MF2 or MF3 Subareas**, the maximum density shall be up to 1 unit per each 400 square feet of lot area.

(c) **Parking Reduction**. For **Residential Uses**, the maximum required parking shall be 0.5 spaces for each residential unit, inclusive of handicapped and guest parking.

TABLE IV-1: MULTI-FAMILY CPIO BONUS INCENTIVES

CPIO Subarea	Affordability %	CPIO Bonus Incentives		
		Density	FAR	Residential Parking Reduction
MF 1	11% ELI, or 15% VL, or 25% Lower*	1/275 for [Q]R5 parcels 1/400 for [Q]R4 parcels	Up to 6:1	0.5 spaces per unit
MF 2	11% ELI, or 15% VL, or 25% Lower*	1/400	Up to 3.75:1	
MF 3	11% ELI, or 15% VL, or 25% Lower*	1/400		

Note: this table is included for informational and illustrative purposes only.
**See definitions.*
Density: for example, 1/275 refers to 1 dwelling unit per 275 square feet of lot area.

3. Additional Incentives. In addition to CPIO Bonus Incentives, a Project that meets all of the requirements in Section IV-2.A.1, may be granted Additional Incentive(s) as provided in this Subdivision 3.

(a) **Requirements**. A Project that provides Restricted Affordable Units consistent with this Paragraph shall be granted Additional Incentive(s) from the menu of Additional Incentives in Paragraph (b), below, as follows:

(i) One Additional Incentive shall be granted for a Project that includes at least four (4) percent of the Base units for Extremely Low Income Households, or at least five (5) percent of the Base units for Very Low Income Households, or at least 10 percent of the Base units for Lower Income Households.

(ii) Two Additional Incentives shall be granted for a Project that includes at least seven (7) percent of the Base units for Extremely Low Income Households, or at least 10 percent of the Base units for Very Low Income Households, or at least 20 percent of the Base units for Lower Income Households.

(iii) Three Additional Incentives shall be granted for a Project that includes at least eleven (11) percent of the Base units for Extremely Low Income Households, or at least 15 percent of the Base units for Very Low Income Households, or at least 30 percent of the Base units for Lower Income Households.

(b) **Menu of Additional Incentives.** A Project granted Additional Incentive(s) under Paragraph (a), above, may use incentives from the following list:

(i) **Residential Zone Side and Rear Yard Setback**. The Project may decrease the required width or depth of any two individual yards or setbacks up to 30 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

(ii) **Lot Coverage.** The lot coverage may be increased up to 35 percent.

(iii) **Lot Width.** The lot width may be decreased up to 25 percent.

(iv) **Averaging of Floor Area Ratio, Density, Parking or Open Space, and permitting Vehicular Access**. A Project may average and permit the floor area, density, open space, and commercial and residential parking over the Project site, and permit vehicular access from a less restrictive zone to a more restrictive zone, provided the following is met:

1) If a portion of the Project is located in the RC3 or the Character Residential Subareas, the floor area within those portions of the Project

shall not exceed the maximum floor area permitted under the applicable CPIO Community Benefits Program where that portion of the Project is located; and

2) After obtaining this incentive, no further lot line adjustment or subdivision of the Project site shall be permitted.

(v) **Density Calculation**. Density may be calculated pursuant to LAMC Section 12.22 A.25(f)(7).

(vi) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas. The transitional height requirement is to be used in lieu of those found in LAMC Section 12.21.1 A.10, including any requirements for reduced building heights when a building is adjoining a more restrictive zone.

1) **Height Increase.** The height increase shall permit a maximum of two (2) additional stories up to 22 feet. A Project located on a lot within the MF2 or MF3 Subarea shall require any height increases over 11 feet to be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

2) **Transitional Height.** Within the first 25 feet of the property line that is shared with an "RD" Restricted Density Multiple Dwelling Zone or a more restrictive zone, the building height limit shall be stepped-back at a 45 degree angle as measured from a horizontal plane originating 25 feet above grade at the property line of the adjoining lot in the more restrictive zone.

3) For a Project that has a Residential Use which occupies more than 50 percent of the total floor area within a building, the applicable height increase and transitional height standards below count as one Additional Incentive.

TABLE IV-2: MULTI-FAMILY CPIO ADDITIONAL INCENTIVES

CPIO Additional Incentives				
Residential Zone Rear/Side Setback	**Lot Coverage**	**Lot Width**	**Height Increase**	**Transitional Height**
30% decrease of two yards	35% increase	25% decrease	2 stories or 22'	Stepback at 45°, originating at 25'

Note: this table is included for informational and illustrative purposes only.

B. CPIO 100 Percent Affordable Housing Projects. A Project using incentives in this Section IV-2.B shall not use the incentives in this Section IV-2.A.

1. Requirements. A Project that meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section IV-2.B.2 and the Additional Incentives in Section IV-2.B.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of On-Ste Restricted Affordable Units.** The Project provides 100 percent of the residential units are Restricted Affordable Units, excluding any manager unit(s).

2. CPIO Bonus Incentives. A Project that meets the requirements in Section IV-2.B.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **FAR**. The FAR shall be as follows, provided the additional FAR is utilized only by Residential Uses:

(i) In the **MF1 Subareas**, the maximum total FAR is 6:1.

(ii) In the **MF2 or MF3 Subareas**, the maximum total FAR is 4.25:1.

(b) **Residential Density**. The residential density shall be as follows:

(i) In the **MF1 Subarea**, the maximum density shall be one (1) unit per each 200 square feet of lot area.

(ii) In the **MF2 and MF3 Subareas**, the maximum density shall be up to one (1) unit per each 400 square feet of lot area.

(c) **Parking Reduction**. No parking is required.

3. Additional Incentives. A Project that meets the requirements in Section IV-2.B.1 shall be granted five (5) Additional Incentives to be selected from the menu of Additional Incentives in Section IV-2.A.3(b), except the residential zone side and rear yard setback incentive and the height incentive below, shall be used in lieu of those in Sections IV-2.A.3(b)(i) and IV-2.A.3(b)(vi), respectively.

(a) **Residential Zone Side and Rear Yard Setback**.

(i) In the **MF1 or MF2 Subareas**, the required width or depth of any two individual yards or setbacks may be decreased up to 35 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

(b) **Height.** A Project shall be permitted the following increases in the maximum allowable height. The allowable increase in height shall be applicable over the entire Project site regardless of the number of underlying height limits, except that no height increase shall be permitted within the RC3 or Character Residential Subareas. The applicable height increases and transitional height standards below count as one Additional Incentive.

(i) **Height Increase.** The Project story or height may be increased as follows:

1) In the **MF1 or MF2 Subareas**, this height increase shall permit a maximum of two (2) additional stories up to 22 feet, except in the MF2 Subarea, any height increase over 11 feet shall be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

2) In the **MF3 Subarea**, this height increase shall permit a maximum of three (3) additional stories up to 33 feet, except any height increases over 11 feet shall be stepped-back at least 15 feet from the Façade of the Ground Floor of the building located along any street frontage.

(ii) **Transitional Height.** Within the first 25 feet of the property line that is shared with a property zoned "RD" Restricted Density Multiple Dwelling Zone or a more restrictive zone, the building height limit shall be stepped-back at a 45-degree angle as measured from a horizontal plane originating 25 feet above grade at the property line of the adjoining lot in the more restrictive zone.

TABLE IV-3: MULTI-FAMILY 100 PERCENT AFFORDABLE HOUSING INCENTIVES

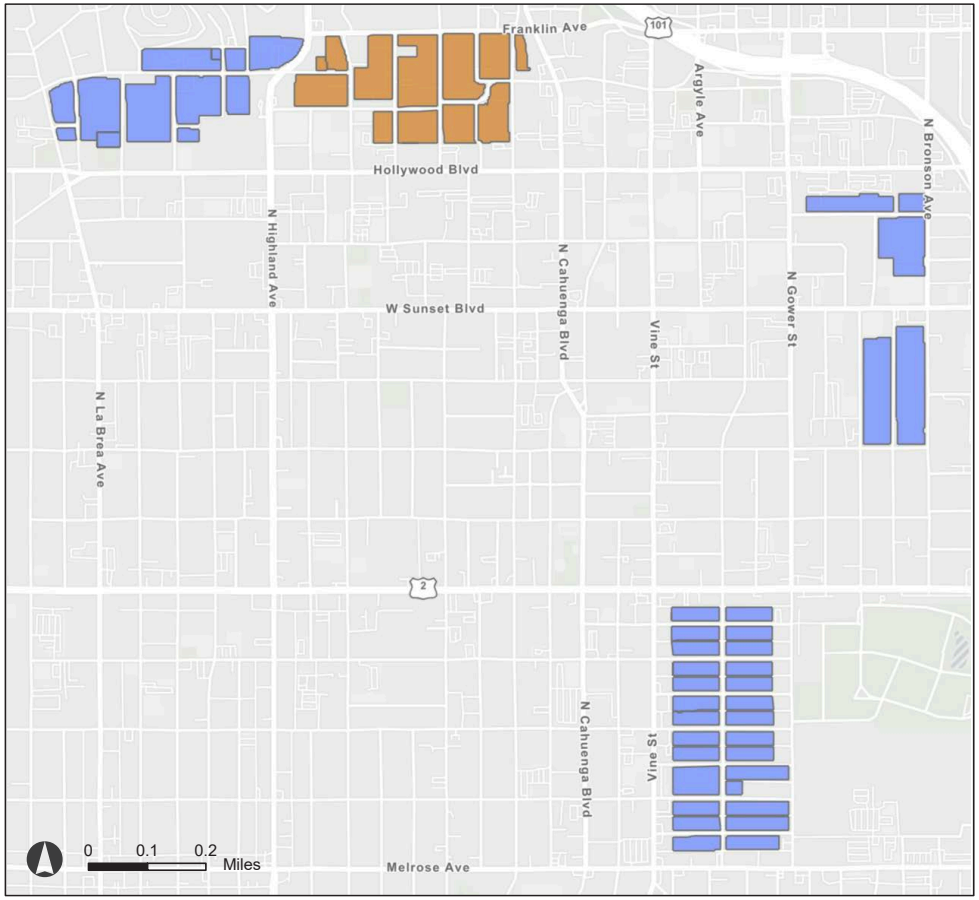
CPIO Subarea	CPIO Bonus Incentives			CPIO Additional Incentives		
	Density	FAR	Residential Parking Reduction	Residential Zone Rear/Side Setback	Height Increase	Transitional Height
MF1	1/200	Up to 6:1	No required parking	35% decrease of two yards	2 stories or 22'	For the first 25' of the Property Line: Stepback at 45°, originating at 25'
MF2	1/400	Up to 4.25:1			2 stories or 22'	
MF3	1/400	Up to 4.25:1			3 stories or 33'	

Note: this table is included for informational and illustrative purposes only.
Density: for example, 1/200 refers to 1 dwelling unit per 200 square feet of lot area.

Figure IV-2: Multi-Family Base FAR and Bonus

The maps below indicate the Multi-Family Base FAR and Bonus FAR allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



Bonus



Note: These maps are for informational and illustrative purposes only.

3:1

4.5:1

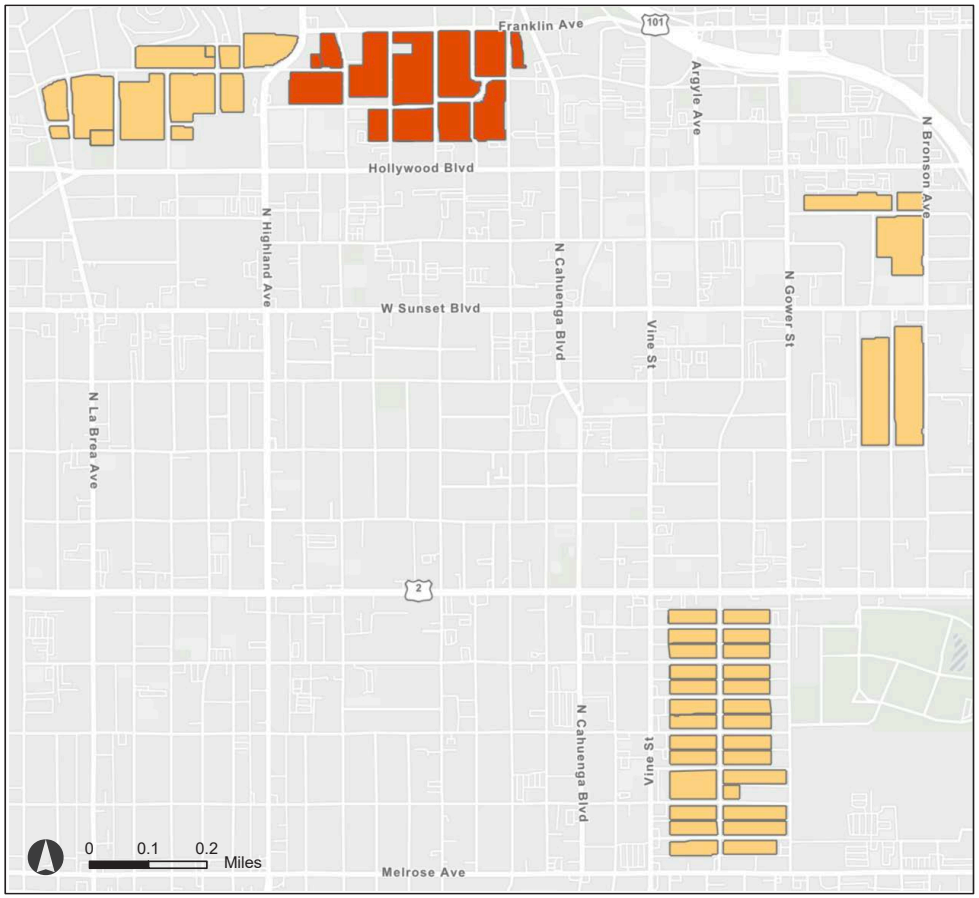
3.75:1

6:1

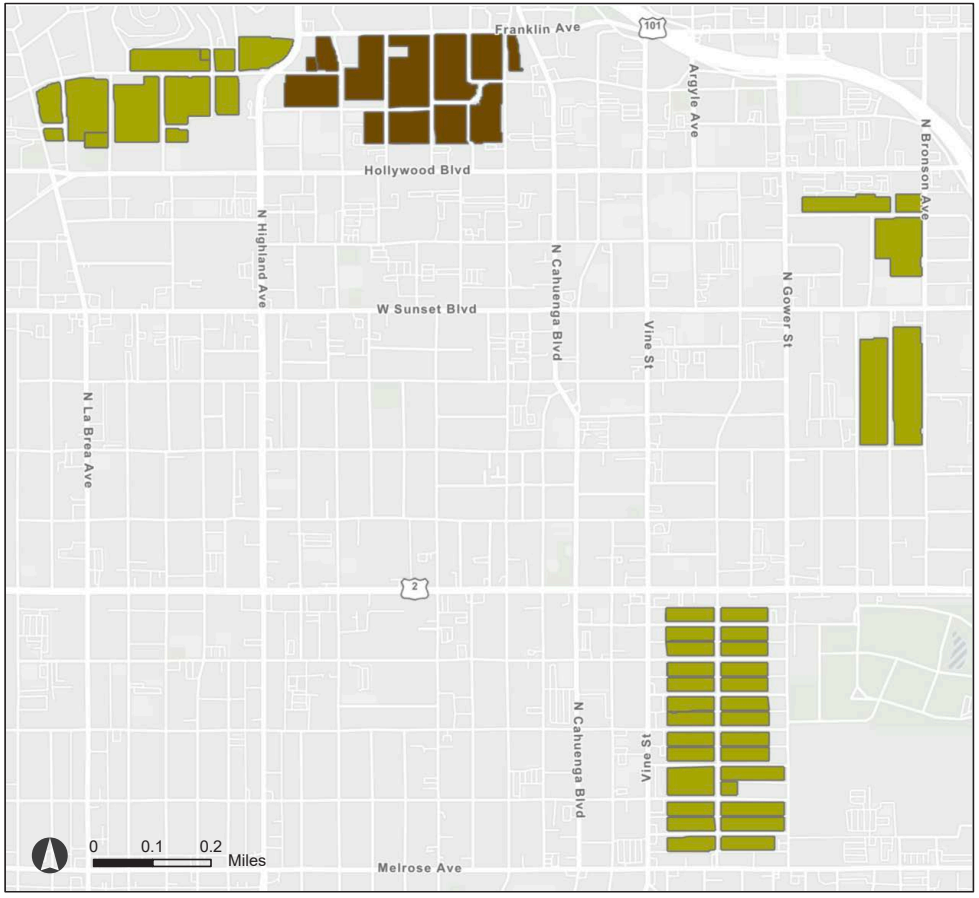
Figure IV-3: Multi-Family Base Height and Bonus

The maps below indicate the Multi-Family Base Height and Bonus Height allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



Bonus



Note: These maps are for informational and illustrative purposes only.

45 feet

60 feet

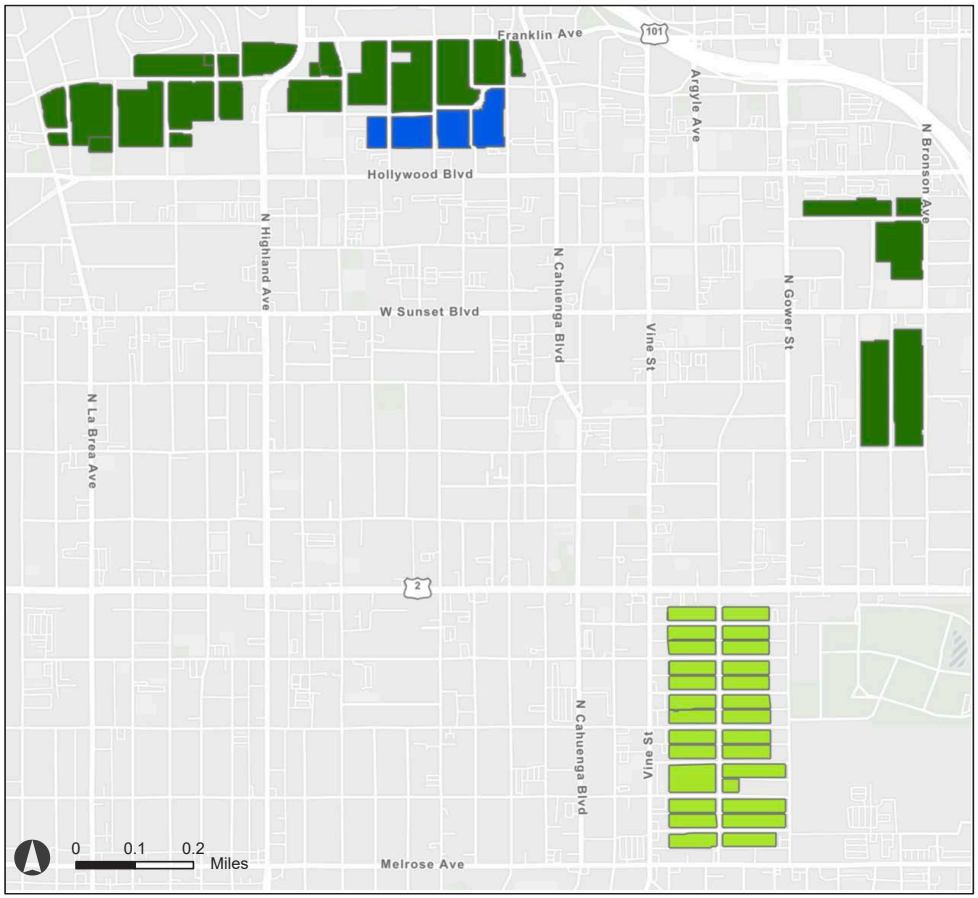
67 feet

82 feet

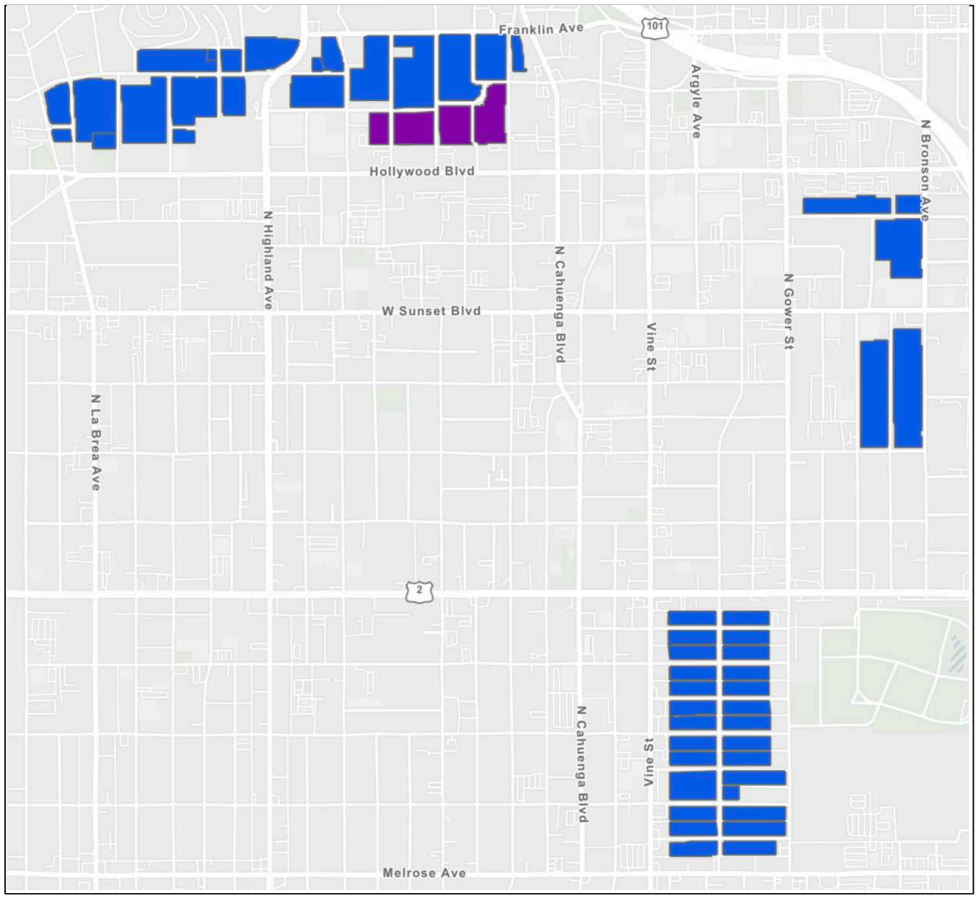
Figure IV-4: Multi-Family Base Density and Bonus

The maps below indicate the Multi-Family Base Density and Bonus Density allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



Bonus



Note: These maps are for informational and illustrative purposes only.

- 1/400
- 1/600
- 1/800

- 1/275
- 1/400

Section IV-3. DEVELOPMENT STANDARDS

All Projects in the Multi-Family Subareas shall comply with the following development standards:

A. **Ground Floor Elevation.** The Project shall have a finished Ground Floor elevation located within three feet above or below the existing curb level.

B. **Street Wall and Active Floor Area.** All street fronting Façades of a Project shall comply with the following:

1. The Ground Floor shall incorporate Active Floor Area along 100 percent of the lot width of the Primary Lot Line to a depth of at least 18 feet. Areas used for vehicular access, pedestrian access, Landscape Amenity Space, or Pedestrian Amenity Space are exempt from this requirement.

2. For the purpose of meeting the 100 percent street wall requirement, a Paseo, Arcade, Landscape Amenity Space, or Pedestrian Amenity Space, no more than 15 percent of the lot width, shall qualify as street fronting building Façade.

3. A recessed entry located no more than 15 feet from the setback line qualifies as Façade for the purpose of meeting the 100 percent street wall requirement. The recessed entry may not exceed nine feet in width.

C. **Building Breaks.** A Project site with a frontage of more than 200 feet in width shall provide as for each 200 feet or less of building width by either providing a minimum 10-foot Building Break, except if the Building Break is a step in the Façade, it shall be a minimum of 15-feet wide and 15-feet deep. No structure shall encroach into the Building Break or step in the Façade, except for projections allowed pursuant to LAMC Section 12.22 C.20(b).

D. **Pedestrian Access.** Each building shall have at least one Street-Oriented Entrance that provides access to the Primary Lot Line. A Street-Oriented Entrance or a Landscape Amenity Space shall occur at least once every 100 feet and shall be no more than three feet above or below the adjacent sidewalk grade.

E. **Surface Parking.** New stand-alone surface parking lots shall be prohibited. Surface parking lots for on-site uses shall not be located between a building and the Primary Lot Line. Where surface parking lots abut public streets that are not the Primary Frontage, a landscape buffer of a minimum of three feet in depth shall be provided between the property line and the subject surface parking.

F. **Parking Structures.** Parking structures within buildings or stand-alone structures shall comply with the following requirements:

1. **Ground Floor Screening.** Parking, loading, storage, and mechanical equipment areas located on the ground level within buildings, including stand-alone parking structures, shall be buffered with Active Floor Area with a

minimum depth of 18 feet between the parking, storage, loading or mechanical equipment area and the building Façades fronting a public right-of-way, except for necessary access pathways and driveways. Alley-facing Façades are exempt from this requirement.

2. **Upper Floor Screening.** All parking, loading, or vehicular circulation areas located above the Ground Floor shall be screened with materials that are substantially similar in appearance and application to those used on the Active Floor Area portions of the building. Open screening materials such as perforated metal, mesh, or landscape trellis, may not be used to satisfy this requirement.

G. **Alleys**. Loading, service and mechanical areas that require access from a public right-of-way shall provide access from alleys where available, or from non-Primary Frontages, where available, and where alleys are not present.

H. **Driveways and Vehicular Access.** Vehicular access to off-street parking and loading areas shall not be provided from the Primary Frontage, unless the prohibition is determined infeasible by the Director, in consultation with LADOT. Each driveway shall not exceed the minimum width required by LADOT. Multiple driveways located along the Primary Frontage, as limited above, shall be a minimum of 200 feet apart from each other as part of the same project unless the Director determines such a distance is infeasible to provide access off the Primary Frontage.

CHAPTER V – CHARACTER RESIDENTIAL SUBAREA

OVERVIEW

Hollywood has a rich built history, with key buildings and places that have become significant for their notable architecture or association with the social and cultural history of Hollywood. The preservation of historic resources protects this built legacy, ensuring continuity and the retention of the community's collective memory. The regulations of the Character Residential Subarea ensure that new development is designed to be compatible with the established character of the historical neighborhoods, ensuring that the identity of these neighborhoods is maintained as they evolve. CPIO Mixed-Income Projects and CPIO 100 Percent Affordable Housing Projects are also encouraged in this Subarea.

The Character Residential CPIO Subarea consists of the following Historic Districts:

Selma LaBaig, a designated California Register District

Afton Square, a designated California Register District

Vista Del Mar/Carlos, a designated California Register District

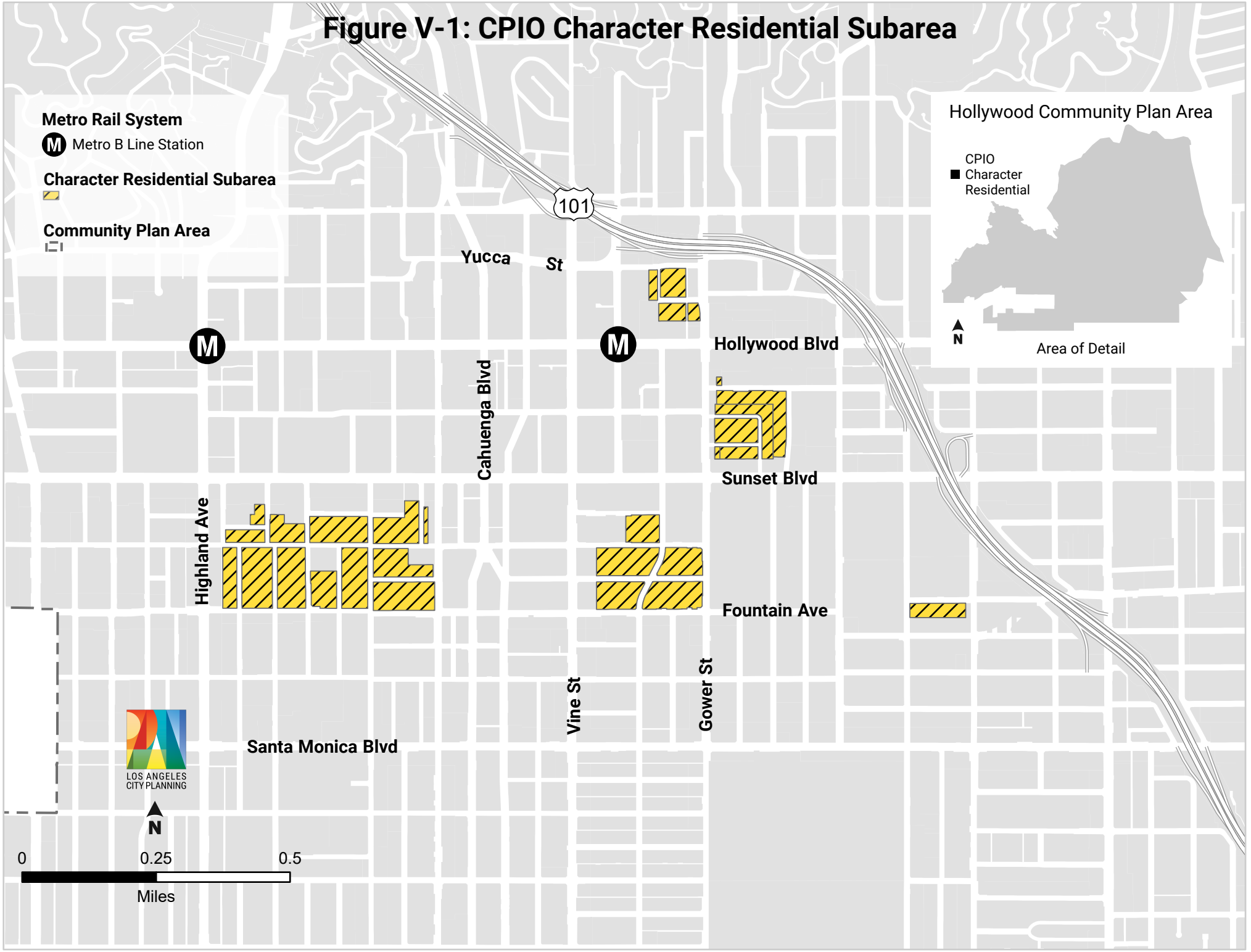
McCadden-De Longpre-Leland, Eligible Historic District

De Longpre Park, Eligible Historic District

Fountain Avenue, Eligible Historic District

All Projects within a Character Residential Subarea shall comply with the applicable Supplemental Development Regulations in this Chapter V

Figure V-1: CPIO Character Residential Subarea



Section V-1. CHARACTER RESIDENTIAL COMMUNITY BENEFITS PROGRAM

A Project in the Character Residential Subarea may obtain CPIO Bonus Incentives and Additional Incentives for CPIO Mixed-Income Housing Projects and CPIO 100 Percent Affordable Housing Projects subject to the following regulations:

A. CPIO Mixed-Income Housing Projects

1. Requirements. A Project which meets all of the following requirements shall be granted CPIO Bonus Incentives in Section V-1.A.2 and shall be eligible for the Additional Incentives in Section V-1.A.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of Restricted Affordable Units.** The Project provides Restricted Affordable Units at one of the following minimum percentages, depending on income category. The minimum number of Restricted Affordable Units shall be based on the minimum percentages described below, and calculated upon the total number of units in the final project.

(i) 9 percent for Extremely Low Income Households.

(ii) 12 percent for Very Low Income Households.

(iii) 21 percent for Lower Income Households.

2. CPIO Bonus Incentives. A Project that meets all of the requirements in Section V-1.A.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **Residential Density**. The maximum residential density in the following zones, shall be as follows:

(i) In the "**R4**" Multiple Dwelling Zone, up to one (1) unit per each 275 square feet of lot area.

(ii) In the "**[Q]R4**" Multiple Dwelling Zone, up to one (1) unit per each 450 square feet of lot area.

(iii) In the "**R3**" Multiple Dwelling Zone, up to one (1) unit per each 575 square feet of lot area.

(iv) In the "**[Q]R3**" Multiple Dwelling Zone, up to one (1) unit per each 900 square feet of lot area.

(v) In the "**RD1.5**" **or "RD2**" Restricted Density Multiple Dwelling Zones, up to one (1) unit per each 1000 square feet of lot area.

(b) **Parking Reduction**. For Residential Uses, the maximum parking shall be 0.5 spaces for each residential unit, inclusive of handicapped and guest parking.

TABLE V-1: CHARACTER RESIDENTIAL CPIO BONUS INCENTIVES

CPIO Subarea	Affordability %	CPIO Bonus Incentives		
		Density	FAR	Residential Parking Reduction
CR	9% ELI, or 12% VL, or 21% Lower*	R4 parcels: 1/275 [Q]R4 parcels: 1/450 R3 parcels: 1/575 [Q]R3 parcels: 1/900 RD1.5 or RD2 parcels: 1/1000	No Bonus	0.5 spaces per unit for Residential Uses

Note: this table is included for informational and illustrative purposes only.
**See definitions.*
Density: for example, 1/275 refers to 1 dwelling unit per 275 square feet of lot area.

3. Additional Incentives. In addition to CPIO Bonus Incentives, a Project that meets the requirements in Section V-1.A.1, may be granted Additional Incentive(s) as provided in this Section 3.

(a) **Requirements**. A Project that provides Restricted Affordable Units consistent with this Paragraph shall be granted Additional Incentives in Paragraph (b), below, as follows:

(i) One Additional Incentive shall be granted for a Project that includes at least four (4) percent of the Base units for Extremely Low Income Households, or at least five (5) percent of the Base units for Very Low Income Households, or at least 10 percent of the Base units for Lower Income Households.

(ii) Two Additional Incentives for a Projects that includes at least seven (7) percent of the Base units for Extremely Low Income Households, or at least 10 percent of the Base units for Very Low Income Households, or at least 20 percent of the Base units for Lower Income Households.

(iii) Three Additional Incentives for a Project that includes at least eleven (11) percent of the Base units for Extremely Low Income Households, or at least 15 percent of the Base units for Very Low Income Households, or at least

30 percent of the Base units for Lower Income Households.

(b) **Menu of Incentives.** A Project granted Additional Incentive(s) under Paragraph (a), above, may use incentives from the following list:

(i) **Residential Zone Side and Rear Yard Setback.** The Project may decrease the required width or depth of any two individual yards or setbacks up to 30 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

(ii) **Lot Coverage.** The lot coverage may be increased up to 35 percent.

(iii) **Lot Width**. The lot width may be decreased up to 25 percent.

(iv) **Averaging of Floor Area Ratio, Density, Parking or Open Space, and permitting Vehicular Access.** A Project may average and permit the floor area, density, open space, and commercial and residential parking over the Project site, and permit vehicular access from a less restrictive zone to a more restrictive zone, provided the following is met:

1) If a portion of the Project is located in the RC3 or the Character Residential Subareas, the floor area within those portions of the Project shall not exceed the maximum floor area permitted under the applicable CPIO Community Benefits Program where that portion of the Project is located; and

2) After obtaining this incentive, no further lot line adjustment or subdivision of the Project site shall be permitted.

(v) **Density Calculation.** Density may be calculated pursuant to LAMC Section 12.22 A.25(f)(7).

TABLE V-2: CHARACTER RESIDENTIAL CPIO ADDITIONAL INCENTIVES

CPIO Additional Incentives		
Residential Zone Rear/Side Setback	Lot Coverage	Lot Width
30% decrease of two yards	35% increase	25% decrease

Note: this table is included for informational and illustrative purposes only.

B. CPIO 100 Percent Affordable Housing Projects. A Project using incentives in Section V-1.A shall not use the incentives in this Section B.

1. Requirements. A Project that meets all of the following requirements shall be granted the CPIO Bonus Incentives in Section V-1.B.2 and the Additional Incentives in Section V-1.B.3:

(a) **Minimum Number of Residential Units.** The Project provides at least five (5) residential units.

(b) **Minimum Number of On-Ste Restricted Affordable Units.** The Project provides 100 percent of the residential units are Restricted Affordable Units, excluding any manager unit(s).

2. CPIO Bonus Incentives. A Project that meets the requirements in Section V-1.A.1 shall be granted all of the following CPIO Bonus Incentives:

(a) **Residential Density**. The maximum residential density in the following zones, shall be as follows:

(i) In the "**R4**" Multiple Dwelling Zone, up to one (1) unit per each 275 square feet of lot area.

(ii) In the "**[Q]R4**" Multiple Dwelling Zone, up to one (1) unit per each 450 square feet of lot area.

(iii) In the "**R3**" Multiple Dwelling Zone, up to one (1) unit per each 575 square feet of lot area.

(iv) In the "**[Q]R3**" Multiple Dwelling Zone, up to one (1) unit per each 900 square feet of lot area.

(v) In the "**RD1.5**" **or "RD2**" Restricted Density Multiple Dwelling Zones, up to one (1) unit per each 1000 square feet of lot area.

(b) **Parking Reduction**. No parking is required for Residential Uses.

3. Additional Incentives. A Project that meets the requirements in Section V-1.B.1 shall be granted four (4) Additional Incentives to be selected from the menu of Additional Incentives in Section V-1.A.3(b), except the residential zone side and rear yard setback incentive below, shall be used in lieu of those in Section V-1.A.3(b)(i).

(a) **Residential Zone Side and Rear Yard Setback**: The required width or depth of any two individual yards or setbacks may be decreased up to 35 percent except along any property line that abuts a property zoned "R1" One-Family Zone or a more restrictive zone.

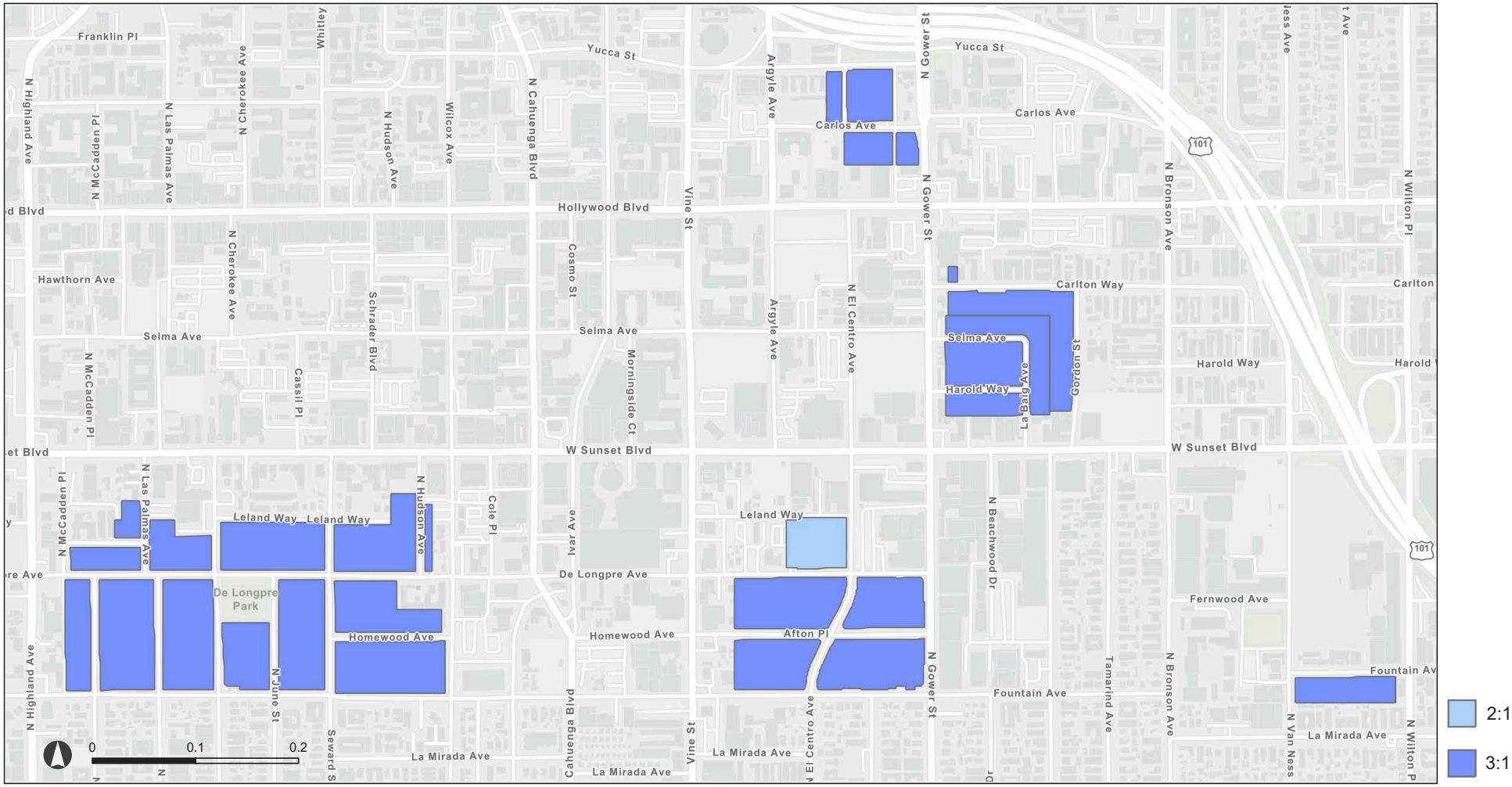
TABLE V-3: CHARACTER RESIDENTIAL 100 PERCENT AFFORDABLE HOUSING INCENTIVES

CPIO Subarea	CPIO Bonus Incentives			CPIO Additional Incentives
	Density	FAR	Residential Parking Reduction	Residential Zone Rear/Side Setback
CR	R4 parcels: 1/275 [Q]R4 parcels: 1/450 R3 parcels: 1/575 [Q]R3 parcels: 1/900 RD1.5 or RD2 parcels: 1/1000	No Bonus	No required parking for Residential Uses	35% decrease of two yards

Note: this table is included for informational and illustrative purposes only.
**See definitions.*
Density: for example, 1/275 refers to 1 dwelling unit per 275 square feet of lot area.

Figure V-2: Character Residential Base FAR

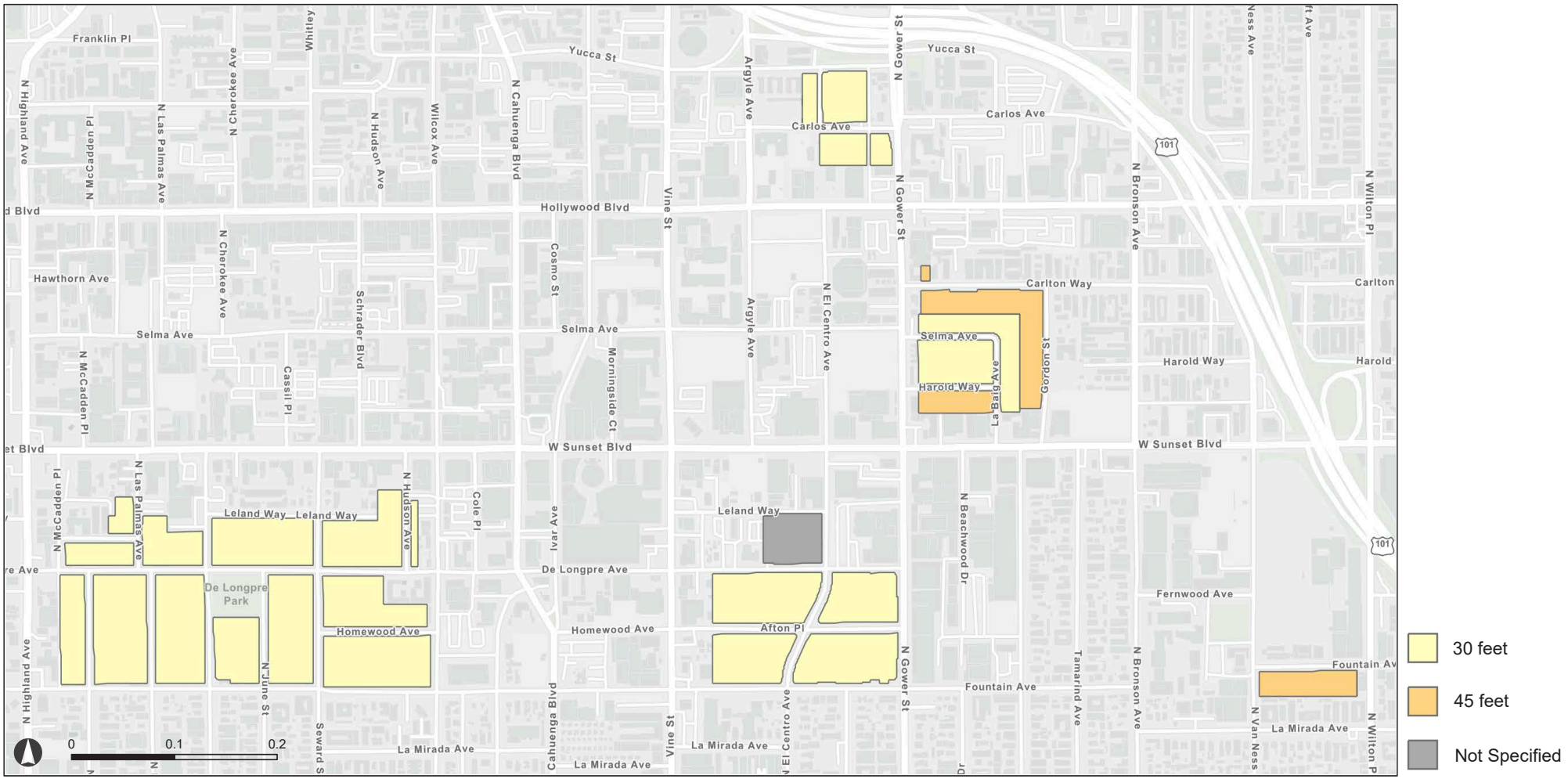
The map below indicates the Character Residential Base FAR allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.



Note: This map is for informational and illustrative purposes only.

Figure V-3: Character Residential Base Height

The map below indicates the Character Residential Base Height allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

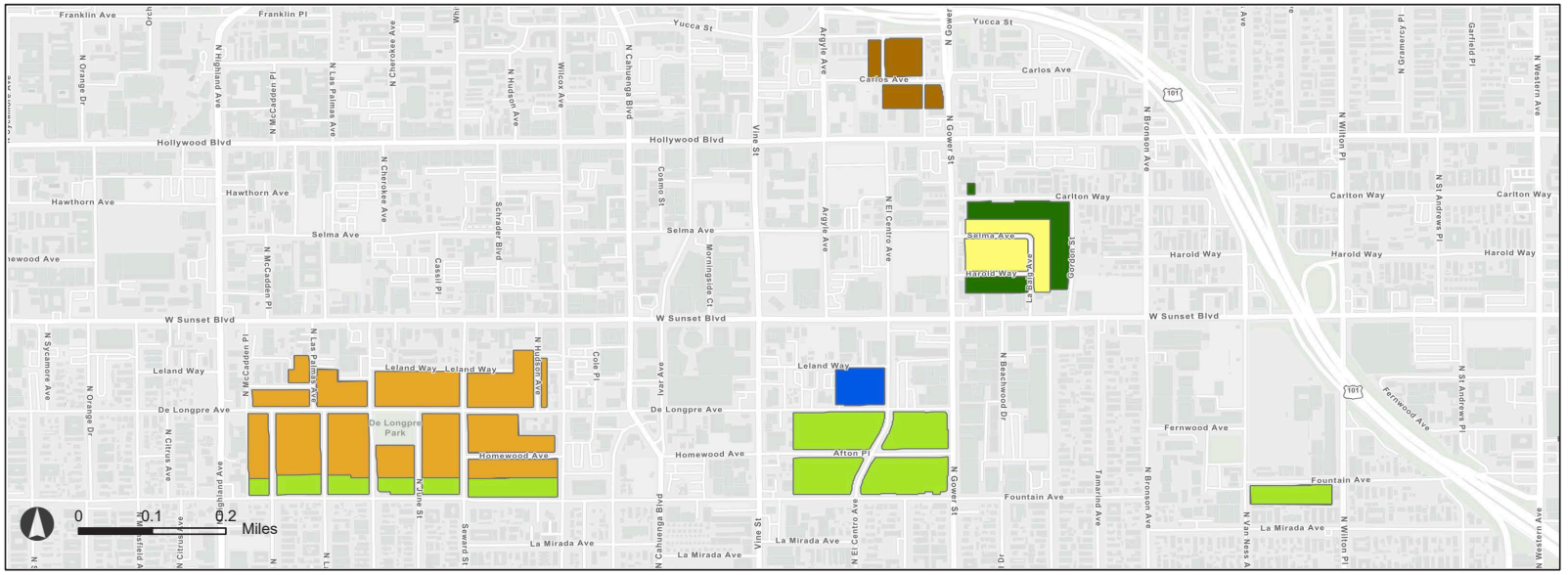


Note: This map is for informational and illustrative purposes only.

Figure V-4: Character Residential Base Density and Bonus

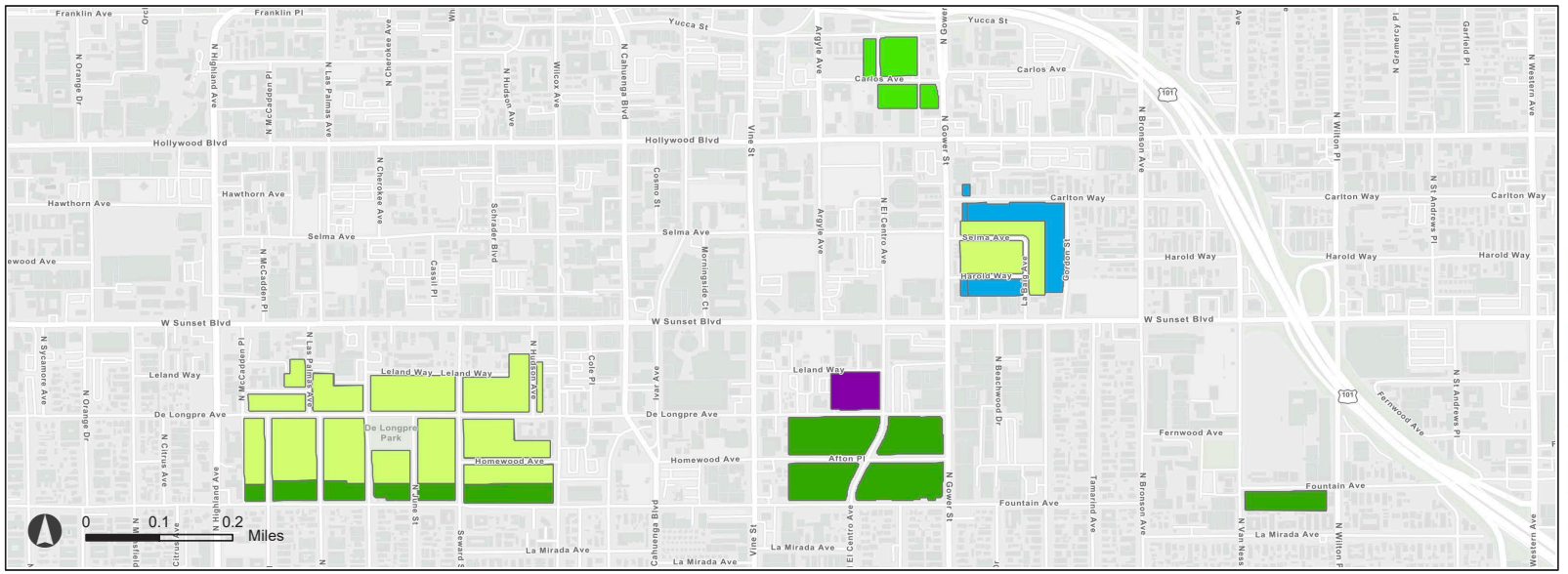
The maps below indicate the Character Residential Base Density and Bonus Density allowed under the CPIO District.
Projects which have been conferred vested development rights may utilize said right until they expire or are otherwise lost. City staff will verify whether a project has maintained its vesting development rights.

Base



1/400
1/600
1/800
1/1200
1/1500
1/2000

Bonus



1/275
1/450
1/575
1/900
1/1000

Note: These maps are for informational and illustrative purposes only.

Section V-2. DEVELOPMENT STANDARDS

All Projects in the Character Residential shall comply with the following development standards:

A. **Setback**. Yard setbacks other than Primary Frontage shall be as set forth in the LAMC for the underlying zone, except as follows:

1. Buildings and structures on Unified Lots shall not encroach into side and rear setback areas associated with the original individual lots.

Side and rear yard setback requirements shall not apply to detached structures (habitable or non-habitable) located more than 60 percent of the lot depth or 80 feet from the front lot line, whichever is less, subject to the following requirements:

(a) The building shall be detached from the main house and set back a minimum of five feet, as measured from the Façade of the main house.

(b) In addition to the allowable yard projections in LAMC Section 12.22 C.20, loggias (covered walkways), gazebo structures and pools may encroach into the rear and side yard setback areas that are internal to Unified Lots.

(c) Where the yard setback dimensions in this Chapter are more restrictive than those set forth in the underlying zone, including LAMC Section 12.22 C.27 (Small Lot Subdivisions), the more restrictive setbacks shall prevail.

B. **Building Articulation.**

1. **Building Height.** For lots with a 30-foot height limit, an Encroachment Plane shall be measured to a 24-foot Origin Height vertically from either:

(a) The front yard setback, or

(b) The side yard setbacks.

From the Origin Height, the plane shall slope inward at a 45-degree angle. All buildings and structures shall fit entirely within the encroachment plane, no encroachments are allowed.

2. **Building Length.** The total cumulative length of any side elevation above the first floor shall not extend more than 60 percent of the lot depth or 80 feet, whichever is less.

C. **Building Design.** The Project shall comply with the following design regulations:

1. **Primary Frontage Entrance.** At least one street-facing entrance is required, which may be met in any of the following ways:

   (a) At least one primary building entrance shall be located within the Primary Frontage and shall provide direct access from the Primary Lot Line without crossing parking areas, garages, or carports, or a driveway; or

   (b) Individual entrances shall be provided from a centrally located or common- access courtyard accessible from the Primary Lot Line; or

   (c) On a corner lot, an entrance shall be located adjacent to the street intersection and angled between 30 to 60 degrees, measured parallel to each street lot lines and shall provide direct access from the Primary Lot Line without crossing a parking lot or driveway, or

   (d) On a corner lot, individual street-facing entrances shall be provided for each unit and direct access shall be provided from the street fronting lot line without crossing a parking lot or driveway.

2. **Entry Feature.** A primary building entrance shall be accentuated by one of the following entry features:

   (a) **Porch.** A wide, raised platform, projecting in front of a street-facing entrance that is entirely covered but not enclosed. A porch shall include at least two round or square columns with a minimum width of six (6) inches. A porch shall have a minimum depth of four and one-half (4-1/2) feet, a minimum width of 30 percent of the Façade width, and an elevation within two (2) to five (5) feet.

   (b) **Overhead Projection.** An overhead projection such as an awning or other architectural design feature shall provide cover for the exterior area immediately abutting the associated. The minimum depth of the overhead projection shall be one third of the clear height of the covered area, and its width shall not be less than the width of the entrance and shall not exceed the width of the entrance by more than five feet. The elevation shall be between two to five feet. The overhead projection shall be an integral part of the building and shall not be made of fabric.

   (c) **Recession.** A recession of at least two feet from the building Façade to create a covered entry or landing area.

   (d) **Architrave/Archway.** A symmetrical architectural detail spanning an opening with a minimum width of six inches and stepped out a minimum of six (6) inches in depth. An arch shall not be limited to a round arch and may be segmental, pointed, or a decorative horizontal

band above and connected to vertical bands (column, pilaster, etc.) framing an entrance.

3. Roof Types. Projects that involve the construction of new detached structures shall utilize roof forms that are consistent with the predominant existing roof forms of the main building. For example, if a property is developed with a structure that has a 4/12 pitch gabled roof, the additional dwelling unit shall utilize the same gable roof pitch.

4. Transparency. Transparency shall occur at least every 10 feet. Transparency shall be installed with a minimum recession depth of two inches. All openings with transparency shall have a sill projecting at least one-inch (1") from the plane of the Façade. Horizontal sliding windows shall not be permitted on the street-facing Façades. Vinyl windows in the following shades are not permitted: white, tan, beige, canvas and ivory.

5. Building Materials.

(a) **Primary Material.** A primary building material shall be continuous across all exterior Façades of a building and shall cover at minimum 70 percent of the area of a building. Glazing shall not qualify as a Façade material and shall not be subject to the material percentage. Clapboard and shake siding shall be considered as one material. Rough textured stucco shall not be permitted.

(b) **Secondary Material.** Between one and three high quality secondary materials shall be used on a building to highlight Architectural Features. Any material used as a Primary Material shall not qualify to be used as a secondary material unless it varies in texture, size, or color. For example, a wood porch column qualifies as a secondary material on a wood clapboard structure. Glazing shall not qualify as a Façade material and shall not be subject to the material percentage. Rough textured stucco shall not be permitted.

D. Additions Standards. In addition to complying with Sections I-6.C.6 and I-6.C.7, new additions to a Designated Historic Resource or an Eligible Historic Resource shall comply with the following standards as applicable:

1. Additions must be differentiated from the old through a material change, massing change, or building step-in of a minimum of six (6) inches.

2. Additions shall not result in the removal (without in-kind replacement) of Architectural Features or materials on the primary street-facing Façade.

3. Additions that involve an increase in height shall not be constructed within 30 feet of a street facing Façade or within the area between the highest roof point and a street facing Façade, whichever is greater.

4. Additions shall match roof forms, eave depth, and roof pitches found on the existing structure.

5. Notwithstanding Subdivision 1, above, additions shall use the same finish materials as the original structure when original building materials are extant. The following material alternatives shall comply with these provisions: cement board may be used as an alternative to wood, face brick or brink veneer may be used as an alternative for brick, darkly colored (brown, gray, burgundy, etc.) vinyl or composite windows may be used in lieu of wood or metal windows. Materials may vary in pattern and texture.

E. Parking Areas, Garages, and Carports. Projects with onsite parking shall conform to the following standards:

1. Location.

(a) No parking shall be allowed between the Primary Frontage and the Primary Lot Line.

(b) Detached garages and carports associated with the construction of a new building shall be located behind the main building Façade furthest from the Primary Lot Line.

2. Attached Parking.

(a) Attached parking areas shall be located either underground (subterranean or semi-subterranean), or behind any main building.

(b) Any semi-subterranean parking areas (parking podiums) shall include exterior Façades that are integrated into the overall architecture of the building, and that are accompanied by a minimum three-foot landscape buffer.

F. Curb Cuts and Driveways.

1. Access driveways shall be provided from alleys or side streets when present. Driveways may be provided from the Primary Lot Line when alleys or side streets are not present.

2. Curb cuts shall be limited to the minimum number permitted as determined by LADOT.

3. Driveway widths shall be the minimum width permitted by the LAMC.

APPENDIX A – ENVIRONMENTAL STANDARDS

A. General Rule.

As described in Section I-9 of the CPIO District, environmental standards are included in this CPIO District to implement the Mitigation & Monitoring Program included as part of the Hollywood Community Plan Update and reviewed in the Hollywood Community Plan Update Environmental Impact Report (Case No. ENV-2016-1451-EIR), certified by the City Council.

Any Project in any of the CPIO Districts Subareas is required to comply with all Environmental Standards in Section E, below, and all other requirements in this Appendix. Any discretionary Project in the boundaries of the CPIO District and not in a Subarea that seeks to rely on the Hollywood Community Plan Update EIR for its CEQA clearance (including through tiering, preparing an addendum, supplemental EIR or a statutory infill exemption), shall incorporate or impose the Environmental Standards in Subsection E, below, on the Project (and any supplemental development standard identified as a Hollywood Community Plan Update EIR mitigation measure), unless the mitigation measure is modified or deleted pursuant to CEQA.

B. Other Requirements.

In addition to complying with any applicable Environmental Standard as required in this Appendix A and any requirement in Section I-9, an owner shall comply with all of the following:

1. Imprint all Environmental Standard(s) on all plans that are reviewed and approved by LADBS. More specifically, if an owner submits construction or operational plans as part of the Project description for a land use application, the owner shall imprint the Environmental Standard, as required in this Appendix, on those plans.

2. Sign and submit a notice of the Environmental Standards and commitment to comply with LADBS, at Plan Check prior to the issuance of any grading, excavation, or building permit, in which the owner acknowledges the Environmental Standard(s) and signs a statement of intent to comply.

3. Notify any contractor hired by the owner who is doing work subject to one or more Environmental Standard of the requirement to comply with the applicable Environmental Standard(s); and collect a signed acknowledgement of the notice from the contractor.

4. Maintain a copy of all applicable Environmental Standards on the Project site at all times during construction.

5. Maintain a copy of all records documenting compliance with the Environmental Standards for a minimum of five years after the Certificate of Occupancy is issued.

6. Upon request of a City inspector or officer, produce records of compliance, referenced in Paragraph 5, above, for inspection as follows:

    a. Immediately, while construction activities are on-going at the site.

b. At any other time, within 72 hours' notice.

C. Definitions. In addition to the definitions in Section I-4 of the CPIO District, for purposes of this Appendix, the following words and phrases used herein are defined as follows:

Los Angeles Building Code. Chapter IX of the LAMC.

Paleontological Monitor. A paleontologist who has a minimum of a bachelor's or equivalent degree in geology or paleontology and no less than one year of experience performing paleontological monitoring and salvaging fossil materials in the relevant geologic province; or an equivalent degree in biology or pursuit of a degree in geology or paleontology and no less than two years of comparable experience.

Qualified Archaeologist. A professional archaeologist who meets the Secretary of the Interior's Archeology and Historic Preservation Professional Qualification Standards and is eligible for listing on the Register of Professional Archaeologists or the Society for American Archaeology; holds a graduate degree in archaeology or a related field; and has a minimum of five years of experience completing and supervising field work in archaeological contexts similar to the Project site.

Qualified Biologist. A biologist with the appropriate education, training and experience to conduct biological surveys, monitor Project activities that have the potential to affect biological resources, provide construction worker education programs related to the protection of biological resources, and supervise or perform other tasks related to biological resources; possesses a bachelor's or equivalent degree in biology, ecology, or a related environmental science; and has at least five years of professional experience that requires knowledge of natural history, habitat affinities, and identification of flora and fauna species, and relevant local, state and federal laws and regulations governing the protection of biological resources.

Qualified Environmental Professional. An environmental professional who is credentialed through the Institute of Professional Environmental Practice (IPEP); holds a bachelor's or equivalent degree in physical, earth or natural sciences, engineering, or mathematics; and has at least five years of professional environmental work experience, or eight years of professional environmental work experience with a degree in a discipline other than those listed above.

Qualified Noise Expert. An acoustics professional who is a member of the Institute of Noise Control Engineering (INCE) or National Council of Acoustical Consultants (NCAC) and has a minimum of five years of experience conducting noise and vibration measurements, monitoring, modeling, and mitigation; analysis of such measurements; and related activities.

Qualified Paleontologist. A paleontologist who meets the Society of Vertebrate Paleontology standards for a Principal Investigator or Project Paleontologist; has demonstrated competence in field techniques, preparation, identification, curation, and reporting and/or a graduate degree in paleontology or geology or a publication record in peer reviewed journals; at least two years professional experience with administration and project management experience; proficiency in recognizing fossils in the field and determining their

significance; expertise in local geology, stratigraphy, and biostratigraphy; and experience collecting vertebrate fossils in the field.

Qualified Structural Engineer. A civil engineer who holds licenses as both a Professional Engineer (PE) and a Structural Engineer (SE) from the State Board for Professional Engineers, Land Surveyors, and Geologists and who has at least three years of civil engineering experience.

Qualified Tribal Monitor. A tribal representative who possesses the knowledge, skills, abilities and experience established by the Native American Heritage Commission's (NAHC) Guidelines for Native American Monitors/Consultants (2005), and as may be amended.

To the Extent Available and Feasible. Employment of best efforts to implement or comply with a requirement, assuming any necessary technology, equipment, or other resources are readily available and costs or other constraints are not prohibitive.

Trustee Agencies. As defined in CEQA Guidelines Section 15386.

Waters of the State As defined by Caltrans in its Standard Environmental Reference, including but not be limited the following waterbodies and wetlands in the State: swamps; freshwater, brackish water, and saltwater marshes; bogs; vernal pools; periodically inundated saltflats; intertidal mudflats; wet meadows and pastures; springs and seeps; and portions of lakes, ponds, rivers and streams.

Waters of the US. As defined in 33 CFR 328.3(a).

D. Violation. Any violation of an Environmental Standard or any other requirement in this Appendix by an owner or an applicant shall be a violation of the LAMC subject to any civil, criminal, or administrative remedy or penalty available for violation of the LAMC.

E. Environmental Standards.

AIR QUALITY	
AQ1	A Project shall comply with the following measures or measures of equal or greater effectiveness in reducing air emissions: • All off-road diesel-powered construction equipment greater than 50 horsepower shall meet the USEPA Tier 4 emission standards, where available. In the event that Tier 4 engines are not available for any off-road equipment larger than 100 horsepower, that equipment shall be equipped with a Tier 3 engine, or an engine that is equipped with retrofit controls to reduce exhaust emissions of NOX and DPM to no more than Tier 3 levels unless certified by engine manufacturers or the on-site air quality construction mitigation manager that the use of such devices is not practical for specific engine types. For purposes of this standard, the use of such devices is "not practical" for the following, as well as other, reasons: o There is no available retrofit control device that has been verified by either the CARB or USEPA to control the engine in question to Tier 3; o The construction equipment is intended to be on site for five days or less; or o Relief may otherwise be granted from this requirement if a good faith effort has been made to comply with this requirement and that compliance is not practical for technical, legal, economic, or other reasons. • All construction equipment shall be outfitted with BACT devices certified by CARB. Any emissions control device used by the contractor shall achieve emissions reductions that are no less than what could be achieved by a Level 3 diesel emissions control strategy for a similarly sized engine as defined by CARB regulations. • Construction contractors shall use electricity from power poles rather than temporary gasoline or diesel power generators, To the Extent Available and Feasible, or solar where available. • Construction contractors shall use prepainted construction materials, To the Extent Available and Feasible. • Construction contractors shall provide temporary traffic controls such as a flag person, during all phases of construction to maintain smooth traffic flow. • Construction contractors shall provide dedicated turn lanes for movement of construction trucks and equipment on- and off-site, To the Extent Available and Feasible. • Construction contractors shall reroute construction trucks away from congested streets or sensitive receptor areas, To the Extent Available and Feasible. • Construction contractors shall appoint a construction relations officer to act as a community liaison concerning on-site construction activity including resolution of issues related to PM10 generation.
BIOLOGICAL RESOURCES	
BR1	For any Project in or within 200 feet of Griffith Park or dedicated open space, or a Project subject to the Baseline Hillside Ordinance, prior to issuance of any permit under the Los Angeles Building Code, the applicant shall obtain a biological resources assessment report to characterize the biological resources on-site and to determine the presence or absence of sensitive species. The report shall identify (1) approximate population size and distribution of any sensitive plant or animal species, (2) any sensitive habitats (such as wetlands or riparian areas), and (3) any potential impacts of

	Project on wildlife corridors and wildlife movement across the property or within the property vicinity. Off-site areas that may be directly or indirectly affected by the Project shall also be surveyed. Survey times should correspond with the most likely time the potential species would be observed. The report shall include site location, literature sources, methodology, timing of surveys, vegetation map, site photographs, and descriptions of on-site biological resources (e.g., observed and detected species, as well as an analysis of those species with the potential to occur on-site). The biological resources assessment report and surveys shall be conducted by a Qualified Biologist, and any special status species surveys shall be conducted according to standard methods of surveying for the species as appropriate. The biological resources assessment report will document the potential for the sensitive species to occur on the site. The biological resources assessment report shall be submitted to City Planning (LACP), California Department of Fish and Wildlife (CDFW) and Santa Monica Mountains Conservancy (SMMC) prior to the approval of the Project or the issuance of any permit under the Los Angeles Building Code. If sensitive species are absent from the Project site or there is no suitable habitat to support the sensitive species on the Project site or adjacent lands potentially affected by the Project, a written report substantiating such shall be submitted to LACP, CDFW, and SMMC prior to approval of the Project or issuance of any permit under the Los Angeles Building Code. If sensitive species and habitat to support sensitive species are absent, the City shall consult with Trustee Agencies prior to approval of the Project or the issuance of any permit under the Los Angeles Building Code. If sensitive species or habitat to support sensitive species are identified, the biological resources assessment report shall require pre-construction surveys for sensitive species and/or construction monitoring to ensure avoidance, relocation, or safe escape of the sensitive species from the construction activities, as determined appropriate by the Qualified Biologist. If avoidance of protected species is not feasible, habitat substitution protocols shall be identified by the Qualified Biologist that involve on-or off-site permanent protection or restoration of the same habitat type at a specified substitution ratio recommended by CDFW. The City shall submit the biological resource assessment report to Trustee Agencies and consult with said agencies to determine the completeness and appropriate mitigation for the Project. If sensitive species are found to be nesting, brooding, denning, etc. on-site during the pre-construction survey or during construction monitoring, construction activities shall be halted until offspring are weaned, fledged, etc. and are able to escape the site or be safely relocated to appropriate off-site habitat areas. A Qualified Biologist shall be on-site to conduct surveys, for construction monitoring, to perform or oversee implementation of protective measures, and to determine when construction activity may resume. A follow-up report documenting construction monitoring, relocation methods, and the results of the monitoring and species relocation shall also be submitted to LACP and CDFW following construction.
BR2	If indicated as appropriate by a biological resources assessment report required in Environmental Standard BR-1, focused surveys for special status plants shall be

	conducted. Prior to issuance of any permit under the Los Angeles Building Code and vegetation clearing for construction in open space areas, special status plants identified in the focused surveys shall be counted and mapped and a special-status plant relocation plan shall be developed and implemented to provide for translocation of the plants. The plan shall be prepared by a Qualified Biologist and shall include the following components: (1) identify an area of appropriate habitat, on-site preferred; (2) depending on the species detected, determine if translocation will take the form of seed collection and deposition, or transplanting the plants and surrounding soil as appropriate; (3) develop protocols for irrigation and maintenance of the translocated plants where appropriate; (4) set forth performance criteria (e.g., establishment of quantitative goals, expressed in percent cover or number of individuals, comparing the restored and impacted population) and remedial measures for the translocation effort; and (5) establish a five-year monitoring procedures/protocols for the translocated plants. LACP shall submit the special-status plant relocation plan to both the SMMC and CDFW for review and comment prior to approval of the Project or the issuance of any permit under the Los Angeles Building Code. If relocation is not feasible, habitat substitution protocols shall be proposed by the Qualified Biologist that involve on- or off-site permanent protection or restoration of the same habitat type at a specified substitution ratio recommended by CDFW. LACP shall submit the biological resource assessment report to Trustee Agencies and consult with said agencies to determine the completeness and appropriate mitigation for the Project. Five years after initiation of the restoration activities, a report shall be submitted by the Applicant to LACP, CDFW and SMMC, which shall at a minimum discuss the implementation, monitoring, and management of the restoration activities over the five-year period and indicate whether the restoration activities have, in part or in whole, been successful based on the established performance criteria. The restoration activities shall be extended if the performance criteria have not been met at the end of the five-year period to the satisfaction of LACP, CDFW, and SMMC, when applicable.
BR3	Prior to issuance of any permit under the Los Angeles Building Code, a Project site shall be surveyed by a Qualified Biologist for Waters of the US or Waters of the State if the Project is on or near an area potentially containing Waters of the US or Waters of the State, that may be directly or indirectly affected by Project. Whenever possible, a Project shall be designed and sited to avoid disturbance to or loss of Waters of the US and Waters of the State. If Waters of the U.S. or Waters of the State cannot be avoided and would be affected by the Project, an applicant shall demonstrate to LACP that the requirements of agencies with jurisdiction over the subject resource can be met prior to obtaining a building permit for the Project, including but not limited to doing the following as necessary: consulting with regulating agencies, securing the appropriate permits, waivers, or agreements, and making necessary arrangements with a local or regional mitigation bank including paying in lieu fees.
BR4	Prior to approval of the Project or issuance of any permit under the Los Angeles Building Code, at the discretion of any applicable federal, state or local regulatory agency, including LACP, a Project resulting in the modification, change, and/or loss of Waters of the U.S. or Waters of the State shall be required to contribute to a mitigation bank, contribute to an in-lieu fee program, establish on-site or off-site restoration of in-

	kind habitat, or establish on-site or off- site restoration of out-of-kind habitat that is of high value to the watershed and provides important watershed functions. Applicants shall submit a compensatory plan for review and approval by relevant regulatory agencies, including LACP, if applicable. The compensatory plan shall be developed by a Qualified Biologist or restoration ecologist and approved by the relevant regulatory agency. The plan shall be based on the U.S. Army Corps of Engineers (USACE) *Final Mitigation Guidelines and Monitoring Requirements* (April 19, 2004) and the Los Angeles District's Recommended Outline for Draft and Final Compensatory Mitigation and Monitoring Plans. In broad terms, this plan shall at a minimum include: • Description of the project/impact and mitigation sites • Specific objectives • Implementation plan • Success criteria • Required maintenance activities • Monitoring plan • Contingency measures At the discretion of LACP and relevant regulatory agencies, Waters of the U.S. and Waters of the State shall be replaced at a minimum 3:1 ratio. The specific success criteria and methods for evaluating whether a Project has been successful at meeting those criteria shall be determined by the Qualified Biologist or restoration ecologist and included in the compensatory plan. Implementation of the compensatory plan shall commence prior to issuance of any permit under the Los Angeles Building Code. If the compensatory plan involves establishment or restoration activities, these activities shall be implemented over a five-year period. The establishment or restoration activities shall incorporate an iterative process of annual monitoring and evaluation of progress, and allow for adjustments to the activities, as necessary, to achieve desired outcomes and meet the success criteria. Five years after initiation of establishment or restoration activities, a final report shall be submitted to the relevant regulatory agencies and LACP, which shall at a minimum discuss the implementation, monitoring, and management of the activities over the five-year period, and indicate whether the activities have, in part, or in whole, been successful based on established success criteria. The establishment or restoration activities shall be extended if the success criteria have not been met to the satisfaction of LACP and relevant regulatory agencies.

BR5	Prior to the issuance of any permit under the Los Angeles Building Code for a Project with a Project site that contains seasonal or perennial streams, year-round or intermittent wetlands, riparian habitat, or the Los Angeles River, applicants shall be required to prepare and submit to the U.S. Army Corps of Engineers a "Preliminary Delineation Report for Waters of the U.S." (which shall delineate any on-site wetlands) and, as appropriate, a Streambed Alteration Notification package to CDFW. If these agencies determine that project features are not regulated under their jurisdiction, then no further action is necessary. However, if the U.S. Army Corps of Engineers determines that a federally-protected wetland is located on-site or considers the feature to be jurisdictional through a "significant nexus" test per recent U.S. Army Corps of Engineers and USEPA guidance, then a Clean Water Act Section 404 permit shall be obtained from the U.S. Army Corps of Engineers, and any permit conditions shall be agreed to, prior to the start of construction activities in the affected area. If CDFW determines that the drainage is a regulated "streambed", then a Streambed Alteration Agreement shall be entered into with CDFW and any associated conditions shall be agreed to prior to the start of construction in the affected area.
BR6	Prior to issuance of any permit under the Los Angeles Building Code, for any Project in or within 200 feet of Griffith Park or dedicated open space, or a Project subject to the Baseline Hillside Ordinance, if the biological resources assessment report required in Mitigation Measure BR-1, found the individual development project could affect wildlife corridors and wildlife movement, the biological resources assessment report shall include a biological constraints analysis that shall identify measures (such as providing native landscaping to provide cover on the wildlife corridor) that the individual project would be required to implement such that the existing wildlife corridor would remain. Wildlife corridors identified in the biological resources assessment report shall not be entirely obstructed from wildlife passage by the Project and shall be kept open to the maximum extent feasible. Measures to support wildlife movement include but are not limited to: retention of onsite native trees and vegetation, or unobstructed setbacks or wildlife friendly fencing on at least two edges of the property, or minimum 25-foot buffers from the edge of stream, reservoir, riparian or wetland habitat. The biological resources assessment report and constraint analysis shall be submitted to LACP, CDFW and SMMC for review and comment prior to approval of the Project or issuance of any permit under the Los Angeles Building Code.
CULTURAL RESOURCES	
CR1	For any Project that involves disturbance of previously undisturbed soils, a Qualified Archaeologist shall be required to monitor excavation and grading activities in soils that have not been previously disturbed, to identify, record, and evaluate the significance of any archaeological finds during construction. If archaeological resources are uncovered (in either a previously disturbed or undisturbed area), LADBS shall be notified immediately, and all work shall cease in the area of the find until a qualified archaeologist has evaluated the find in accordance with Public Resources Code Section 21083.2. Archaeological materials and associated materials shall not be moved. Construction activity may continue unimpeded on other portions of the Project site. The found deposits shall be treated in accordance with California Public Resources Code Section 21083.2. Construction activities in the area where resources were found may

	commence once the identified resources are properly assessed and processed by a Qualified Archeologist.
CR2	All archaeological resources identified on a Project site shall be assessed and treated in a manner consistent with Public Resources Code Section 21083.2, as determined appropriate by a Qualified Archaeologist in consultation with the OHR. A report shall be prepared according to current professional standards that describes the resource, how it was assessed, and disposition, which shall be submitted to LACP.
CR4	Prior to issuance of a CPIO Approval for a Project that involves grading, trenching, or other new ground disturbance in areas with high paleontological resource sensitivity, the applicant shall conduct a paleontological assessment to further evaluate the potential impacts to paleontological resources and, as necessary, take actions to preserve significant paleontological resources. Specific requirements include: a) **Retain a Qualified Paleontologist**. Prior to initial ground disturbance, the applicant shall retain a Qualified Paleontologist, to direct all mitigation measures related to paleontological resources. b) **Paleontological Resources Assessment**. Prior to any construction activity in areas determined to have a low to high paleontological sensitivity that increases with depth, a Qualified Paleontologist shall prepare a Paleontological Resources Assessment to the satisfaction of the City to evaluate potential for impacts to paleontological resources from development of the Project. The Paleontological Resources Assessment may require a museum records search from the Natural History Museum of Los Angeles County to identify whether previous paleontological localities exist within the development area and if so, at what depth(s). If the project paleontologist determines that sediments on a development site are sensitive for scientifically important paleontological resources, the steps in paragraphs c to g, below, shall be taken prior to, during, and after construction activities. A Paleontological Resources Assessment shall not be required for development areas already identified as having a high paleontological sensitivity at the surface. c) **Paleontological Mitigation and Monitoring Program.** Prior to construction activity a Qualified Paleontologist shall prepare a Paleontological Mitigation and Monitoring Program, subject to City approval, to be implemented during ground disturbance activity for the proposed Project. This program should outline the procedures for construction staff Worker Environmental Awareness Program (WEAP) training, paleontological monitoring extent and duration, salvage and preparation of fossils, the final mitigation and monitoring report, and paleontological staff qualifications. d) **Paleontological Worker Environmental Awareness Program (WEAP).** Prior to the start of construction, the Qualified Paleontologist or his or her designee shall conduct training for construction personnel regarding the appearance of fossils and the procedures for notifying paleontological staff should fossils be discovered by construction staff. The WEAP shall be fulfilled at the time of a preconstruction meeting at which a Qualified Paleontologist shall attend. In the event of a fossil discovery by construction personnel, all work in the immediate vicinity of the find shall cease and a Qualified Paleontologist shall be contacted to evaluate the find before restarting work in the area. If it is determined that the fossil(s) is(are)

	scientifically significant, the Qualified Paleontologist shall complete the following conditions to mitigate impacts to significant fossil resources. e) **Paleontological Resource Construction Monitoring.** Ground disturbing construction activities (including grading, trenching, foundation work and other excavations) in undisturbed sediments, below five feet, with high paleontological sensitivity should be monitored on a full-time basis by a Paleontological Monitor during initial ground disturbance. The Paleontological Mitigation and Monitoring Program shall be supervised by the Paleontological Monitor. Monitoring should be conducted by a Paleontological Monitor. The duration and timing of the monitoring will be determined by the Qualified Paleontologist. If the Qualified Paleontologist determines that full-time monitoring is no longer warranted, he or she may recommend that monitoring be reduced to periodic spot-checking or cease entirely. Monitoring would be reinstated if any new or unforeseen deeper ground disturbances are required and reduction or suspension would need to be reconsidered by the Qualified Paleontologist. Ground disturbing activity that does not occur in undisturbed sediments with high paleontological sensitivity would not require paleontological monitoring. f) **Fossil Salvage.** If fossils are discovered, a Qualified Paleontologist or Paleontological Monitor shall recover them. Typically, fossils can be safely salvaged quickly by a single paleontologist and not disrupt construction activity. In some cases, larger fossils (such as complete skeletons or large mammal fossils) require more extensive excavation and longer salvage periods. In this case, the Qualified Paleontologist shall have the authority to temporarily direct, divert or halt construction activity to ensure that the fossil(s) can be removed in a safe and timely manner. Once salvaged, significant fossils shall be identified to the lowest possible taxonomic level, prepared to a curation-ready condition and curated in a scientific institution with a permanent paleontological collection (such as the Natural History Museum of Los Angeles County), along with all pertinent field notes, photos, data, and maps. Fossils of undetermined significance at the time of collection may also warrant curation at the discretion of the project paleontologist. g) **Final Paleontological Mitigation Report.** Upon completion of ground disturbing activity (and curation of fossils if necessary) the Qualified Paleontologist shall prepare a final mitigation and monitoring report outlining the results of the mitigation and monitoring program. The report shall include discussion of the location, duration and methods of the monitoring, stratigraphic sections, any recovered fossils, and the scientific significance of those fossils, and where fossils were curated. h) For any discoveries of paleontological resources not covered by the above process, the applicant shall comply with paragraph f, above.
CR5	The City shall require that all paleontological resources identified on a Project site be assessed and treated in a manner determined by a Qualified Paleontologist in consultation with OHR. A report shall be prepared by a Qualified Paleontologist according to current professional standards that describes the resource, how it was assessed, and disposition. Any reports and surveys shall be submitted to the OHR and the Natural History Museum of Los Angeles County.
CR7	For a Project where excavation could extend below previously disturbed levels, notification shall be provided to California Native American tribes that are traditionally

	and culturally affiliated with the geographic area of the Project site and have submitted a written request to the Department of City Planning to be notified of proposed projects in that area. If the potential for tribal resources exists as determined by City Planning based on substantial evidence, excavation in previously undisturbed soils shall be monitored by a Qualified Tribal Monitor or if none is available, an archaeologist qualified to identify tribal resources. If tribal resources are discovered during excavation, grading, or construction activities, work shall cease in the area of the find until an appropriate Tribal Representative has evaluated the find. Construction personnel shall not collect or move any tribal resources. Construction activity may continue unimpeded on other portions of the Project site. Any tribal resources shall be treated with appropriate dignity and protected and preserved as appropriate.

HAZARDS AND HAZARDOUS MATERIALS	
HM1	A Project that involves construction related soil disturbance located on land that is currently or was historically zoned as industrial, or previously had a gas station, dry-cleaning facility on-site, or oil well, shall conduct a comprehensive search of databases of sites containing hazardous waste or hazardous materials, including on lists prepared pursuant to Government Code Section 65962.2. A report setting forth the results of this database search shall be provided to the City and shall be made publicly available (e.g. historical environmental reports prepared by Enviroscan, EDR or similar firms). If the report indicates the Project site or property within one-quarter mile of the Project site has the potential to be contaminated with hazardous waste or hazardous materials for any reason, Phase I and, as needed, Phase II Environmental Site Assessments shall be prepared by a Qualified Environmental Professional. Applicants shall implement the recommendations provided in the Phase II Environmental Site Assessment report, where such a report was determined to be necessary for the construction or operation of the Project, for remedial action. All remediation shall be subject to City review and approval, in the City's discretion. Applicants shall consult with appropriate oversight agencies, including the Department of Toxic Substances Control and the Los Angeles Regional Water Quality Control Board, and implement remediation measures to minimize human exposure and prevent further environmental contamination. No permit shall be issued under the Los Angeles Building Code until a letter of No Further Action is obtained, if required, by an appropriate agency.
HM2	For Projects not subject to Environmental Standard HM1, that seek to excavate below previously undisturbed soil, prior to issuance of any permit under the Los Angeles Building Code, LADBS shall obtain an acknowledgement that the applicant is aware of the following, which shall be inscribed on the plans: Hazardous Materials are regulated at the federal, state and local level through numerous laws and regulatory schemes. Applicants are legally required to comply with these laws when development activities involve soils contaminated with hazardous materials. Applicants should make themselves familiar with these laws and should consult with attorneys and environmental professionals as applicable and necessary. Without limitation or making any representations or providing assurances about what may be necessary for the applicant's Project and site to comply with all legal requirements related to hazardous materials and contamination, best management practices to ensure compliance with these federal, state and local laws may include the following: • Prior to doing any soil disturbing activities, a comprehensive search of databases of sites containing hazardous waste or hazardous materials (e.g. historical environmental reports prepared by Enviroscan, EDR or similar firms) is conducted, including on lists prepared pursuant to Government Code, section 65962.2. • If the database search indicates the project site, or property is within one-quarter mile of the project site, has the potential to be contaminated with hazardous waste or hazardous materials for any reason, Phase I and, as needed, Phase II Environmental Site Assessments shall be prepared by a qualified Environmental Professional. • Recommendations provided in any Phase II Environmental Site Assessment report for the Project site shall be implemented for remedial action. • Property owners and/or applicants consult with appropriate oversight agencies, including the Department of Toxic Substances Control and the Los Angeles

	Regional Water Quality Control Board, and implement remediation measures to minimize human exposure and prevent further environmental contamination. • No development occurs until a letter of No Further Action is obtained, if required, by an appropriate agency.

NOISE AND VIBRATION	
N1	The following vibration control plan shall be prepared for any Project that would require operational heavy-duty construction (e.g., large bulldozer or excavator) equipment within 25 feet, or use a pile driver within 135 feet of, an Eligible Historic Resource or Designated Historic Resource, unless determined not to be a historical resource as defined by Public Resources Code Section 21084.1 by the Director, in consultation with OHR. • The Vibration Control Plan shall be approved by the City prior to issuance of a any permit under the Los Angeles Building Code. o The Vibration Control Plan shall be completed by a Qualified Structural Engineer. o The Vibration Control Plan shall include a pre-construction survey letter establishing baseline conditions at potentially affected historical resource structure. The survey letter shall provide a shoring design to protect the historical resource structure from potential damage. The Qualified Structural Engineer may recommend alternative procedures that produce lower vibration levels, such as sonic pile driving or caisson drilling instead of impact pile driving. Development projects shall implement the Qualified Structural Engineer's recommendations. At the conclusion of vibration causing activities, the Qualified Structural Engineer shall issue a follow-up letter describing damage, if any, to any impacted buildings. The letter shall include recommendations for any repair, as may be necessary, in conformance with the Secretary of the Interior's Standards. Repairs shall be undertaken and completed in conformance with all applicable codes including the California Historical Building Code (Part 8 of Title 24).
N2	For Projects not subject to Environmental Standard N1, prior to issuance of any permit under the Los Angeles Building Code, LADBS shall obtain an acknowledgement that the applicant is aware of the following, which shall be inscribed on the plans: Best management practices to reduce damage to vibration-sensitive uses, where appropriate, include the following: • Impact pile drivers shall be avoided to eliminate excessive vibration levels. Drilled piles or the use of a sonic vibratory pile driver are alternatives that shall be utilized where geological conditions permit their use. • Construction activities shall involve rubber-tired equipment rather than metal-tracked equipment. • The construction contractor shall manage construction phasing (scheduling demolition, earthmoving, and ground-impacting operations so as not to occur in the same time period), use low-impact construction technologies, and shall avoid the use of vibrating equipment when allowed by best engineering practices.
N3	A noise study shall be required prior to issuance of any Conditional Use Permits under LAMC Chapter 1A, Sections 13.B.2.1, 13.B.2.2, and 13.B.2.3 for a Project that includes sources of exterior noise, as described below, and is located within 500 feet of noise-sensitive uses. Noise-sensitive uses are residences, transient lodgings, schools, libraries, churches (or other places of assembly), hospitals, nursing homes, auditoriums, concert halls, amphitheaters, playgrounds, and parks. The noise study shall be prepared by a Qualified Noise Expert. The Noise Study shall characterize the proposed noise sources, quantify noise levels at sensitive uses, and require mitigation measures to reduce noise

	levels to less than 5 dBA CNEL above the existing noise levels, To the Extent Available and Feasible. Feasible mitigation measures include: o Installation of sound barriers between noise source and receptor; o Use of building design to block line-of-sight between noise source and receptor; and o Decibel and time limitations for stationary sources. • A noise study shall be required for a Project that includes the following sources of exterior noise: loud source of impulsive sound, as defined in the LAMC Section 111.01(e). The noise study shall characterize the proposed noise sources, quantify noise levels at sensitive uses, and require mitigation measures to reduce noise levels to less than 20 dBA above the existing noise levels, To the Extent Available and Feasible. • Industrial activity yards that include the operation of heavy equipment shall be shielded by sound barriers that block the line-of-sight to sensitive receptors. • Parking structures located within 200 feet of any residential use shall be constructed with a solid wall abutting the residences and utilize textured surfaces on garage floors and ramps to minimize tire squeal.
N4	A Noise Study, prepared by a Qualified Noise Expert and reviewed and approved by City Planning to meet the requirements herein, shall be required for a Project within 500 feet of noise-sensitive land uses (e.g., residences, schools, hospitals, and recording studios) and have one or more of the following characteristics: • Two or more subterranean levels or more or 20,000 cubic yards or more of excavated material; • Construction duration (excluding architectural coatings) of 18 months or more; • Use of large, heavy-duty equipment rated 300 horsepower or greater; or • The potential for impact pile driving. Noise-sensitive land uses are residences, transient lodgings, schools, libraries, churches (or other places of assembly), hospitals, nursing homes, auditoriums, concert halls, amphitheaters, playgrounds, and parks. The noise study shall characterize sources of construction noise, quantify noise levels at noise-sensitive uses, and identify measures to reduce noise exposure. The noise study shall characterize sources of construction noise, quantify noise levels at noise-sensitive uses, and identify measures to reduce noise exposure. Specifically, the noise study shall identify reasonably available noise reduction devices or techniques to reduce noise levels to acceptable levels and/or durations including through reliance on any relevant federal, state or local standards or guidelines or accepted industry practices, and in compliance with LAMC standards. Noise reduction devices or techniques shall include but not be limited to: mufflers, shields, sound barriers, and time and place restrictions on equipment and activities. Each measure in the noise study shall identify anticipated noise reductions at noise sensitive land uses. Applicants shall be required to comply with all measures identified and recommended by the noise study and shall provide proof that notice of, as well as compliance with, the identified measures have been included in contractor agreements.

APPENDIX B – LOS ANGELES AFFORDABLE HOUSING LINKAGE FEE NEXUS STUDY

TABLE 9: SUMMARY OF COMMERCIAL FEE PRO FORMAS

Low Market scenarios not shown here due to lack of general feasibility under conservative assumptions. Detailed pro formas including Low Market are shown in Appendix.

	Office		Retail		Hotel		Industrial		Warehouse	
	630 W Harry Bridges Blvd		5601 N Van Nuys		1133 N Vine St		3105 S La Cienega			
										
	Medium	**High**	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**
Assumptions for Baseline (a)										
Prototypical Building Size	23,000	23,000	14,000	14,000	45,000	45,000	12,000	12,000	16,000	16,000
Site Size (sf)	21,850	21,850	33,600	33,600	15,750	15,750	20,400	20,400	23,420	23,420
Total Number of Stories (Bldg)	4	4	1	1	5	5	1	1	1	1
Total Number of Stories (Parking)	Surface	Surface	Surface	Surface	1	1	Surface	Surface	Surface	Surface
FAR	1.05	1.05	0.42	0.42	2.86	2.86	0.59	0.59	0.68	0.68
Parking Type	Surface		Surface		Underground		Surface		Surface	
Total Dev Cost/SF (inc. land)	*$ 371*	*$ 517*	*$ 423*	*$ 577*	*$ 436*	*$ 486*	*$ 222*	*$ 257*	*$ 191*	*$ 252*
Rent (psf or per hotel REVPAR)	$ 35.00	$ 50.00	$ 35.00	$ 50.00	$ 205.00	$ 240.00	$ 18.00	$ 21.00	$ 14.00	$ 20.00
Return On Cost - Baseline	20.0%	23.1%	17.9%	34.6%	52.6%	60.3%	25.8%	27.2%	22.9%	32.8%
Yield on Cost - Baseline	6.6%	6.8%	7.1%	7.4%	9.2%	9.6%	6.9%	7.0%	6.8%	7.3%
Baseline Feasible? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Fee/Sq. Ft. (a)	**$ 14.50**	**$ 33.00**	**$ 7.00**	**$ 28.00**	**$ 5.00**	**$ 25.00**	**$ 14.00**	**$ 19.50**	**$ 5.00**	**$ 25.00**
New Fee for Prototype Project	$ 333,500	$ 759,000	$ 98,000	$ 392,000	$ 225,000	$ 1,125,000	$ 168,000	$ 234,000	$ 80,000	$ 400,000
Return On Cost with Fees	15.0%	15.0%	15.9%	27.9%	50.7%	51.6%	18.3%	18.2%	19.5%	20.1%
Yield on Cost with Fees	6.3%	6.3%	7.0%	7.0%	9.0%	9.1%	6.5%	6.5%	6.6%	6.6%
Feasible with Fee? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Res Fee, as % of Total Dev Cost	3.9%	6.1%	1.8%	4.7%	1.3%	5.0%	6.1%	7.3%	2.8%	9.2%

Notes:

a) See Appendix for detailed assumptions and proformas for each land use type.

b) Financial feasibility evaluated on 2 metrics

ROC =	15.0%				
YOC :	Retail:	Office:	Hotel:	Industrial	Warehouse:
	7.0%	6.0%	9.0%	6.5%	6.5%

APPENDIX B-2: BUILDING PERMIT DATA RE-CATEGORIZED BY PROPOSED COMMERCIAL FEE LAND USES

Permitted Commercial by Proposed Fee Category Fee Category (a)(b)	5-Year Total	% of	# of	Median	Minimum	Maximum Size	Annual Avg.
1. Office							
Commercial Office	4,382,264	15.3%	98	19,145	5,031	439,380	876,453
Subtotal	***4,382,264***	***15.3%***	***98***				**876,453**
2. Retail							
Retail Store	1,988,039	6.9%	94	12,004	5,010	152,865	397,608
Amusement Building	395,643	1.4%	20	25,510	5,669	112,269	79,129
Restaurant	387,297	1.3%	26	10,330	5,072	45,954	77,459
Service Station/Repair	144,613	0.5%	6	7,045	5,220	110,777	28,923
Cinema/Live Theater	60,590	0.2%	2	30,295	24,782	35,808	12,118
Senior Independent Housing (ground floor retail)	23,409	0.1%	1	23,409	N/A	N/A	4,682
Consumer Services	14,190	0.0%	1	14,190	N/A	N/A	2,838
Single - room Occupancy (ground floor retail)	12,506	0.0%	2	6,253	5,511	6,995	2,501
Artist-in-Residence/Loft (ground floor retail)	5,370	0.0%	1	5,370	N/A	N/A	1,074
Subtotal	***3,031,657***	***10.6%***	***153***				**606,331**
3. Industrial							
Manufacturing	174,799	0.6%	10	11,673	5,558	46,398	34,960
Subtotal	**174,799**	***0.6%***	***10***				**34,960**
4. Hotel							
Hotel/Motel	1,740,870	6.1%	9	80,797	8,915	881,148	348,174
Subtotal	***1,740,870***	***6.1%***	***9***				**348,174**
5. Institutional							
School	1,379,845	4.8%	38	26,760	5,054	172,443	275,969
School Dormitory	285,050	1.0%	3	85,192	62,025	137,833	57,010
Church	175,289	0.6%	5	29,541	6,725	71,817	35,058
Subtotal	***1,840,184***	***6.4%***	***46***				**368,037**
6. Medical & Social Services							
Medical/Dental Clinic	212,566	0.7%	7	16,408	6,135	73,320	42,513
Hospital	279,659	1.0%	1	279,659	N/A	N/A	55,932
Public Administration Building	103,078	0.4%	5	15,986	7,358	51,856	20,616
Subtotal	***595,303***	***2.1%***	***13***				**119,061**
7. Warehouse/Utility/Light Industrial							
Warehouse	1,601,643	5.6%	31	16,212	5,010	271,130	320,329
Public Utility Facility	12,636	0.0%	2	6,318	5,425	7,211	2,527
Airport Building	538,633	1.9%	16	17,003	5,000	128,367	107,727
Subtotal	***2,152,912***	***7.5%***	***49***				**430,582**
SUBTOTAL EMPLOYMENT-GENERATING USES	**13,917,989**	**48.5%**	**378**				**2,783,598**
Not Classifed for Fee Purposes							
Private Garage	9,976,975	34.7%	82	64,855	5,098	677,569	883,550
Public Garage	4,417,752	15.4%	24	122,605	5,180	1,374,661	883,550
Miscellaneous Structure	403,697	1.4%	9	11,085	6,165	284,548	57,010
Subtotal	***14,798,424***	***51.5%***	***115***				**2,959,685**
TOTAL ALL PERMITS	**28,716,413**	**100.0%**	**493**				**5,743,283**

Notes:
(a) Includes permits for "New" buildings > 5,000 sf issued by City of LA from 1-1-2011 thru 12-31-15.
(b) Fee categories adapted from 2013 Santa Monica Commercial Nexus Study and Linkage Fee Analysis.
(c) Includes Commercial Office square footage specifically noted as creative or production-oriented in LADBS database.
Sources: Los Angeles Department of Building and Safety; BAE, 2016.

f



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In association with PlaceWorks

Los Angeles Affordable Housing Linkage Fee Nexus Study

Prepared for City of Los Angeles

September 21, 2016

Photo Credit: Steve Lacap, KSA Design Studio

bae urban economics

September 21, 2016

Vincent P. Bertoni, Director of Planning
200 N. Spring Street, Room 525
Los Angeles, CA 90012

Rushmore D. Cervantes, General Manager
Los Angeles Housing + Community Investment Department
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017

Dear Mr. Bertoni and Mr. Cervantes:

We are pleased to submit the Los Angeles Affordable Housing Linkage Fee Nexus Study. The Study analyzes the relationship between new development and affordable housing impacts for two kinds of fees: those that could be charged to new commercial development, and those that could be charged to new market-rate residential development. We have also profiled how these fees are structured and implemented in numerous other "case study" cities, provided feasibility testing across common land uses in Los Angeles segmented by market condition, and suggested methods for structuring a fee program to implement both kinds of fees over the next few years in the City of Los Angeles.

We have enjoyed working with your staff and members of the development and affordable housing communities. Please let us know if you have any comments or questions regarding this report.

Sincerely,

Janet Smith-Heimer, MBA
President, BAE

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Introduction

The City of Los Angeles faces an extraordinary housing crisis. In recent years, economic growth and strong demand for housing in Los Angeles have created substantial price and rent increases, causing more and more middle and lower income households to be priced out of the marketplace. The result has been an ever-widening gap for many households, between the cost of their housing and their incomes. This cycle has led to the need to produce more affordable housing units, at the same time that funding to subsidize affordable housing, has fallen.

A few key statistics tell the story:

- Over 61 percent of renter households in the City of Los Angeles pay more than 30 percent of their income on housing (rent and utilities), per the 2010-2014 American Community Survey. These approximately 490,000 households are considered cost-burdened and in need of affordable housing to lower this cost to an affordable level.[1]
- Between 2006 and 2013, the median renter household income decreased by nearly four percent after adjusting for inflation. This means that on average, the median renter household in Los Angeles received a pay cut of nearly $200 every year between 2006 and 2013. At the same time, LA median rents went the opposite direction, rising by almost 11 percent for the period after inflation. This mismatch between incomes and rents in LA grew more rapidly than any other major US city in the 2006 – 2013 period.[2]
- In 2014, the median LA household income ($54,440) could afford a $179,000 house, compared to the median home sale price in that same year of $560,000.[3]
- The 2016 Homeless Count found 28,464 homeless persons in the City of Los Angeles, and increase of almost 11 percent over 2015.[4]

These statistics are exacerbated by the fact that the City of Los Angeles has also lost much of its affordable housing funding in recent years, shrinking from $100 million in 2010 to $26 million in 2014. The decline in funding was primarily due to the demise of redevelopment (CRA/LA), as well as a drop in federal housing funds. Notably, Los Angeles is also the only large California city without a permanent source of local funding for production of affordable housing, which means that funding declines and the growing housing crisis have impacted Los Angeles dramatically.

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[1] US Census, American Community Survey, 2010-2014
[2] *Renting in America's Largest Cities*: *NYU Furman Center/Capital One National Affordable Rental Housing Landscape* (NYU Furman Center, 2015)
[3] *Housing Element 2013 – 2021* (City of Los Angeles, Adopted December 3, 2013)
[4] *2016 Greater Los Angeles Homeless County* (Los Angeles Homeless Services Authority, 2016)

As part of addressing the affordable housing crisis, Mayor Garcetti proposed that this study be prepared so that both a commercial affordable housing fee and a residential affordable housing fee can be fully considered.

Purpose of Nexus Study

The purpose of the Nexus Study is to conduct a legally defensible analysis of the relationships between commercial and market-rate housing development projects, the new employment generated, the new worker households, their income distributions, and an estimate of those households that will need affordable housing. The analysis also evaluates the cost to provide this housing for households earning up to 120 percent of Area Median Income, and analyzes the maximum fee per square foot of new development necessary to provide this housing.

The Study also evaluates the these "maximum legal" fees in terms of their feasibility by land use prototype across three market conditions to reflect the range and diversity of real estate economics in the City of Los Angeles. This analysis also accommodates current and proposed other impact fees and their effects on project feasibility. Finally, the Study estimates potential revenues if fees were adopted, and analyzes considerations for implementation.

Three additional issues are also considered in this report: the effects of the planned increase in Los Angeles's minimum wage by 2021, the option to provide affordable units on-site within market rate projects instead of a fee payment, and how the affordable housing fee might interact with the provision of units on-site in the case of density bonus projects.

Study Process and Approach

Process

This study was commissioned in late spring 2016 by the City of Los Angeles. The consultant team of BAE Urban Economics, specialists in urban economics, along with PlaceWorks, specialists in public engagement, were engaged to conduct a nexus study for both commercial and residential fees along with outreach to the development and advocacy communities in Los Angeles.

For each step in the study process, BAE conducted extensive research and analysis, as cited and documented in this report. Wherever possible, BAE developed data to support assumptions, as identified herein. In addition, BAE used a blend of standard methodologies to analyze nexus for employment generating uses, culled from court-tested and related analysis conducted across California during the past 20 years. In addition, wherever possible, this study's methodologies have sought to expand and more comprehensively document many of the foundational variables utilized by other cities, to tailor this study specifically to the Los Angeles real estate, employment, and housing markets.

To obtain input and preview preliminary findings from the study, a series of three workshops were held. Over 60 development companies, industry representatives, and policy advocates were invited. A list if attendees is included in the preface to this report.

Approach

This study includes extensive analysis of real estate project feasibility, to ensure that fees are set at levels that do not unduly constrain market rate projects. The feasibility analysis was prepared in an intentionally conservative manner, to accommodate the wide variation in project economics across Los Angeles. Wherever possible, the lower end of the range of revenue-related variables, and the higher end of the range of cost-related variables, was used. This approach was taken for two reasons: arguably, Los Angels is at the peak of the real estate cycle in 2016, and also, deeming a fee amount as feasible without a conservative approach would mean the fee could create downward pressure on market rate development.

It is also important to note that Los Angeles, a major city without a permanent mechanism to fund affordable housing, will be essentially "starting from scratch." Real estate economic theory suggests that over the long term, external costs such as impact fees, are absorbed by lower-than-otherwise land values (i.e., "land residual"), so imposing an affordable housing fee, over time, will likely have this effect. For many markets, this is experienced as a slower than otherwise land value appreciation trend, and is often offset by the land residual derived from rising rents/sale prices. Nevertheless, that change of moving from no fee to a fee, will strike some as an undue burden, especially in the short run. This report highlights how this situation has been addressed in other cities, including strategies such as exempting all projects already in the entitlement pipeline (which would have been organized and initiated without knowledge of the fee), phasing in the fee over several years so that the market can adjust, and providing for targeted waivers and exemptions to accommodate cases where the fee may have unintended negative consequences.

Overview of Report

The following report is divided into two halves: a commercial fee study and a residential fee study. For each development type, the report follows a similar outline. First, case studies of other California cities as well as selected major cities elsewhere in the US with these fees, are summarized. Next, the "nexus" or relationship between new development in employment-generating uses, the resulting affordable housing need, and the translation of these findings to a maximum legal fee, are presented. Maximum fees are then tested for financial feasibility across three levels of market conditions affecting Los Angeles. Several potential fee structures and corresponding estimates of potential annual fee revenues are provided. The report also analyzes several additional considerations for fee structuring and implementation.

About Commercial Fees

Overview of Commercial Fees

Commercial impact fees for affordable housing have a long, established history in major cities across the US. The concept of a commercial linkage fee, in general, is to charge a fee on new commercial development projects over a specific size, to mitigate the impacts of new jobs created by the project within high-cost local housing markets. For some types of commercial development, these impacts can be substantial: new workers who cannot find affordable housing must commute long distances, or pay more than 30 percent of their household's income for housing, or double up in overcrowded units, or even live with all of these conditions present at once.

Fees collected in many cities with established programs provide a significant local funding source for new affordable housing production. Although it may not technically be required, given recent court cases, this study was structured to comply with the California Mitigation Fee Act. This means this study demonstrates the direct relationship ("nexus") between the fees charged and the new workers' impacts. In addition, fees can not make up deficiencies in the local housing market created by other factors.

Summary of Case Studies

Appendix A profiles commercial linkage fee programs established in cities throughout California, including larger cities (e.g., San Francisco, Sacramento, Oakland, and San Diego), as well as smaller cities such as West Hollywood and Palo Alto. In addition, outside of California, the cities of Boston and Seattle are profiled.

It should be noted that these profiles are not exhaustive; numerous other smaller cities in California have adopted or are currently considering adopting commercial impact fees for affordable housing. However, given the large size of the City of Los Angeles, but with real estate markets specific to its economic base, the selected case studies seek to profile both large city experiences, along with smaller cities located nearby facing similar affordable housing challenges.

The table on the next page summarizes the case studies, with detail provided in Appendix A.

TABLE 1: SUMMARY OF COMMERCIAL FEES FOR AFFORDABLE HOUSING

	Popoulation (a)	Fee/ Sq.Ft.	Threshold	Fees Collected	Annual Rev. Per Capita (b)	Notes
Large Cities in CA with Fee						
San Francisco (1996/2015)	829,072		25,000 sq. ft.	$3.4 M/year	$4.04	Original program established in 1981
Entertainment		$22.42		(avg since 1988)		Exempts certain projects with
Hotel		$17.99		$27 million		pharmacy or grocery
Integrated PDR		$18.89		in FY 14/15		
Institutional		$0.00				
Office		$24.03				
PDR		$0.00				
R&D		$16.01				
Retail		$22.42				
Small Enterprise Workspace		$18.89				
San Diego (1990/2016)	1,341,510			$1.6 M/year	$1.16	New fee rates effective January 2017
Office		$2.12		(avg 2006-2014)		
Hotel		$1.28				
R&D		$0.80				
Retail		$1.28				
Oakland (2002)	402,339		25,000 sq. ft.	$171,000/year	$0.42	Fees became effective in 2005
Office		$5.44		(avg since 2005)		City anticipates approx. $2.5 M
Warehouse		$5.44				in the next 12-18 months
Sacramento (1989)	476,075			$1.0 M/year	$2.19	
Citywide				(avg 1989-2013)		
Office		$2.50				
Hotel		$2.38				
R&D		$2.12				
Commercial		$2.00				
Manufacturing		$1.57				
Warehouse/Office		$0.91				
Warehouse		$0.68				
North Natomas						
Highway Commercial		$2.74				
Community/Neighborhood Commercial		$2.06				
Office/Business		$2.06				
M-50		$1.74				
M-20		$1.44				
Light Industrial		$1.12				
Smaller CA Cities with Fee						
West Hollywood (1989/2014)	35,053		10,000 sq. ft.	$214,000 / year	$6.11	
Commercial Development		$8.00		(avg since 2002)		
Palo Alto (1984/2016)	65,998		1,500 sq. ft.,	$2.3 M/year	$34.85	Updated nexus study in 2016
Office/R&D		$35.00		(in FY 2014-15)		
Hotel		$30.00				
Retail/Restaurant/Other		$19.85				
Major Cities Outside of CA with Fee						
Boston (1986/2013)	639,594		100,000 sq. ft.	$5.1 M/year	$8.05	
Commercial Development		$8.34		(avg 1986-2012)		
Seattle (2015) (c)	637,850			NA (new)		Incentive zoning program structured
Downtown Harborfront 1		$0.00				to generate units. Many exemptions
Downtown Harborfront 2		$14.83				for desired projects.
Downtown Mixed Commercial		$9.78				
Downtown Office Core		$14.50				
Downtown Retail Core		$13.50				
Downtown Mixed Residential		$14.34				
International District Mixed		$8.00				
International District Residential		$9.30				
Pike Market Mixed		$0.00				
Pioneer Square Mixed		$11.08				
Seattle Mixed		$6.69				
Industrial Commercial		$8.00				
Commercial 2		$0.00				
Industrial Commercial 85-160 (Low/Med/High)		$10.00				
All other zones (Low)		$5.00				
All other zones (Medium)		$7.00				
All other zones (High)		$8.00				

Notes:
(a) All population figures from 2010-2014 American Community Survey.
(b) Per capita annual average revenue based on 2010-2014 ACS population estimates. Revenues are not adjusted for inflation, changes in fee rates, or other factors.
(c) Amounts shown are averages for each general zone type. The complete fee schedule is contained in Section 23.58B.040 of the Seattle Municipal Code.
Source: BAE, 2016.

Key points which emerge from the case studies include:

Fee Charges and Structure

- Commercial fees for affordable housing charged by larger cities with a diverse real estate market range from a low of $0.68 per square foot for warehouse space in the City of Sacramento, to a high of $24.03 per square foot for office space in San Francisco.
- Palo Alto, a smaller city with very strong market conditions, charges $35.00 per square foot for office space, and is considering raising this charge to $60.00 per square foot.
- Each city has tailored its commercial fees to match its typical commercial development project categories. The categories of land use subject to commercial fees are typically small in number (e.g., 4 or 5 categories).
- Some cities have a "fee zone" approach, with fees for the same land use category varying by location. Others have a single fee per land use category.
- Some cities avoid the challenges of land use categorization by charging a flat fee for all commercial uses. West Hollywood, the only city in the set of commercial fee case studies in the greater Los Angeles region, uses this approach (e.g., a flat fee, with a recent increase that was phased in over a two-year period).
- In general, cities collect these types of fees either prior to, or at the point of building permit issuance. Several cities allow partial payment at permit issuance, with the balance paid at Certificate of Occupancy.
- Many cities have built-in annual increases for commercial fees, tied to the CPI or the Construction Cost Index published by *Engineering News Record*. Staff generally report a preference for this approach, instead of relying on a city council's periodic review.

Waivers, Exemptions, and Refunds

- Most cities waive the fee for 100 percent affordable housing projects.
- Most cities offer a "units in lieu of fee" and/or land donation in lieu of fee option.
- All cities waive publicly-owned projects.
- Some cities waive non-profit buildings, and/or churches, schools (public and private), universities and colleges, and other similar categories of land use.
- Some cities exempt smaller buildings. For example, San Francisco does not charge a fee on commercial buildings smaller than 25,000 square feet.
- Many cities have created lower fees or offer exemptions to decrease the potential dampening effects of fees on certain types of development that are strongly desired to meet other policy objectives. An example of this approach includes San Francisco's exemptions for local grocery stores and pharmacies that provide needed neighborhood services.
- Some cities have established clear refund processes if projects are subsequently not constructed, while others allow for refund requests decided on a case-by-case basis.

- During economic downturns, cities have either created special deferral programs or lowered fees across the board. These approaches demonstrate that these kinds of fees can be customized to adapt to downturns in the economic cycle.
- All cities in California have a "hardship" exemption available per legal requirements. Some cities render a hardship decision administratively; others have a more formal process.

Revenues and Reporting

- Estimates of revenues collected from commercial fees range from less than $1 million to over $5 million per year, depending on the city's fee structure, size, and amount of commercial development activity.
- When analyzed on a per-capita basis to normalize for a particular city's size, fee revenues range from a low of $0.42 per capita in Sacramento (which has a very low fee schedule), to a mid-range of $6.11 in West Hollywood, to a high of $34.85 per capita in Palo Alto (which has a very active commercial development market with high real estate values).
- Most cities do not specifically track the use of the fees to build affordable housing projects, because the funds go into a trust fund and are used in combination with other sources that may have varying AMI targets or restrictions.
- San Francisco last reported its sources and uses of commercial linkage fees along with other revenue sources comprising its Affordable Housing Fund as part of a larger annual report for FY 2014-2015. Its reporting does clearly show both source and use of each funding stream within its Affordable Housing Fund, along with remaining balances at year end.
- Sacramento has the clearest public information source of the cities profiled. Sacramento produces an online map showing commercial linkage fees' resulting funded project locations.
- Most cities have general guidelines for use of commercial fee funds such as maximum AMI levels that can be served in new affordable units, rather than targeting the funds specifically to serve households with the greatest need (e.g., at-risk of homelessness/extremely low income/very low income). The City of Los Angeles, with great need for new affordable units serving extremely low and very low income households, may wish to develop policies to target commercial fee funds.

Los Angeles Commercial Fee Nexus Analysis

Overview of Methodology

The commercial fee analysis conducted for this report is based on the premise that new commercial land uses generate new employment for workers that will have a range of household incomes. Due to high housing costs in Los Angeles, new workers with extremely low, very low, low, or moderate household incomes will be unable to afford most market-rate housing in the City without incurring substantial cost burdens. This situation – the increment of growth in new worker households facing the lack of affordable housing options - is considered the impact of new commercial development. The commercial fee would mitigate these impacts by generating revenue to support the construction of housing affordable to the new lower-income worker households.

This section provides an overview of the steps used to determine the maximum legal commercial fee, based on the relationship ("nexus") between new commercial space and the worker households generated by it who face affordable housing challenges in the City of Los Angeles. Each step is summarized below and discussed in more detail in the following sections.

Step 1: Define Land Uses

Based on City of Los Angeles building permit data and data from the California Employment Development Department, the Nexus Analysis identifies eight commercial land uses that comprise the vast majority of probable future employment-generating commercial land uses in the City, each of which are analyzed in the subsequent steps.

Step 2: Determine Employment Densities

For each land use identified in Step 1, the Nexus Analysis determines the average employment density and resulting number of workers per 100,000 square feet of each land use type.

Step 3: Estimate Worker Households

Since most households in Los Angeles include more than more worker, the Nexus Analysis grouped the employees generated by each land use into households to determine the total number of worker households generated by each land use type.

Step 4: Identify Industry Sectors by Land Use

The Nexus Analysis identifies the industry sectors that would occupy each of the eight commercial land uses covered in the analysis.

Step 5: Estimate Income Distribution for Worker Households

Based on the industry sectors identified in Step 4, the analysis uses a data set published by the US Census (the Public Use Microdata Sample or PUMS) to construct the likely household income distribution for each land use.

Step 6: Estimate New Worker Households by Household Income

This step estimates the number of new worker households by income level by applying the worker household income distribution for each land use from Step 5 to the total number of worker households from Step 3.

Step 7: Calculate Financing Gap per Affordable Unit

This step determines the per unit "financing gap" that affordable housing developers encounter when securing a permanent loan for their projects. Step 7 of the Nexus Study calculates the net operating income (NOI) generated by units affordable to extremely low-, very low-, low-, and moderate-income households. Using conventional financing assumptions, the analysis determines the supportable permanent loan amount based on the NOI from units at each income level.

The cost to house a lower-income household is the difference between the cost to develop an affordable unit and the amount the of the permanent loan that the developer can borrow to finance the unit. Using data on recent affordable housing developments in the City of Los Angeles, the Nexus Analysis determines the average cost to build an affordable rental unit in the City. The supportable permanent loan amounts (by AMI income band) as identified in Step 7 are deducted from the average per-unit development cost to determine the financing gap for units serving households at each income level up to 120 percent of AMI.

Step 8: Calculate the Maximum Legal Fee

The final step in calculating the impact fee is to apply the financing gap per unit for each income level (from Step 7) to the total housing need by income level (from Step 6). The resulting sum constitutes the maximum legal commercial fee.

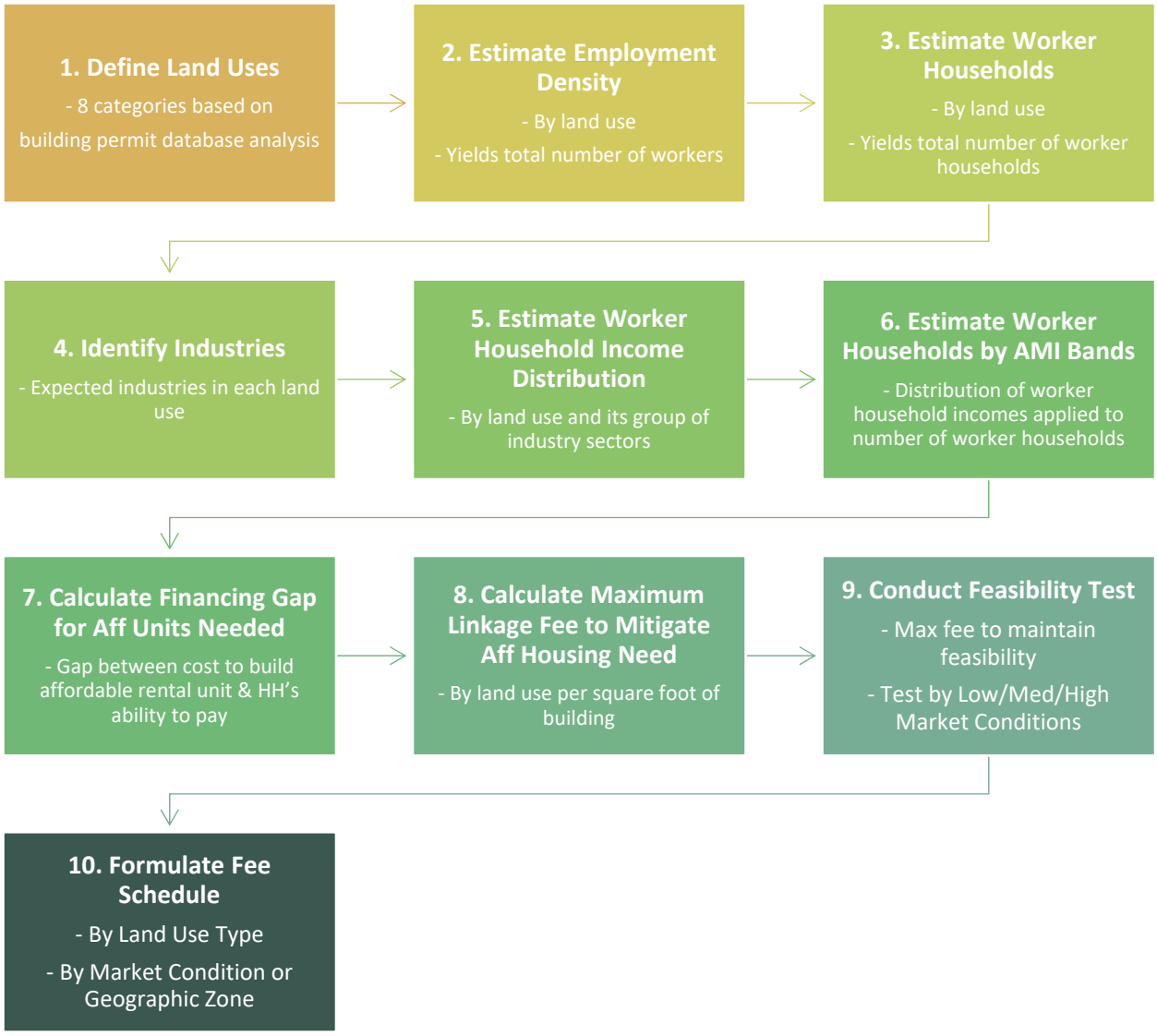
Step 9 Test Feasibility of Maximum Legal Fee Under Different Market Conditions

The City of Los Angeles has a wide range of neighborhoods and corresponding market conditions. In order to ensure that market-rate commercial development is not effected by any fee that may be adopted, this step identifies three general levels of market condition throughout the City, and analyzes the financial return from a development project, in order to identify "feasible" levels of fee by land use.

10: Formulate Feasible Fee Schedule

This step involves a summary fee schedule tested for feasibility, along with policy recommendations for phasing it in, administration, and other options for consideration.

FIGURE 1: SUMMARY OF COMMERCIAL FEE NEXUS METHODOLOGY



Commercial Land Uses

Step 1: Define Land Uses

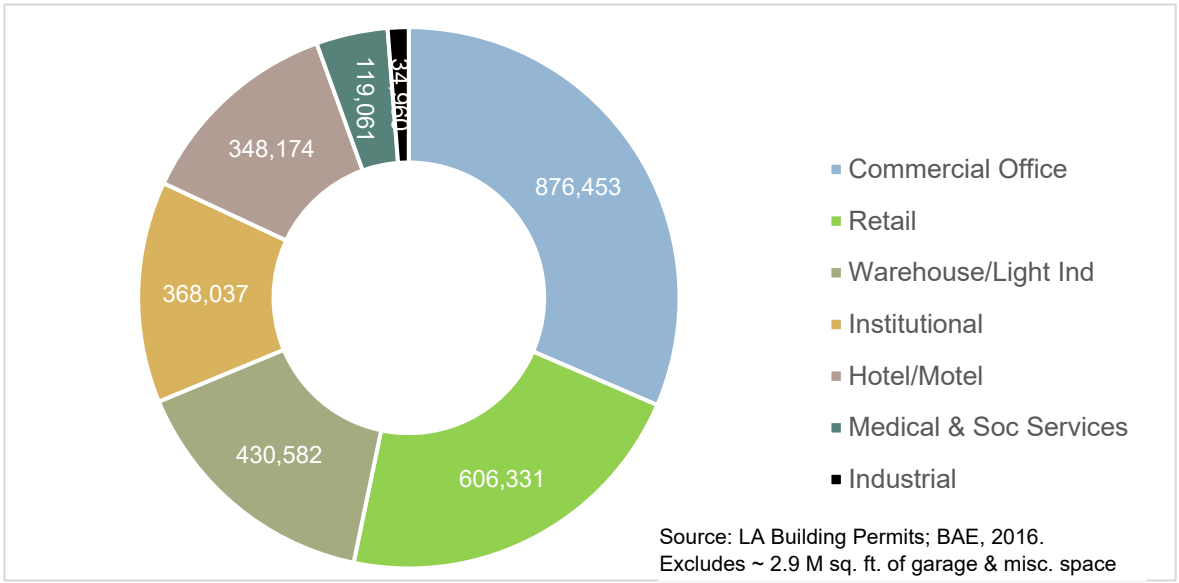
In order to formulate commercial land use categories that reflect actual development in Los Angeles, the City's building permit data was analyzed for the 2011 to 2015 period (see Appendix B for summary data). The City permitted an average of approximately 5.7 million square feet of commercial space per year, including an average pf 2.8 million square feet per year in employment-generating commercial uses. The balance of 2.9 million square feet was permitted for public and private garage space, which is not generally considered an employment-generating use, and thus excluded from the following analysis.

Based on a review of employment by industry sector for Los Angeles County, the categories of commercial fees used by other cities in California (see Case Studies chapter), and permit trends for Los Angeles, commercial employment-generating land uses were classified into eight categories including.

- Office
- Retail
- Hotel/Motel
- Industrial
- Warehouse/Utility/Light Industrial
- Medical &Social Services (including hospitals)
- Institutional (churches and schools)

The graph below shows annual average of new construction, employment-generating space permitted by the categories of land use within the past five years, in order of amount of space.

FIGURE 2: AVERAGE ANNUAL PERMITTED NEW SPACE IN EMPLOYMENT-GENERATING USES, CITY OF LA, 2011 - 2015



Step 2: Determine Employment Densities

For the purposes of the following analysis leading to the maximum fee calculations, the Nexus Study assumes a building totaling 100,000 square feet for each commercial land use. This is not intended to portray a typical building permitted or developed in the City of Los Angeles; it is a method to allow for per square foot comparisons across commercial land uses.

For each land use identified in Step 1, the Nexus Study determined the average employment density (i.e., square feet of building area per employee), in order to determine the number of workers per 100,000 square feet of each land use type. BAE reviewed several studies to estimate average employment densities for each land use type, including the City of Los Angeles Affordable Housing Benefit Study (2011), the Southern California Association of Governments Employment Density Study (2001), Environmental Impact Reports for several recent projects in the City of Los Angeles, and the commercial linkage fee nexus studies for each of the commercial linkage fees discussed in the best practices section of this report. These studies demonstrated wide variation in the assumed employment density for each land use type. The employment densities assumed in this study are generally based on either the median value or most common value for each land use type, with some outlier values omitted. In some cases, the employment densities used in this study may be slightly lower than would typically be expected for new construction in order to avoid overstating the number of workers that would be generated by new development, thereby maintaining a more conservative analysis.

In particular, many office tenants are demonstrating a preference for more open floor plans with fewer square feet per employee than is typical of more traditional office space, some occupying 150 square feet per employee or less. However, while employment densities in some new office space in Los Angeles will be in line with this trend, other new developments will be configured with a more traditional layout with lower employment densities. The Nexus Study assumes 350 square feet per office employee, as is common in more traditional office space, in order to reflect the higher end of the range of potential configurations among new office developments and avoid overestimating the number of employees per 100,000 square feet of office development.

As shown below, the assumed average employment density for each of the eight commercial land uses ranges from 350 square feet per employee for office uses to 1,100 square feet per employee for construction, warehousing, and wholesale trade land uses.

New Worker Households and Affordable Housing Need

Step 3: Estimate Worker Households

Since most households in Los Angeles include more than one worker, the Nexus Study groups the employees generated by each land use into households to determine the total number of worker households generated by each land use type. According to the US Census American Community Survey, as of 2014 the City of Los Angeles had 1,849,845 workers living in households and 1,047,928 households with at least one worker, averaging approximately 1.77 workers per household with workers. Therefore, the Nexus Study estimates the number of employee households that each land use generates by dividing the total number of workers by 1.77. As shown below, the estimated number of households per 100,000 square feet ranges from 51.5 for construction, warehousing, and wholesale trade uses to 161.9 for office uses.

TABLE 2: EMPLOYEES AND HOUSEHOLDS PER 100,000 SQUARE FEET

	Office	Retail	Industrial	Hotel/ Motel	Warehouse	Hospital	Institutional
Average Sq. Ft./employee	350	450	900	1,000	1,100	500	500
Total Employees	285.7	222.2	111.1	100.0	90.9	200.0	200.0
Total Employee Households	**161.9**	**125.9**	**62.9**	**56.6**	**51.5**	**113.3**	**113.3**
Assumptions							
Building Size		100,000					
Employees per Household (a)		1.77					

Note:
(a) Employees per household from 2014 ACS reported average number of workers per household in the City of Los Angeles.
Sources: ACS, 2014; BAE, 2016.

Step 4: Identify Industry Sectors by Land Use

Worker occupations, salaries, and associated household incomes tend to vary between industries, and therefore the Nexus Study identifies the industry sectors that would occupy each of the eight commercial land uses as a first step in identifying affordable housing need among worker households.

Federal, State, and local governmental agencies typically categorize business establishments based on the North American Industry Classification System (NAICS), which assigns numerical codes to each industry sector. NAICS codes group all industries into 20 major industry categories, each identified with a two-digit code. Within each two-digit NAICS sector, more detailed sub-categories of industries are identified by three-digit NAICS codes, which are themselves comprised of more detailed subcategories of industries, up to the six-digit NAICS code level, with more digits associated with more detailed subcategories. For example, NAICS sector 72, Accommodation and Food Services, is comprised of NAICS code sectors 721 (Accommodation) and 722 (Food Services and Drinking Places). NAICS codes 721 and 722

are comprised of more detailed industries, identified by NAICS codes with four to six digits, depending on the level of specificity of the subcategories.

BAE analyzed each two-digit NAICS code and each subcategory to determine the industry sectors most likely to occupy each of the eight commercial land uses. To the extent possible, the Nexus Study places each two-digit NAICS code into one of the eight land uses. However, some two-digit NAICS codes are too broad to fall into one of the eight uses, and were split at the three-digit level to between two land uses. The industry sectors that are expected to occupy each commercial land use type are shown in Table 3.

In addition, the analysis excludes several industry sectors that were not grouped into any of the eight land uses, as shown in Table 3. These uses include sectors that are not expected to generate a significant amount of future new development in Los Angeles (i.e., Agriculture, Forestry, Fishing, and Hunting; Mining, Quarrying, and Oil and Gas Extraction; and Utilities), and do not fit within any of the eight land uses. In addition, the analysis excludes the Public Administration industry on the basis that the City will not charge a fee for space that it will occupy. The "Other Services" industry was excluded because it includes a large range of industries that vary widely in types of employment and likely incomes of workers. However, to the extent that the industries within the "Other Services" sector may occupy any of the eight analyzed commercial land uses, the employment and income profile of workers in these industries is assumed to be similar to the employment and income profile of workers in other industries within each land use type.

TABLE 3: INDUSTRIES BY LAND USE TYPE AND TOTAL EMPLOYMENT, LA COUNTY, 2014

NAICS Number	NAICS Industry Name	2014 LA County Employment	% of Employees in Land Use Type
Office			
51	Information	200,536	20.1%
52	Finance and Insurance	132,161	13.2%
53	Real Estate and Rental and Leasing	75,867	7.6%
54	Professional, Scientific, and Technical Services	276,431	27.7%
55	Management of Companies and Enterprises	58,823	5.9%
561	Administrative and Support Services	255,191	25.5%
Total		999,009	100.0%
Retail			
44-45	Retail Trade (not including industry 454, non-store retailers)	399,641	53.9%
722	Food Services and Drinking Places	341,173	46.1%
Total		740,814	100.0%
Industrial			
31-33	Manufacturing	361,187	97.3%
562	Waste Management and Remediation Services	9,839	2.7%
Total		371,026	100.0%
Hotel/Motel			
721	Accommodation	44,483	100.0%
Total		44,483	100.0%
Warehouse			
23	Construction	120,360	23.2%
42	Wholesale Trade	220,465	42.5%
48-49	Transportation and Warehousing	177,920	34.3%
Total		518,745	100.0%
Hospital			
62	Health Care and Social Assistance	657,846	100.0%
Total		657,846	100.0%
Institutional			
61	Educational Services	355,512	80.1%
71	Arts, Entertainment, and Recreation	88,498	19.9%
Total		444,010	100.0%
SUBTOTAL - ALL CLASSIFIED INDUSTRIES		**3,775,933**	
Industries Not Classified			
11	Agriculture, Forestry, Fishing and Hunting	5,194	
21	Mining, Quarrying, and Oil and Gas Extraction	4,646	
22	Utilities	28,269	
81	Other Services (except Public Administration)	147,919	
92	Public Administration	163,290	
Total		349,318	
TOTAL - ALL INDUSTRIES		**4,125,251**	

Sources: California Employment Development Department, Quarterly Census of Employment and Wages, 2014; BAE, 2016.

Step 5: Estimate Household Income Distribution of New Worker Households

As discussed above, worker households[5] in Los Angeles often have more than one employed person. In some instances, economists estimate household income for workers by simply multiplying worker earnings by industry by the average number of workers per worker household. This methodology relies on the unsatisfactory assumption that on average workers make the same amount of money as other workers in their household. Given the diversity of household composition, this assumption is not appropriate. For example, a household may have a teacher and a doctor, with significantly different individual earnings.

To address this issue, this analysis makes use of a detailed and rich data set published by the U.S. Census known as the Public Use Microdata Sample (PUMS). Derived from a five percent sample of all households per the American Community Survey, and available for certain defined areas of 100,000 or more of population, this data allows one to cross tabulate variables such as industry of employment and household income. The analysis here uses the most recent available data, from the 2010 through 2014 five-year period.

The PUMS data set was queried to identify the number of households by income category for the groups of industries assumed to be associated with the different non-residential building types (controlling for household size) to construct a household income distribution for each of these industry groupings. The distribution was constructed based on the income categories defined by the California Department of Housing and Community Development (HCD). These HCD income categories are defined by a formula based largely on the percentage of the Area Median Income (AMI), adjusted for household size and income levels relative to housing costs. Table 4 below presents the distribution of households by HCD income level for each of the eight commercial land uses.

[5] A worker household is defined as a household with one or more employed persons. They may be wage and salary workers, or self-employed/sole proprietors.

TABLE 4: DISTRIBUTION OF NEW WORKER HOUSEHOLDS BY INCOME

		Estimated Household Income as a Percent of AMI (a)					
NAICS Code	Land Use	Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% - 120% AMI	Above 120% AMI	Total
Private Sector Only							
51, 52, 53, 54, 55, 561	Office	10.7%	10.2%	15.0%	5.5%	58.6%	100.0%
44-45, except 454, 722	Retail	18.2%	18.5%	22.1%	6.4%	34.8%	100.0%
31-33, 562	Industrial	12.9%	16.2%	20.6%	6.3%	44.0%	100.0%
721	Hotel/Motel	15.2%	18.3%	22.1%	7.4%	37.0%	100.0%
23, 42, 48-49	Warehouse	16.6%	16.6%	21.3%	6.4%	39.1%	100.0%
62	Hospital	11.4%	11.6%	17.8%	6.2%	53.1%	100.0%
61, 71	Institutional	13.2%	11.1%	16.3%	6.0%	53.5%	100.0%

Notes:
(a) Based on a cross tabulation of Public Use Microdata Samples (PUMS) from the 2010-2014 American Community Survey. These incomes were compared to household income limits published by the California Department of Housing and Community Development, to determine the percentage of households falling into each income category. The analysis controlled for household size, to address the varying HCD income limits for each household size.
Sources: Census, American Community Survey Public-Use Microdata Sample (PUMS) 2010-2014; CA Dept. of Housing and Community Development, 2014; BAE, 2016.

Step 6: Estimate New Worker Households by Household Income

This analysis estimates the number of new worker households by income level by applying the worker household income distribution for each land use from Step 5 to the total number of worker households from Step 3. As shown in Table 5 below, the number of extremely low-, very low-, low-, and moderate-income households per 100,000 square feet of commercial space ranges from 31.4 households for construction, warehousing, and wholesale trade to 82.0 households for retail space.

The number of lower-income households that each land use type generates is a product of both the total number of worker households that 100,000 square feet of each use supports and the income distribution among those workers. As a result, hotel/motel and construction, warehousing, and wholesale trade land uses are among the uses that generate the smallest number of lower-income households, despite having relatively low worker household incomes, due to the low employment densities associated with these uses. Conversely, office uses generate a large number of lower-income households despite relatively high worker household incomes due to the high employment densities in office uses. Retail uses are associated with both relatively low worker household incomes and high employment densities, resulting in the highest number of lower-income worker households per 100,000 square feet out of all eight land uses.

TABLE 5: WORKER HOUSEHOLDS BY HOUSEHOLD INCOME GENERATED BY COMMERCIAL LAND USES

Employee Households by Income Level	Office	Retail	Industrial	Hotel/ Motel	Warehouse	Hospital	Institutional
Extremely Low Income (up to 30% AMI)	17.3	22.9	8.1	8.6	8.5	12.9	14.9
Very Low Income (31-50% AMI)	16.6	23.3	10.2	10.4	8.6	13.2	12.6
Low Income (51-80% AMI)	24.2	27.8	13.0	12.5	11.0	20.1	18.4
Moderate Income (81-120% AMI)	8.9	8.1	3.9	4.2	3.3	7.0	6.8
Subtotal - Affordable Housing Need (Units)	***67.0***	***82.0***	***35.3***	***35.7***	***31.4***	***53.2***	***52.7***
Above Moderate Income (over 120% AMI)	94.9	43.9	27.7	21.0	20.1	60.1	60.6
Total Housing Need	**161.9**	**125.9**	**62.9**	**56.6**	**51.5**	**113.3**	**113.3**

Assumptions	
Building Size	100,000

Sources: Census, American Community Survey Public-Use Microdata Sample (PUMS) 2010-2014; CA Dept. of Housing and Community Development, 2014; BAE, 2016.

Financing Gap

Step 7: Calculate the Financing Gap per Affordable Unit

The next step in the nexus analysis is to calculate the cost to house the extremely low-, very low-, low-, and moderate-income households calculated in Step 6 by determining the per unit "financing gap" that affordable housing developers encounter when securing a permanent loan for their projects. In other words, the cost to house a lower-income household is the difference between the cost to develop an affordable unit and the amount of the permanent loan that the developer can borrow to finance the unit.

According to cost data provided between 2013 and 2015 on applications for low-income housing tax credit projects in the City of Los Angeles, the average development cost for affordable housing in the City averages approximately $448,500 per unit, as shown in Table 6.[6] [7]

[6] This weighted average cost is based on data from 25 developments serving homeless, special needs, large-family, and senior households in the City of Los Angeles with a total of 1,503 units. All cost data inflated to 2016 dollars using the Turner Building Cost Index.

[7] This study uses the average development cost across all affordable housing types despite that most of the new workers living in affordable units will be housed in large family developments, which in practice accommodate a range of household sizes and mostly serve lower-income worker households. Among units in the large family developments analyzed in this study, three percent were studios, 35 percent were one-bedroom units, 28 percent were two-bedroom units, 32 percent were three-bedroom units, and on percent were units with four or more bedrooms. In contrast, homeless, special needs, and senior developments, typically have a large number of occupants living on social security. However, by using the average across all affordable unit types, the Nexus Study is conservative in estimating the financing gap associated with constructing new units because the average development costs for homeless, special needs and senior units tend to be lower than the development costs for large family units.

TABLE 6: DEVELOPMENT COSTS FOR AFFORDABLE HOUSING UNITS, CITY OF LOS ANGELES, 2013-2015

Housing Type	Avg. Development Cost (per unit) (a)	Number of Units
Homeless & Special Needs	$410,871	622
Large Family	$502,946	676
Senior	$382,977	205
Weighted Average - All Housing Types	$448,479	1,503

Note:
(a) Weighted average cost as reported on tax credit applications between 2013 and 2015. All costs adjusted to 2016 costs based on the Turner Building Cost Index.
Sources: City of Los Angeles, 2016; BAE, 2016.

Affordable housing developers are able to secure a permanent loan based on their net operating income (NOI) per unit. NOI is equal to rental income less operating expenses and vacancy. As shown in Table 7, households can afford monthly rents ranging from $544 for extremely low-income households to $1,708 for moderate-income households. These rents are based on household income limits for three-person households and assuming households spend 30 percent of their income on rent and utilities.[8] Standard deductions are taken for operating expenses and vacancies to determine NOI.

BAE used conventional financing assumptions to determine the supportable loan amount per unit for each income level. As shown in Table 7, the loan amount ranges from $0 per unit for extremely low-income units (i.e., operating expenses exceed NOI, leaving no NOI to support debt payments) to $152,301 for units serving moderate-income households.

The financing gap per affordable unit is equal to the total development cost less the supportable loan amount per unit. Based on the supportable loan amount calculated above, the financing gap per affordable unit ranges from $448,500 for extremely low-income units to $296,199 for moderate-income units, as shown in Table 7.

It should be noted that no other affordable housing subsidy was assumed in this analysis, because this calculation is intended to serve as the actual impact of the new employment-generating commercial land uses; it is not necessarily the way funds generated by a commercial fee would be spent on new affordable housing. Instead, in may affordable housing projects, multiple funding sources would be utilized in combination, enabling limited public resources from federal, state, and local sources to be combined most effectively. For some affordable housing projects serving low income households, non-cash subsidies such as Low Income Housing Tax Credits (LIHTCs) would also be used.

[8] The analysis assumes a three-person household for consistency with the 2016 Los Angeles County average household size of 2.88 persons per household, per California Department of Finance estimates.

TABLE 7: FINANCING GAP ANALYSIS, CITY OF LOS ANGELES, 2016

	Income Group			
	Extremely Low	**Very Low**	**Low**	**Moderate**
Household Income Limit (a)	$23,450	$39,100	$62,550	$70,000
Maximum Affordable Monthly Rent per Unit (b)	$544	$936	$1,522	$1,708
Monthly Operating Expenses (c)	$542	$542	$542	$542
Vacancy (d)	5%	5%	5%	5%
Net Operating Income per Unit (e)	-$25	$347	$904	$1,081
Operating Subsidy from Other Sources (f)	$25	$0	$0	$0
Monthly Supportable Debt Service per Unit (g)	$0	$278	$723	$865
Loan Amount (h)	$0	$48,900	$127,371	$152,301
Financing Gap per Affordable Unit (i)	**$448,500**	**$399,600**	**$321,129**	**$296,199**

Assumptions	
Total Affordable Unit Development Costs (j)	$448,500
Financing Terms	
Debt Coverage Ratio	1.25
Interest Rate	5.50%
Term of Loan (years)	30

Notes:
(a) Based on a 3-person household, CA Department of Housing & Community Development, 2016.
(b) 30% of income to rent and utilities.
(c) Data from funding applications for recent affordable housing projects in California.
(d) Standard required assumption for financing applications.
(e) Affordable Monthly Rent less Operating Expenses & Vacancy.
(f) Operating subsidy is necessary for units with negative NOI.
(g) Net Operating Income plus Operating Subsidy, divided by Debt Coverage Ratio.
(h) Based on financing terms assumptions.
(i) Total Development Costs less Loan Amount.
(j) Average development costs among units in tax credit projects developed in the City of Los Angeles between 2013 and 2015. All figures adjusted to 2016 values based on the Turner Construction Cost Index.
Sources: California HCD, 2016; City of Los Angeles, 2016; Turner Construction Cost Index, 2013-2016; BAE, 2016.

Maximum Legal Fee

Step 8: Calculate the Maximum Legal Fee

The final step in calculating the impact fee is to apply the financing gap per affordable unit for each income level (from Step 7) to the total housing need by income level (from Step 6) per commercial land use. This is expressed as the "maximum legal fee" because it is directly derived from the nexus analysis described above (i.e., new commercial development generating new jobs combined into new worker households distributed by income band, and the cost to provide new affordable rental housing units to these same households).

As shown in greater detail on the next page, the maximum legal fees are as follows:

- Office: $247.84 per square foot
- Retail: $308.82 per square foot
- Industrial: $130.60 per square foot
- Hotel/Motel: $132.68 per square foot
- Warehouse: $117.52 per square foot
- Med & Social Services: $195.78 per square foot
- Institutional: $196.56 per square foot

It is important to note that due to the high cost of providing affordable housing, these maximum fee levels are not feasible to charge to development projects. Thus, the lower "feasible" fee by land use tested under a range of current market conditions, is analyzed in the following chapter.

TABLE 8: MAXIMUM COMMERCIAL FEES, LOS ANGELES

Affordable Housing Need	Office	Retail	Industrial	Hotel/ Motel	Warehouse	Hospital	Institutional
Extremely Low Income (up to 30% AM	17.3	22.9	8.1	8.6	8.5	12.9	14.9
Very Low Income (31-50% AMI)	16.6	23.3	10.2	10.4	8.6	13.2	12.6
Low Income (51-80% AMI)	24.2	27.8	13.0	12.5	11.0	20.1	18.4
Moderate Income (81-120% AMI)	8.9	8.1	3.9	4.2	3.3	7.0	6.8
Total Affordable Housing Need	67.0	82.0	35.3	35.7	31.4	53.2	52.7
Financing Gap (a)							
Extremely Low Income Units	$7,747,508	$10,269,897	$3,646,292	$3,867,376	$3,824,996	$5,781,706	$6,699,669
Very Low Income Units	$6,613,935	$9,295,516	$4,079,489	$4,147,164	$3,418,720	$5,267,000	$5,024,260
Low Income Units	$7,785,398	$8,923,624	$4,166,664	$4,012,822	$3,524,464	$6,462,566	$5,914,130
Moderate Income Units	$2,637,145	$2,392,525	$1,167,458	$1,240,985	$983,651	$2,067,181	$2,017,919
Total Financing Gap	**$24,783,986**	**$30,881,562**	**$13,059,903**	**$13,268,346**	**$11,751,832**	**$19,578,452**	**$19,655,978**
Maximum Impact Fee per Sq. Ft.	**$247.84**	**$308.82**	**$130.60**	**$132.68**	**$117.52**	**$195.78**	**$196.56**
Assumptions							
Building Size	100,000						
Financing Gap							
Extremely Low Income Units	$448,500						
Very Low Income Units	$399,600						
Low Income Units	$321,129						
Moderate Income Units	$296,199						

Note:
(a) The financing gap is calculated by multiplying the number of employee housesholds at each income level by the financing gap per unit (from Step 7) at each affordability level.
Source: BAE, 2016.

As noted earlier, this set of findings will shift slightly with the implementation of the City's minimum wage regulations, to be completed in 2021. The Additional Considerations chapter at the end of this report discusses the effects of the minimum wage increases on the above findings.

Feasibility of Maximum Legal Fee

As shown in the preceding section, meeting the affordable housing costs generated by each land use category of commercial use per the nexus analysis results in expensive maximum legal fee levels.

In order to evaluate these maximum legal fees in the context of maintaining feasible market rate commercial projects, this report involved extensive analysis of the Los Angeles real estate marketplace by three levels of current market condition, and then financial feasibility testing of each of the eight land use categories by each of the market conditions' economic factors.

As an overview, the analytical process included the following steps (each step is explained more fully in the following pages):

- **Step A:** Identification of Los Angeles neighborhoods
- **Step B:** Analysis of market rents to categorize each neighborhood by market condition
- **Step C:** Formulation of basic static pro formas for each land use type to analyze the maximum feasible fee by land use and by the three market conditions
- **Step D:** Comparison of feasible fees to legal maximum fee

Step A: Identification of Los Angeles Neighborhoods

For this step, several geographic subarea classifications were considered, including Community Plan Areas (37 areas), City Council Districts (15 areas), and neighborhoods defined by the Los Angeles Times (114 neighborhoods). The Los Angeles Times neighborhoods were considered the most refined, enabling fine-grained differentiation by neighborhood, without being too small to obscure larger market trends. These neighborhoods along with their Step B market categorization are shown in Figure 3.

Step B: Classification of LA Neighborhoods by Market Condition

This step involved compiling data for commercial market rents based on 439 office projects' rents and 711 retail projects' rents reported by CoStar, a private data vendor (other commercial land uses showed fewer records in CoStar and were thus considered not reliable for purposes of this analysis). Both office and retail rents were analyzed based on the standard deviation from mean (average) rent, and combined into a composite index by neighborhood. The map on the next page displays the results of this analysis.

To illustrate how the development community has responded to market conditions, the maps on the next pages show permit activity of the past five years for office and retail projects throughout the city.

FIGURE 3: COMMERCIAL MARKET CONDITION BY NEIGHBORHOOD

Map Legend

#	Neighborhood
0	Adams-Normandie
1	Arleta
2	Arlington Heights
3	Atwater Village
4	Baldwin Hills/Crenshaw
5	Bel-Air
6	Beverly Crest
7	Beverly Grove
8	Beverlywood
9	Boyle Heights
10	Brentwood
11	Broadway-Manchester
12	Canoga Park
13	Carthay
14	Central-Alameda
15	Century City
16	Chatsworth
17	Chatsworth Reservoir
18	Chesterfield Square
19	Cheviot Hills
20	Chinatown
21	Cypress Park
22	Del Rey
23	Downtown
24	Eagle Rock
25	East Hollywood
26	Echo Park
27	El Sereno
28	Elysian Park
29	Elysian Valley
30	Encino
31	Exposition Park
32	Fairfax
33	Florence
34	Glassell Park
35	Gramercy Park
36	Granada Hills
37	Green Meadows
38	Griffith Park
39	Hancock Park
40	Hansen Dam
41	Harbor City
42	Harbor Gateway
43	Harvard Heights
44	Harvard Park
45	Highland Park
46	Historic South-Central
47	Hollywood
48	Hollywood Hills
49	Hollywood Hills West
50	Hyde Park
51	Jefferson Park
52	Koreatown
53	Lake Balboa
54	Lake View Terrace
55	Larchmont
56	Leimert Park
57	Lincoln Heights
58	Los Feliz
59	Manchester Square
60	Mar Vista
61	Mid-City
62	Mid-Wilshire
63	Mission Hills
64	Montecito Heights
65	Mount Washington
66	North Hills
67	North Hollywood
68	Northridge
69	Pacific Palisades
70	Pacoima
71	Palms
72	Panorama City
73	Pico-Robertson
74	Pico-Union
75	Playa del Rey
76	Playa Vista
77	Porter Ranch
78	Rancho Park
79	Reseda
80	San Pedro
81	Sawtelle
82	Sepulveda Basin
83	Shadow Hills
84	Sherman Oaks
85	Silver Lake
86	South Park
87	Studio City
88	Sunland
89	Sun Valley
90	Sylmar
91	Tarzana
92	Toluca Lake
93	Tujunga
94	University Park
95	Valley Glen
96	Valley Village
97	Van Nuys
98	Venice
99	Vermont Knolls
100	Vermont-Slauson
101	Vermont Square
102	Vermont Vista
103	Watts
104	West Adams
105	Westchester
106	West Hills
107	Westlake
108	West Los Angeles
109	Westwood
110	Wilmington
111	Windsor Square
112	Winnetka
113	Woodland Hills

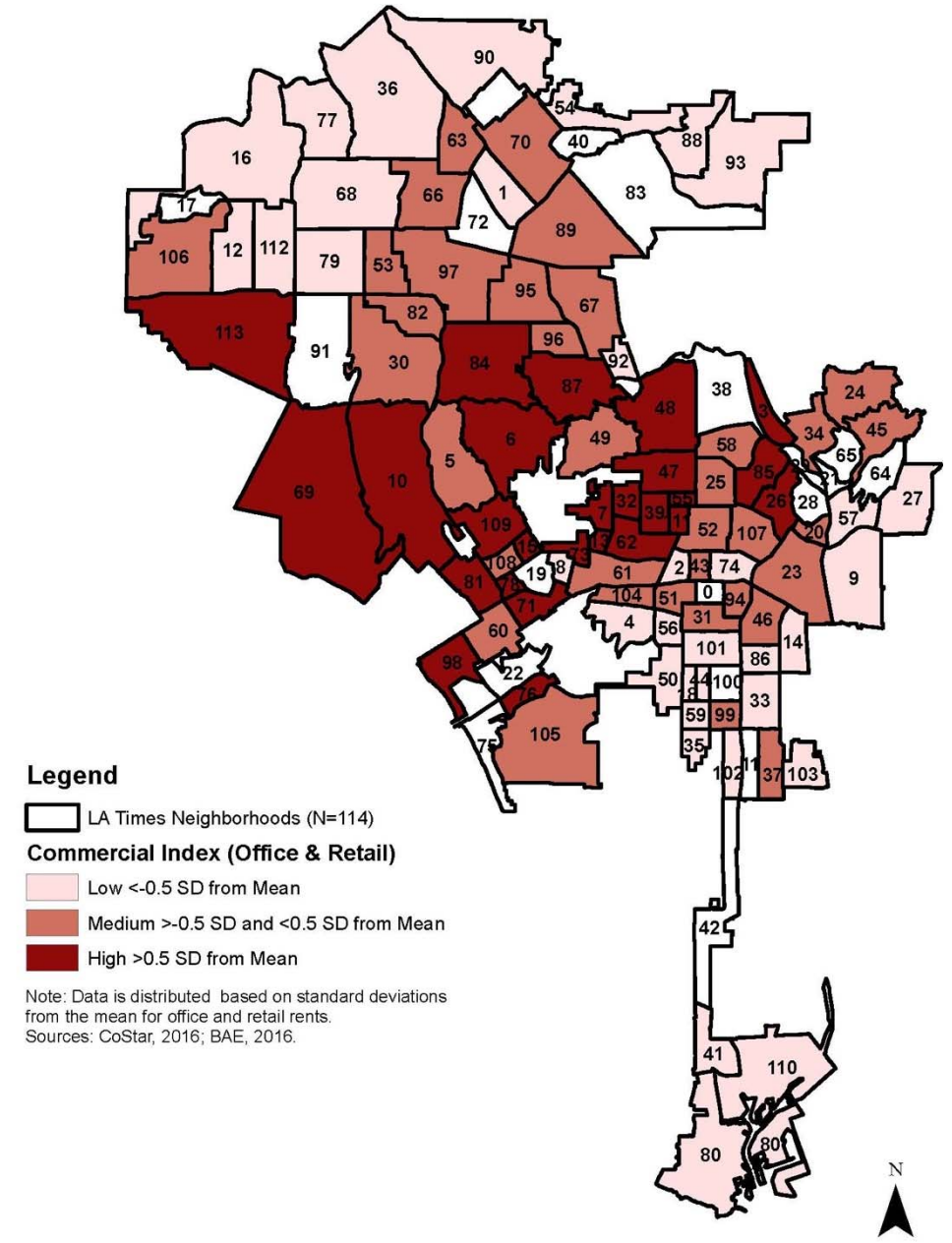
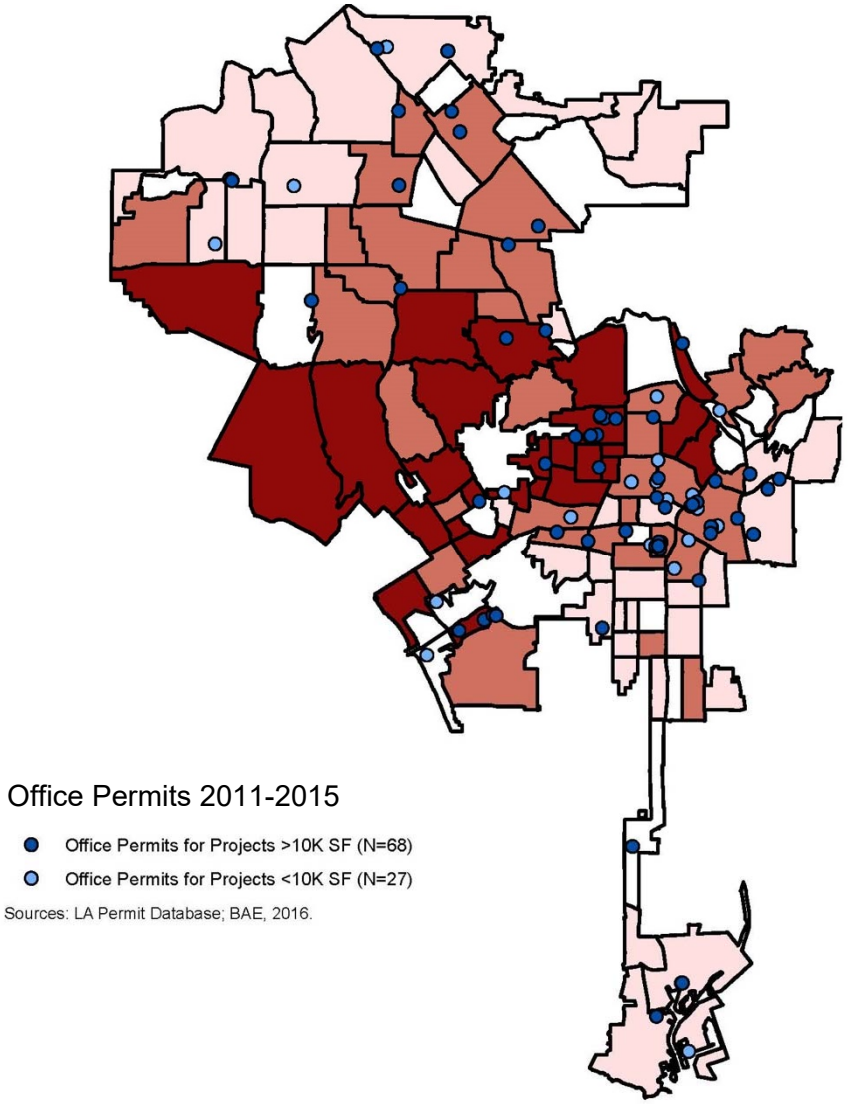
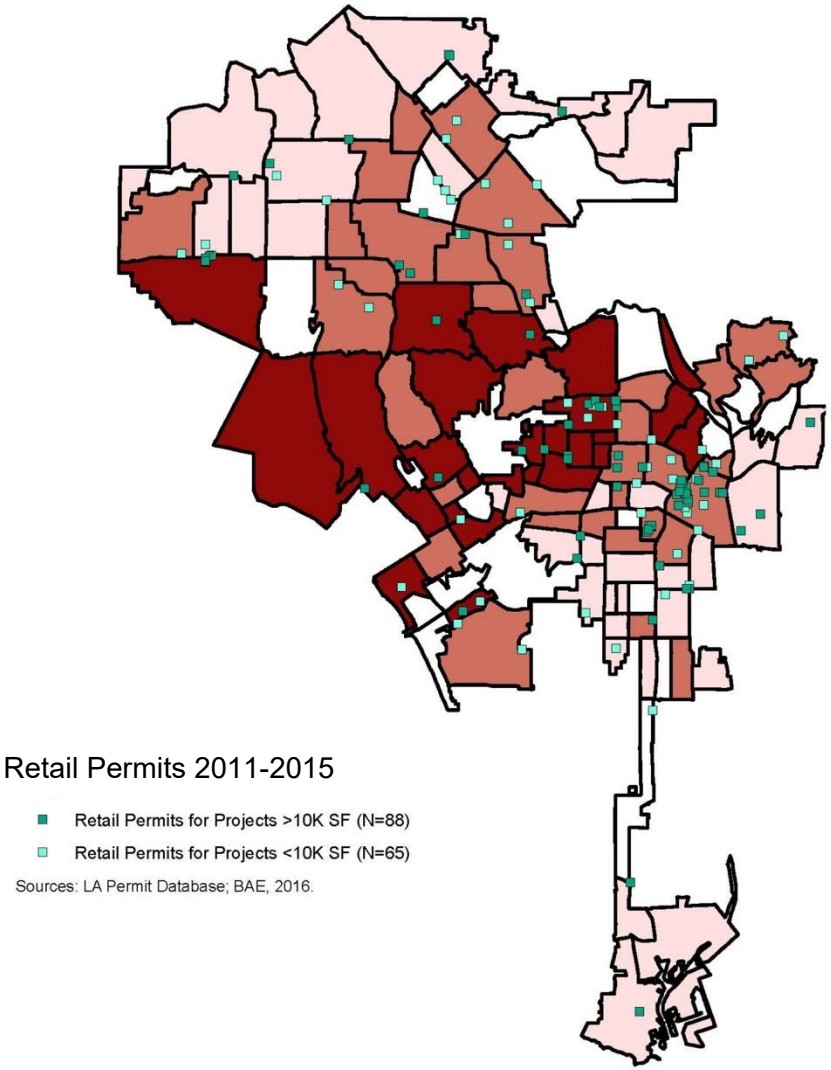


FIGURE 4: OFFICE AND RETAIL PERMIT ACTIVITY BY MARKET CONDITION, 2011-2015





Step C: Pro Forma Analysis to Determine Maximum Feasible Fee by Land Use for Each Market Condition

This step involved the formulation of basis static pro forma models for each land use, with rent assumptions varied by market condition. For all assumptions, a conservative approach was taken to ensure that feasible findings would be developed. A summary of the research informing each key assumption is described below.

- **Development Prototype** – For each land use, a median sized project was identified from actual projects permitted by the City of Los Angeles, as described previously in this report. The project's actual number of stories and parking method were researched, and the project's floor area ratio (FAR) and parking ratios were estimated based on review of applicable zoning codes, resulting in a development program for each prototype.
- **Land Costs** – For each land use and market condition, BAE reviewed available appraisals conducted for various city agencies (see Appendix C-8 for summary of land sales by market category), and also interviewed leading developers of commercial and residential projects currently active in Los Angeles.
- **Construction Costs (Hard, Soft, and Financing)** – For each prototype, per square foot hard costs was estimated based on review of R.S. Means, a cost manual. Soft costs and financing costs were estimated based on industry standards and current interest rates.
- **Rent** – Rent assumptions were developed based on an analysis of project rents from CoStar for just newer buildings (e.g., built in past 10 years or less), and further refined to estimated the 25th, 50th, and 75th percent quartile breakpoints in order to generate conservative rent assumptions. This approach means that, for example, the high market areas' rents do not represent very top end, but rather the 75th percent of top end rents.
- **Cap Rates** – For each prototype, both national and regional cap rates were compiled, with variations by market area based on developer interviews.

The following two metrics were utilized to judge feasibility:

- **Return on Total Development Cost (ROC)** – This metric divides total profit by total development cost, to judge overall project feasibility. It can be considered as a simple profit margin, irrespective of how a project is financed between debt and equity. In other words, ROC is useful because it allows comparison across all real estate project types (whether income-producing or for-sale units), irrespective of individual choices to leverage equity through use of debt. It is also useful because, as a simple project margin calculation, it can be easily compared to other non-leveraged non-real estate short-term investments such as one-year corporate bonds (which are generally paying 6 to 10 percent at present). Real estate development has higher risk inherent to the

investment activity, so the ROC on real estate projects should be higher than these other investment options.

To test feasibility for this study, this metric had to achieve at least a 15 percent return on cost, with cost including the new affordable housing fee and the applicable school fee.

- Yield on Cost (YOC) – This metric evaluates the annual stabilized Net Operating Income (NOI) compared to total development cost. It is useful to evaluate income-producing projects. For the feasibility testing, based on developer interviews, each land use was assigned a minimum YOC threshold. Both ROC and YOC thresholds had to be achieved to deem a project feasible with the total fees (e.g., new affordable fee + school fee).

A summary of the pro forma findings is shown on the following page. Detailed pro formas are shown in Appendix C.

It should be noted that new development projects in Low Market Areas, while occurring on the ground in selected locations, do not generally show feasible returns sufficient to support a fee when estimated very conservatively per the approach followed for this report (see Appendix C for these pro formas). Since many of these neighborhoods seek to encourage new development and investment, but additional fees may not "pencil" under today's market conditions, a market-based fee may not be workable in these areas. Some cities have called these kinds of areas Incentive Areas with lower or no fees charged, as a means to incentivize new development at slightly lower costs (assuming fees are charged in other Medium and High market areas).

TABLE 9: SUMMARY OF COMMERCIAL FEE PRO FORMAS

Low Market scenarios not shown here due to lack of general feasibility under conservative assumptions. Detailed pro formas including Low Market are shown in Appendix.

	Office		Retail		Hotel		Industrial		Warehouse	
	630 W Harry Bridges Blvd		5601 N Van Nuys		1133 N Vine St		3105 S La Cienega			
										
	Medium	**High**	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**
Assumptions for Baseline (a)										
Prototypical Building Size	23,000	23,000	14,000	14,000	45,000	45,000	12,000	12,000	16,000	16,000
Site Size (sf)	21,850	21,850	33,600	33,600	15,750	15,750	20,400	20,400	23,420	23,420
Total Number of Stories (Bldg)	4	4	1	1	5	5	1	1	1	1
Total Number of Stories (Parking)	Surface	Surface	Surface	Surface	1	1	Surface	Surface	Surface	Surface
FAR	1.05	1.05	0.42	0.42	2.86	2.86	0.59	0.59	0.68	0.68
Parking Type	Surface		Surface		Underground		Surface		Surface	
Total Dev Cost/SF (inc. land)	*$ 371*	*$ 517*	*$ 423*	*$ 577*	*$ 436*	*$ 486*	*$ 222*	*$ 257*	*$ 191*	*$ 252*
Rent (psf or per hotel REVPAR)	$ 35.00	$ 50.00	$ 35.00	$ 50.00	$ 205.00	$ 240.00	$ 18.00	$ 21.00	$ 14.00	$ 20.00
Return On Cost - Baseline	20.0%	23.1%	17.9%	34.6%	52.6%	60.3%	25.8%	27.2%	22.9%	32.8%
Yield on Cost - Baseline	6.6%	6.8%	7.1%	7.4%	9.2%	9.6%	6.9%	7.0%	6.8%	7.3%
Baseline Feasible? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Fee/Sq. Ft. (a)	**$ 14.50**	**$ 33.00**	**$ 7.00**	**$ 28.00**	**$ 5.00**	**$ 25.00**	**$ 14.00**	**$ 19.50**	**$ 5.00**	**$ 25.00**
New Fee for Prototype Project	$ 333,500	$ 759,000	$ 98,000	$ 392,000	$ 225,000	$ 1,125,000	$ 168,000	$ 234,000	$ 80,000	$ 400,000
Return On Cost with Fees	15.0%	15.0%	15.9%	27.9%	50.7%	51.6%	18.3%	18.2%	19.5%	20.1%
Yield on Cost with Fees	6.3%	6.3%	7.0%	7.0%	9.0%	9.1%	6.5%	6.5%	6.6%	6.6%
Feasible with Fee? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Res Fee, as % of Total Dev Cost	3.9%	6.1%	1.8%	4.7%	1.3%	5.0%	6.1%	7.3%	2.8%	9.2%

Notes:

a) See Appendix for detailed assumptions and proformas for each land use type.

b) Financial feasibility evaluated on 2 metrics

ROC = 15.0%

YOC :	Retail:	Office:	Hotel:	Industrial	Warehouse:
	7.0%	6.0%	9.0%	6.5%	6.5%

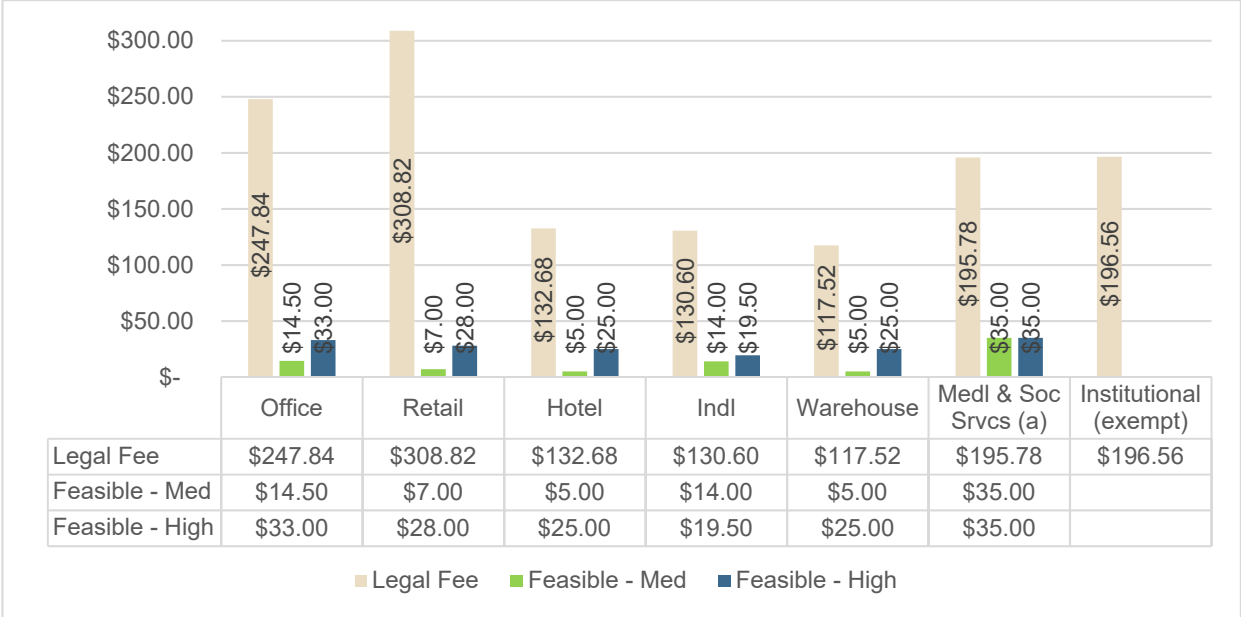
Two land use categories were treated differently than the above methodology. For the Medical & Social Services category (including hospitals), land uses will include both for-profit developments intended to generate financial returns such as medical office buildings, and non-profit developments intended to house social services, health clinics, of hospitals. For each of these sub-categories, the real estate economics situation often deviates varies from the standard income-generating investment property financial returns: non-profit facilities such as hospitals are often built by and for the occupant's use. Medical office buildings, while they may be developed as income-generating property, are also often built as part of hospital campuses or health clinics, and may have high construction costs. At the other end of the spectrum. social service agencies are often owned by a governmental entity (and would be exempt). For these reasons, this category was analyzed on a Percent of Cost basis to develop the fee, as detailed in Appendix C.

Institutional land uses, defined here as primarily schools and churches, are also often exempt from affordable housing fees. Thus, this category is not assigned a feasible fee rate, and would likely not generate any fee revenue, despite the housing market impacts identified through the legal fee (nexus) analysis.

Step D: Comparison of Feasible Fee to Maximum Legal Fee

The table below compares the feasible fees estimated above, to the maximum legal fees described in the previous chapter (based on nexus analysis of new worker households). As in most other cities in California, the gap between the dollars needed to fund affordable housing for new workers (e.g., maximum legal fee) and the feasible level of fee that can be absorbed by real estate market conditions, is substantial. In other words, charging a fee that would not constrain private sector development does not usually meet all subsidy needed to mitigate the costs of the affordable housing impacts generated by the new development.

FIGURE 5: COMPARISON OF MAXIMUM LEGAL COMMERCIAL FEES TO FEASIBLE FEES



	Office	Retail	Hotel	Indl	Warehouse	Medl & Soc Srvcs (a)	Institutional (exempt)
Legal Fee	$247.84	$308.82	$132.68	$130.60	$117.52	$195.78	$196.56
Feasible - Med	$14.50	$7.00	$5.00	$14.00	$5.00	$35.00	
Feasible - High	$33.00	$28.00	$25.00	$19.50	$25.00	$35.00	

a) Medical & Social Services includes hospitals. Fee formulated based on % of total cost, rather than on for-profit financial returns, due to this category representing primarily non-income properties. See Appendix C for % of Cost detail to formulate the example shown for hospitals.

Commercial Fee Program Options & Estimated Revenues

The preceding analysis underscores the complexity of formulating a fee schedule for commercial projects that balances the need for affordable housing funds with market conditions. The City could choose to structure this type of fee in several different ways to accommodate other policy options and limit effects on overall commercial development. The following presents four fee program options as examples. These options are then analyzed in order to estimate total annual fee revenues, along with two kinds of potential further adjustments to exempt certain projects.

Option A: Match Fee to Market Conditions

This option would create a fee schedule which charges feasible fees based on conservatively-estimated Medium Market Area conditions to new and rehabilitated projects in those areas, and feasible fees estimated for High Market Area conditions to those areas. Project fees in Low Market Areas would likely be waived since these fees would generally not be feasible.

This option would create the most finely-tuned fee structure, but may create challenges to administer and would necessitate periodic updating to identify changing neighborhood market conditions and feasible fee levels.

Option B: Charge Medium Market Fees to Both Medium and High Market Areas

This would be a conservative option, charging the level of feasible fee derived from a Medium market area feasibility test, to all projects located in both Medium and High Market Areas. This approach would limit debate about whether an individual project is in a medium or high market area, charging the same fee per land use to all projects regardless of location. Again, due to the economics of Low Market areas, fees would likely not be charged in these exempt zones.

This option would simplify fee administration, but may create an uneven burden on projects due to their location and subsequent economics.

Option C: Charge Only High Market Areas

This option would limit fees to only those projects located in premium, High Market Areas, where feasibility is most assured and development is least likely to be affected. Fees charged would be at the corresponding High Market levels. Projects in Medium and Low Market Areas would be waived based on their location. As market conditions change and are re-evaluated, neighborhoods may change from medium to high market conditions and become eligible for the fee schedule.

This option would further simplify fee program administration, but may create debate over specific projects which have High Market characteristics and economics but be technically located in a Medium Market neighborhood (or vice-versa).

Option D: Charge Lowest Feasible Commercial Fee Citywide (Flat Fee)

In this option, the lowest feasible fee for the lowest commercial land use in a Medium Market Area would be charged across all commercial uses in all markets. This is a more straightforward approach than any of the options cited above. For example, the feasibility testing for commercial land uses found that Warehouse projects in Medium Market Areas can only support an approximately $5.00 fee; this would become the flat fee charged to all land use categories for commercial projects anywhere in the city (including in Low Market Areas).

The benefits of this option are that it establishes clarity, minimizes confusion and minimizes administrative functions. While this option would apply the fee to all projects, including those located in market conditions that the pro formas concluded may be infeasible, most new development projects occurring in the Low market conditions likely reflect improving submarket conditions not reflected in the broader three market segments used for the analysis in this report.

The estimated annual revenues that could potentially be generated by the application of these fee program options are shown on the next page.

Adjustment for Project Size

Many cities exempt fees for smaller projects in order to encourage infill and accommodate small businesses. For this study, the distribution of new commercial projects by square foot size was analyzed (see data in Appendix B-3). This distribution suggests that projects less than 10,000 square feet in gross size is a logical threshold to waive the fee; approximately 40 percent of retail projects and 29 percent of office projects fall below this size, but on a square foot basis, most square footage built for office and retail occur in projects above this threshold.

TABLE 10: FEE SCHEDULE OPTIONS & ESTIMATED ANNUAL REVENUE

Estimates do not include possible exemptions and waivers under consideration other than minimum project size.

Option A - Match Fee to Market Conditions

	Low Market		Medium Market		High Market		Total		Total
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Potential Max Annual Rev Adjusted for Minimum Project Size (c)
Office	$ -	121,143	$ 14.50	274,169	$ 33.00	481,141	876,453	$ 19,853,099	$ 18,955,132
Retail	$ -	114,363	$ 7.00	308,224	$ 28.00	183,745	606,331	$ 7,302,417	$ 6,306,653
Industrial	$ -	2,911	$ 14.00	32,049	$ 19.50	0	34,960	$ 448,683	$ 371,205
Hotel	$ -	0	$ 5.00	294,953	$ 25.00	53,221	348,174	$ 2,805,294	$ 2,790,928
Warehouse	$ -	80,002	$ 5.00	334,961	$ 25.00	15,619	430,582	$ 2,065,290	$ 1,938,052
Medical (Hospital)	$ 35.00	18,644	$ 35.00	18,644	$ 35.00	18,644	55,932	$ 1,957,620	$ 1,957,620
Total		337,063		1,263,000		752,370	2,352,432	**$ 34,432,403**	**$ 32,319,591**

Option B - Medium Market Fees Applied to Both Med & High Zones

	Low Market		Medium Market		High Market		Total		Total
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Potential Max Annual Rev Adjusted for Minimum Project Size (c)
Office	$ -	121,143	$ 14.50	274,169	$ 14.50	481,141	876,453	$ 10,951,995	$ 10,456,630
Retail	$ -	114,363	$ 7.00	308,224	$ 7.00	183,745	606,331	$ 3,443,781	$ 2,974,184
Industrial	$ -	2,911	$ 14.00	32,049	$ 14.00	0	34,960	$ 448,683	$ 371,205
Hotel	$ -	0	$ 5.00	294,953	$ 5.00	53,221	348,174	$ 1,740,870	$ 1,731,955
Warehouse	$ -	80,002	$ 5.00	334,961	$ 5.00	15,619	430,582	$ 1,752,901	$ 1,644,909
Medical (Hospital)	$ -	18,644	$ 35.00	18,644	$ 35.00	18,644	55,932	$ 1,305,080	$ 1,305,080
Total		337,063		1,263,000		752,370	2,352,432	**$ 19,643,310**	**$ 18,483,963**

Option C - Fee in High Market Zones Only

	Low Market		Medium Market		High Market		Total		Total
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Potential Max Annual Rev Adjusted for Minimum Project Size (c)
Office	$ -	121,143	$ -	274,169	$ 33.00	481,141	876,453	$ 15,877,646	$ 15,159,491
Retail	$ -	114,363	$ -	308,224	$ 28.00	183,745	606,331	$ 5,144,849	$ 4,443,293
Industrial	$ -	2,911	$ -	32,049	$ 19.50	0	34,960	$ -	$ -
Hotel	$ -	0	$ -	294,953	$ 25.00	53,221	348,174	$ 1,330,530	$ 1,323,716
Warehouse	$ -	80,002	$ -	334,961	$ 25.00	15,619	430,582	$ 390,485	$ 366,428
Medical (Hospital)	$ -	18,644	$ -	18,644	$ 35.00	18,644	55,932	$ 652,540	$ 652,540
Total		337,063		1,263,000		752,370	2,352,432	**$ 23,396,050**	**$ 21,945,468**

Option D - Lowest Commercial Feasible Fee Charged Citywide

	Low Market		Medium Market		High Market		Total		Total
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Potential Max Annual Rev Adjusted for Minimum Project Size (c)
Office	$ 5.00	121,143	$ 5.00	274,169	$ 5.00	481,141	876,453	$ 4,382,264	$ 4,184,052
Retail	$ 5.00	114,363	$ 5.00	308,224	$ 5.00	183,745	606,331	$ 3,031,657	$ 2,618,258
Industrial	$ 5.00	2,911	$ 5.00	32,049	$ 5.00	0	34,960	$ 174,799	$ 144,615
Hotel	$ 5.00	0	$ 5.00	294,953	$ 5.00	53,221	348,174	$ 1,740,870	$ 1,731,955
Warehouse	$ 5.00	80,002	$ 5.00	334,961	$ 5.00	15,619	430,582	$ 2,152,912	$ 2,020,276
Medical (Hospital)	$ 5.00	18,644	$ 5.00	18,644	$ 5.00	18,644	55,932	$ 279,660	$ 279,660
Total		337,063		1,263,000		752,370	2,352,432	**$ 11,762,162**	**$ 10,978,815**

Notes on next page

Notes:

a) Sq. Ft. of each land use based on avg. annual permit data, as follows:

Office	876,453
Retail	606,331
Industrial	34,960
Hotel/Motel	348,174
Warehouse	430,582
Hospital	55,932
Total	2,352,432

b) Allocation of Sq. Ft. per Market Area category- based on geocoding of all permits:

	% Sq.Ft. in Low Markets	% Sq.Ft. in Med Markets	% Sq.Ft. in High Markets
Office	13.8%	31.3%	54.9%
Retail	18.9%	50.8%	30.3%
Industrial	8.3%	91.7%	0.0%
Hotel/Motel	0.0%	84.7%	15.3%
Warehouse	18.6%	77.8%	3.6%
Hospital*	33.3%	33.3%	33.3%

*The hospital square footage was allocated equally among low, medium, and high markets because only one new hospital was built between 2011 and 2015.

c) Adjusted for proposed minimum project size (10,000+ Sq. Ft.)

	Below Min Project Size	Above Min Project Size
Office	4.5%	95.5%
Retail	13.6%	86.4%
Industrial	17.3%	82.7%
Hotel/Motel	0.5%	99.5%
Warehouse	6.2%	93.8%
Hospital	0.0%	100.0%

In addition to adjustments for potential exempted small projects, the City of Los Angeles could also create a partial fee waiver in its new fee program for those projects located in the two Specific Plan areas which currently charge Transportation Impact Assessment (TIA) fees. These two areas – West Los Angeles Specific Plan and the Coastal Transportation Corridor Specific Plan (CTCSP) – currently each have similar fee schedules to fund local transportation improvements, varied by land use and in some cases, size of project.

As of August 2016, both of these fee programs have also been proposed for fee increases and refined schedules (changing some land use definitions and size thresholds). The fact that these two fee schedules are different from each other, and are undergoing a simultaneous simplification process, means that if the City were to adopt a commercial affordable housing fee and sought to still balance feasibility with needed fee revenue, these two areas could be partially waived and subject to a lower fee schedule for affordable housing plus the TIA fee, to end up at the same total fee level. A map of the TIA overlay on commercial market areas is shown below, and the adjustment to the potential fee revenue estimate for each option net of the proposed applicable TIA fee is shown on the next page. It should be noted that a fee revenue estimate for each option which combines waivers for both small projects and partial TIA waivers has not been conducted for this study.

FIGURE 6: COMMERCIAL MARKET AREAS & TIAS

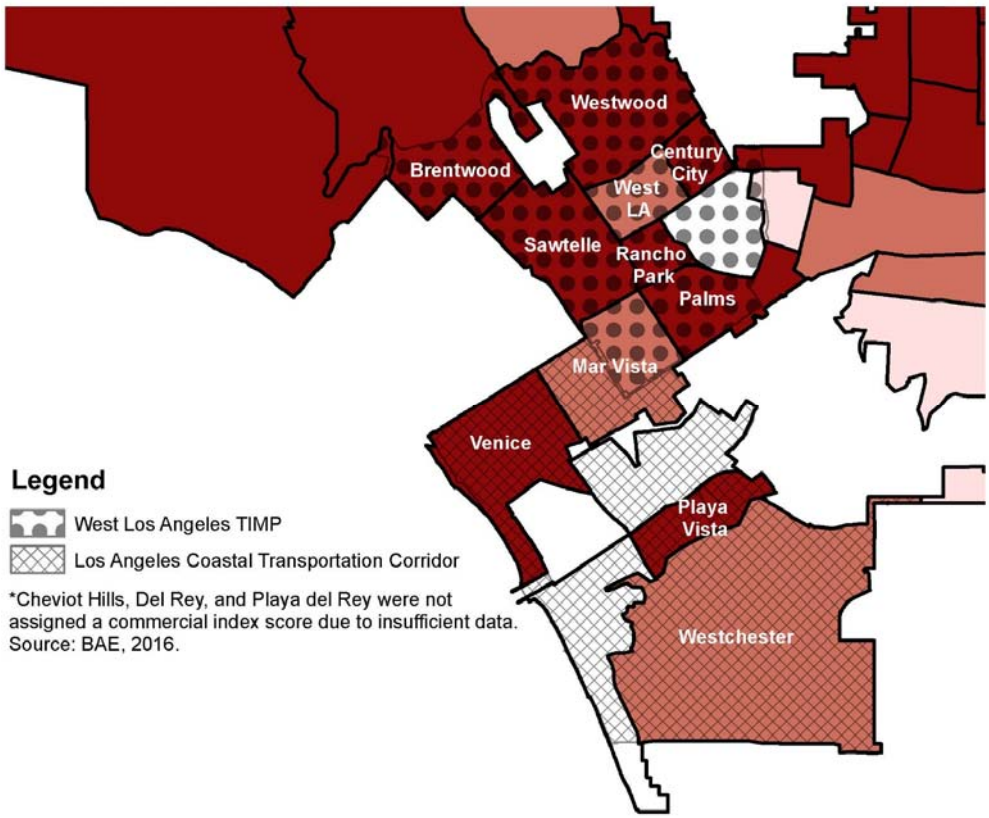


TABLE 11: ESTIMATED ANNUAL COMMERCIAL FEE REVENUE WITH TIA ADJUSTMENTS

Estimates do not include possible exemptions and waivers under consideration.

Option A - Citywide Fee with Market Area Zones

	Low Market		Medium Market		High Market		Total	
Use	**Low Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Med Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**High Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Annual Avg. Sq. Ft.**	**Potential Max Annual Revenue**
Office outside TIAs	$ -	121,143	$ 14.50	274,169	$ 33.00	420,894	816,206	$ 17,864,950
Office in TIAs	*$ -*	*0*	*$ -*	*0*	*$ -*	*60,247*	*60,247*	*$ -*
Retail outside TIAs	$ -	114,363	$ 7.00	307,523	$ 28.00	176,313	598,198	$ 7,089,421
Retail in TIAs	*$ -*	*0*	*$ -*	*701*	*$ 9.01*	*7,432*	*8,133*	*$ 66,937*
Industrial outside TIAs	$ -	2,911	$ 14.00	32,049	$ 19.50	0	34,960	$ 448,683
Industrial in TIAs	*$ -*	*0*	*$ 1.66*	*0*	*$ 7.16*	*0*	*0*	*$ -*
Hotel outside TIAs	$ -	0	$ 5.00	294,953	$ 25.00	53,221	348,174	$ 2,805,294
Hotel in TIAs	*$ -*	*0*	*$ -*	*0*	*$ 16.83*	*0*	*0*	*$ -*
Warehouse outside TIAs	$ -	80,002	$ 5.00	292,076	$ 25.00	15,247	387,325	$ 1,841,560
Warehouse in TIAs	*$ -*	*0*	*$ 0.36*	*42,885*	*$ 20.36*	*372*	*43,257*	*$ 22,844*
Hospital outside TIAs	$ 35.00	18,644	$ 35.00	18,644	$ 35.00	18,644	55,932	$ 1,957,620
Hospital in TIAs		*0*	*$ 20.50*	*0*	*$ 20.50*	*0*	*0*	*$ -*
Total		337,063		1,263,000		752,370	2,352,432	**$ 32,097,310**

Option B - Low Market Incentive Zone + Med Fee Applied to Both Med & High Zones

	Low Market		Medium Market		High Market		Total	
Use	**Low Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Med Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Med Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Annual Avg. Sq. Ft.**	**Potential Max Annual Revenue**
Office outside TIAs	$ -	121,143	$ 14.50	274,169	$ 14.50	420,894	816,206	$ 10,078,414
Office in TIAs	*$ -*	*0*	*$ -*	*0*	*$ -*	*60,247*	*60,247*	*$ -*
Retail outside TIAs	$ -	114,363	$ 7.00	307,523	$ 7.00	176,313	598,198	$ 3,386,849
Retail in TIAs	*$ -*	*0*	*$ -*	*701*	*$ -*	*7,432*	*8,133*	*$ -*
Industrial outside TIAs	$ -	2,911	$ 14.00	32,049	$ 14.00	0	34,960	$ 448,683
Industrial in TIAs	*$ -*	*0*	*$ 1.66*	*0*	*$ 1.66*	*0*	*0*	*$ -*
Hotel outside TIAs	$ -	0	$ 5.00	294,953	$ 5.00	53,221	348,174	$ 1,740,870
Hotel in TIAs	*$ -*	*0*	*$ -*	*0*	*$ -*	*0*	*0*	*$ -*
Warehouse outside TIAs	$ -	80,002	$ 5.00	292,076	$ 5.00	15,247	387,325	$ 1,536,617
Warehouse in TIAs	*$ -*	*0*	*$ 0.36*	*42,885*	*$ 0.36*	*372*	*43,257*	*$ 15,399*
Hospital outside TIAs	$ -	18,644	$ 35.00	18,644	$ 35.00	18,644	55,932	$ 1,305,080
Hospital in TIAs	*$ -*	*0*	*$ 20.50*	*0*	*$ 20.50*	*0*	*0*	*$ -*
Total		337,063		1,263,000		752,370	2,352,432	**$ 18,511,913**

Option C - High Market Zone Only

	Low Market		Medium Market		High Market		Total	
Use	**Low Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Med Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**High Feasible Fee per Sq. Ft.**	**Annual Avg. Sq. Ft. (a)(b)**	**Annual Avg. Sq. Ft.**	**Potential Max Annual Revenue**
Office outside TIAs	$ -	121,143	$ -	274,169	$ 33.00	420,894	816,206	$ 13,889,497
Office in TIAs	*$ -*	*0*	*$ -*	*0*	*$ -*	*60,247*	*60,247*	*$ -*
Retail outside TIAs	$ -	114,363	$ -	307,523	$ 28.00	176,313	598,198	$ 4,936,762
Retail in TIAs	*$ -*	*0*	*$ -*	*701*	*$ 9.01*	*7,432*	*8,133*	*$ 66,937*
Industrial outside TIAs	$ -	2,911	$ -	32,049	$ 19.50	0	34,960	$ -
Industrial in TIAs	*$ -*	*0*	*$ -*	*0*	*$ 7.16*	*0*	*0*	*$ -*
Hotel outside TIAs	$ -	0	$ -	294,953	$ 25.00	53,221	348,174	$ 1,330,530
Hotel in TIAs	*$ -*	*0*	*$ -*	*0*	*$ 16.83*	*0*	*0*	*$ -*
Warehouse outside TIAs	$ -	80,002	$ -	292,076	$ 25.00	15,247	387,325	$ 381,179
Warehouse in TIAs	*$ -*	*0*	*$ -*	*42,885*	*$ 20.36*	*372*	*43,257*	*$ 7,577*
Hospital outside TIAs	$ -	18,644	$ -	18,644	$ 35.00	18,644	55,932	$ 652,540
Hospital in TIAs	*$ -*	*0*	*$ -*	*0*	*$ 20.50*	*0*	*0*	*$ -*
Total		337,063		1,263,000		752,370	2,352,432	**$ 21,265,023**

Option D would be same as without TIA adjustment due to low flat fee structure

These estimates are not adjusted for project size threshold. Footnotes on following page.

Notes:

a) Sq. Ft. of each land use based on avg. annual permit data, as follows:

Office	876,453
Retail	606,331
Industrial	34,960
Hotel/Motel	348,174
Warehouse	430,582
Hospital	55,932
Total	2,352,432

b) Allocation of Sq. Ft. per Market Area category- based on geocoding of all permits:

	% Sq.Ft. in Low Markets	**% Sq.Ft. in Med Markets**	**% Sq.Ft. in High Markets**
Office	13.8%	31.3%	54.9%
Retail	18.9%	50.8%	30.3%
Industrial	8.3%	91.7%	0.0%
Hotel/Motel	0.0%	84.7%	15.3%
Warehouse	18.6%	77.8%	3.6%
Hospital*	33.3%	33.3%	33.3%

*The hospital square footage was allocated equally among low, medium, and high markets because only one new hospital was built between 2011 and 2015.

c) Adjusted for proposed minimum project size (10,000+ Sq. Ft.)

	Below Min Project Size	**Above Min Project Size**
Office	4.5%	95.5%
Retail	13.6%	86.4%
Industrial	17.3%	82.7%
Hotel/Motel	0.5%	99.5%
Warehouse	6.2%	93.8%
Hospital	0.0%	100.0%

d) Figures overestimate revenue if TIA fees are accounted for in two specific plan aras where TIA fees are charged. The highlighted figures represent the maximum fee for each prototype, which are used in the above calculation. The proposed TIA fees are:

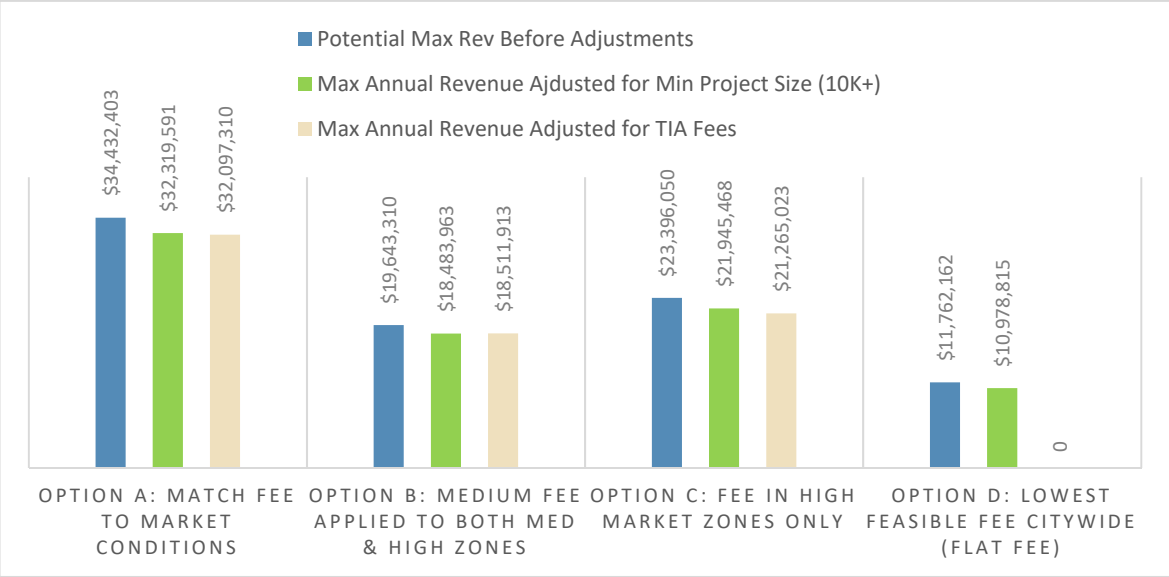
	Proposed TIA Fees		Max Supportabe Fee - Medium		Max Supportabe Fee - High	
	West LA	CTCSP	West LA	CTCSP	West LA	CTCSP
Office	$ 35.43	$ 31.52	$ -	$ -	$ -	$ 1.48
Retail	$ 18.99	$ 16.90	$ -	$ -	$ 9.01	$ 11.10
Industrial	$ 12.34	$ 10.98	$ 1.66	$ 3.03	$ 7.16	$ 8.53
Hotel	$ 8.17	$ 7.27	$ -	$ -	$ 16.83	$ 17.73
Warehouse	$ 4.64	$ 4.13	$ 0.36	$ 0.87	$ 20.36	$ 20.87
Medical (Hospital)	$ 14.50	$ 12.90	$ 20.50	$ 22.10	$ 20.50	$ 22.10

Allocation of Sq. Ft. per Market Area category within TIAs

	% Units in Low	**% of Units in Med**	**% of Units in High**	**Total Activity in TIAs**
Office	0.0%	0.0%	12.5%	12.5%
Retail	0.0%	0.2%	4.0%	4.3%
Industrial	0.0%	0.0%	0.0%	0.0%
Hotel	0.0%	0.0%	0.0%	0.0%
Warehouse	0.0%	12.8%	2.4%	15.2%
Medical (Hospital)	0.0%	0.0%	0.0%	0.0%

In summary, the estimated range of potential fee revenue for an average development year (based on the past five years of permit data), would be as follows.

FIGURE 7: ESTIMATE OF POTENTIAL ANNUAL COMMERCIAL FEE REVENUE



It should be noted that these are estimates, and actual fee collections will vary depending on the specific regulations in the to-be-determined adopted ordinance. Furthermore, these estimates rely on data for the past five years of permitted development activity (2011 – 2015), which reflects a time period at the end of the Great Recession plus the surge after economic recovery. Actual economic cycles in any given year may strongly influence the revenue stream.

Considerations for Implementation

Fees by Geographic Area

As described above, the City of Los Angeles could adopt a commercial fee schedule which varies the required fee by geographic area, as related to market condition. Further variations of this approach, which would match the feasible fee to the geographic area, are then possible to structure.

The advantage of this framework is that fees can be calibrated to achieve meaningful revenues to produce affordable housing, while still balancing the diversity of Los Angeles development conditions to achieve ongoing feasibility. However, this framework, whether accomplished through Option A, B, or C, would require ongoing or periodic analysis to re-calibrate market areas. Furthermore, the 114 LA Times neighborhoods used for this study, while representing a good way to determine subareas, could be further improved in terms of both the accuracy of the geo-spatial files, and possibly the actual division of geographies. For

example, a more fine-grained approach than taken in this study, could utilize Census Tracts to determine market condition by location.

Phase-In of Fee Schedule

A key component of adopting a commercial fee in Los Angeles will be the phase-in schedule. Most notably, most cities when first adopting a fee like this, set a future date for its implementation, and also define and waive current "pipeline" projects which would have been started without knowledge of this fee. Moreover, because Los Angeles has relatively few other impact fees for most areas, with the exception of the TIAs in 2 specific plan areas, and the proposed park fees, adoption of a new commercial fee may have the undesirable short-term perceived effect of a "shock" to the economic system for some projects with smaller profit margins.

For these reasons, it is recommended that if Los Angeles adopts a commercial fee program, it should consider a phased-in schedule when initially implemented. Some cities have phased fees like this in over a two-year period; for Los Angels, it is recommended that this two-year period be considered. The fee schedule, for example, could be set at half of the full fee for the first year of applicability, rising to the full 100 percent of the fee on projects seeking building permits 12 months later and beyond.

Fee Exemptions and Waivers

As profiled in the case studies of commercial fees, other cities in California have variable approaches to making categories of land use either exempt from commercial fees, or waiving fees under certain conditions.

Fee Exemptions

This study was conducted assuming that certain categories of land use would be exempted from commercial fees, due to the nature of these land uses (e.g., built and owned primarily by non-profit or public-purpose organizations). These include all institutional uses (churches, public schools, private schools, and public and private higher educational institutions), as well as child care facilities, and public agency owned buildings (including city, state and federal as required by the California Constitution).

Most cities also exempt 100 percent affordable housing projects. Some cities also exempt buildings smaller than a certain size threshold as discussed earlier in this study, and a few cities earmark other exemptions to achieve policy goals such as the example of San Francisco exempting neighborhood grocery stores and pharmacies.

Fee Waivers

Some cities profiled in the case studies also waive commercial fees in exchange for other mechanisms to provide for affordable housing impacts, including building the affordable housing (although few cities report that this option is used), and/or allow land donation at an equivalent value. Because most of Los Angeles is relatively built-out and land constrained,

especially in the stronger market areas, the option to dedicate land instead of pay a fee, should be further explored.

The revenue estimates for the commercial fee included an example adjustment that can also be built into the regulations for Transportation Impact Assessment (TIA) areas, which are currently applicable only to the Specific Plans for West Los Angeles and the Coastal Transportation Corridor. In the event other areas of Los Angeles were to adopt area transportation impact fees, the commercial linkage fee could be partially waived (reduced) to accommodate those other fees.

Finally, most cities allow for a waiver request if a) economic hardship can be demonstrated or b) if lesser affordable housing job impacts can be demonstrated. Excluding the issue of the planned increase in minimum wage (explored later in this report), it is recommended that these two options be narrowly allowed per legal requirements, but not more broadly offered, to minimize administrative burden on staff.

Timing of Fee Calculation and Payment

As profiled in the case studies, most cities charge the commercial fee prior to or at the time of building permit issuance. Several cities split up the payments, allowing for partial payment later (at Certificate of Occupancy), while a few cities spread payments even farther apart over time, allowing for essentially a payment plan or the choice of an upfront net present value payment of the entire amount.

For several reasons, it is recommended that for the City of Los Angeles, the fee payment be split only into at most, two equal installments – at the time of building permit issuance and at the time of Certificate of Occupancy. This recommendation is made due to the overarching immediate need to create a permanent source of funding for affordable housing, as well as potential collection challenges if payments were spread beyond the point of issuing a Certificate of Occupancy.

About Residential Fees

Overview of Residential Fees

Residential fees for affordable housing apply to market rate units, and are based on the "nexus" or relationship between the occupants of a market-rate unit's spending in the economy, and the portion of this spending that generates workers' low income households needing affordable units.

One of the complexities around this kind of fee is that for most cities in California with a residential fee, the fee is rooted in an existing inclusionary housing program, which requires generally 10 to 15 percent of units in market rate projects be affordable to low and sometimes moderate income households. There are more than 170 inclusionary programs in cities and counties throughout California, many of which have been operating for decades.[9] Although these programs were structured to achieve production of affordable units within a market-rate development, creating a mixed-income project, most of these programs also offer an in-lieu fee option instead of providing on-site affordable units. With the *Palmer/Sixth Street Properties L.P. v. City of Los Angeles* court decision in 2009, these inclusionary programs were found to violate California's Costa Hawkins Act regarding rent control, and thus prohibited from requiring on-site mandatory unit requirements. The in-lieu fee for market rate rental projects, however, remained legal. Many cities and counties then determined that the fee should be based on a nexus study (which many in-lieu fees had previously not been based on), and many jurisdictions proceeded to update and/or amend their inclusionary ordinances, supporting in-lieu fee requirements with nexus studies. Some legal questions remain, such as whether the in-lieu fee is subject to the California Mitigation Fee Act, but the nexus studies have nonetheless become common practice.

Because the City of Los Angeles does not have an operative inclusionary housing program, a pre-existing in-lieu fee is not a factor. Instead, and similar to a few cities which have never adopted an inclusionary program, the City of Los Angeles is considering a new residential fee for affordable housing. Some other cities term this fee as an "impact" fee or "development" fee; for simplicity's sake, this report calls the fee under consideration a residential fee for affordable housing ("residential fee").

It should be noted that the process of establishing a nexus for the City of Los Angeles's residential fee is virtually the same as the nexus studies undertaken to support inclusionary housing in-lieu fees after *Palmer*. This analytical process is described in the following chapter.

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[9] *Affordable by Choice: Trends in California Inclusionary Housing Programs* (Non-Profit Housing Association of Northern California, 2006).

Summary of Case Studies

This report profiles 11 cities with market-rate housing fees to produce affordable housing. The profiles include all large California cities with fee programs (e.g., San Francisco, Oakland, San Jose, and Sacramento), selected smaller southern California cities with economies similar to portions of Los Angeles (e.g., Santa Monica, West Hollywood, Pasadena, Santa Ana), along with a high-fee case in Palo Alto and two large cities elsewhere in the U.S. (e.g., Boston and Chicago). Appendix D provides a detailed discussion).

The California cities selected for case studies in this report are not exhaustive; over 170 jurisdictions in California have mandatory inclusionary housing programs, and all require a fee payment for market rate rental projects (after the *Palmer* decision, fees are the only requirement legally available related to impose on market-rate rental projects).[10]. Among the California cities profiled here, all except Oakland and San Jose had pre-existing mandatory inclusionary programs established prior to the Palmer decision, and as such, already had ongoing in-lieu fee program options. Therefore, the City of Los Angeles falls somewhere in the middle of this spectrum between long-established mandatory inclusionary programs with procedures and real estate markets that have adjusted to the concept, and new programs post-Palmer that do not relate directly to this practice.

The following table summarizes the case study cities, with key findings on the next page.

[10] It should be noted that the state legislature has twice passed legislative "fixes" to Palmer for rental projects, both of which were vetoed by the Governor. However, the Governor has recently proposed a legislative "fix" as part of proposed legislation to waive CEQA review for certain "by right" housing projects with at least 5 percent affordable housing included within the project. As of July 2016, this most recent legislative proposal has again been dropped and is considered "dead." These events are cited here to illustrate that the Palmer decision is reversible, and may be reversed by future California legislative action.

TABLE 12: SUMMARY OF RESIDENTIAL FEE CASE STUDIES

	Popoulation (a)	Fee per Unit/Square Foot (b)				Threshold	Fees Collected	Annual Rev. Per Capita (c)	Aff. Units Produced	Notes
Large Cities in CA with Fee										
San Francisco (2002/2016)	829,072	10-24 Units (d)	25+ Units (e)			10 units	$10.1 M/year	$12.14	2,157 between	Fees shown became effective June 1, 2016
SRO/Group Housing Unit (per		$29,701	$49,007				(avg since		1992 & Q2 2016	June 2016 ballot mesaure increased
Studio (per unit)		$39,602	$65,343				FY 2011/12)		(program	inclusionary % above level yielding the
1 Bedroom (per unit)		$53,792	$88,757						structured to	fees shown
2 Bedroom (per unit)		$73,274	$120,902						generate units)	
3 Bedroom (per unit)		$83,560	$137,874							
4 Bedroom (per unit)		$104,286	$172,072							
San Jose (2014)	986,320	Citywide Rental	Downtown Core High Rise Rental			3 units	NA (new)			Fees effective July 2016. Downtown highrises
(per sq. ft.)		$17.00	$17.00							w/ CoO on or before 6/30/2021 are exempt.
Oakland (2016)	402,339	Zone 1	Zone 2	Zone 3			N/A (new)			Some zones phased in, all apply as of
Multi-family (per unit)		$22,000	$17,750	$12,000						7/1/2018
Townhome (per unit)		$20,000	$14,250	$8,000						
Single-Family (per unit)		$23,000	$16,500	$8,000						
Sacramento (2015)	476,075	2-20 Units	21+ Units				$30,000 in	$0.06		
Single Units and Duplexes (per sq. ft.)		$2.58	$0.00				first year			
Multi-Unit Dwellings (per sq. ft.)		$2.58	$0.00							
Non-Resl to Res Conversion (per sq. ft.)		$0.00	$0.00							
Units in a Housing Incentive Zone (per sq. ft.)		$1.11	$1.11							
Smaller Cities with Fee										
Santa Monica (2006/2015)	91,619	Rental	Condominium			2 units	$992,000/year	$10.83		
(per sq. ft.)		$31.25	$36.51				(avg 1998-2015)			
West Hollywood (2001/2007)	35,053	All Residential				2 units	$1.3 M in	$37.09		Updated nexus study in 2014
2 to 10 units (per sq. ft.)		$12.65 - $27.13					FY 2014-15			
10+ Units (per sq. ft.)		$27.13								
Pasadena (2001)	139,065	Zone A	Zone B	Zone C	Zone D	10 units	$1.3 M/year	$9.40		Update pending 2016 nexus study
10-49 Rental Units (per sq. ft.)		$35.37	$19.97	$32.89	$35.37		(avg)			
50+ Rental Units (per sq. ft.)		$49.12	$27.74	$45.68	$49.12					
10-49 Ownership Units (per sq. ft.)		$47.01	$19.01	$29.66	$47.01					
50+ Ownership Units (per sq. ft.)		$65.30	$26.40	$41.20	$65.30					
Santa Ana (2011)	331,266	5-20 Units	20+ Units			5 units	$860,000/year	$2.60	64	Fees only apply to excess density above
(per sq. ft.)		$5.00	$15.00				(avg)			zoning
Palo Alto (2008/2016)	65,998					5 units				
Single Family Detached (per sq. ft.)		$95.00								
Single Family Attached (per sq. ft.)		$50.00								
Condominium (per sq. ft.)		$50.00								
Rental Housing		$50.00								
Major Cities Outside of CA with Fee										
Boston (2000/2015)	639,594	Zone A	Zone B	Zone C		10 units	$8 M/year (avg)	$12.48	1,597 units	
Rental (per unit)		$68,400	$54,000	$30,000					between	
Ownership		(f)	(f)	(f)					2000-2015	
Chicago (2003/2015)	2,712,608	Citywide Low-Mod Inc	Citywide Higher Inc	Downtown Rental	Downtown Ownership	10 units	$5.6 M/year	$2.05		
(per unit)		$12,500	$31,250	$28,750 to $43,750	$28,750 to $56,250		(avg.)			

Notes:
(a) All population figures from 2010-2014 American Community Survey.
(b) Each jurisdiction charges fees either on a per square foot or per unit basis.
(c) Per capita annual average revenue based on 2010-2014 ACS population estimates. Revenues are not adjusted for inflation, changes in fee rates, or other factors.
(d) Reflects an off-site inclusionary requirement of 20 percent of units n the principal project.
(e) Reflets an off-site inclusionary requirement of 33 percent of units in the principal project.
(f) For ownership projects, fee is greater of rental fee, or 50% of price difference between market rate and affordable unit.
Sources: ACS, 2010-2014; BAE, 2016.

Review of the case studies indicates the following key points:

Fee Charges and Structure

- Direct comparisons among cities is difficult due to the variation of fee structures; some cities charge per square foot, while others charge per unit by density variations or size of project.
- Residential fees for affordable housing charged by larger cities with a diverse real estate market range from a low of $1.11 per square foot in Sacramento (e.g., $1,100 per unit for 1,000 square feet), to over $172,000 per unit in San Francisco (for a 4-bedroom unit).
- Some cities, notably Santa Ana, Boston, and Chicago, only charge this kind of fee (and only apply their inclusionary ordinances) to projects with public financial assistance or those seeking a zoning change.
- Sacramento, Pasadena, Oakland, Boston, and Chicago take a zone approach to their fee schedules, seeking to incentivize housing production through lower fees in areas with more modest market conditions or for other policy reasons.
- San Jose also takes a zone/product type approach, exempting downtown high rise housing projects from the fee until 2021. This is an interesting product type/time frame targeting approach to foster the city's goal of increased production of dense downtown market-rate housing.
- Several cities (e.g., San Francisco, West Hollywood, and Pasadena) have developed fee schedules based on project size (e.g., number of units), with lower fees for smaller projects.
- San Francisco is the only city profiled which has a differentiated on- and off-site policy, originally designed to foster on-site unit production, although it should be noted that other California cities not profiled in this report have taken a similar approach.

Waivers, Exemptions, and Refunds

- All cities waive the fee for 100 percent affordable housing projects.
- All cities exempt publicly-owned projects.
- Some cities waive non-profit buildings, and/or churches, schools (public and private), universities and colleges, and other similar categories of land use.
- Most cities offer a "units in lieu of fee" and/or land donation in lieu of fee option.
- For individual newly-constructed single family units, some cities charge a fee, while others do not.
- Some cities have established clear refund processes if projects are subsequently not constructed, while others allow for refund requests decided on a case-by-case basis.
- During economic downturns, cities have either created special deferral programs or lowered fees across the board. These approaches demonstrate that these kinds of fees can be customized to adapt to downturns in the economic cycle.

- All cities in California have a "hardship" exemption available per legal requirements. Some cities render a hardship decision administratively; others have a more formal process.

Revenues and Reporting

- Estimates of revenues collected from residential fees range from less than $1 million to over $10 million per year, depending on the city's fee structure, size, and amount of residential development activity. It is import to note that with the exception of Oakland and San Jose, these fees have long been part of inclusionary programs which were structured to produce units within new projects, so instead of fees, cities obtained affordable units (not tracked in this report). If Los Angeles were to adopt a residential fee, it would be more akin to Oakland and San Jose, both of which are essentially starting from scratch, not able to require units in rental projects (just fees). Since both Oakland's and San Jose's fee programs are new, neither can be relied on to inform fee collection patterns at this time.
- Most cities do not specifically track the use of these fees to build affordable housing projects, because the funds go into a trust fund and are used in combination with other sources per project.
- San Francisco last reported its sources and uses of commercial linkage fees along with other revenue sources comprising its Affordable Housing Fund as part of a larger annual report for FY 2014-2015. Its reporting does clearly show both source and use of each funding stream within its Affordable Housing Fund, along with remaining balances at year end.
- Most cities have general guidelines for use of commercial fee funds such as maximum AMI levels that can be served in new affordable units, rather than targeting the funds specifically to serve households with the greatest need (e.g., at-risk of homelessness/extremely low income/very low income). The City of Los Angeles, with great need for new affordable units serving extremely low and very low income households, may wish to develop policies to target commercial fee funds.

Los Angeles Residential Fee Analysis

Overview of Methodology

The maximum residential fee calculation is based on the premise that new households in Los Angeles spend money within the local economy, thereby supporting employment for new workers, a portion of which will be in need of affordable housing. The intent of the market-rate residential fee is to generate revenue that will support the construction of affordable housing affordable to these new lower-income worker households.

This section provides an overview of the steps used to determine the maximum legal fee for market-rate residential units. Each step is discussed in more detail in the following sections.

Step 1: Define Housing Types

The Nexus Study identified four residential land uses to determine the maximum legal fee for each residential product type. The residential product types analyzed in this study consist of multifamily rental units, condominium units, single-family attached units, and single-family detached units.

Step 2: Identify Housing Prices for New Market-Rate Units

The Nexus Study estimated sale prices for new market rate units based on rent and sale price data for recently-constructed properties in Los Angeles. The analysis used rent and sale price data for units built in 2006 or later to approximate typical housing costs for the new units that would be subject to the impact fee.

Step 3: Estimate the Incomes of Households in New Market Rate Housing

Based on the rent and sale prices identified in Step 2, the Nexus Study estimated the household incomes of occupants in new residential units in Los Angeles, assuming that households spend 30 percent of gross household income on housing costs.

Step 4: Analyze Projected Spending Patterns for Households in New Market-Rate Units

Based on the household income figures from Step 3, the Nexus Study uses IMPLAN to estimate spending patterns among households that would occupy new units in the City and the number of new jobs that this spending would support. The IMPLAN output includes the number of new workers by industry from new household spending.

Step 5: Estimate New Worker Households by Household Income

The analysis uses a data set published by the U.S. Census (the Public Use Microdata Sample or PUMS) to estimate the household income distribution among the worker households derived from Step 4.

Step 6: Calculate Financing Gap per Affordable Unit

The next step in the nexus analysis is to determine the per unit "financing gap" that affordable housing developers encounter when securing a permanent loan for their projects. Step 6 of the Nexus Study calculates the net operating income (NOI) generated by units affordable to extremely low-, very low-, low-, and moderate-income households. Using conventional financing assumptions, the analysis determines the supportable loan amount based on the NOI from units at each income level.

The cost to house a lower-income household is the difference between the cost to develop an affordable unit and the amount the developer can borrow to build the unit. Using data on recent affordable housing developments in the City of Los Angeles, the Nexus Study determined the average cost to build an affordable rental unit in the City. The supportable permanent loan amounts identified in Step 6 were deducted from the average per-unit development cost to determine the financing gap for units serving households at each income level up to 120 percent of AMI.

Step 7: Calculate the Maximum Legal Fee

The final step in calculating the impact fee is to apply the financing gap per unit for each income level (from Step 6) to the total housing need by income level from new market-rate units (from Step 5).

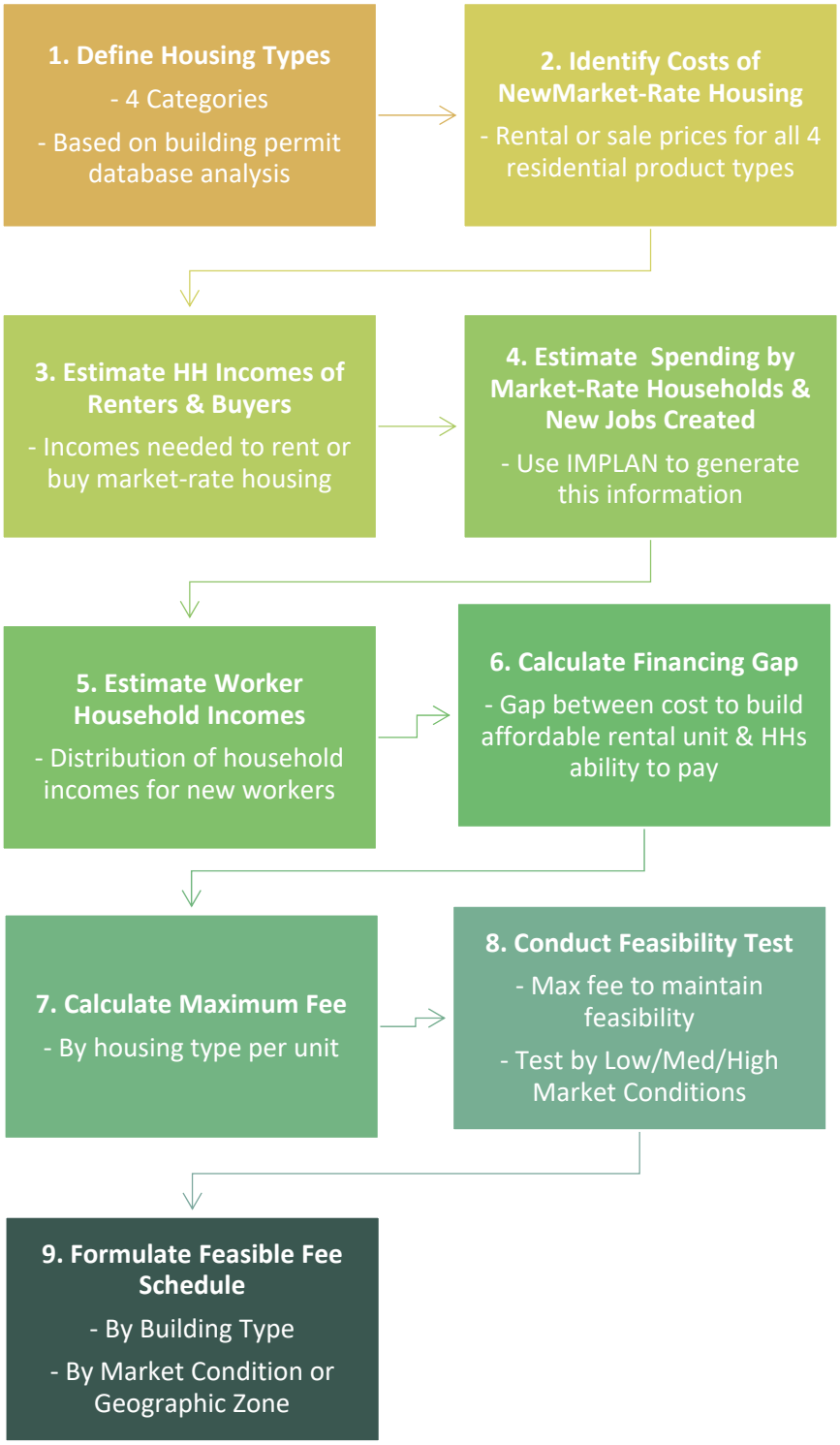
Step 8 Test Feasibility of Maximum Legal Fee Under Different Market Conditions

The City of Los Angeles has a wide range of neighborhoods and corresponding market conditions. In order to ensure that market-rate commercial development is not effected by any fee that may be adopted, this step identifies three general levels of market condition throughout the City, and analyzes the financial return from a development project, in order to identify "feasible" levels of fee by land use.

Step 9: Formulate Feasible Fee Schedule

This step involves a summary fee schedule tested for feasibility, along with policy recommendations for phasing it in, administration, and other options for consideration.

FIGURE 8: SUMMARY OF MARKET-RATE HOUSING FEE METHODOLOGY

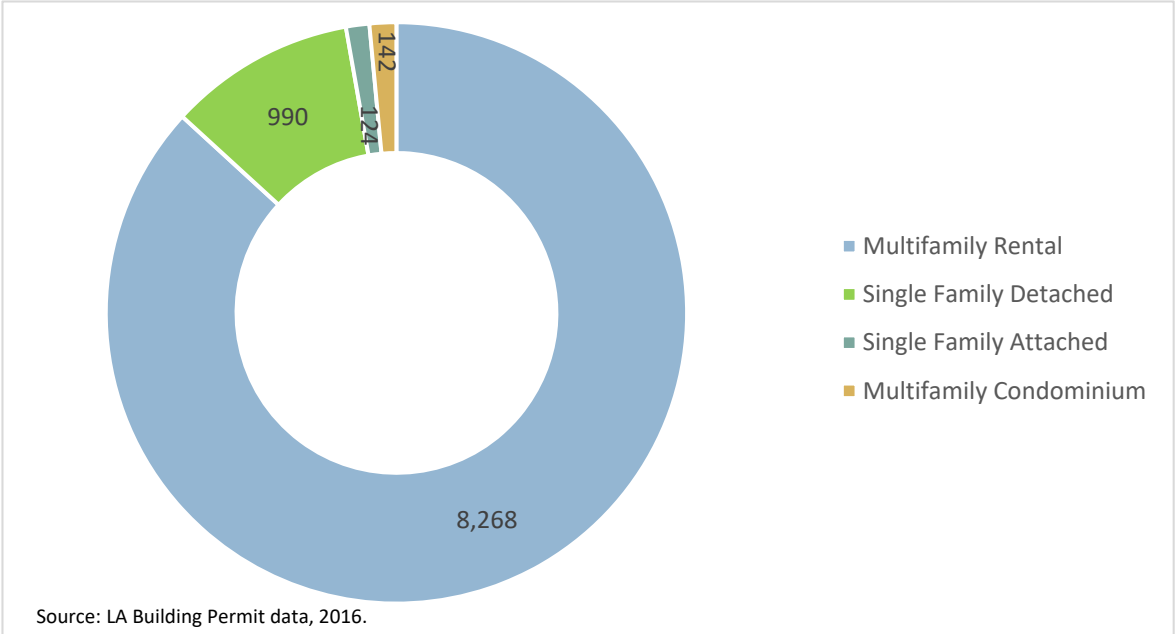


Residential Land Uses

Step 1: Define Housing Types

In order to formulate commercial land use categories that reflect actual development in Los Angeles, the City's building permit data was analyzed for the 2011 to 2015 period (see Appendix E for summary data). The City issued building permits for an average of approximately 14.0 million square feet of new residential space per year for the period, including an average of 990 single family detached units with 3.7 million square feet[11]. Just under 70 percent of permitted square feet was in multifamily rental, averaging 8,268 units in 9.8 million square feet annually for the period. The graph below shows the annual average for residential units permitted for the time period analyzed. It is important to note that this average over the past five years may not be predictive; longer "look-back" time periods may yield a lower annual average number of permits, but would be based on changing circumstances and include cycles of growth and recession that may not be repeated in future decades.

FIGURE 9: AVERAGE ANNUAL NEW PERMITTED RESIDENTIAL UNITS, CITY OF LA, 2011 - 2015



Source: LA Building Permit data, 2016.

[11] Note that the building permit database codes projects by single family detached and single family attached. The City's zoning related to small lot subdivisions has resulted in several projects (both single family attached and detached products) on small lots (minimum lot size of 2,000 square feet). Thus, the permit data contains these small lot subdivisions in both single family permit categories.

The Nexus Study analyzed four residential land uses to determine the maximum legal fee for each residential product type. As shown in the following tables, the residential product types analyzed in this study consist of:

- Single Family Detached Units
- Single Family Attached Units
- Condominium Units
- Multifamily Rental Units

New Worker Households and Affordable Housing Need

The Nexus Study estimates the affordable housing need generated by new market-rate units based on the projected spending patterns among the households that would occupy new market-rate units, the jobs that these spending patterns would support, and the affordable housing need among the workers employed in these jobs. This section details the methodology and findings from each of these steps to estimate the need for affordable housing generated by new market-rate units.

Step 2: Identify Housing Prices for New Market-Rate Units

The first step in estimating the new worker affordable housing need that would be generated by new market-rate residential units is to determine the rental rates and home sale prices for new residential units.

Multifamily Rental Units: BAE obtained data from Reis, a private data vendor that provides property-level information on multifamily rental properties, in order to estimate rental rates for new multifamily rental properties in Los Angeles. This analysis used 2016 rental rate data for all 149 multifamily rental properties (24,495 total units) built in 2006 or later that Reis tracks in the City. Since the units included in this analysis are among the newer rental units in Los Angeles, the rental rates for these properties are likely to be similar to rental rates for new multifamily rental properties in the City. As of the second quarter of 2016, the average rental rate among multifamily rental units in Los Angeles was $2,923 per month, as shown in Table 13.

TABLE 13: NEW MULTIFAMILY RENTAL HOUSING MARKET OVERVIEW, LOS ANGELES, 2016

Average Rent	**$2,923**
Studio	$2,087
1-Bedroom	$2,536
2-Bedroom	$3,435
3-Bedroom	$4,014
Vacancy Rate (a)	4.6%

Notes:
(a) Vacancy rate for developments completed between 2006 and 2014 in order to capture new properties that have passed the initial lease-up period.
Sources: Reis, 2016; BAE, 2016.

For Sale Units: BAE obtained data from CoreLogic, a private data vendor that provides data on home sales from county assessors, in order to estimate sale prices for new for-sale units in Los Angeles. This analysis used data on sales of recently-constructed (i.e., built in 2006 or later) for sale units that occurred between July 2015 and July 2016.

BAE conducted a detailed analysis of the data from CoreLogic in order to code each sale record as one of the three for-sale product types (i.e., condominium, single-family attached, or single-family detached). The data from CoreLogic include a code for each home sale record that identifies the unit as either a "condominium" or "single-family residential" unit, but does not code single-family attached units in a way that differentiates these units from either condominiums or single-family detached units. BAE cross-checked the data from CoreLogic with data from Redfin.com, which identifies residential units as either "condominiums", "townhomes", or "single-family" units, in order to re-categorize the unit types from the CoreLogic sale records as appropriate. In addition, BAE performed a thorough review of hundreds of the CoreLogic sale records to ensure that each was property categorized into one of the three for-sale residential product types, and re-coded records as necessary.

The analysis of recent home sales in Los Angeles indicates that the median sale price for recently-constructed for-sale properties sold between July 2015 and July 2016 was $659,000 for condominiums, $540,000 for single-family attached units, and $1.17 million for single-family detached units, as shown in Table 14.

TABLE 14: NEW FOR-SALE HOUSING MARKET OVERVIEW, LOS ANGELES, 2016

Income Level	Income Limit (a)	Max. Affordable Sale Price (b)	Percent of Recent Sales of New Units in Price Range (c)
Single-Family Detached			
Extremely Low-Income (Up to 30% AMI)	$23,450	$118,144	0.0%
Very Low-Income (Up to 50% AMI)	$39,100	$196,991	0.0%
Low-Income (Up to 80% AMI)	$62,550	$315,135	3.4%
Moderate-Income (Up to 120% AMI)	$70,000	$352,669	5.0%
Median Sale Price			$1,170,000
Number of Units Sold			322
Single-Family Attached/Townhomes			
Extremely Low-Income (Up to 30% AMI)	$23,450	$39,549	0.0%
Very Low-Income (Up to 50% AMI)	$39,100	$118,396	0.8%
Low-Income (Up to 80% AMI)	$62,550	$236,540	0.8%
Moderate-Income (Up to 120% AMI)	$70,000	$274,074	1.6%
Median Sale Price			$540,000
Number of Units Sold			123
Condominiums			
Extremely Low-Income (Up to 30% AMI)	$23,450	$39,549	0.0%
Very Low-Income (Up to 50% AMI)	$39,100	$118,396	0.0%
Low-Income (Up to 80% AMI)	$62,550	$236,540	0.2%
Moderate-Income (Up to 120% AMI)	$70,000	$274,074	1.0%
Median Sale Price			$659,000
Number of Units Sold			923

Notes:

Annual Interest Rate (fixed)	3.60%
Term of mortgage (years)	30
Percent of sale price as down payment	20%
Initial property tax (annual)	1.19%
Mortgage Insurance as percent of loan amount	0.0%
Annual homeowner's insurance rate as percent of sale price	0.40%
Monthly homeowners' association fee (condos & townhomes only)	$390
Percent of household income available for housing costs	30%

(a) Income limits published by the CA Department of Housing and Community Development for a three-person household in Los Angeles County, 2106.
(b) See Appendix A for affordability calculations.
(c) Includes of all sales of homes built in 2006 or later and sold between 03/15/2016 and 06/15/2016 in the City of Los Angeles.
Sources: California Department of Housing and Community Development, 2016; Freddie Mac, 2016; Los Angeles County Auditor-Controller's Office, 2016; CA Dept. of Insurance, 2016; BAE, 2016.

Step 3: Estimate the Incomes of Households in New Market Rate Housing

The Nexus Study uses the rent and sale prices for new units in Los Angeles, as identified in Step 2, to estimate the household incomes of households that occupy new rental and for sale units in Los Angeles.

Multifamily Rental Units: Table 15 presents the annual household income required to rent new multifamily rental units in Los Angeles, assuming households spend 30 percent of their gross income on rent and utilities. Based on the weighted average monthly rent of $2,923 for new multifamily rental units (as shown in Step 2) the annual household income required to afford these market rents is $118,400.

Table 15 also presents the estimated aggregate income for all households in new multifamily rental developments, calculated by multiplying the estimated household income by the 100 units in the development. This results in an aggregate income in the development of $11.8 million. The IMPLAN analysis discussed in the following section uses this aggregate income from the development to project spending patterns among new residents in multifamily rental units.

TABLE 15: HOUSEHOLD INCOME REQUIRED TO RENT NEW MULTIFAMILY UNITS, LOS ANGELES, 2016

Average Monthly Rent (a)	$2,923
Plus Utilities (b)	$38
Total Monthly Housing Costs	$2,961
Annual Housing Costs	$35,528
Household Income Required (c)	**$118,400**
Number of Households in Development	100
Aggregate Income in Development	**$11,840,000**

Notes:
(a) Data are for multifamily properties constructed in the City of Los Angeles that were constructed in 2006 or later and consist of more than 20 units.
(b) Utility costs based on utility allowance for multifamily dwellings established by the Los Angeles Housing Authority in 2015. Utility cost estimates assume that water, sewer, and trash collection costs are included in monthly rental amount.
(c) 30 percent of gross income spent on housing costs.
Sources: Reis, 2016; Los Angeles Housing Authority, 2016; BAE, 2016.

For-Sale Units: Table 16 shows the annual household income required to afford a new for-sale home in Low Angeles. Based on the sale prices for new for sale units (as shown in Step 2), the annual household income needed to afford new for-sale units in Los Angeles is $146,300 for condominiums, $107,100 for single-family attached units, and $232,100 for single-family detached units. The resulting estimated aggregate income is approximately $14.6 million for a 100-unit condominium development, $10.7 million for a 100-unit single-family attached

development, and $23.2 million for a 100-unit single-family detached development. The IMPLAN analysis discussed in the following section uses these aggregate incomes to project spending patterns among new residents in for-sale units, which in turn determines the estimated new worker households that may need affordable housing.

TABLE 16: HOUSEHOLD INCOME REQUIRED TO PURCHASE NEW UNITS, LA, 2016

	Single-Family Detached	Single-Family Attached	Condominium
Estimated Sale Price for New Residential Unit (a)	$1,170,000	$540,000	$659,000
Monthly Housing Costs for a New Residential Unit (b)	$5,803	$2,678	$3,659
Annual Housing Costs	$69,640	$32,141	$43,904
Household Income Required (c)	**$232,100**	**$107,100**	**$146,300**
Number of Households in Development	100	100	100
Aggregate Income in Development	**$23,210,000**	**$10,710,000**	**$14,630,000**

Notes:
(a) Median sale price among homes built in 2006 or later and sold between 03/15/2016 and 06/15/2016 in the City of Los Angeles.
(b) Monthly homeownership costs are based on the following assumptions:

Annual Interest Rate	3.60%
Term of Mortgage (years)	30
Percent of sales price as down payment	20%
Initial property tax (annual)	1.19%
Mortgage Insurance as a percent of sale price	0.0%
Annual homeowner's insurance rate as a percent of sale price	0.40%
Monthly homeowners' association fee (condominiums only)	$390

(c) Percent of household income available for housing costs: 30%
Sources: CoreLogic, 2016; Freddie Mac, 2016; California Department of Insurance, 2016; Los Angeles County Auditor-Controller, 2016; Condos.com, 2016; BAE, 2016.

Step 4: Analyze Projected Spending Patterns for Households in New Market-Rate Units

New household spending within an economy supports jobs. As households spend money on retail goods, food, and health, personal, professional, and educational services, they support job growth in these and other sectors.

To estimate the effect of new household spending on employment generation, this nexus study uses IMPLAN ("Impact analysis for Planning"), a widely-accepted and utilized software model. At the heart of the model is an input-output dollar flow table. For a specified region, the input-output table accounts for all dollar flows between different sectors of the economy. Using this information, IMPLAN models the way income injected into one sector is spent and re-spent in other sectors of the economy, generating waves of economic activity, or so-called "economic multiplier" effects. Appendix G contains a more detailed overview of IMPLAN.

The IMPLAN model is also able to estimate the number of *direct*, *indirect*, and *induced* jobs generated by a given economic "event." Once the economic events have been entered into the model, IMPLAN reports the following types of impacts:

- Direct Impacts. Direct impacts refer to the set of producer or consumer expenditures applied to the predictive model for impact analysis. It is the amount of spending available to flow through the local economy. IMPLAN then displays how the local economy will then respond to these initial changes. The direct impacts may equal the amount of spending input into the model, depending on a variety of factors.
- Indirect Impacts. The indirect impacts refer to the impact of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to income and taxes. For capital projects this would include payments for construction inputs such as wood, steel, office supplies, and any other non-labor payments that a construction firm would purchase in the building process. Since IMPLAN is only used for the housing analysis for this report to assess the impacts of new resident household expenditures, there are no indirect impacts to assess as there are no industry expenditures as inputs to the model.
- Induced Impacts. The induced impacts refer to an economy's response to an initial change (direct impact) that occurs through re-spending of income according to household spending patterns. When households earn income, they spend part of that income on goods and services, such as food and healthcare. IMPLAN models households' disposable income spending patterns and distributes them through the local economy.

For the purpose of this analysis, the economic "event" is the household spending by occupants of new residential units in Los Angeles. By IMPLAN definition these expenditures are *direct* impacts, and the resulting spending results in *induced* impacts. For instance, the household expenditures generate jobs for cashiers and baggers at grocery stores patronized by the households. The process initiated by household expenditures continues as these workers and the businesses they work for spend money in subsequent transactions, supporting employment at places other than the initial point of sale, such as wholesalers supplying retail stores, or truck drivers delivering goods to those stores. In turn, these businesses and workers spend money to generate additional activity in the local economy. These are all part of the *induced* impacts linked to the household expenditures.

The IMPLAN model is customized to reflect the economic characteristics of the specified region – in this case Los Angeles County. The nexus analysis considers regional employment generation, rather than jobs generated in the City of Los Angeles exclusively, because household spending in the City creates jobs throughout the region. Some of these workers cannot afford to live in Los Angeles precisely because of the City's high housing costs. If the

analysis solely considered workers living in Los Angeles, it would in effect discount the needs of households who currently cannot afford to live in Los Angeles, and propagate the need for affordable housing in the City. In essence, this analysis considers employment effects beyond the City's borders in order to address the City's "fair share" of regional housing need.

Step 5: Estimate New Worker Households by Household Income

Worker households[12] in Los Angeles often have more than one employed person. In some instances, economists estimate household income for workers by simply multiplying worker earnings by industry by the average number of workers per worker household. This methodology relies on the unsatisfactory assumption that on average workers make the same amount of money as other workers in their household. Given the diversity of household composition, this assumption is not appropriate. For example, a household may have a teacher and a doctor, with significantly different individual earnings.

To address this issue, this analysis makes use of a detailed and rich data set published by the U.S. Census known as the Public Use Microdata Sample (PUMS). Derived from a five percent sample of all households per the American Community Survey, and available for certain defined areas with 100,000 population or more called PUMAs, this data allows one to cross tabulate variables such as industry of employment and household income. The analysis here uses the most recent available data, from the 2010 through 2014 five-year period. A map of the PUMAs comprising Los Angeles County is provided in Appendix F.

The PUMS data set was queried to identify the number of households by income category by industry (controlling for household size) to construct a household income distribution by industry. The distribution was constructed based on the income categories defined by the California Department of Housing and Community Development (HCD). These HCD income categories are defined as a percentage of the Area Median Income (AMI), adjusted for household size. The household income distribution by industry is shown in Table 17.

[12] A worker household is defined as a household with one or more employed persons. They may be wage and salary workers, or self-employed/sole proprietors.

TABLE 17: INCOME LEVEL BY INDUSTRY, PERSONS BY 2014 INCOME LIMITS

		Estimated Household Income as a Percent of AMI (a)					
NAICS Code	Industry	Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% - 120% AMI	Above 120% AMI	Total
Private Sector							
11, 21	Agriculture & Natural Resources	20.1%	21.6%	21.7%	6.6%	30.0%	100.0%
23	Construction	21.3%	18.2%	21.2%	6.0%	33.2%	100.0%
31-33	Manufacturing	12.9%	16.1%	20.6%	6.2%	44.2%	100.0%
42	Wholesale Trade	12.4%	14.2%	21.1%	6.8%	45.6%	100.0%
44-45	Retail Trade	16.8%	16.6%	20.7%	6.7%	39.1%	100.0%
48-49, 22	Transportation, Warehousing, & Utilities	12.5%	15.4%	20.6%	6.6%	44.9%	100.0%
51	Information	7.4%	6.7%	13.3%	5.0%	67.5%	100.0%
52-53	Finance, Insurance, & Real Estate	7.8%	8.9%	15.3%	6.3%	61.8%	100.0%
54-55	Professional, Scientific, & Technical Services, & Mgmt of Companies	7.1%	6.7%	11.7%	4.6%	69.9%	100.0%
56	Admin, Support, & Waste Mgmt Srvcs	21.5%	19.8%	20.7%	6.4%	31.6%	100.0%
61	Educational Services	12.8%	10.6%	15.6%	5.9%	55.1%	100.0%
62	Health Care & Social Assistance	11.4%	11.6%	17.8%	6.2%	53.1%	100.0%
71-72	Leisure & Hospitality	18.2%	18.3%	21.7%	6.1%	35.6%	100.0%
81	Other Services Except Public Admin	21.8%	18.9%	21.2%	5.9%	32.2%	100.0%
All Government Employment		9.2%	9.3%	14.4%	5.9%	61.2%	100.0%

Notes:
(a) Based on a cross tabulation of Public Use Microdata Samples (PUMS) from the 2010-2014 American Community Survey. These incomes were compared to household income limits published by the California Department of Housing and Community Development, to determine the percentage of households falling into each income category. The analysis controlled for household size, to address the varying HCD income limits for each household size.
Sources: Census, American Community Survey Public-Use Microdata Sample (PUMS) 2010-2014; CA Dept. of Housing and Community Development, 2014; BAE, 2016.

Housing need is based on the number of households rather than the number of jobs. As such, jobs are translated into households by dividing the number of jobs by the average number of workers per worker household in the City of Los Angeles.[13]

Multifamily Rental Housing: Table 18 applies the income distribution by industry to the number of jobs generated in each industry as a result of spending by households in new rental units. As shown, a 100-unit apartment complex generates a total of 42 households across various income groups and 23 households earning up to 120 percent of AMI.

Condominiums: Table 19 applies the income distribution by industry to the number of jobs generated in each industry as a result of spending by households in new condominiums. As shown, a 100-unit condominium development generates a total of 48 households across various income groups and 26 households earning up to 120 percent of AMI.

Single-Family Attached: Table 20 applies the income distribution by industry to the number of jobs generated in each industry as a result of spending by households in new single-family

[13] Average workers per worker household from American Community Survey, 2010-2014.

attached units. As shown, 100 single-family attached units generate a total of 35 households across various income groups and 19 households earning up to 120 percent of AMI.

Single-Family Detached: Table 21 applies the income distribution by industry to the number of jobs generated in each industry as a result of spending by households in new single-family detached units. As shown, 100 single-family detached units generate a total of 73 households across the various income groups and 39 households earning up to 120 percent of AMI.

TABLE 18: EMPLOYMENT BY INCOME LEVEL FROM NEW 100-UNIT MARKET-RATE RENTAL PROJECT

NAICS Code	Industry	Total Jobs (a)	Estimated Jobs by Percent of AMI (b) Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Above 120% AMI
Private Sector							
11, 21	Agriculture and Natural Resources	0.07	0.01	0.02	0.02	0.00	0.02
23	Construction	0.66	0.14	0.12	0.14	0.04	0.22
31-33	Manufacturing	0.62	0.08	0.10	0.13	0.04	0.27
42	Wholesale Trade	1.81	0.22	0.26	0.38	0.12	0.83
44-45	Retail Trade	9.86	1.66	1.64	2.04	0.66	3.86
48-49, 22	Transportation, Warehousing, and Utilities	2.20	0.28	0.34	0.45	0.15	0.99
51	Information	1.37	0.10	0.09	0.18	0.07	0.93
52-53	Finance, Insurance, and Real Estate	9.28	0.72	0.82	1.42	0.59	5.73
54-55	Professional, Scientific, & Technical Services, & Mgmt of Companies	3.55	0.25	0.24	0.41	0.16	2.48
56	Administrative and Support and Waste Management Services	4.67	1.00	0.92	0.97	0.30	1.48
61	Educational Services	2.22	0.28	0.23	0.35	0.13	1.22
62	Health Care and Social Assistance	18.21	2.07	2.12	3.23	1.12	9.66
71-72	Leisure and Hospitality	12.05	2.19	2.20	2.62	0.74	4.30
81	Other Services Except Public Administration	7.98	1.74	1.51	1.69	0.47	2.57
All Government Employment		0.46	0.04	0.04	0.07	0.03	0.28
	Total Jobs	**75.01**	**10.80**	**10.65**	**14.11**	**4.62**	**34.83**
	Number of Households (c)	**42.49**	**6.12**	**6.03**	**7.99**	**2.62**	**19.73**

Notes:

(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.

(b) Based on 2014 HCD Income Limits.

(c) Average number of workers per worker household calculated for Los Angeles County based on American Community Community Survey data, 2010-2014.

Total Workers	1,849,845
Total Households with Workers	1,047,928
Avg. Workers per Household	*1.765*

Sources: American Community Survey, 2010-2014, including the Public User Microdata Sample; CA Department of Housing and Community Development, 2014; BAE, 2016.

TABLE 19: EMPLOYMENT BY INCOME LEVEL FROM NEW 100-UNIT CONDOMINIUM PROJECT

NAICS Code	Industry	Total Jobs (a)	Estimated Jobs by Percent of AMI (b) Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Above 120% AMI
Private Sector							
11, 21	Agriculture and Natural Resources	0.08	0.02	0.02	0.02	0.01	0.02
23	Construction	0.73	0.16	0.13	0.16	0.04	0.24
31-33	Manufacturing	0.70	0.09	0.11	0.14	0.04	0.31
42	Wholesale Trade	2.02	0.25	0.29	0.43	0.14	0.92
44-45	Retail Trade	11.02	1.85	1.83	2.29	0.74	4.31
48-49, 22	Transportation, Warehousing, and Utilities	2.51	0.31	0.39	0.52	0.17	1.13
51	Information	1.47	0.11	0.10	0.20	0.07	0.99
52-53	Finance, Insurance, and Real Estate	9.78	0.76	0.87	1.49	0.62	6.04
54-55	Professional, Scientific, & Technical Services, & Mgmt of Companies	3.96	0.28	0.26	0.46	0.18	2.77
56	Administrative and Support and Waste Management Services	5.16	1.11	1.02	1.07	0.33	1.63
61	Educational Services	2.88	0.37	0.30	0.45	0.17	1.59
62	Health Care and Social Assistance	20.06	2.28	2.33	3.56	1.24	10.65
71-72	Leisure and Hospitality	14.14	2.57	2.58	3.07	0.86	5.04
81	Other Services Except Public Administration	8.95	1.95	1.69	1.90	0.53	2.88
All Government Employment		0.50	0.05	0.05	0.07	0.03	0.30
	Total Jobs	**83.97**	**12.16**	**11.98**	**15.83**	**5.17**	**38.83**
	Number of Households (a)	**47.57**	**6.89**	**6.79**	**8.97**	**2.93**	**22.00**

Notes:

(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.

(b) Based on 2014 HCD Income Limits.

(c) Average number of workers per worker household calculated for Los Angeles County based on American Community Community Survey data, 2010-2014.

Total Workers	1,849,845
Total Households with Workers	1,047,928
Avg. Workers per Household	*1.765*

Sources: American Community Survey, 2010-2014, including the Public User Microdata Sample; CA Department of Housing and Community Development, 2014; BAE, 2016.

TABLE 20: EMPLOYMENT FROM NEW 100-UNIT SINGLE-FAMILY ATTACHED RESIDENTIAL PROJECT

NAICS Code	Industry	Total Jobs (a)	Estimated Jobs by Percent of AMI (b) Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Above 120% AMI
Private Sector							
11, 21	Agriculture and Natural Resources	0.06	0.01	0.01	0.01	0.00	0.02
23	Construction	0.54	0.11	0.10	0.11	0.03	0.18
31-33	Manufacturing	0.51	0.07	0.08	0.11	0.03	0.23
42	Wholesale Trade	1.48	0.18	0.21	0.31	0.10	0.67
44-45	Retail Trade	8.07	1.35	1.34	1.67	0.54	3.16
48-49, 22	Transportation, Warehousing, and Utilities	1.84	0.23	0.28	0.38	0.12	0.83
51	Information	1.08	0.08	0.07	0.14	0.05	0.73
52-53	Finance, Insurance, and Real Estate	7.16	0.56	0.64	1.09	0.45	4.42
54-55	Professional, Scientific, & Technical Services, & Mgmt of Companies	2.90	0.21	0.19	0.34	0.13	2.02
56	Administrative and Support and Waste Management Services	3.78	0.81	0.75	0.78	0.24	1.20
61	Educational Services	2.11	0.27	0.22	0.33	0.13	1.16
62	Health Care and Social Assistance	14.68	1.67	1.71	2.61	0.90	7.79
71-72	Leisure and Hospitality	10.35	1.88	1.89	2.25	0.63	3.69
81	Other Services Except Public Administration	6.55	1.43	1.24	1.39	0.39	2.11
All Government Employment		0.36	0.03	0.03	0.05	0.02	0.22
	Total Jobs	**61.47**	**8.90**	**8.77**	**11.59**	**3.78**	**28.43**
	Number of Households (a)	**34.82**	**5.04**	**4.97**	**6.56**	**2.14**	**16.10**

Notes:

(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.

(b) Based on 2014 HCD Income Limits.

(c) Average number of workers per worker household calculated for Los Angeles County based on American Community Community Survey data, 2010-2014.

Total Workers	1,849,845
Total Households with Workers	1,047,928
Avg. Workers per Household	*1.765*

Sources: American Community Survey, 2010-2014, including the Public User Microdata Sample; CA Department of Housing and Community Development, 2014; BAE, 2016.

TABLE 21: EMPLOYMENT FROM NEW 100-UNIT SINGLE-FAMILY DETACHED RESIDENTIAL PROJECT

NAICS Code	Industry	Total Jobs (a)	Estimated Jobs by Percent of AMI (b) Up to 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 120% AMI	Above 120% AMI
Private Sector							
11, 21	Agriculture and Natural Resources	0.11	0.02	0.02	0.02	0.01	0.03
23	Construction	1.07	0.23	0.19	0.23	0.06	0.36
31-33	Manufacturing	1.02	0.13	0.16	0.21	0.06	0.45
42	Wholesale Trade	3.25	0.40	0.46	0.69	0.22	1.48
44-45	Retail Trade	17.99	3.02	2.99	3.73	1.21	7.04
48-49, 22	Transportation, Warehousing, and Utilities	4.01	0.50	0.62	0.82	0.27	1.80
51	Information	2.11	0.16	0.14	0.28	0.11	1.43
52-53	Finance, Insurance, and Real Estate	14.22	1.10	1.26	2.17	0.90	8.78
54-55	Professional, Scientific, & Technical Services, & Mgmt of Companies	6.06	0.43	0.41	0.71	0.28	4.24
56	Administrative and Support and Waste Management Services	7.64	1.64	1.51	1.58	0.49	2.42
61	Educational Services	5.27	0.67	0.56	0.82	0.31	2.90
62	Health Care and Social Assistance	29.57	3.36	3.44	5.25	1.82	15.69
71-72	Leisure and Hospitality	21.26	3.87	3.89	4.62	1.30	7.58
81	Other Services Except Public Administration	13.70	2.98	2.58	2.91	0.81	4.41
All Government Employment		0.74	0.07	0.07	0.11	0.04	0.45
	Total Jobs	**128.03**	**18.60**	**18.31**	**24.16**	**7.89**	**59.06**
	Number of Households (a)	**72.53**	**10.54**	**10.37**	**13.69**	**4.47**	**33.46**

Notes:

(a) Total Jobs is output of IMPLAN model, and shows employment generated by household spending. Columns to right may not sum to Total Jobs due to independent rounding.

(b) Based on 2014 HCD Income Limits.

(c) Average number of workers per worker household calculated for Los Angeles County based on American Community Community Survey data, 2010-2014.

Total Workers	1,849,845
Total Households with Workers	1,047,928
Avg. Workers per Household	*1.765*

Sources: American Community Survey, 2010-2014, including the Public User Microdata Sample; CA Department of Housing and Community Development, 2014; BAE, 2016.

Subsidy Gap

Step 6: Determine the Financing Gap for Affordable Units

The next step in the nexus analysis is to calculate the cost to house the extremely low-, very low-, low-, and moderate-income households calculated in Step 6 by determining the per unit "financing gap" that affordable housing developers encounter when securing a permanent loan for their projects. In other words, the cost to house a lower-income household is the difference between the cost to develop an affordable unit and the amount the developer can borrow to build the unit.

Affordable housing developers are able to secure a permanent loan based on their net operating income (NOI) per unit. NOI is equal to rental income less operating expenses and vacancy. As shown in Table 7 in Chapter 2, households can afford monthly rents ranging from $544 for extremely low-income households to $1,708 for moderate-income households. These rents are based on household income limits for three-person households and assuming households spend 30 percent of their income on rent and utilities.[14] Standard deductions are taken for operating expenses and vacancies to determine NOI.

BAE used conventional financing assumptions to determine the supportable loan amount per unit for each income level. As shown in Table 7 in Chapter 2, the loan amount ranges from $0 per unit for extremely low-income units (i.e., operating expenses exceed NOI, leaving no NOI to support debt payments) to $152,301 for units serving moderate-income households.

The financing gap per affordable unit is equal to the total development cost less the supportable loan amount per unit. According to cost data provided between 2013 and 2015 on applications for low-income housing tax credit projects in the City of Los Angeles, the average development cost for affordable housing in the City averages approximately $448,500 per unit, as shown in Table 22.

[14] The analysis assumes a three-person household for consistency with the 2016 Los Angeles County average household size of 2.88 persons per household, per California Department of Finance estimates.

TABLE 22: DEVELOPMENT COSTS FOR AFFORDABLE HOUSING, CITY OF LOS ANGELES, 2013-2015

Housing Type	Avg. Development Cost (per unit) (a)	Number of Units
Homeless & Special Needs	$410,871	622
Large Family	$502,946	676
Senior	$382,977	205
Weighted Average - All Housing Types	$448,479	1,503

Note:
(a) Weighted average cost as reported on tax credit applications between 2013 and 2015. All costs adjusted to 2016 costs based on the Turner Building Cost Index.
Sources: City of Los Angeles, 2016; BAE, 2016.

This study uses the average development cost across all affordable housing types despite the likelihood that most of the new worker households needing affordable units will be housed in large family developments, which in practice accommodate a range of household sizes and mostly serve lower-income worker households. Among units in the large family developments analyzed in this study, three percent were studios, 35 percent were one-bedroom units, 28 percent were two-bedroom units, 32 percent were three-bedroom units, and on percent were units with four or more bedrooms. In contrast, homeless, special needs, and senior developments, typically have a large number of occupants living on social security. However, by using the average across all affordable unit types, the Nexus Study is conservative in estimating the financing gap associated with constructing new units because the average development costs for homeless, special needs and senior units tend to be lower than the development costs for large family units.

Based on the supportable loan amount calculated in Step 6, the financing gap per affordable unit ranges from $448,500 for extremely low-income units to $296,199 for moderate-income units, as shown in Table 23.

TABLE 23: FINANCING GAP ANALYSIS, CITY OF LOS ANGELES, 2016

	Income Group			
	Extremely Low	**Very Low**	**Low**	**Moderate**
Household Income Limit (a)	$23,450	$39,100	$62,550	$70,000
Maximum Affordable Monthly Rent per Unit (b)	$544	$936	$1,522	$1,708
Monthly Operating Expenses (c)	$542	$542	$542	$542
Vacancy (d)	5%	5%	5%	5%
Net Operating Income per Unit (e)	-$25	$347	$904	$1,081
Operating Subsidy from Other Sources (f)	$25	$0	$0	$0
Monthly Supportable Debt Service per Unit (g)	$0	$278	$723	$865
Loan Amount (h)	$0	$48,900	$127,371	$152,301
Financing Gap per Affordable Unit (i)	**$448,500**	**$399,600**	**$321,129**	**$296,199**
Assumptions				
Total Affordable Unit Development Costs (j)	$448,500			
Financing Terms				
Debt Coverage Ratio	1.25			
Interest Rate	5.50%			
Term of Loan (years)	30			

Notes:
(a) Based on a 3-person household, CA Department of Housing & Community Development, 2016.
(b) 30% of income to rent and utilities.
(c) Data from funding applications for recent affordable housing projects in California.
(d) Standard required assumption for financing applications.
(e) Affordable Monthly Rent less Operating Expenses & Vacancy.
(f) Operating subsidy is necessary for units with negative NOI.
(g) Net Operating Income plus Operating Subsidy, divided by Debt Coverage Ratio.
(h) Based on financing terms assumptions.
(i) Total Development Costs less Loan Amount.
(j) Average development costs among units in tax credit projects developed in the City of Los Angeles between 2013 and 2015. All figures adjusted to 2016 values based on the Turner Construction Cost Index.
Sources: California HCD, 2016; City of Los Angeles, 2016; Turner Construction Cost Index, 2013-2016; BAE, 2016.

Maximum Legal Fee

Step 7: Calculate the Maximum Legal Fee

The final step in calculating the impact fee is to apply the financing gap per unit for each income level (from Step 7) to the total housing need by income level from new market-rate units (from Step 5). As shown in Table 24, the maximum impact fees for each of the four residential product types are as follows:

- Multifamily Rental: $84,964 per unit
- Condominium: $95,484 per unit
- Single-Family Attached: $69,900 per unit
- Single-Family Detached: $145,901 per unit

TABLE 24: MAXIMUM AFFORDABLE HOUSING IMPACT FEE CALCULATIONS

Employee Households in City by Income Level	Multifamily Rental	Condominium	Single-Family Attached	Single-Family Detached
Extremely Low Income (up to 30% AMI)	6.1	6.9	5.0	10.5
Very Low Income (31-50% AMI)	6.0	6.8	5.0	10.4
Low Income (51-80% AMI)	8.0	9.0	6.6	13.7
Moderate Income (81-120% AMI)	2.6	2.9	2.1	4.5
Subtotal - Affordable Housing Need (Units)	***22.8***	***25.6***	***18.7***	***39.1***
Above Moderate Income (over 120% AMI)	19.7	22.0	16.1	33.5
Total Housing Need	**42.5**	**47.6**	**34.8**	**72.5**
Financing Gap (a)				
Extremely Low Income Units	$2,743,807	$3,089,354	$2,261,584	$4,726,450
Very Low Income Units	$2,411,132	$2,711,989	$1,985,332	$4,144,578
Low Income Units	$2,566,479	$2,879,691	$2,108,099	$4,395,613
Moderate Income Units	$774,962	$867,372	$634,966	$1,323,442
Total Financing Gap per 100 Units	**$8,496,380**	**$9,548,406**	**$6,989,981**	**$14,590,083**
Maximum Impact Fee per Unit	**$84,964**	**$95,484**	**$69,900**	**$145,901**
Assumptions				
Building Size (# of units)	100			

Note:
(a) The financing gap is calculated by multiplying the number of employee housesholds at each income level by the financing gap per unit (from Step 7) at each affordability level.
Source: BAE, 2016.

Feasibility of Maximum Legal Fee

As shown in the preceding section, meeting the affordable housing costs generated by each residential land use per the nexus analysis results in expensive maximum legal fee levels.

In order to evaluate these maximum legal fees in the context of maintaining feasible market rate residential projects, this report involved extensive analysis of the Los Angeles real estate marketplace by three levels of current market condition, and then financial feasibility testing of each of the eight land use categories by each of the market conditions' economic factors.

As an overview, the analytical process included the following steps (each step is explained more fully in the following pages):

- **Step A:** Identification of Los Angeles neighborhoods
- **Step B:** Analysis of market rents/sale prices to categorize each neighborhood by market condition
- **Step C:** Formulation of basic static pro formas for each land use type to analyze the maximum feasible fee by land use and by the three market conditions
- **Step D:** Comparison of feasible fees to legal maximum fee

Step A: Identification of Los Angeles Neighborhoods

As detailed in the commercial fee chapter, this study used the Los Angeles Times neighborhoods to segment Los Angeles into three levels of market condition, as shown on the following map for residential markets.

Step B: Analysis of Market Rents/Sales Prices

Residential markets signal their market condition by price, and this economic principle was applied to classify neighborhoods into distinct market categories. Data were analyzed for three price signals: market rents, single family home sales, and condominium sale prices. For the rental variable, data was provided by Reis, a private data vendor, for 33,000 rentals in over 150 buildings. This information was geocoded, aggregated into an average rent for each neighborhood, and grouped using standard deviations. CoreLogic provided data on recently constructed single family homes and condominiums sold between June 2015 and June 2016. This data set captured sales for approximately 4,000 single family homes and 500 condos. Like the rental data, this information was geocoded and aggregated into an average price per square foot for each neighborhood, with the results grouped using standard deviations.

Using these three price signals, average rents, and average price per square foot for single family homes and condominiums, an index was developed to describe the market condition for each neighborhood. Each price signal was assigned a score from one to three, reflecting the

variable's placement within the standard deviation intervals.[15] A score of one indicated a relatively weaker housing market, while a score of three reflected a strong market. The scores were combined into a composite index. The following pages provide maps of the three variables used in the analysis, and the resulting composite Residential Index scores. Housing units that were permitted between 2011 and 2015 were overlaid on the maps to illustrate how permit activity corresponded to areas of varying market strength.

[15] Each of the three price signal variables was analyzed by using a statistical measure called standard deviation, which measures the dispersion of data relative to the mean (or average) for all data points. This measure best reflected the clustering across the three variables, with prices clustered at the high end, others around the average for all of Los Angeles, and some at the low end of the range. The intervals used to score each variable are noted in the maps in the following pages.

FIGURE 10: RESIDENTIAL NEIGHBORHOOD MARKET CONDITIONS

Map Legend

#	Neighborhood	#	Neighborhood	#	Neighborhood
0	Adams-Normandie	46	Historic South-Central	92	Toluca Lake
1	Arleta	47	Hollywood	93	Tujunga
2	Arlington Heights	48	Hollywood Hills	94	University Park
3	Atwater Village	49	Hollywood Hills West	95	Valley Glen
4	Baldwin Hills/Crenshaw	50	Hyde Park	96	Valley Village
5	Bel-Air	51	Jefferson Park	97	Van Nuys
6	Beverly Crest	52	Koreatown	98	Venice
7	Beverly Grove	53	Lake Balboa	99	Vermont Knolls
8	Beverlywood	54	Lake View Terrace	100	Vermont-Slauson
9	Boyle Heights	55	Larchmont	101	Vermont Square
10	Brentwood	56	Leimert Park	102	Vermont Vista
11	Broadway-Manchester	57	Lincoln Heights	103	Watts
12	Canoga Park	58	Los Feliz	104	West Adams
13	Carthay	59	Manchester Square	105	Westchester
14	Central-Alameda	60	Mar Vista	106	West Hills
15	Century City	61	Mid-City	107	Westlake
16	Chatsworth	62	Mid-Wilshire	108	West Los Angeles
17	Chatsworth Reservoir	63	Mission Hills	109	Westwood
18	Chesterfield Square	64	Montecito Heights	110	Wilmington
19	Cheviot Hills	65	Mount Washington	111	Windsor Square
20	Chinatown	66	North Hills	112	Winnetka
21	Cypress Park	67	North Hollywood	113	Woodland Hills
22	Del Rey	68	Northridge		
23	Downtown	69	Pacific Palisades		
24	Eagle Rock	70	Pacoima		
25	East Hollywood	71	Palms		
26	Echo Park	72	Panorama City		
27	El Sereno	73	Pico-Robertson		
28	Elysian Park	74	Pico-Union		
29	Elysian Valley	75	Playa del Rey		
30	Encino	76	Playa Vista		
31	Exposition Park	77	Porter Ranch		
32	Fairfax	78	Rancho Park		
33	Florence	79	Reseda		
34	Glassell Park	80	San Pedro		
35	Gramercy Park	81	Sawtelle		
36	Granada Hills	82	Sepulveda Basin		
37	Green Meadows	83	Shadow Hills		
38	Griffith Park	84	Sherman Oaks		
39	Hancock Park	85	Silver Lake		
40	Hansen Dam	86	South Park		
41	Harbor City	87	Studio City		
42	Harbor Gateway	88	Sunland		
43	Harvard Heights	89	Sun Valley		
44	Harvard Park	90	Sylmar		
45	Highland Park	91	Tarzana		

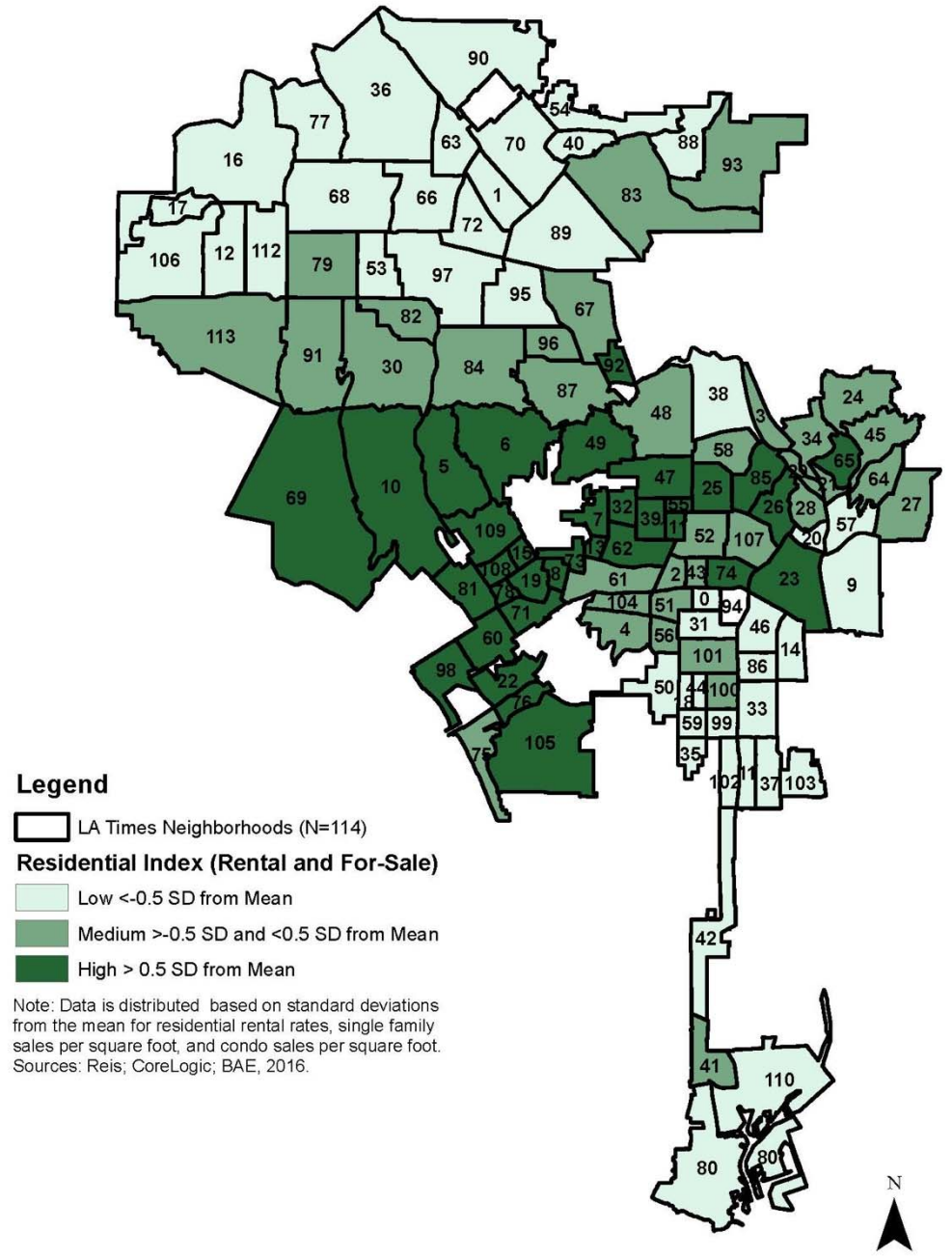
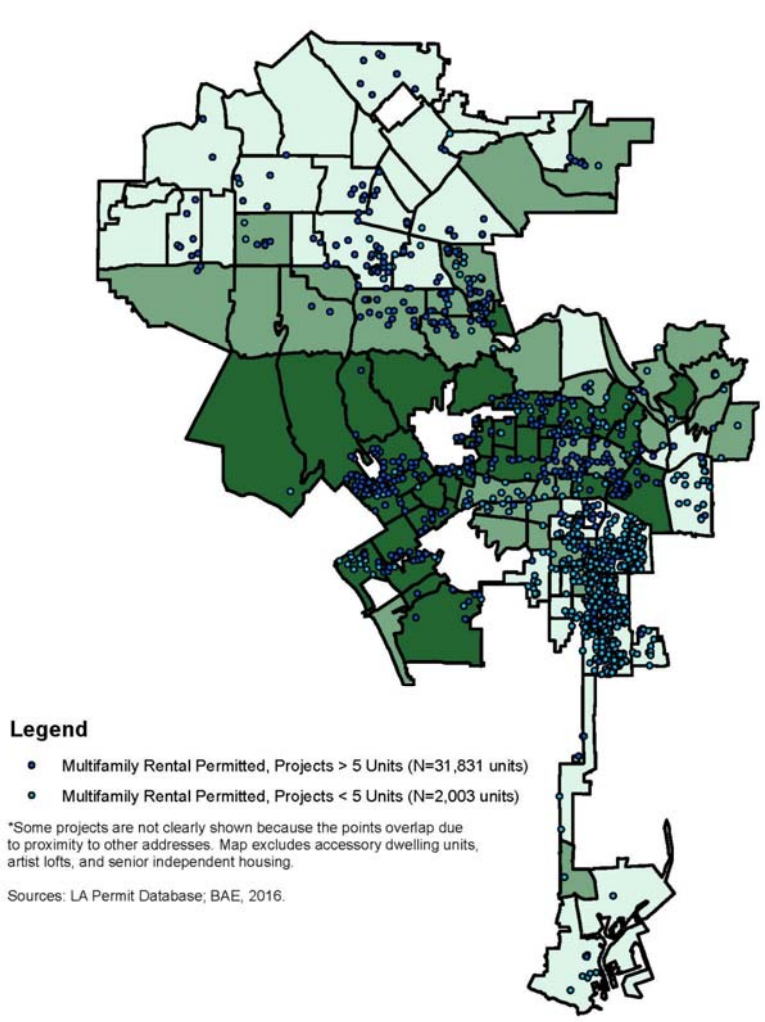
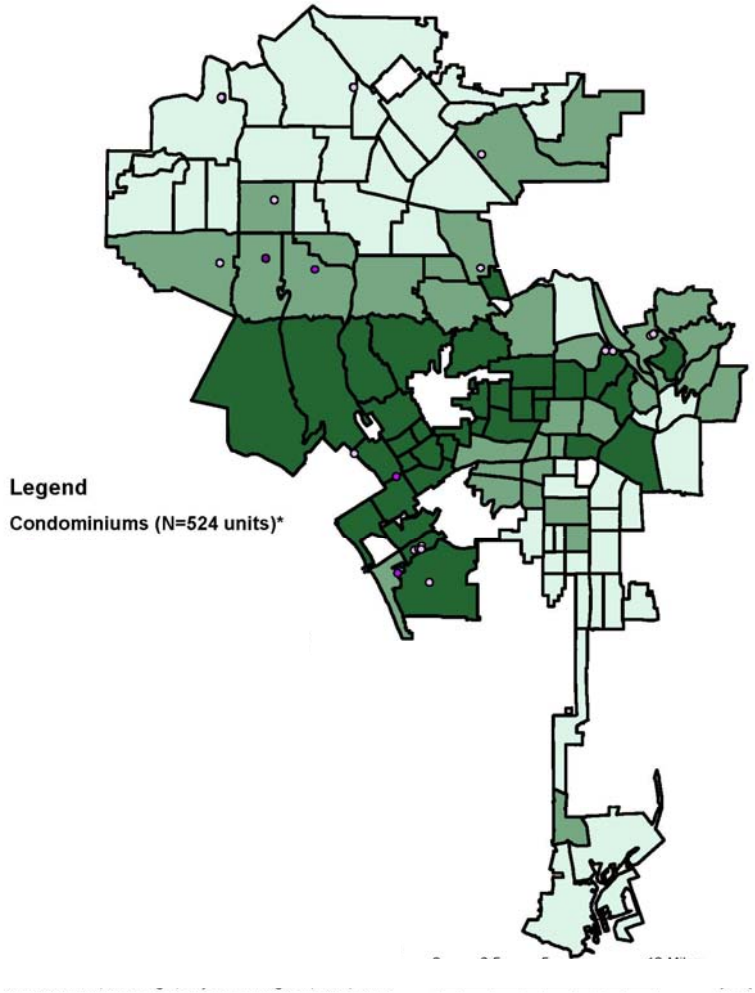
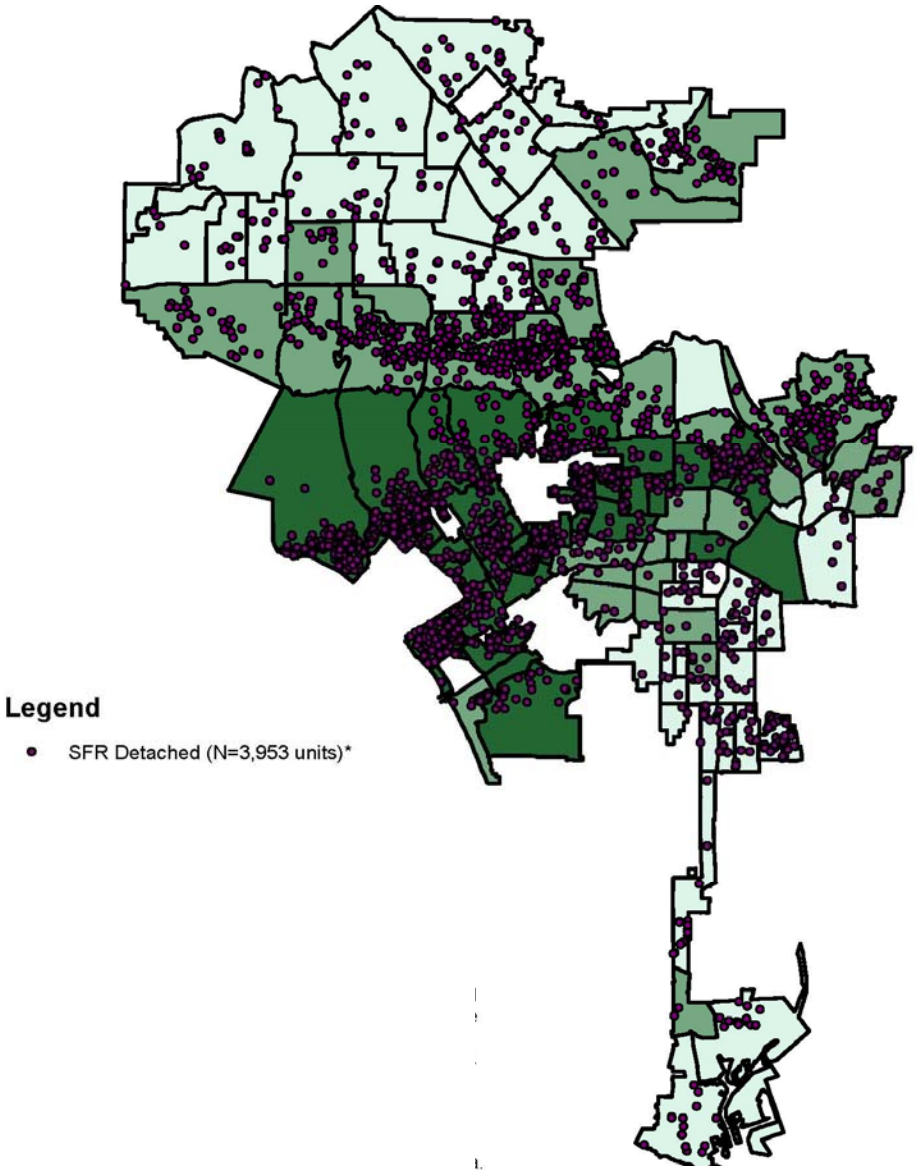
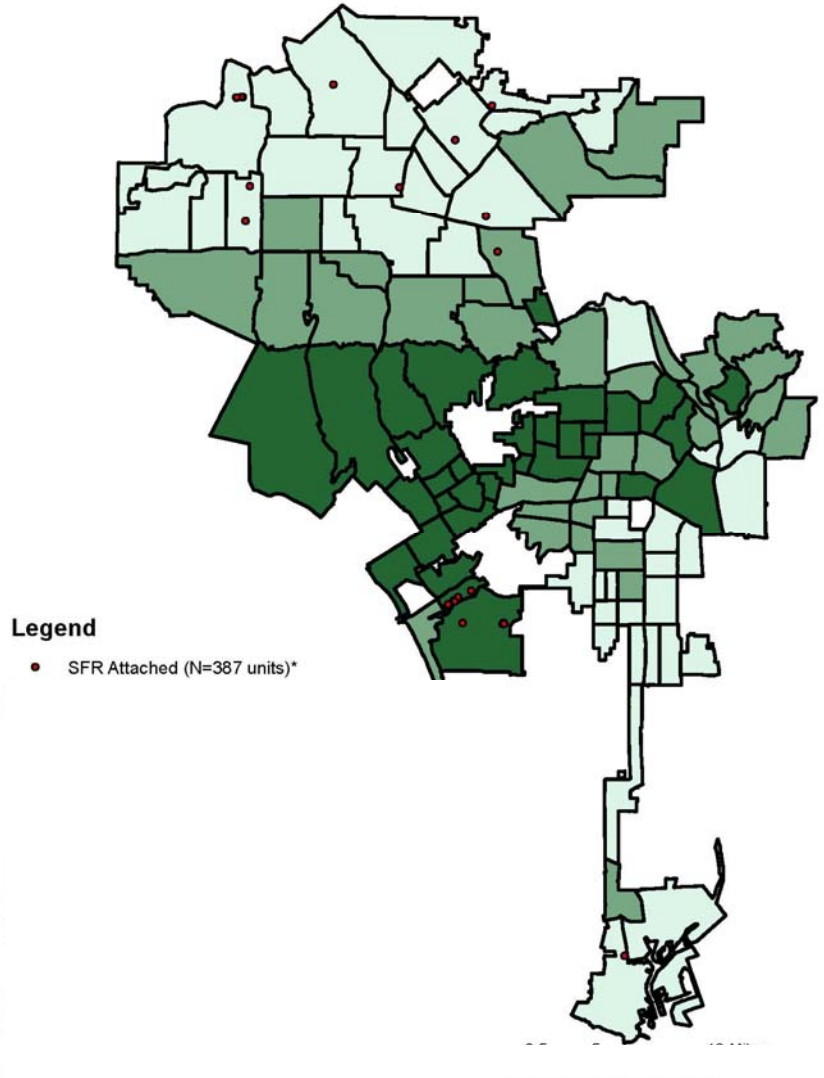


FIGURE 11: RESIDENTIAL PERMIT ACTIVITY BY MARKET CONDITION, 2011-2015






Legend
SFR Detached (N=3,953 units)*


Legend
SFR Attached (N=387 units)*

Step C: Pro Forma Analysis to Determine Maximum Feasible Fee by Land Use for Each Market Condition

This step involved the formulation of basis static pro forma models for each land use, with rent/sale revenue assumptions varied by market condition. A conservative approach was taken to ensure that feasible findings would be developed. A summary of the research informing each key assumption is described below:

- **Development Prototype** – For each land use, a median sized project was identified from actual projects permitted, as tracked by the Los Angeles Building Permit database described previously in this report. The project's actual number of stories and parking method were researched, and the project's floor area ratio (FAR) and parking ratios were estimated based on review of applicable zoning codes, resulting in a building description of each prototype[16].
- **Land Costs** – For each land use and market condition, BAE reviewed available public appraisals (see Appendix C-8), and also interviewed numerous leading developers of commercial and residential projects currently active in Los Angeles.
- **Construction Costs (Hard, Soft, and Financing)** – for each prototype, per square foot hard costs was estimated based on review of R.S. Means, a cost manual. Soft costs and financing costs were estimated based on industry standards and current interest rates.
- **Rents** – For multifamily rental, all rents for that land use in buildings built in 2006 or later were analyzed to develop a 25, 50, and 75th percent quartile rent assumption.
- **Cap Rates** – For multifamily rental, both national and regional cap rates were compiled and variations by market area were researched based on developer interviews.

The following two metrics were utilized to judge feasibility:

- **Return on Total Development Cost (ROC)** – This metric divides profit by total development cost, to judge overall project feasibility. As described in the Commercial Feasibility analysis, this metric is similar to overall return on investment in short-term investment mechanisms such as corporate bonds. To test feasibility, this metric had to achieve at least a 15 percent return on cost including for the new affordable housing fee and the applicable school fee. This metric does not account for leverage, but a separate analysis of several of the pro formas prepared for this study indicated that in the event of a typical equity/debt configuration, this metric and the 15% ROC threshold should still enable sufficient return in equity to investors.

[16] It should be noted that during the course of this analysis, discussions with builders specializing in inexpensive market rate residential units on small lots (e.g., minimum of 2,000 square feet and may be either attached or detached units) were concerned that their profit margins may not be reflected in the land uses shown herein, due to their particular business model. See further discussion in feasibility analysis summary.

- **Yield on Cost (YOC)** – This metric evaluates the annual stabilized Net Operating Income (NOI) compared to total development costs for multifamily rental housing projects only (not relevant in for-sale unit projects because these do not generate ongoing operating investment income). For the feasibility testing, based on developer interviews, multifamily rental housing was also assigned a minimum YOC threshold. Both ROC and YOC thresholds had to be achieved to deem a project feasible with the total fees (e.g., new affordable fee + school fee).

A summary of the pro forma findings is shown on the following page. Detailed pro formas are shown in the Appendix H.

Again, it should be noted that these four land use categories, based on building permit data, do not reflect several small lot subdivisions which may provide inexpensive market-rate units. For several reasons, the metrics of feasibility on these small lot inexpensive subdivisions (which may be either attached but lower than median sale prices, or detached and also lower than median sale prices), are difficult to reflect in this analytical framework due to the combination of several sources of builder profit along with the sometimes inexpensive sale prices.

Most other cities in California do not differentiate between small lot and conventional lot subdivisions, only between density and/or project size (number of units). This unique small lot detached or attached product, falling below the median in sale price by offering an inexpensive ownership unit, and reflecting the City's policy objective to encourage inexpensive small lot unit production, may be a good candidate for a partial waiver or refund of a fee, in the event that middle income ownership (e.g., inexpensive sale prices) can be demonstrated by the builder.

TABLE 25: SUMMARY OF RESIDENTIAL PRO FORMAS

Low Market scenarios not shown here, due to limited feasibility when analyzed conservatively. Low scenario pro formas shown in Appendix H.

	Apartment		Condominium		Single Family Attached		Single Family Detached	
	17825 W Devonshire St		12871 W Runway Rd		3801 Eagle Rock Blvd		Sterling (West Hills, Pulte)	
								
Assumptions for Baseline (a)	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**	**Medium**	**High**
Site Size (sf)	43,560	43,560	43,560	43,560	43,560	43,560	43,560	43,560
Total Number of Units	80	80	80	80	14	14	8	8
Average Unit Size	1,150	1,150	1,485	1,485	1,650	1,650	3,000	3,000
Number of Residential Floors	3	3	4	4	2	2	2	2
Number of Parking Stories	1	1	1	1	1	1	1	1
FAR	2.4	2.4	3.1	3.1	0.5	0.5	0.6	0.6
Parking Type	Podium		Podium		In Unit		In Unit	
Land Costs per door	$ 75,000	$ 100,000	$ 75,000	$ 100,000	$ 100,000	$ 150,000	$ 200,000	$ 400,000
Total Dev Cost/Unit (inc. land) bf new fe	$ 446,111	$ 533,526	$ 596,895	$ 869,349	$ 565,475	$ 834,972	$ 998,198	$ 1,468,383
Total Dev Cost/SF (inc. land) bf new fee	$ 337	$ 403	$ 350	$ 509	$ 343	$ 506	$ 333	$ 489
Sale Price/Sq. Ft.			$ 521	$ 785	$ 450	$ 656	$ 444	$ 953
Sale Price or Rent Per Unit	$ 3,200	$ 3,800	$ 773,685	$ 1,165,725	$ 742,500	$ 1,082,400	$ 1,332,000	$ 2,859,000
Return On Cost - Baseline	27.7%	26.8%	23.1%	27.4%	24.7%	23.2%	26.8%	85.0%
Yield on Cost - Baseline	6.4%	6.3%	NA	NA	NA	NA	NA	NA
Baseline Feasible? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Fee/Sq. Ft. (a)	**$ 18.00**	**$ 24.00**	**$ 22.00**	**$ 45.00**	**$ 26.00**	**$ 32.00**	**$ 31.00**	**$ 48.63**
New Fee per Unit	$ 23,805	$ 31,740	$ 37,571	$ 76,849	$ 42,900	$ 52,800	$ 93,000	$ 145,890
Return On Cost with Fees	20.7%	19.1%	15.2%	16.2%	15.2%	15.2%	15.1%	66.9%
Yield on Cost with Fees	6.0%	6.0%	N/A	N/A	N/A	N/A	N/A	N/A
Feasible with Fee? (b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
New Res Fee, as % of Total Dev Costs	*5.0%*	*5.6%*	*5.9%*	*8.1%*	*7.0%*	*5.9%*	*8.5%*	*9.0%*

a) Assumes payment of proposed Qumiby fee (($10,000 per unit for subdivisions) or new Park fee ($5,000 per unit for multifamily)
Single family detached feasible fee is capped at max legal fee.

b) Feasibility measured 2 ways.

Project must achieve at least: 15.0% Return on Cost

Project must achieve at least: 6.0% Yield on Cost (if applicable)

Step D: Comparison of Feasible Fee to Maximum Legal Fee

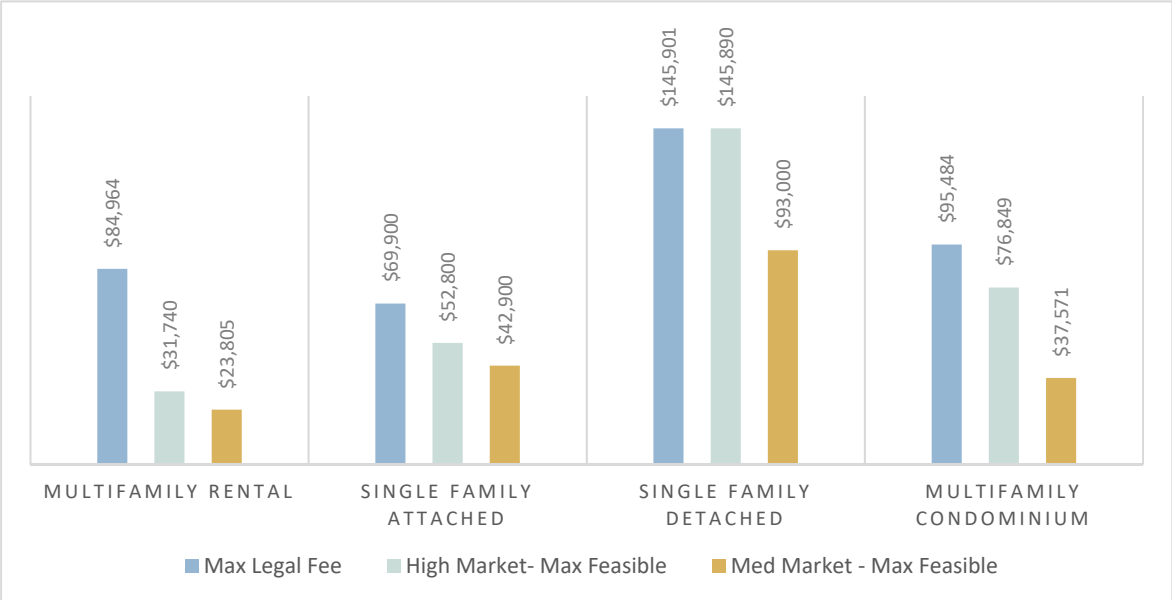
The table below compares the feasible fees estimated above, to the maximum legal fees described in the previous chapter (based on nexus analysis of new worker households). As in most other cities in California, the gap between the dollars needed to fund affordable housing for new workers (e.g., maximum legal fee) and the feasible level of fee that can be absorbed by real estate market conditions, is substantial. In other words, charging a fee that would not constrain private sector development does not usually meet all subsidy needed to mitigate the costs of the affordable housing impacts generated by the new development.

TABLE 26: COMPARISON OF RESIDENTIAL MAX LEGAL FEES TO FEASIBLE FEES

	Multifamily Rental		Multifamily Condo		Single Family Attached		Single Family Detached	
	Med	High	Med	High	Med	High	Med	High
Legal Fee (Max per Unit)	**$ 84,964**	**$ 84,964**	**$ 95,484**	**$ 95,484**	**$ 69,900**	**$ 69,900**	**$ 145,901**	**$ 145,901**
Legal Fee (Max per Sq. Ft.) (a)	**$ 73.88**	**$ 73.88**	**$ 64.30**	**$ 64.30**	**$ 42.36**	**$ 42.36**	**$ 48.63**	**$ 48.63**
								Capped at Legal Max
Feasible Fee Per Unit (b) (c)	**$ 23,805**	**$ 31,740**	**$ 37,571**	**$ 76,849**	**$ 42,900**	**$ 52,800**	**$ 93,000**	**$ 145,890**
Feasible Fee Per Sq. Ft. (b)	**$ 18.00**	**$ 24.00**	**$ 22.00**	**$ 45.00**	**$ 26.00**	**$ 32.00**	**$ 31.00**	**$ 48.63**
Feasible Fee as % of Legal Max	24.4%	32.5%	34.2%	70.0%	61.4%	75.5%	63.7%	100.0%

a) Legal Max calculated per unit in nexus analysis. Converted here to per sq.ft. based on pro forma assumptions based on sales analysis of sq. ft. of homes sold.
b) Current school fee and proposed Park fee is applied to project. Feasible Res Fee is after accounting for those costs.
c) The feasible fee per unit was derived by taking the feasible fee per square foot multiplied by the gross residential square footage divided by the number of units. As a result, while the fee is presented on a per unit basis, it accounts for area within units and common area space.

FIGURE 12: COMPARISON OF MAX RESIDENTIAL LEGAL FEES TO FEASIBLE FEES



Residential Fee Program Options & Estimated Revenues

Similar to the commercial fees, there are several options the City could select to structure a market-rate residential fee program. The following presents four program options as examples. These options are then analyzed in order to estimate total annual fee revenues, along with two kinds of potential further adjustments to exempt certain projects.

Option A: Match Fee to Market Conditions

This option would create a fee schedule which charges feasible fees based on conservatively-estimated Medium Market Area conditions to new and rehabilitated projects in those areas, and feasible fees estimated for High Market Area conditions to those areas. Project fees in Low Market Areas would likely be waived.

This option would create the most finely-tuned fee structure, but may create challenges to administer and would necessitate periodic updating to identify changing neighborhood market conditions and feasible fee levels.

Option B: Charge Medium Market Fees to Both Medium and High Market Areas

This would be a conservative option, charging the level of feasible fee derived from a Medium market area feasibility test, to all projects located in both Medium and High Market Areas. This approach would limit debate about whether an individual project is in a medium or high market area, charging the same fee per land use to all projects regardless of location. Due to the economics of Low Market areas, fees would likely not be charged in these exempt zones.

This option would simplify fee administration, but may create an uneven burden on projects due to their location and subsequent economics.

Option C: Charge Only High Market Areas

This option would limit fees to only those projects located in premium, High Market Areas, where feasibility is most assured and development is least likely to be affected. Fees charged would be at the corresponding High Market levels. Projects in Medium and Low Market Areas would be waived based on their location. As market conditions change and are re-evaluated, neighborhoods may change from medium to high market conditions and become eligible for the fee schedule.

This option would further simplify fee program administration, but may create debate over specific projects which have High Market characteristics and economics but be technically located in a Medium Market neighborhood (or vice-versa).

Option D: Charge Lowest Feasible Residential Fee Citywide (Flat Fee)

In this option, the lowest feasible fee for the lowest residential land use in a Medium Market Area (e.g., multi-family rental) would be charged across all residential uses in all markets.

The benefits of this option are that it establishes clarity, minimizes confusion and minimizes administrative functions. While this option would apply the fee to all projects, including those located in market conditions that the pro formas concluded may be infeasible, most new development projects occurring in the Low market conditions likely reflect improving submarket conditions not reflected in the broader three market segments analyzed in this report.

The estimated annual revenues that could potentially be generated by the application of these fee program options are shown on the next page.

Adjustment for Density Bonus Programs and 100 Percent Affordable Projects

Due to the anticipated different treatment for both density bonus programs and 100 percent affordable projects (e.g., "credit" for affordable units provided directly in these cases; see next chapter), the revenue estimates exclude the square feet for these projects.

Adjustment for Minimum Project Size

Many cities exempt fees for smaller projects in order to encourage infill and accommodate small businesses. For this study, multifamily rental, multifamily condo, and single family attached projects with less than five units are analyzed as a potential exempt minimum project size (see footnote c on following table for historic distribution of residential projects by number of units in project). Single family detached units were assumed to not be subject to this exemption for revenue-estimating purposes.

TABLE 27: REVENUE ESTIMATES OF FEE PROGRAM OPTIONS, ANNUAL AVERAGE

Estimates do not include possible exemptions and waivers under consideration, other than for project size, density bonus projects, & 100% affordable projects

Option A - Match Fee to Market Conditions

	Low Market		Medium Market		High Market		Total		
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Max Annual Rev Adjusted for Minimum Project Size (c)
Multifamily Rental*	$ -	1,216,635	$ 18.00	1,838,784	$ 24.00	4,618,450	7,673,869	$ 143,940,909	$ 135,304,454
Single Family Detached	$ -	459,831	$ 31.00	1,035,134	$ 48.63	2,182,417	3,677,381	$ 138,220,057	$ 138,220,057
Single Family Attatched	$ -	167,954	$ 26.00	4,783	$ 32.00	117,219	289,956	$ 3,875,358	$ 3,875,358
Multifamily Condominium	$ -	31,942	$ 22.00	100,758	$ 45.00	152,785	285,485	$ 9,092,010	$ 6,000,726
Total		1,876,362		2,979,458		7,070,871	11,926,691	**$ 295,128,333**	**$ 283,400,595**

** Multifamily Rental sq.ft. is net of density bonus & 100% aff projects.*

Option B - Medium Market Fees Applied to Both Med & High Zones

	Low Market		Medium Market		High Market		Total		
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Max Annual Rev Adjusted for Minimum Project Size (c)
Multifamily Rental*	$ -	1,216,635	$ 18.00	1,838,784	$ 18.00	4,618,450	7,673,869	$ 116,230,209	$ 109,256,396
Single Family Detached	$ -	459,831	$ 31.00	1,035,134	$ 31.00	2,182,417	3,677,381	$ 99,744,053	$ 99,744,053
Single Family Attatched	$ -	167,954	$ 26.00	4,783	$ 26.00	117,219	289,956	$ 3,172,045	$ 3,172,045
Multifamily Condominium	$ -	31,942	$ 22.00	100,758	$ 22.00	152,785	285,485	$ 5,577,951	$ 3,681,448
Total		1,876,362		2,979,458		7,070,871	11,926,691	**$ 224,724,258**	**$ 215,853,942**

** Multifamily Rental sq.ft. is net of density bonus & 100% aff projects.*

Option C - Fee in High Market Zones Only

	Low Market		Medium Market		High Market		Total		
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Max Annual Rev Adjusted for Minimum Project Size (c)
Multifamily Rental*	$ -	1,216,635	$ -	1,838,784	$ 24.00	4,618,450	7,673,869	$ 110,842,800	$ 104,192,232
Single Family Detached	$ -	459,831	$ -	1,035,134	$ 48.63	2,182,417	3,677,381	$ 106,130,917	$ 106,130,917
Single Family Attatched	$ -	167,954	$ -	4,783	$ 32.00	117,219	289,956	$ 3,751,005	$ 3,751,005
Multifamily Condominium	$ -	31,942	$ -	100,758	$ 45.00	152,785	285,485	$ 6,875,331	$ 4,537,719
Total		1,876,362		2,979,458		7,070,871	11,926,691	**$ 227,600,053**	**$ 218,611,873**

** Multifamily Rental sq.ft. is net of density bonus & 100% aff projects.*

Option D - Lowest Residential Feasible Fee Charged Citywide

	Low Market		Medium Market		High Market		Total		
Use	Lowest Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Lowest Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Lowest Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue	Max Annual Rev Adjusted for Minimum Project Size (c)
Multifamily Rental*	$ 18.00	1,216,635	$ 18.00	1,838,784	$ 18.00	4,618,450	7,673,869	$ 138,129,638	$ 129,841,860
Single Family Detached	$ 18.00	459,831	$ 18.00	1,035,134	$ 18.00	2,182,417	3,677,381	$ 66,192,865	$ 66,192,865
Single Family Attatched	$ 18.00	167,954	$ 18.00	4,783	$ 18.00	117,219	289,956	$ 5,219,208	$ 5,219,208
Multifamily Condominium	$ 18.00	31,942	$ 18.00	100,758	$ 18.00	152,785	285,485	5,138,730	$ 3,391,562
Total		1,876,362		2,979,458		7,070,871	11,926,691	**$ 214,680,442**	**$ 204,645,495**

** Multifamily Rental sq.ft. is net of density bonus & 100% aff projects.*

Notes:

a) Sq.Ft. for each land use based on avg. annual permit data adjusted to waive density bonus & 100% aff projects, as follows:

Annual Average 2011-2015

	All Units Built	Total Sq. Ft. Built	Units in Density Bonus Projects	100% Affordable Projects	Units Built Net of Density Bonus & Affordable	Net Sq. Ft. Built
Multifamily Rental	8,268	9,791,525	1,344	444	6,480	7,673,869
Single Family Detached	990	3,677,381	0	0	990	3,677,381
Single Family Attached	124	289,956	0	0	124	289,956
Multifamily Condominium	142	285,485	0	0	142	285,485
Total	9,524	14,044,347	1,344	444	7,736	11,926,691

b) Allocation of Sq. Ft. per Market Area category- based on geocoding of all permits excluding density bonus and 100% affordable projects:

	% Sq.Ft. in Low Markets	% Sq.Ft. in Med Markets	% Sq.Ft. in High
Multifamily Rental	15.9%	24.0%	60.2%
Single Family Detached	12.5%	28.1%	59.3%
Single Family Attached	57.9%	1.6%	40.4%
Multifamily Condominium	11.2%	35.3%	53.5%

c) Adjusted for minimum project size (5+ units)

	Below Min Project Size	Above Min Project Size
Multifamily Rental	6%	94%
Single Family Detached	NA	NA
Single Family Attached	0%	100%
Multifamily Condominium	34%	66%

Also similar to the commercial fee revenue estimates, two Specific Plans (West Los Angeles and the Coastal Transportation Corridor) currently charge a range of TIA fees and both have been proposed for increases in these fees. The map below shows the location of the TIAs and following pages show the effect of incorporating these proposed fees and charging a net feasible fee for affordable housing in those two Specific Plan areas.

FIGURE 13: RESIDENTIAL MARKET AREAS AND TIAS

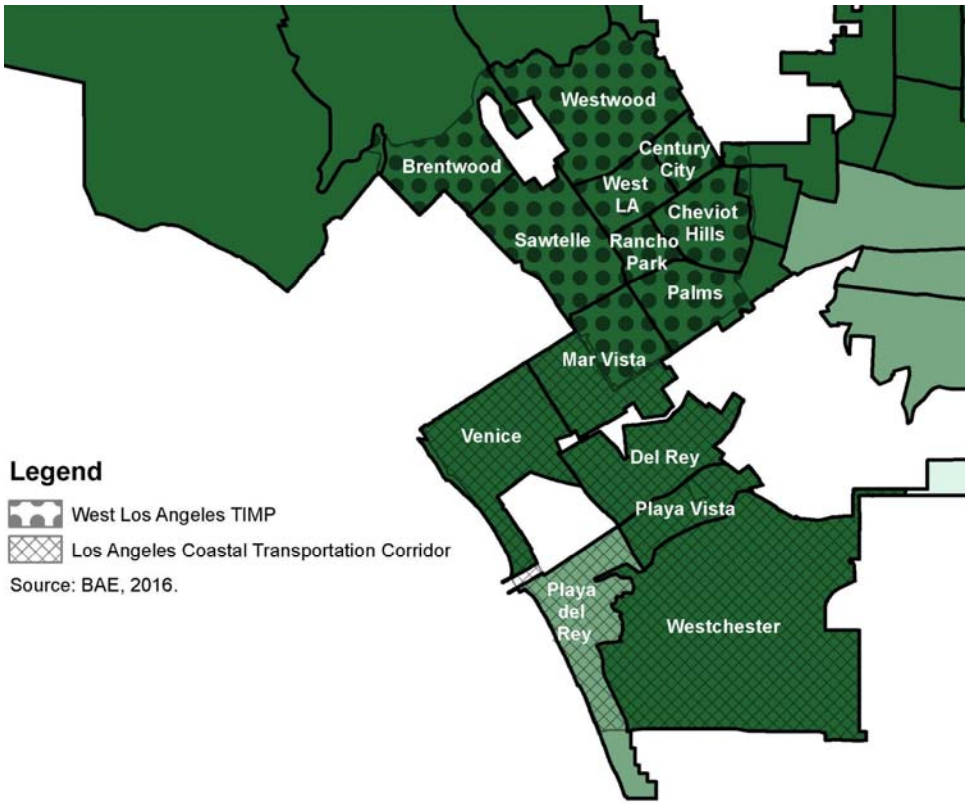


TABLE 28: RESIDENTIAL ESTIMATE FEE REVENUES WITH TIA ADJUSTMENTS

Estimates do not incorporate exemptions and waivers under consideration other than density bonus projects & 100% affordable projects.

	Option A - Citywide Fee Per Market Area Zones							
	Low Market		Medium Market		High Market		Total	
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue
Multifamily Rental* outside TIAs	$ -	1,216,635	$ 18.00	1,838,784	$ 24.00	3,851,063	6,906,482	$ 125,523,623
Multifamily Rental in TIAs*	*$ -*	*0*	*$ 13.46*	*0*	*$ 19.46*	*767,387*	*767,387*	*$ 14,932,681*
Single Family Detached outside TIAs	$ -	459,831	$ 31.00	1,020,424	$ 48.63	1,719,066	3,199,322	$ 115,231,348
Single Family Detached in TIAs	*$ -*	*0*	*$ 25.64*	*14,710*	*$ 43.27*	*463,350*	*478,060*	*$ 20,425,440*
Single Family Attatched outside TIAs	$ -	167,954	$ 26.00	4,783	$ 32.00	60,967	233,705	$ 2,075,311
Single Family Attatched in TIAs	*$ -*	*0*	*$ 21.74*	*0*	*$ 27.74*	*56,251*	*56,251*	*$ 1,560,620*
Multifamily Condominium outside TIAs	$ -	31,942	$ 22.00	87,911	$ 45.00	90,835	210,688	$ 6,021,618
Multifamily Condominium in TIAs	*$ -*	*0*	*$ 17.27*	*12,847*	*$ 40.27*	*61,950*	*74,797*	*$ 2,716,654*
Total		1,876,362		2,979,458		7,070,871	11,926,691	**288,487,297**

	Option B - Citywide Fee with Med Fee Applied to Both Med & High Zones							
	Low Market		Medium Market		High Market		Total	
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue
Multifamily Rental* outside TIAs	$ -	1,216,635	$ 18.00	1,838,784	$ 18.00	3,851,063	6,906,482	$ 102,417,245
Multifamily Rental in TIAs*	*$ -*	*0*	*$ 13.46*	*0*	*$ 13.46*	*767,387*	*767,387*	*$ 10,328,360*
Single Family Detached outside TIAs	$ -	459,831	$ 31.00	1,020,424	$ 31.00	1,719,066	3,199,322	$ 84,924,206
Single Family Detached in TIAs	*$ -*	*0*	*$ 25.64*	*14,710*	*$ 25.64*	*463,350*	*478,060*	*$ 12,256,578*
Single Family Attatched outside TIAs	$ -	167,954	$ 26.00	4,783	$ 26.00	60,967	233,705	$ 1,709,507
Single Family Attatched in TIAs	*$ -*	*0*	*$ 21.74*	*0*	*$ 21.74*	*56,251*	*56,251*	*$ 1,223,111*
Multifamily Condominium outside TIAs	$ -	31,942	$ 22.00	87,911	$ 22.00	90,835	210,688	$ 3,932,416
Multifamily Condominium in TIAs	*$ -*	*0*	*$ 17.27*	*12,847*	*$ 17.27*	*61,950*	*74,797*	*$ 1,291,798*
Total		1,876,362		2,979,458		7,070,871	11,926,691	**218,083,221**

	Option C - Fee in High Market Zones Only							
	Low Market		Medium Market		High Market		Total	
Use	Low Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Med Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	High Feasible Fee per Sq. Ft.	Annual Avg. Sq. Ft. (a)(b)	Annual Avg. Sq. Ft.	Potential Max Annual Revenue
Multifamily Rental* outside TIAs	$ -	1,216,635	$ -	1,838,784	$ 24.00	3,851,063	6,906,482	$ 92,425,515
Multifamily Rental in TIAs*	*$ -*	*0*	*$ -*	*0*	*$ 19.46*	*767,387*	*767,387*	*$ 14,932,681*
Single Family Detached outside TIAs	$ -	459,831	$ -	1,020,424	$ 48.63	1,719,066	3,199,322	$ 83,598,204
Single Family Detached in TIAs	*$ -*	*0*	*$ -*	*14,710*	*$ 43.27*	*463,350*	*478,060*	*$ 20,048,314*
Single Family Attatched outside TIAs	$ -	167,954	$ -	4,783	$ 32.00	60,967	233,705	$ 1,950,959
Single Family Attatched in TIAs	*$ -*	*0*	*$ -*	*0*	*$ 27.74*	*56,251*	*56,251*	*$ 1,560,620*
Multifamily Condominium outside TIAs	$ -	31,942	$ -	87,911	$ 45.00	90,835	210,688	$ 4,087,570
Multifamily Condominium in TIAs	*$ -*	*0*	*$ -*	*12,847*	*$ 40.27*	*61,950*	*74,797*	*$ 2,494,780*
Total		1,876,362		2,979,458		7,070,871	11,926,691	**221,098,643**

** Multifamily Rental sq.ft. is net of density bonus & 100% aff projects.*

Option D would not be affected by the presence of TIAs.

Footnotes shown on next page

Notes:

a) Sq.Ft. for each land use based on avg. annual permit data adjusted to waive density bonus & 100% aff projects, as follows:

	Annual Average 2011-2015					
	All Units Built	Total Sq. Ft. Built	Units in Density Bonus Projects	100% Affordable Projects	Units Built Net of Density Bonus & Affordable	Net Sq. Ft. Built
Multifamily Rental	8,268	9,791,525	1,344	444	6,480	7,673,869
Single Family Detached	990	3,677,381	0	0	990	3,677,381
Single Family Attached	124	289,956	0	0	124	289,956
Multifamily Condominium	142	285,485	0	0	142	285,485
Total	9,524	14,044,347	1,344	444	7,736	11,926,691

b) Allocation of Sq. Ft. per Market Area category- based on geocoding of all permits excluding density bonus and 100% affordable projects:

	% Sq.Ft. in Low Markets	% Sq.Ft. in Med Markets	% Sq.Ft. in High Markets
Multifamily Rental	15.9%	24.0%	60.2%
Single Family Detached	12.5%	28.1%	59.3%
Single Family Attached	57.9%	1.6%	40.4%
Multifamily Condominium	11.2%	35.3%	53.5%

c) Adjusted for minimum project size (5+ units)

	Below Min Project Size	Above Min Project Size
Multifamily Rental	6%	94%
Single Family Detached	68%	32%
Single Family Attached	0%	100%
Multifamily Condominium	34%	66%

d) Figures overestimate revenue if TIA fees are accounted for in two specific plan aras where TIA fees are charged. The highlighted figures represent the maximum fee for each prototype, which are used in the above calculation. The proposed TIA fees are (fees per unit converted to square foot fees based on unit sizes used for the pro forma analysis):

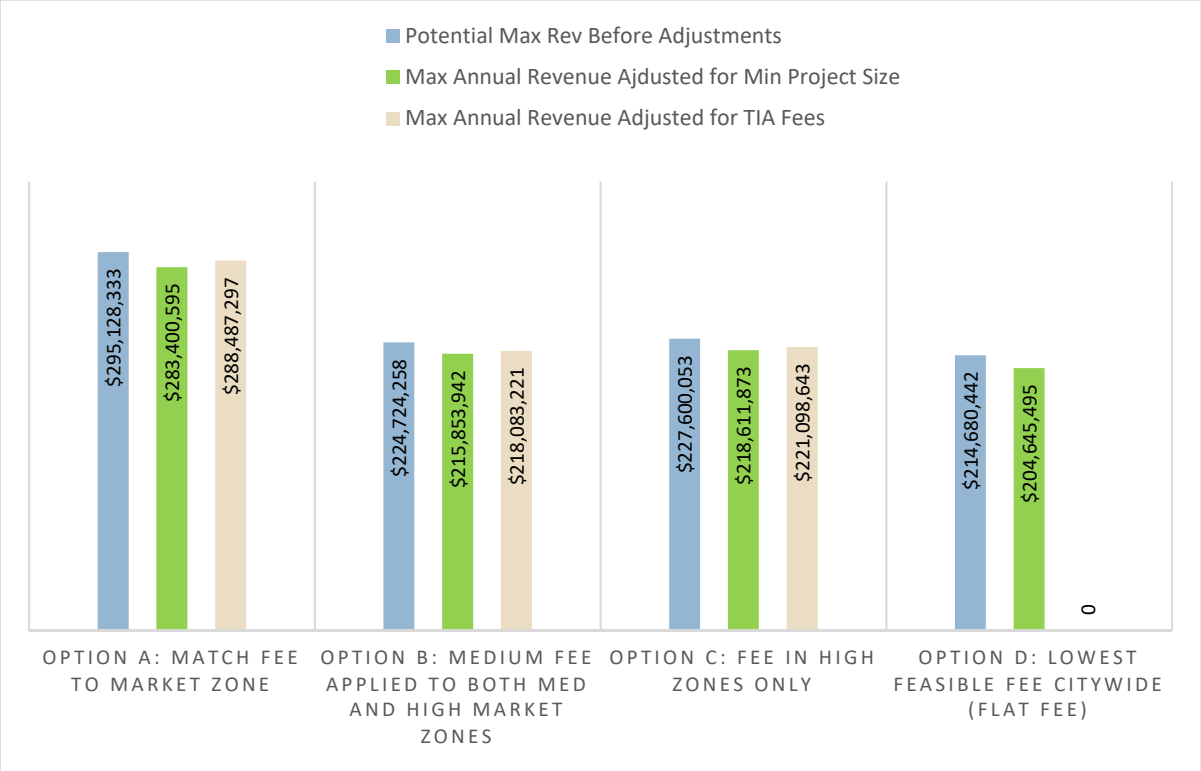
	Proposed TIA Fees		Max Supportabe Fee - Medium		Max Supportabe Fee - High	
	West LA	CTCSP	West LA	CTCSP	West LA	CTCSP
Multifamily Rental	$ 4.54	$ 4.04	$ 13.46	$ 13.96	$ 19.46	$ 19.96
Single Family Detached	$ 3.31	$ 5.36	$ 27.69	$ 25.64	$ 45.32	$ 43.27
Single Family Attached	$ 4.26	$ 3.79	$ 21.74	$ 22.21	$ 27.74	$ 28.21
Multifamily Condominium	$ 4.73	$ 4.21	$ 17.27	$ 17.79	$ 40.27	$ 40.79

Allocation of Sq. Ft. per Market Area category within TIAs

	% Units in Low	% of Units in Med	% of Units in High	Total Activity in TIAs
Multifamily Rental	0.0%	0.0%	10.0%	10.0%
Single Family Detached	0.0%	0.4%	12.6%	13.0%
Single Family Attached	0.0%	0.0%	19.4%	19.4%
Multifamily Condominium	0.0%	4.5%	21.7%	26.2%

In summary, the range of fee program options and their associated revenues for an average year are as follows:

FIGURE 14: ESTIMATE OF POTENTIAL ANNUAL RESIDENTIAL FEE REVENUE



Considerations for Implementation

Fees by Geographic Area

Similar to the commercial fee discussion of implementation earlier in this report, the City of Los Angeles could adopt a market-rate residential fee schedule which varies the required fee by geographic area, as related to market condition. Further variations of this approach, which would match the feasible fee to the geographic area, are then possible to structure.

Phase-In of Fee Schedule

A key component of adopting a commercial fee in Los Angeles will be the phase-in schedule. Most notably, most cities when first adopting a fee like this, set a future date for its implementation, and also define and waive current "pipeline" projects which would have been started without knowledge of this fee. Moreover, to mitigate the initial perceived "shock to the system" of a new residential fee, a phase-in schedule would help to mitigate this risk.

For these reasons, it is recommended that if Los Angeles adopts a residential fee program, it should consider a two-year phased-in schedule when initially implemented. The fee schedule, for example, could be set at half of the full fee for the first year of applicability, rising to the full 100 percent of the fee on projects seeking building permits 12 months later and beyond.

Fee Exemptions and Waivers

As profiled in the case studies of commercial fees, other cities in California have variable approaches to making categories of land use either exempt from residential fees or waiving fees under certain conditions.

Fee Exemptions

This study was conducted assuming that 100 percent affordable housing projects residential projects would be exempt from residential fees since affordable housing is being provided. Los Angeles could also exempt projects smaller than a certain size threshold, as discussed earlier in this study.

Fee Waivers

The next chapter explores the Los Angeles Density Bonus Program, which involves market-rate residential projects incorporating affordable units in exchange for additional allowable floor area ratio (FAR) in conformance with state law. This program means that these projects are already providing affordable units within the same project, although the levels of required affordable units to achieve FAR increases are lower than the nexus study levels of affordable housing need identified as generated from current market rate projects.

The revenue estimates for the residential fee included an example adjustment that can also be built into the regulations for Transportation Investment Areas (TIAs), which are currently applicable only to the Specific Plans for West Los Angeles and the Coastal Transportation

Corridor. In the even other areas of Los Angeles have the eventual need to adopt area transportation impact fees, the residential fee could be partially waived (reduced) to accommodate those other fees.

Another kind of waiver could be considered in cases where developers are applying to build inexpensive market rate homes in Low or Medium market areas on small lots (can be attached or detached units); these units are typically built with inexpensive finishes and sold at relatively inexpensive sale prices. Analysis for this report, and discussions with builders of these products, indicated concern for the ability to absorb a linkage fee and still provide this type of unit. If such units were sold at prices that served a policy objective (such as ownership housing serving 110 percent AMI households), a reduction or waiver in the fee may help limit this type of potential overlap between policy objectives.

Finally, most cities allow for a waiver request if a) economic hardship can be demonstrated or b) if lesser affordable housing job impacts can be demonstrated. Excluding the issue of the planned increase in minimum wage, it is recommended that these two options be narrowly allowed per legal requirements, but not more broadly offered, to minimize administrative burden on staff.

Timing of Fee Calculation and Payment

As profiled in the case studies, most cities charge the residential fee prior to or at the time of building permit issuance. Several cities split up the payments, allowing for partial payment later (at Certificate of Occupancy), while a few cities spread payments even farther apart over time, allowing for essentially a payment plan or the choice of an upfront net present value payment of the entire amount.

For several reasons, it is recommended that for the City of Los Angeles, the fee payment be split only into at most, two equal installments – at the time of building permit issuance and at the time of Certificate of Occupancy. This recommendation is made at this limited level, due to the overarching immediate need to create a permanent source of funding for affordable housing.

Additional Considerations

Effect of Los Angeles Minimum Wage Phase-In Schedule

In 2015, the Los Angeles City Council passed a City Minimum Wage Ordinance that will increase the minimum wage to $15 per hour for all employers in the City, with increases in the minimum wage phased in between 2016 and 2021. Employers with more than 25 employees will be required to reach the $15 minimum wage by 2020, while some nonprofit organizations and employers with 25 or fewer employees are eligible to receive an additional year to reach the $15 minimum wage. This section provides an analysis of the potential impact of the City's minimum wage ordinance on the legal maximum commercial linkage and affordable housing impact fee calculations presented in the preceding sections of this report.

Methodology

BAE analyzed the potential impacts of the increase in the minimum wage by determining the household AMI levels for workers that will earn the new minimum wage and adjusting the household income distribution among the workers generated by each residential or commercial land use type accordingly. BAE then re-calculated the maximum fee based on the adjusted household income distribution. This section provides an overview of the methodology used to analyze the potential impacts of the minimum wage ordinance on the maximum legal fee calculations. Calculation tables and additional detail about the methodology used in this analysis are shown in Appendix E.

Step 1: Determine the AMI band for households at the new minimum wage. The $15 per hour minimum wage that will apply to most employers in 2020 is equivalent to an estimated wage of $13.33 per hour in 2016 dollars, translating to an annual income equal to approximately $27,700 for a full-time employee. Assuming 1.77 workers per worker household, the estimated annual household income for an employee working full time at minimum wage would be approximately $48,900. According to 2016 HCD income limits for a household in Los Angeles County, a household earning an income of $48,900 falls within the low-income AMI band for two- to five-person households.

Step 2: Adjust the household income distribution for workers generated by new development. Based on the findings from Step 1, all worker households that fall into the extremely low- or very low-income AMI bands under current minimum wage requirements would fall into the low-income AMI band following an increase in the minimum wage to $15 in 2020. For each residential product type and commercial land use analyzed in the preceding maximum fee calculations, the household income distribution among worker households was adjusted by moving all extremely low- and very low-income households into the low-income AMI band.

Step 3: Re-calculate the maximum legal fees using the adjusted AMI distributions. Step 2 results in an income distribution that shows a reduction in extremely low- and very low-income households (to zero) and a commensurate increase in low-income households. Since the subsidy gap for low-income units is smaller than the subsidy gap for extremely low- or very low-income units, the cost associated with providing housing for households below the moderate income level decreases somewhat as extremely low- and very low-income households shift to become low-income households. The reduced cost of providing affordable housing translates directly to a lower maximum legal fee due to the increase in the minimum wage.

Findings

The increase in the City of Los Angeles minimum wage is not expected to impact the recommended fee rates, despite anticipated reductions in the maximum legal fees.

Although the increase in the minimum wage will decrease the maximum legal commercial linkage fee, the maximum legal fee will still be higher than the anticipated fee rate. As shown in Table 29, the planned increase in the minimum wage will decrease the maximum legal fee for each of the eight commercial land uses, resulting in maximum legal fees that range from approximately $100 per square foot to $261 per square foot, depending on the specific use. These lower maximum legal fees are nonetheless significantly higher than the feasible fee rates and the fees likely to be adopted by the City. In the event that the City adopts fee rates that are higher than those shown in the table below, it may necessary for the City to revisit the fee rates following implementation of the minimum wage increase.

TABLE 29: MAXIMUM LEGAL COMMERCIAL FEE, FUTURE MINIMUM WAGE

	Office	Retail	Industrial	Hotel/ Motel	Warehouse	Hospital	Institutional
Maximum Legal Fee (per sq. ft.)							
With Current (2016) Minimum Wage	$248	$309	$131	$133	$118	$196	$197
With Increased Minimum Wage in 2020	$213	$261	$112	$114	$100	$169	$168

Note:
See detailed calculations in Appendix I.
Source: BAE, 2016.

Similarly, the increase in the minimum wage will decrease the maximum legal affordable housing impact fee, though not below the anticipated fee rates. As shown in Table 30, the planned increase in the minimum wage will decrease the maximum legal fee for each of the four residential product types, resulting in maximum legal fees that range from approximately $59,600 per unit to $124,300 per unit. However, the maximum legal fees will remain higher than the fee rates likely to be adopted by the City. In the event that the City adopts fee rates that are higher than those shown in the table below, it may necessary for the City to revisit the fee rates following implementation of the minimum wage increase.

TABLE 30: MAXIMUM LEGAL HOUSING FEE UNDER FUTURE MINIMUM WAGE REQUIREMENTS

	Multifamily Rental	Condominium	Single-Family Attached	Single-Family Detached
Maximum Legal Fee (per unit)				
With Current (2016) Minimum Wage	$84,964	$95,484	$69,900	$145,901
With Increased Minimum Wage in 2020	$72,437	$81,385	$59,578	$124,339

Note:
See detailed calculations in Appendix I.
Source: BAE, 2016.

Option to Provide On-Site Units

Many cities with market-rate housing fees provide the option to developers to waive these fees if on-site affordable units are provided instead. This section calculates the proportion of affordable units that would need to be provided on-site for this option, and is based on the analysis of affordable housing need generated by new market-rate units in Los Angeles, as previously presented in shown in Table 24.

Table 31 shows the proportion of units that would be required to fully address the need for affordable units generated by market-rate units on site in mixed-income developments. This analysis uses the base 100 market-rate units in each of the development prototypes that were identified in the maximum fee calculations shown in this report, and adds the affordable unit need generated by these market-rate units to the project in order to demonstrate the number of units and income mix needed to address this need on site. For example, the figures in Table 24 show that 100 units of market-rate multifamily rental housing generate a need for 22.8 affordable units. The figures in Table 31 therefore assume a hypothetical 122.8-unit project comprised of 100 market-rate units and the 22.8 affordable units that are needed to address the affordable housing impacts of the market-rate units on site. The figures in Table 31 then calculate the numerical proportion of the total 122.8-unit project that would be comprised of units at each affordability level.

Table 31 also provides a weighting of the proportion of units at each affordability level to convert the entire need into units that serve each affordability level in order to estimate the number of units that would need to be provided on site at a single affordability level. As shown, the estimated proportions at single affordability levels are as follows:

- Multifamily Rental: 12 percent at extremely-low income, 16 percent at very-low income, 22 percent at low-income, or 29 percent at moderate income.
- Condominiums: 14 percent at extremely-low income, 18 percent at very-low income, 24 percent at low-income, or 32 percent at moderate income.
- Single-Family Attached: 11 percent at extremely-low income, 14 percent at very-low income, 18 percent at low-income, or 25 percent at moderate income.

- Single-Family Detached: 19 percent at extremely-low income, 24 percent at very-low income, 33 percent at low-income, or 44 percent at moderate income.

TABLE 31: ON-SITE UNITS NEEDED TO MITIGATE MARKET-RATE UNIT'S IMPACT

	Affordable Units					Market-	Total
Multifamily Rental	**ELI**	**VLI**	**LI**	**Mod**	**Total**	**Rate**	**Project (a)**
Number of Units (b)	6.1	6.0	8.0	2.6	22.8	100	122.8
Percent of Total Project	5.0%	4.9%	6.5%	2.1%	18.5%	81.5%	100.0%
Percent of Total - Weighted to ELI (c)	12.4%	0.0%	0.0%	0.0%	12.4%	87.6%	100.0%
Percent of Total - Weighted to VLI (c)	0.0%	16.1%	0.0%	0.0%	16.1%	83.9%	100.0%
Percent of Total - Weighted to LI (c)	0.0%	0.0%	21.7%	0.0%	21.7%	78.3%	100.0%
Percent of Total - Weighted to Mod (c)	0.0%	0.0%	0.0%	29.1%	29.1%	70.9%	100.0%
Condominiums							
Number of Units (b)	6.9	6.8	9.0	2.9	25.6	100	125.6
Percent of Total Project	5.5%	5.4%	7.1%	2.3%	20.4%	79.6%	100.0%
Percent of Total - Weighted to ELI (c)	13.6%	0.0%	0.0%	0.0%	13.6%	86.4%	100.0%
Percent of Total - Weighted to VLI (c)	0.0%	17.7%	0.0%	0.0%	17.7%	82.3%	100.0%
Percent of Total - Weighted to LI (c)	0.0%	0.0%	23.8%	0.0%	23.8%	76.2%	100.0%
Percent of Total - Weighted to Mod (c)	0.0%	0.0%	0.0%	31.9%	31.9%	68.1%	100.0%
Single-Family Attached							
Number of Units (b)	5.0	5.0	6.6	2.1	18.7	100	118.7
Percent of Total Project	4.2%	4.2%	5.5%	1.8%	15.8%	84.2%	100.0%
Percent of Total - Weighted to ELI (c)	10.5%	0.0%	0.0%	0.0%	10.5%	89.5%	100.0%
Percent of Total - Weighted to VLI (c)	0.0%	13.7%	0.0%	0.0%	13.7%	86.3%	100.0%
Percent of Total - Weighted to LI (c)	0.0%	0.0%	18.4%	0.0%	18.4%	81.6%	100.0%
Percent of Total - Weighted to Mod (c)	0.0%	0.0%	0.0%	24.7%	24.7%	75.3%	100.0%
Single-Family Detached							
Number of Units (b)	10.5	10.4	13.7	4.5	39.1	100	139.1
Percent of Total Project	7.6%	7.5%	9.8%	3.2%	28.1%	71.9%	100.0%
Percent of Total - Weighted to ELI (c)	18.8%	0.0%	0.0%	0.0%	18.8%	81.2%	100.0%
Percent of Total - Weighted to VLI (c)	0.0%	24.4%	0.0%	0.0%	24.4%	75.6%	100.0%
Percent of Total - Weighted to LI (c)	0.0%	0.0%	32.8%	0.0%	32.8%	67.2%	100.0%
Percent of Total - Weighted to Mod (c)	0.0%	0.0%	0.0%	44.1%	44.1%	55.9%	100.0%
Weighting Factors							
AMI Levels	30%	50%	80%	120%			
Weighting Factors - to ELI Units (d)	1.0	0.8	0.5	0.1			
Weighting Factors - to VLI Units (d)	1.2	1.0	0.7	0.3			
Weighting Factors - to LI Units (d)	1.5	1.3	1.0	0.6			
Weighting Factors - to Mod Units (d)	1.9	1.7	1.4	1.0			

Notes:
(a) "Total Project" includes all 100 market-rate units in the sample project plus the affordable housing need generated by these 100 units.
(b) From Table 24.
(c) Weighting to income levels represents a conversion of the percent of affordable units by AMI level into a single AMI band, based on the weighting factors shown in the table and described in footnote (d).
(d) Weighting factor = 1 + (%AMI threshold units are weighted to - % AMI threshold of weighted unit type). For example, the weighting factor to convert VLI units into LI units is: 1 + (80% - 50%), since 80% is the AMI level for LI units and 50% is the AMI level for VLI units.
Source: BAE, 2016.

Voluntary Density Bonus vs. Market-Rate Housing Fee

This section provides an overview of the use of the California State Bonus Law in the City of Los Angeles, compares the outcomes from the Density Bonus to the potential outcomes of the market-rate housing fee analyzed in this study, and provides a policy options for the implementation of the market-rate housing fee in combination with the State Density Bonus.

California Density Bonus Overview

The California State Density Bonus Law (California Government Code Sections 65915 through 65918) entitles developers to certain development incentives for projects that include a prescribed amount of affordable housing. For developers, the State Density Bonus Law is a voluntary, incentive-based program, which allows developers to opt in on a project-by-project basis in exchange for incentives. All cities in California are mandated by State Law to adopt the State Density Bonus.

Depending on the share of affordable units provided, development incentives under the State Density Bonus Law include up to a 35 percent increase in density over the density otherwise allowed on the project site. Projects in which at least 10 percent of units are affordable to low-income households or five percent of units are affordable to very low income households are eligible for a 20 percent density bonus, while projects with higher proportions of affordable units are eligible for larger density bonuses. In addition, condominium developments, planned developments, and stock cooperatives are eligible for a five percent density bonus if at least ten percent of units are moderate-income units, with density bonuses up to 35 percent for larger proportions of moderate-income units.

TABLE 32: CALIFORNIA STATE DENSITY BONUS PROVISIONS

	Density Bonus by Affordability Level		
Affordable Unit Percentage (a)	Very Low Income Units	Low Income Units	Moderate Income Units
5%	20.0%	N/A	N/A
6%	22.5%	N/A	N/A
7%	25.0%	N/A	N/A
8%	27.5%	N/A	N/A
9%	30.0%	N/A	N/A
10%	32.5%	20.0%	5.0%
11%	35.0%	21.5%	6.0%
12%	35.0%	23.0%	7.0%
13%	35.0%	24.5%	8.0%
14%	35.0%	26.0%	9.0%
15%	35.0%	27.5%	10.0%
16%	35.0%	29.0%	11.0%
17%	35.0%	30.5%	12.0%
18%	35.0%	32.0%	13.0%
19%	35.0%	33.5%	14.0%
20%	35.0%	35.0%	15.0%
21%	35.0%	35.0%	16.0%
22%	35.0%	35.0%	17.0%
23%	35.0%	35.0%	18.0%
24%	35.0%	35.0%	19.0%
25%	35.0%	35.0%	20.0%
26%	35.0%	35.0%	21.0%
27%	35.0%	35.0%	22.0%
28%	35.0%	35.0%	23.0%
29%	35.0%	35.0%	24.0%
30%	35.0%	35.0%	25.0%
31%	35.0%	35.0%	26.0%
32%	35.0%	35.0%	27.0%
33%	35.0%	35.0%	28.0%
34%	35.0%	35.0%	29.0%
35%	35.0%	35.0%	30.0%
36%	35.0%	35.0%	31.0%
37%	35.0%	35.0%	32.0%
38%	35.0%	35.0%	33.0%
39%	35.0%	35.0%	34.0%
40%	35.0%	35.0%	35.0%

Note:
(a) Affordable unit percentage applies the base (i.e., without density bonus) density. Calculation of the share of affordable units is conducted before adding market-rate units added by the density bonus.
Sources: CA Government Code Sections 65915-65918; BAE, 2016.

Use of State Density Bonus in Los Angeles

Use of the density bonus is fairly common among recent residential developments in Los Angeles. Between 2011 and 2015, 7,915 market-rate and affordable units were developed in density bonus projects in Los Angeles, accounting for 17 percent of all units built in the City, as shown in Table 33, not including 100 percent affordable developments that received a density bonus. Of this total, 683 units in density bonus projects were very low-, low-, or moderate-income units, a number equal to nine percent of the total number of market-rate units in density bonus projects.

Among multifamily rental developments, 6,722 market-rate and affordable units were in projects that received a density bonus between 2011 and 2015, amounting to 16 percent of multifamily rental units permitted in Los Angeles during this period. Multifamily rental developments that received a density bonus generated 585 affordable units, a number equivalent to 10 percent of the number of market-rate units in density bonus projects. Condominium developments that received a density bonus between 2011 and 2015 included 1,193 market-rate and affordable units, comprising 19 percent of all units in the City during the same period.

Density bonus projects produced 98 affordable for-sale units, a number equal to nine percent of all units in density bonus projects.

TABLE 33: UNITS IN DENSITY BONUS PROJECTS, CITY OF LOS ANGELES, 2011-2015

	Multifamily Rental	Condominium	Total
Very Low (AMI up to 50%)	497	95	592
Low (AMI 50%-80%)	73	2	75
Moderate (AMI 80%-120%)	15	1	16
Affordable Unit Total	**585**	**98**	**683**
Market-Rate Units in Density Bonus Projects	6,137	1,095	7,232
Total Units in Density Bonus Projects	**6,722**	**1,193**	**7,915**
Affordable Units as a % of Market-Rate Units in Density Bonus Projects	**9.5%**	**8.9%**	**9.4%**
Total Units Permitted in City (Density Bonus Projects + Other Projects)	41,341	6,280	47,621
Units in Density Bonus Projects as a Share of All Units Permitted	**16.3%**	**19.0%**	**16.6%**

Note:
Figures exclude projects that are comprised only of affordable units.
Sources: City of Los Angeles, 2011-2015; BAE, 2016.

Comparison of Density Bonus to Market-Rate Housing Fee

On a project-by-project basis, the density bonus does not generate enough units to meet the affordable housing need generated by the market-rate units in density bonus projects. As detailed in the section of this report that shows the maximum market-rate housing fee calculations and shown in Table 34 below, 100 units of market-rate multifamily housing generates a need for 22.8 affordable units. Mixed-income (i.e., not 100 percent affordable) density bonus projects built in Los Angeles between 2011 and 2015 produced 9.5 affordable multifamily rental units for each 100 units of market-rate multifamily rental housing, falling 13.2 units short of the need. Similarly, 100 market-rate condominium units generate a need

for 25.6 affordable units, while condominium projects that receive a density bonus generated 8.9 affordable units per 100 market-rate units between 2011 and 2015.[17]

TABLE 34: COMPARISON OF DENSITY BONUS OUTCOMES TO HOUSING FEE OUTCOMES

Shortfall of Density Bonus Program in Mitigating Affordable Housing Impacts	Multifamily Rental	Condominium
Affordable Housing Need Generated by 100 Market-Rate Units (a)	22.8	25.6
Affordable Units per 100 Market-Rate Units in Density Bonus Projects (b)	9.5	8.9
Shortfall using Density Bonus Program	**13.2**	**16.6**
Shortfall of Fee Program in Mitigating Affordable Housing Impacts		
Affordable Housing Need Generated by 100 Market-Rate Units (a)	22.8	25.6
Maximum Legal Market-Rate Housing Fee (per unit) (c)	$84,964	$95,484
Recommended Market-Rate Housing Fee (per unit) (d)		
Medium Market	$23,805	$37,571
High Market	$31,740	$76,849
Recommended Fee as a % of Maximum Legal Fee		
Medium Market	28.0%	39.3%
High Market	37.4%	80.5%
Affordable Units from Fees from 100 Market-Rate Units (e)		
Medium Market	6.4	10.1
High Market	8.5	20.6
Shortfall using Fee Program		
Medium Market	**16.4**	**15.5**
High Market	**14.3**	**5.0**

Notes:
(a) Affordable housing need from maximum fee calculations presented in a preceding section of this report.
(b) Based on the data in Table 29 above.
(c) Maximum legal fee from the maximum fee calculations presented in a preceding section of this report.
(d) Recommended fee from the analysis presented in a preceding section of this report.
(e) Affordable Housing Need Generated by 100 Market-Rate Units x Recommended Fee as a % of Maximum Legal Fee. This represents the amount of affordable housing need that could be addressed by fees from 100 market-rate units.
Source: BAE, 2016.

Application of Fee Program to Density Bonus Projects

The City of Los Angeles can elect to charge market-rate housing fees on the market-rate units in density bonus projects. As discussed above, the City may choose to waive market-rate housing fees on projects in which a defined proportion of units are affordable to lower-income households, which could include density bonus projects that meet the designated affordability threshold.

Table 35 below compares the proportion of affordable units in density bonus projects to the proportions needed to fully address the need generated by market-rate units on site, as shown in Table 31 above. The figures in Table 35 demonstrate that, with the exception of single-family attached projects, density bonus projects providing the minimum number of units necessary to receive the maximum density bonus under State Law result in fewer affordable units than needed to fully address the need for affordable units within the development.

[17] The historic yield of affordable units in density bonus projects is used here, because the state density bonus program allows a range of affordable units, starting at 5 percent. Thus, actual choices made and units produced, is the best indicator of expected future production of affordable housing using the bonus program.

These figures indicate that the City could provide market-rate housing fee waivers for multifamily rental, condominium, and single-family detached density bonus projects that provide a larger share of affordable units than the State Density Bonus Law addresses. This could incentivize the provision of a larger number of affordable units on site and provide flexibility for developers that may elect to provide additional affordable units in exchange for a fee waiver. For single-family attached developments, fee waivers could be provided for developments with slightly fewer affordable units than would be provided by meeting the minimum affordability requirement needed to achieve the maximum density bonus under the State Density Bonus Law.

TABLE 35: AFFORDABLE HOUSING YIELD FROM UNITS ON SITE

	Affordable Units				Market-Rate			Total
Very Low Income	**VLI**	**LI**	**Mod**	**Total**	**Base**	**Bonus**	**Total**	**Project**
Number of Units in Density Bonus Project (a)	11	0	0	11	89	35	124	135
Percent of Total in Density Bonus Project	8.1%	0.0%	0.0%	8.1%	65.9%	25.9%	91.9%	100.0%
Percent of Total to Address Need (b)	16.1%	0.0%	0.0%	16.1%	83.9%	0.0%	83.9%	100.0%
Low Income								
Number of Units in Density Bonus Project (a)	0	20	0	20	80	35	115	135
Percent of Total in Density Bonus Project	0.0%	14.8%	0.0%	14.8%	59.3%	25.9%	85.2%	100.0%
Percent of Total to Address Need (b)	0.0%	21.7%	0.0%	21.7%	78.3%	0.0%	78.3%	100.0%
Moderate Income								
Number of Units in Density Bonus Project (a)	0	0	40	40	60	35	95	135
Percent of Total in Density Bonus Project	0.0%	0.0%	29.6%	29.6%	44.4%	25.9%	70.4%	100.0%
Percent of Total to Address Need - Condo (b)	0.0%	0.0%	31.9%	31.9%	68.1%	0.0%	68.1%	100.0%
Percent of Total to Address Need - SFA (b)	0.0%	0.0%	24.7%	24.7%	75.3%	0.0%	75.3%	100.0%
Percent of Total to Address Need - SFD (b)	0.0%	0.0%	44.1%	44.1%	55.9%	0.0%	55.9%	100.0%

Notes:
(a) Assumes the minimum proportion of affordable units necessary to receive the maximum density bonus under State law.
(b) See previous table and accompanying text. Percentages for multifamily rental units used for projects with very low income or low income units. Percentages for for-sale unit types used for projects with moderate income units.
Source: BAE, 2016.

Appendix A: Commercial Fee Case Studies

The following profiles commercial linkage fee programs established in cities throughout California. First, larger cities' programs are summarized, including San Francisco, Sacramento, Oakland, and San Diego. Next, several smaller cities located near Los Angeles are profiled to provide context for more localized real estate economics and policy considerations.

It should be noted that these profiles are not exhaustive; numerous other smaller cities in California have adopted or are currently considering adopting commercial impact fees for affordable housing. However, given the large size of the City of Los Angeles, but with real estate markets specific to its economic base, this chapter seeks to profile both large city experiences along with smaller cities nearby facing similar affordable housing challenges.

It should also be noted that the names of some of the commercial fee programs can be confusing' some cities name these fee programs in terms of their objective (to create affordable housing), while others link program names to earlier nomenclature regarding jobs-housing balance goals, and still others carry names associated with their purpose (e.g., to mitigate commercial development impacts).

San Francisco Jobs-Housing Linkage Fee Program

Background

One of the earliest cities to adopt a commercial impact fee, San Francisco established a jobs-housing linkage fee program to support affordable housing production in 1981. Early versions of the policy focused specifically on office development, but the law was expanded in 1996 to encompass retail and hotel uses.[18]

In 2010, the Jobs-Housing Linkage Program (Program) was established in Section 413 of the San Francisco Municipal Code. The Program was founded on the acknowledgement that the supply of housing in the City had not kept pace with the demand created by workers employed in large-scale commercial developments, and that the lack of supply requires many employees to live elsewhere in the Bay Area, resulting in long commutes as well as negative impacts on quality of life, environmental resources, and social equity.

The Program applies to development projects of at least 25,000 gross square feet of entertainment, hotel, production/distribution/repair (PDR), office, research and development, retail, and/or small enterprise workspace. Exemptions include grocery and pharmacy spaces

[18] Keyser Marston Associates, Inc., "Residential Nexus Analysis – City and County of San Francisco." 2007. PDF. Accessed 6/23/16. http://sf-planning.org/sites/default/files/FileCenter/Documents/8380-FINAL%20Resid%20Nexus_04-4-07.pdf.

of a certain size, as well as other standard exemptions such as developments on property owned or leased by the federal government, State of California used exclusively for governmental or educational purposes, and developments on property owned by the San Francisco Redevelopment Agency or Port of San Francisco where application is prohibited by State or local law.[19] Major phases and development projects that are part of the Mission Bay North and Mission Bay South Redevelopment Plans and Interagency Cooperation Agreements are also exempt.

To fulfill the requirements of the Program, developers of commercial space have three options:

1. Payment of the impact fee, calculated based on use type and size.
2. Payment to a housing developer to construct a specified number of units based on use type (either monetary or by contributing land of equivalent value to the impact fee.)
3. A combination of the above options.

Payments are imposed as conditions of project approval. If the project sponsor elects to provide a payment to housing developers instead of paying the impact fee, they must obtain written approval from the Director of the Mayor's Office of Housing and Community Development (MOHCD).

Fee Structure

Fees are charged on a per gross square foot basis, excluding accessory parking, and vary by commercial use type. The current fee schedule is shown below.

SAN FRANCISCO FEES PER SQUARE FOOT OF COMMERCIAL DEVELOPMENT

Use	Fee per sq. ft.
Entertainment	$22.42
Hotel	$17.99
Integrated PDR	$18.89
Institutional	$0.00
Office	$24.03
PDR	$0.00
Research & Development	$16.01
Retail	$22.42
Small Enterprise Workspace	$18.89

Note:
(a) Fees reflect those effective January 1, 2015.

Sources: SF Planning Code, Sec. 413, 2016;
BAE, 2016.

[19] Free standing pharmacies not exceeding 50,000 square feet, general grocery retail not exceeding more than 75,000 square feet, and mixed-use space consisting of residential space and pharmacy retail space not exceeding 50,000 square feet, or general grocery retail space not exceeding 75,000 square feet are exempt from the requirements of the Jobs-Housing Linkage Program (Section 413.3(8)(A-C)).

Fees also apply to the replacement or change of use from PDR space occupied prior to April, 2010 to another commercial use; however, the fee is significantly lower than that imposed for new construction.[20]

In general, fees, payments, and/or transfer of land title(s) must be completed in full before issuance of the first construction document; however, the Board of Supervisors has adopted deferral mechanisms in the past. For example, during the Great Recession, development projects in the pipeline were permitted to defer payment of the jobs-housing linkage fee, in addition to all other impact fees, to the point in time just prior to issuance of the first certificate of occupancy. These deferrals were subject to a surcharge deposited into the Affordable Housing Fund. This option expired in July 2013, though the language still exists in the Planning Code, in the event that the Board of Supervisors decides to reactivate such provisions.

In the event that a project does not ever receive its first building permit, the fee may be refunded by contacting the Planning and Building Inspection Departments and submitting a request. If a building permit has been issued and a developer has authorization to build but chooses not to proceed, the fee is nonrefundable.

All monies generated by the impact fee and any lien proceedings are deposited into the Citywide Affordable Housing Fund, which is managed by the Mayor's Office of Housing and Community Development (MOHCD) and used exclusively to increase the supply of housing affordable to qualifying households. Unlike many other cities profiled in this report, funds may not be used for administrative or general overhead expenses.

The Jobs-Housing Linkage Fee is updated periodically according to the annual percent change in the Construction Cost Index (CCI) for San Francisco.

Payment to Housing Developer

Should a commercial developer elect to fulfill Program requirements through payment or contribution of land to one or more housing developer(s), the housing developer(s) are required to construct a minimum of the number of housing units determined by the formula in the table below. All housing units constructed pursuant to this option must be affordable to qualifying households continuously for 50 years.[21] Similar to the fee, the magnitude of the payment to the housing developer depends on the use type. Regardless of use type, the payment or value of land contributed must be at least equivalent to the amount of the impact fee. Staff noted that this option is seldom, if ever, pursued.

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[20] To derive the fee for replacement or change of use from PDR occupied prior to April 2010 to another commercial use, $14.09 is subtracted from the applicable fee listed in Table 1 (depending on the new use). See Table 413.6B of Section 413.6 of the Municipal Code.

[21] San Francisco Municipal Code, Section 413.5 (Compliance by Payment to Housing Developer.)

SAN FRANCISCO AFFORDABLE HOUSING REQUIREMENT, JOBS-HOUSING LINKAGE FEE

Use	Housing Unit Multiplier
Entertainment	Gross sq. ft. x 0.00014
Hotel	Gross sq. ft. x 0.00011
Office	Gross sq. ft. x 0.00027
R&D	Gross sq. ft. x 0.0002
Retail	Gross sq. ft. x 0.00014

Sources: SF Planning Code, Sec. 413, 2016; BAE, 2016.

Outcomes

A 2012 report published by the San Francisco Controller's Office notes, "Since fiscal year 1988-89, $56,791,248 in Jobs-Housing Linkage fees has been deposited into the Citywide Affordable Housing Fund, and $12,735,030 in interest has been earned on the Citywide Affordable Housing Fund, which also includes Inclusionary Housing Fees."[22] At the time of the report's publication, no commercial developers had opted to construct on- or off-site below market-rate units instead of paying the fee.

In fiscal year 2014-2015, the Jobs-Housing Linkage Program contributed over $27 million to the Affordable Housing Fund's ending balance of approximately $103 million as of June 30, 2015. In the same year, revenues in the Affordable Housing Fund assisted the development of 609 housing units for families, developmentally disabled persons, transition-age youth, low-income individuals, and seniors.[23]

Lessons Learned

Clearly defined use categories leads to easier administration. The specificity of San Francisco's commercial use categories and clarity of the definition of these uses in the City's land use classifications reduces the chance for misclassification of projects for which the jobs-housing linkage fee is assessed. City staff emphasized the importance of the clarity of these definitions in their ability to consistently and accurately apply the appropriate fee rate to new projects.

Consider impacts on essential neighborhood services. San Francisco's exemption of most pharmacies and grocery stores reduces the possible negative impact on the provision of essential goods and services.

[22] City and County of San Francisco Controllers Office, "FY 2011-12 Development Impact Fee Report." November 30, 2012. Accessed 7/19/16. http://sfcontroller.org/sites/default/files/FileCenter/Documents/3770-ImpactReport_2011-12.pdf.
[23] Mayor's Office of Housing and Community Development, "Annual Progress Report Fiscal Year 2014-2015." PDF. Accessed 7/15/16. http://sfmohcd.org/sites/default/files/Documents/MOHDC%20Annual%20Progress%20Report%20FY14-15.pdf.

Land contribution and/or direct payment to residential developer are rarely used. As is the case in Palo Alto, the option to provide a payment to a residential developer to construct affordable units rather than paying the fee is rarely, if ever, used.

It may be prudent to allow for a deferral mechanism in the future, even if not immediately effective. Deferral mechanisms were necessary and were well-utilized during the Great Recession when there was uncertainty about project completion. It is important, however, to include the provision of temporary policies carefully. San Francisco's description of a deferral mechanism in the Planning Code is somewhat misleading; the Planning Code references a section of the Building Code, which includes the expired sunset clause for this provision (planning staff noted that this is a constant source of confusion).

SACRAMENTO HOUSING TRUST FUND COMMERCIAL FEE

Background

The City of Sacramento enacted the Housing Trust Fund (HTF) Ordinance (Chapter 17.188 of the City of Sacramento Zoning Code) to fund construction of affordable housing near new employment centers. .[24] The original impetus seems to have been rapid development in North Natomas, where expected new commercial projects caused concern about creating an imbalance between new jobs and new housing.

The Citywide and North Natomas fees currently in effect are shown below. Land uses vary for North Natomas due to different land use designations for that area's Specific Plan.

SACRAMENTO CITYWIDE AND NORTH NATOMAS FEES, 2016

Citywide			N. Natomas		
Office	$	2.50	**Office/Business**	$	2.74
Hotel	$	2.38	**Community/Neighborhood Com**	$	2.06
Commercial	$	2.00	**Hwy Commercial**	$	2.74
R & D	$	2.12	**M-50**	$	1.74
Manufacturing	$	1.57	**M-20**	$	1.44
Warehouse/Office	$	0.91	**Light Industrial**	$	1.12
Warehouse	$	0.68			

Source: City of Sacramento; BAE, 2016.
Effective 7/1/2016

The City also enacted a separate series of commercial fees for projects where the developer elects to build affordable housing instead of pay the full fee (fees drop to 20 percent of above if specific amounts of housing are built). Also not shown above, are other specific land uses, including major medical facilities, which have a fee of $3.90 per square foot.

In the commercial fee program, the Planning Director determines the fee amount when the project does not fall in an existing category or when it is a use not shown here. Projects subject to this discretionary determination include sports complexes, marinas, golf courses, drive-in theaters, nonresidential care facilities, bus terminals, pest control companies, slaughter houses and flea markets. Other uses are exempt from the commercial fee, including properties owned by the state or US (as a state capital, Sacramento has substantial state-owned property), non-profit homeless facilities, low income services facilities, churches, child care facilities, utilities, and a number of other special purpose structures.

[24] City of Sacramento, https://www.cityofsacramento.org/Community-Development/Planning/Long-Range/Housing-Programs/Housing%20Trust%20Fund, last accessed May 30, 2016.

The Sacramento commercial fee at present, is increased each year by the San Francisco Construction Cost Index. In earlier years, fees were left the same for long periods, then increased, and when economic conditions warranted, rolled back.

Fees are collected prior to (and as condition for) the issuance of the building permit. No provisions exist for the deferral of fees or refunds. However, as long as the monies have not been transferred into the Housing Trust Fund itself, it is possible for a developer who decides not to build to negotiate a refund.

Fees flow to the Housing Trust Fund, created in 1989 specifically to administer monies collected under the commercial linkage fee program. The objective of the Fund is "*to increase and improve the supply of housing affordable to households of low income, with priority given to very low income households.*"[25] The Trust Fund does not finance housing for the homeless or low income senior housing.

Outcomes

Since inception in 1989 through 2013, approximately $25 million of commercial fees have been collected, an average of roughly $1 million per year. Staff estimates that these fees have been used to leverage gap financing to build 3,095 affordable housing units in 44 development projects. Projects receiving funds from the fees are tracked and identified on a map published by the Planning Division.

Lessons Learned

The staff interviewed for this report indicated that since the North Natomas area has now been largely built out, the separate fee structure may need to be collapsed into a single citywide schedule. Staff also mentioned complexities determining how to apply the fee to mixed-use projects (e.g., hotel with convention center and residential units) or or projects that start one way and end up another way (e.g., a warehouse to which office space is added over time).

[25] Sacramento City Code, section 17.708.020 Low income housing fund.

OAKLAND JOBS/HOUSING IMPACT FEE

Background

In 1999, the City of Oakland commissioned a Housing Development Task Force, which recommended in 2000 that the City conduct a Nexus Study for a Jobs/Housing Impact Fee. The City adopted the Jobs/Housing Impact fee in 2002 following completion of the Nexus Study in 2001. However, the City delayed implementation of the fee until 2005 in an effort to clear the development pipeline of projects that had been proposed before the fee was adopted.

Fee Structure

The City of Oakland adopted the jobs/housing impact fee to apply only to office and warehouse/distribution uses, despite that nexus study analyzed office, warehouse/distribution, hotel, and retail uses. The City's ordinance applies citywide but exempts the first 25,000 square feet of all projects and all space devoted to parking. In addition to new construction, the fee applies to substantial rehabilitation projects, defined as projects in which the cost of repairs or rehabilitation exceed 25 percent of the value of the building after the rehabilitation or repair.

The fee is updated on an annual basis based on the Marshall & Swift building cost index. As of 2016, the fee rate was $5.44 per square foot (up from $4 per square foot in 2005) of gross floor area in excess of 25,000 square feet.

Oakland assesses the fee rate at building permit issuance, but the fee is paid in three installments. The first 25 percent of the fee is paid prior to issuance of a building permit for all or any portion of the project. Developers are required to pay another 50 percent prior to issuance of a temporary certificate of occupancy for all or any portion of the project. The final 25 percent is due 18 months after the date of issuance of a temporary certificate of occupancy for all or a portion of the project. If necessary, the City may enforce payment by recording a lien against the property, revoking or suspending the certificate of occupancy, or other action.

Project applicants can request a fee exemption from the City Manager only under special circumstances. In addition, applicants can elect to provide affordable units on site at a rate of 0.00004 units per square foot of office or warehouse/distribution uses (with the first 25,000 square feet of commercial uses exempted). However, applicants for eligible projects are generally expected to pay the fee rather than seek exemptions.

The Jobs/Housing Linkage fee revenue accrues to the City's Housing Trust Fund, which is used to increase, improve, and preserve the supply of affordable housing in the City, with priority given to housing for very low income households. Eligible uses include, but are not limited to, assistance with staff costs or other administrative costs attributable to a specific affordable

housing project, equity participation in affordable housing projects, loans and grants to affordable housing projects, or other public/private partnership arrangements. Monies from the Affordable Housing Trust Fund may be extended for the benefit of rental housing, owner occupied housing, limited equity cooperatives, mutual housing developments, or other types of affordable housing projects.

Outcomes

As of April 2016, the City of Oakland had collected approximately $1,878,000 from the jobs/housing impact fee, with $2,483,000 expected from planned projects by the end of 2017. The City estimates that the fee revenue collected to date has supported the construction or substantial rehabilitation of 15 to 19 units, with a typical City contribution of approximately $100,000 to $125,000 per unit.

Lessons Learned

Adaptive reuse projects can generate commercial linkage fee revenue. The City of Oakland assesses its jobs/housing impact fee on substantial rehabilitation projects resulting in office or warehouse/distribution uses, provided that the project site has been vacant. A planned conversion of a former Sears building in the City to offices for Uber Technologies Inc. is expected to generate approximately $1 million in jobs/housing impact fees to the City, more than half of the total revenue that the fee has generated to date.

Commercial linkage fee revenue collection varies substantially over time due to real estate market cycles. Since implementation in 2005, Oakland's Jobs/Housing Impact Fee has generated a relatively modest amount of revenue, totaling just under $1.9 million, approximately $170,000 per year on average. The moderate pace of revenue collection is attributable in large part to the minimal amount of developer interest in office or warehouse/distribution projects in the City since 2005. However, due to strong regional job growth in key office-based industries, leading to strong office real estate markets in Oakland and other regional employment centers, the City now anticipates receipt of approximately $2.5 million in jobs/housing impact fee revenue over the next 12 to 18 months, exceeding the total revenue collected since the fee was implemented.

SAN DIEGO HOUSING IMPACT FEE

Background

In 1989, the San Diego Housing Commission created a task force to address the city's growing shortage of affordable housing, leading to adoption of the Housing Trust Fund Ordinance in April 1990, which established a Housing Impact Fee for commercial development.[26] Since 1990, the Ordnance has been revised many times, most recently in April, 2016. Fees were reduced by 50 percent in 1996, and only recently restored to their 1990 levels.

Fee Structure

Fees apply to the gross square feet of office, hotel, and retail projects, along with a discounted fee for R & D projects (to encourage economic development). Exempt uses include manufacturing and warehousing, as well as non-profit hospitals, SRO housing units, projects located on state or federally-owned lands, and general government buildings. The most recent Ordinance update also removed the prior requirement that staff recommend an annual fee increase to City Council.[27] Current fees per April 2016 are:

SAN DIEGO HOUSING IMPACT FEES

	Per Gross Building Sqare Foot	
	2016	2017 and After
Office	$ 1.76	$ 2.12
Hotel	$ 1.06	$ 1.28
Retail	$ 1.06	$ 1.28
R & D	$ 0.80	$ 0.80

Source: San Diego Municipal Code
Chapter 9: Building, Housing and Sign Regulations
Article 8: Housing, Division 6: Housing Impact Fees On Commercial Development

For rehab projects, the fee to be paid "shall be the fees for the new use, less any fees that either were paid or would have been paid based on the existing use of the building."[28] In lieu of fees, developers can donate land or air rights, provided the dedicated property is suitable for housing construction[29]. Developers may also ask for a fee variance prior to obtaining the building permit, for reasons such as financial hardship or if special circumstances apply. To date, 54 requests for fee variances have been submitted, mostly by religious and educational institutions, including 49 stating they would create few jobs, one for financial hardship, and four on both grounds. The five claims of financial hardship were denied, but many of the low job-creation reasons were approved. These variances have resulted in a mix of reduced and

[26] San Diego Municipal Code, Chapter 9: Building, Housing and Sign Regulations, Article 8: Housing, Division 6: Housing Impact Fees On Commercial Development, Section 98.0601: Purpose.
[27] Adapted, with modifications, from a person communication from staff, June 29, 2016.
[28] San Diego Municipal Code, Section 98.0610: Payment of Housing Impact Fee.
[29] This provision was granted once, in 2003, when the San Diego Revitalization Corporation had over $83,000 in impact fees waived because it included shared parking in a commercial project for use by people in an adjacent affordable housing project.

waived fees, reducing total collections for the 54 requests by over $600,000. The Mayor makes the ultimate determination of fee waiver amounts.[30]

As of May 2016, developers may ask for fee deferral for up to two years, but certificates of occupancy are not issued without payment. The deferral program is administered by the City of San Diego Facilities Financing Department and is run on a cost-recovery basis (an application for deferral costs $500). Since the program is new, no information is available about uptake.

Outcomes

San Diego's commercial fees are deposited in a Housing Impact Fee subaccount of the San Diego Housing Trust Fund. Recent data collected for the 2006 – 2014 period indicates that total revenues from the fee were approximately $14 million, averaging $1.55 million annually. No data is collected to track housing financed by the fee.

Lessons Learned

Staff indicated that the commercial fee, with just four categories, which may be too few for contemporary development product types. Also, each category is not clearly defined. The recent removal of an automatic indexed increase to the fee also is problematic, particularly because other local fees are indexed and this fee used to be indexed.

[30] San Diego Municipal Code, Section 98.0611: Determination of Fee.

West Hollywood Non-Residential Affordable Housing Fee

Background

West Hollywood's Non-Residential Affordable Housing Impact Fee was established in 1989. Since its inception, the fee has applied to developments of at least 10,000 net new square feet of commercial space. In 2014, the City increased the fee from $2.85 to $8.00 per square foot based on an updated nexus study. To minimize impacts of this increase, the City Council phased it in over two years; the fee rose to $4.00 per square foot in FY 15-16, and rose again to $8.00 per square foot in FY 16-17 [31] The flat fee is based on the average of the fees supported by various nonresidential uses per the most recent nexus study.[32]

Fee Structure

The City currently levies its commercial fee on office, retail, and hotel development. Fees must be paid prior to building permit issuance. If a project consists of multiple phases, fees for the whole project must be paid before building permit issuance. The Non-Residential Affordable Housing Impact Fee is annually adjusted based on the Building Cost Index (BCI).[33] Currently, fees cannot be deferred, and are generally nonrefundable; however, fee payments may be returned if the building permit expires and is not extended, or if the fees were collected illegally or erroneously. To request a refund, applicants must file a written request with the City no later than 90 days after the initial payment date to be considered.[34]

Outcomes

Commercial fees are deposited into the City's Affordable Housing Trust Fund (along with West Hollywood's residential fee). The Trust's funds subsidize housing projects with at least 20 percent of units affordable to very low income households, and at least 60 percent affordable to low- and moderate-income households. Non-profit housing developers in West Hollywood receive these funds for development costs including predevelopment, land acquisition, administration, and gap financing. From 2002 through 2013, the Trust Fund generated $2.57 million in revenue, and been used to subsidize 17 housing projects[35]. Future Trust Fund revenues are projected to grow rapidly due to the recent commercial fee increase [36]

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[31] http://www.weho.org/home/showdocument?id=26821.
[32] West Hollywood Department of Human Services and Rent Stabilization, "Non-Residential Jobs-Housing Nexus Study and Residential Nexus Study." December 15, 2014 City Council Agenda Report.
[33] Keyser Marston Associates, "Non-Residential Jobs-Housing Nexus Study." August 2014.
[34] West Hollywood Municipal Code, Chapter 19.64 (Development Fees).
[35] Keyser Marston Associates, "Non-Residential Jobs-Housing Nexus Study." August 2014.
[36] IBID

PALO ALTO COMMERCIAL IMPACT FEE

Background

In 1977, three years after the City adopted its inclusionary housing policy, Palo Alto began requiring affordable housing mitigation fees for large commercial and industrial developments, using its environmental review authority provided by the California Environmental Quality Act (CEQA). Funds were deposited into what was then known as the Industrial-Commercial Account, which has since evolved into the current Commercial Housing Fund.[37,38]

Historically, the City has charged one impact fee per square foot for all commercial uses (most recently at $19.85). In 2014, the City completed commercial and residential nexus studies to update its commercial and market-rate residential affordable housing fees.

Fee Structure

Palo Alto's commercial fees are shown below. Effective August 15, 2016, the new fee structure varies by commercial use type. The fee applies to all gross building area, excluding parking.

PALO ALTO COMMERCIAL FEE

Use	Existing Fee	Adopted Fee (a)
Office/R&D	$19.85/sf	$35/sf
Hotel	$19.85/sf	$30/sf
Retail/Restaurant/Other	$19.85/sf	$19.85/sf

Note:
(a) Adopted fee schedule is effective August 15, 2016.

Sources: Palo Alto Planning and Community Environment Department, 2016; BAE, 2016.

Exemptions include on-site child care or recreational facilities, residential uses, churches, colleges and universities, commercial recreation, hospitals and convalescent facilities, private clubs, private educational facilities, public facilities, and small retail/restaurant/auto spaces of 1,500 square feet or less.[39]

[37] City of Palo Alto Finance Committee, "Residential/Commercial Impact Fee Studies Staff Report." February 16, 2016. Accessed 7/19/16. http://www.cityofpaloalto.org/civicax/filebank/documents/50935.
[38] City of Palo Alto, "Affordable Housing Fund Guidelines." August 17, 2015. PDF. Accessed 7/21/16. http://www.cityofpaloalto.org/civicax/filebank/documents/53195.
[39] See Palo Alto Municipal Code, Chapter 16.47.030.

While determined to be reasonable by the 2014 Residential Nexus Study, Palo Alto's recently adopted fees are among the highest in the Bay Area due to the City's strong housing market conditions, making housing in Palo Alto unaffordable for many new workers. [40]

The commercial fee must be paid before issuance of the first grading or building permit. If a project consists of multiple phases, payments may be submitted proportional to each phase prior to issuance of the grading and building permits for that phase. Fees are adjusted annually based on in the Consumer Price Index (all urban consumers) for the San Francisco-Oakland area.

Revenues generated by the affordable housing impact fee are collected in the Commercial Housing Fund, a "sub-fund" of the City's Affordable Housing Fund, a trust fund to preserve and expand affordable housing for very low-, low-, and moderate-income households. Other "sub-funds" of the Affordable Housing Fund include the Residential In-Lieu Fund, Home Investment Partnership Fund, Community Development Block Grant (CDBG), and Below Market Rate Emergency Fund.

Detailed guidelines for use of Affordable Housing Fund are posted on the City's website. According to these guidelines, specific restrictions apply to the use of funds in each sub-category. Fees generated by the Commercial Housing Fund may be used for the following:

- Construction of new housing units;
- Addition of new units to existing buildings;
- Conversion of non-residential space to housing units;
- Acquisition, rehabilitation, and preservation of existing affordable housing, where rents are controlled by deed restriction or another similar mechanism;
- Administrative costs for the collection of fees and administration of the fund;
- The cost of consultant studies required to update the fees;
- Direct costs for the City to implement an affordable housing construction program.[41]

Alternatives to Fee Payment

As is the case in San Francisco, Palo Alto's commercial affordable housing fee program also permits developers to construct affordable units rather than paying the fee. City staff remarked that while this alternative is available, it is rarely, if ever, pursued by commercial developers in Palo Alto. The formula used to determine the required number of below market-rate units is as follows:

Gross square feet/350 x 0.017 = Number of units required

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[40] City of Palo Alto Finance Committee, "Staff Report Attachment A: Draft Commercial Linkage Fee Nexus Study." November 2015. Accessed 7/19/16. http://www.cityofpaloalto.org/civicax/filebank/documents/50935.

[41] City of Palo Alto, "Affordable Housing Fund Guidelines." August 17, 2015. PDF. Accessed 7/21/16. http://www.cityofpaloalto.org/civicax/filebank/documents/53195.

Put simply, under this alternative, developers are required to construct 1.7 percent of the gross square feet of the nonresidential development divided by 350. If the calculation results in a fraction of a unit, the developer must either provide a whole unit or pay an in-lieu fee based on the square footage of the applicable project.

Outcomes

In fiscal year 2014-15, revenues generated by the commercial affordable housing impact fee contributed approximately $2.3 million to the Commercial Housing In-Lieu Fund, independent of interest earnings. As of June 30, 2015, the Fund contained approximately $14.6 million.[42]

[42] City of Palo Alto, "Annual Status Report Development Impact Fees FY15." January 25, 2016. PDF. Accessed 7/19/16. http://www.cityofpaloalto.org/civicax/filebank/documents/50632.

BOSTON COMMERCIAL IMPACT FEE

Background

In 1983, a non-binding ballot measure to promote development in the neighborhoods (vs. downtown) and institute a commercial linkage fee received strong voter approval. Council then adopted the fee, set at $5.00 per square foot payable in 12 years, on new commercial projects that had over 100.000 square feet. of floor area and received a zoning change. After a change in administration, Boston created the Neighborhood Housing Trust to manage and allocate the fees. Council added a $1.00 square foot fee for job training and shortened the payment period from 12 to 7 years for downtown projects. A Neighborhood Jobs Trust was set up for the new job-training fees in 1987.

Fee Structure

Contrary to most other cities, there is a flat fee for all projects, irrespective of kind or location. It is currently set at $8.34 per square foot. Instead of paying the fee, developers may also build or help build housing that is affordable to low- and moderate-income residents (with an investment at least equal to the amount that would have been paid in fees) or do a combination of fee payment and housing development. The development project in which the developer invests must be approved by the Boston Redevelopment Authority. This provision is the mirror image, so to speak, of the City's Inclusionary Development Policy, under which a developer may pay cash in lieu of building affordable units.

The fee is imposed on "all new large-scale commercial real estate developments exceeding 100,000 square feet and requiring zoning relief, including expansion and rehabilitation projects."[43] The fee applies only to the floor area in excess of 100,000 square feet. This provision applies to phased development and to the Master Plans that health and educational institutions and the City of Boston adopt together to regulate the institution's growth: one cannot development in a number of small phases (< 100,000 square feet) in order to avoid fee payments.

The initial fee of $5.00 per square foot was raised to $7.18 per square foot in 2001. At the same time, the payment period was set at 7 years for both downtown and neighborhood development. In 2006, the fee was raised to $7.87 per square foot was raised again in 2013, to $8.34 per square foot.

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43 City of Boston, Neighborhood Housing Trust Annual Report 2014, n. p.; available at http://dnd.cityofboston.gov/portal/v1/contentRepository/Public/dnd%20pdfs/HousingDevelopment/NHT_Report_2014_150406_1230.pdf (last consulted on May 31, 2016).

The timing of fee payments can be spread over seven years, or paid up front (present value). For neighborhood projects, the fee must be paid either at issuance of certificate of occupancy or 24 months after issuance of building permit, whichever is sooner. Downtown projects, in contrast, must pay at building permit issuance.

Fees go to the Neighborhood Housing Trust, which then allocates funds raised from fees to affordable housing projects based on criteria including meeting a "but for" test (fee is needed), serving households at 80 percent or below, and with affordability set for 50 years for for-sale units, and in perpetuity for rental units. [44]

Outcomes

Between 1986 and 2012, commercial fees generated over $133.,8 million.[45] In the same time period (1986 – 2012), fees contributed to the development or preservation of 10,176 units in 193 projects.[46]

Lessons Learned

Boston's regulations are fairly simple compared to those of other cities (e.g., flat fee for all kinds of projects, everywhere in the city). This has limited political debates and the creation of favorable rates for some rather than others. At the same time, flexibility is important, too. For example, Boston allows developers of commercial projects to partner with a community group to build affordable units rather than pay fees, creating partnerships best-equipped to address the underlying goal of affordable housing unit production.

Staff interviews indicated that Boston's lack of a built-in annual fee increase is being reconsidered at present (rather than have to rely on Council to raise fees periodically). Another possible change under consideration is whether the size threshold of 100,000 square feet should be reduced to 50,000 square feet, to provide a more targeted incentive to non-fee paying small projects.

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44 *Ibid*.
45 *Ibid*.
46 *Ibid*.

SEATTLE AFFORDABLE HOUSING IMPACT MITIGATION PROGRAM FOR COMMERCIAL DEVELOPMENT

Background

Seattle has had an incentive zoning program for downtown commercial development since 2001, and for residential development since 2006.

In 2013, during the rezoning of the South Lake Union area near downtown, it became clear that these programs were insufficient to meet the need for affordable housing created by new market-rate commercial and residential development. It should also be noted that general interpretations of Washington State laws have meant that fees or inclusionary zoning is considered not possible unless these are paired with upzoning regulations given at the same time.

The initiative to update the city's affordable housing programs started in May 2013. It included best practices studies, the creation of the Housing Affordability and Livability Agenda (HALA), and the institution of the HALA Advisory Committee. This committee submitted its report in July 2015. Its main recommendation was "that the City boost market capacity by extensive citywide upzoning of residential and commercial zones and, in connection with such upzones, implement a mandatory inclusionary housing program for new construction residential development and a commercial linkage fee program for new construction commercial development."[47]

The policy goal is to help produce 6,000 housing units that are affordable to households with incomes below 60 percent of median income over ten years. A nexus study set possible fee levels; the City chose to stay well below those levels in its July 2015 Statement of Intent for Basic Framework for Mandatory Inclusionary Housing and Commercial Linkage Fee, and to monitor their effects. Council passed an ordinance in November 2015 to establish the framework for an Affordable Housing Impact Mitigation Program for commercial development."[48] Upzoning in commercial, industrial and mixed-use districts should take place in 2016 – 2017.

Seattle has had strong grassroots activists and political leaders over the years who have pushed the affordable-housing agenda forward. There is a community of sophisticated affordable-housing developers and experienced city staff in incentive zoning and such measures. Debates between the City and the development community were intense, with

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[47] City of Seattle, Ordinance 124895, p. 2.

48 City of Seattle, Ordinance 124895, "An ordinance relating to land use and zoning; adding a new Chapter 23.58B of the Seattle Municipal Code (SMC) to establish the framework for an Affordable Housing Impact Mitigation Program for commercial development; and amending subsection 23.40.020.A, subsection 23.76.006.B, subsection 23.76.006.C, and subsection 25.05.675.I of the SMC," available at https://seattle.legistar.com/LegislationDetail.aspx?ID=2451973&GUID= 5A771786-2728-4862-AF11-C20A4919A85B&Options=&Search=, last accessed on June 6, 2016.

consulting reports produced on both sides. In the end, the parties struck a "Grand Bargain" in which increased burdens on development to contribute to affordable housing were exchanged for increased development densities. The link between upzoning and the imposition of a commercial linkage fee also serves a legal function: because such a fee was still untested in Washington State, providing extra development density as compensation would make the policy less likely to be challenged in court.

Fee Structure

In all cases, developers may choose to meet the requirements of the ordinance by means of "payment" (fees) or by means of "performance," i.e., in the provision of affordable rental units, on-site or off. Fees are differentiated by location in the city, i.e., inside or outside Downtown and South Lake Union Urban Centers and then by location within these general areas.

Inside Downtown and South Lake Union Urban Centers, the fees are differentiated by land-use zone, and outside these two areas, they are differentiated by land-use zone and by intensity. Given the number of land-use zones in the downtown area and Urban Centers, this approach results in a lengthy fee schedule, but there is simplicity in the fact that there is not differentiation according to the type of development. Among the 43 land-use zones that are listed in the table of fees for Downtown and South Lake Union Urban Centers, four have no impact fee requirement; among the other 39 zones, cash requirements vary from $8.00 per square foot to $17.50 per square foot.

Exemptions are meant to avoid impacting desirable mixed-use development:

- In building in which at least 50 percent of above-ground floor area is devoted to housing, up to 4,000 square feet of street-level floor area used for arts facilities, cafés and restaurants, entertainment venues (except for adult entertainment) and general sales and services
- Along designated "pedestrian streets," all street-level floor area that is necessary to meet standards set by the City for such streets
- Commercial floor area in buildings containing affordable units (with at least 75 percent of units affordable to households with less than 60 percent of median income) and in buildings with rent-controlled or income-controlled units[49]

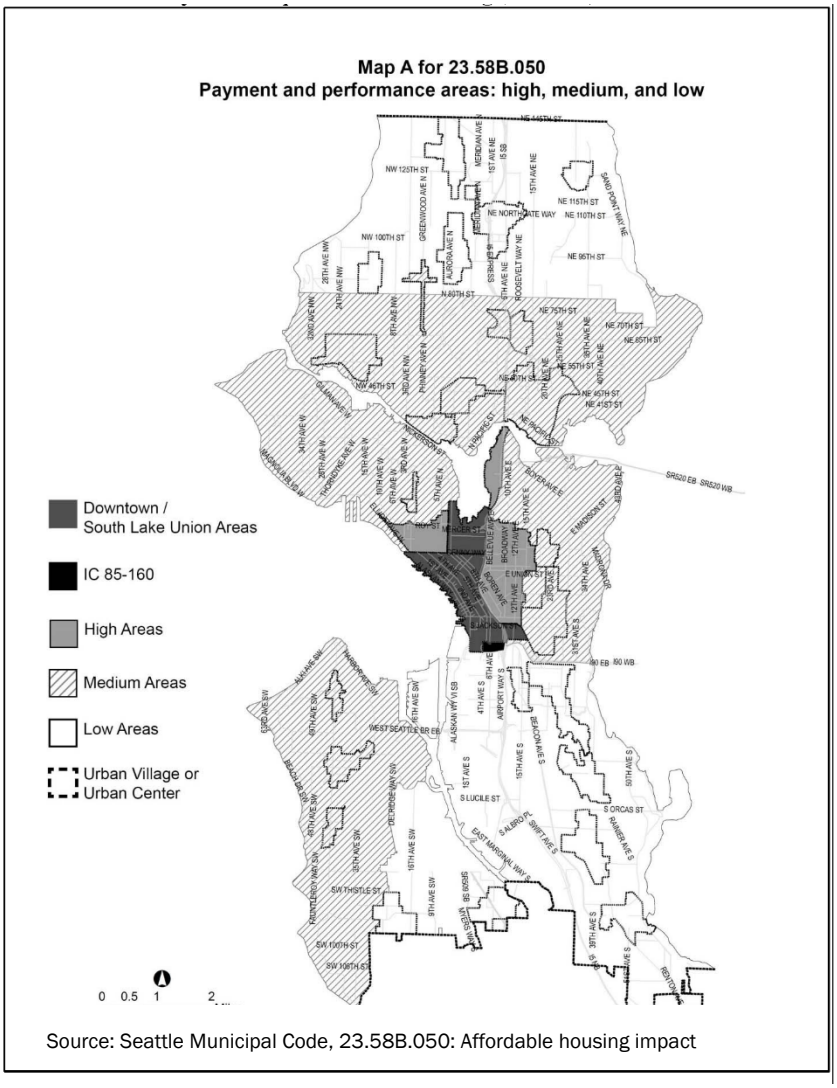
[49] Seattle Municipal Code, Section 23.58B.020: Voluntary agreements for affordable housing, Subsection C: Exemptions.

The Director of Construction and Inspections may, in consultation with the Director of Housing, modify the impact fee in cases where the developer can demonstrate that the housing impact of the project does not warrant the regular fee, or when the project is in a zone with building heights over 85 feet and development standards make it impossible for the project to exceed that height, or when the requirements would cause financial hardship that outweighs the affordable housing impacts"[50][51]

As mentioned above, the ordinance calls for possible fee adjustments during the implementation phase, and every five years thereafter. In addition, there is an automatic adjustment every year, starting March 1, 2016, according to the change in the Consumer Price Index for the preceding calendar year.

Fees must be paid before a construction permit is issued. However, "construction permit" does not include "a demolition, excavation, or shoring permit." If a phased permit application is being used, the fees must be paid "prior to issuance of the portion of the building permit that includes the structural frame for the entire building."[52]

SEATTLE ZONE MAP FOR COMMERCIAL FEES



Source: Seattle Municipal Code, 23.58B.050: Affordable housing impact

[50] Seattle Municipal Code, Section 23.58B.030: Modification of amount of payment or performance, Subsection D. Financial hardship.
51 Although the is given in the section pertaining to the "performance" option, it also applies to the payment option, i.e., to the fees to be paid.
52 Seattle Municipal Code, Section 23.58B.035: Documentation and timing.

All fees will go into a dedicated fund to subsidize affordable projects which preserve or produce rental units affordable to households with incomes up to 60 percent of Area Median Income, and to owner households with incomes up to 80 percent.[53] Allocation of these funds are guided by factors including contribution to fair housing choice, location in an urban center or in an urban village (place types which guide planning in Seattle), proximity to transit service, or contribution to furthering economic opportunity. t[54]

Lessons Learned

The "Grand Bargain" struck by all stakeholders enabled the City to adopt new programs to produce affordable housing and/or generate funding for it. Parties made compromises, resulting in a complex system which links upzoining with fee payments and/or affordable housing unit production.

The ordinance contains strong provisions for monitoring and possible adjustments, including planned upzonings, modifications to development standards, and starting in 2018, and every two years thereafter, staff analysis of the effectiveness of the policies and a report on unit production. The program's rules also required it to be reviewed and possibly amended within five years of its adoption if outcomes are below expectations or if significant changes occur in real-estate markets; otherwise, it has to be reviewed within ten years. To perform a review, the Mayor and Council will appoint and Technical Review Committee with proper representation of all public, private and community stakeholders.

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[53] Seattle Municipal Code, Section 23.58B.040: Affordable housing impact mitigation - payment option, Subsection B: Deposit and use of cash contributions.
[54] *Ibid*.

Appendix B: Commercial Building Permit Analysis

APPENDIX B-1: SUMMARY OF COMMERCIAL PERMITS, CITY OF LOS ANGELES, 2011-2015

Permitted Commercial Space by Use Allocation Code						
Building Type (a)	**Total Permitted (sf)**	**% of Total**	**# of Projects**	**Median Size (sf)**	**Minimum Size (sf)**	**Maximum Size (sf)**
Private Garage	9,976,975	34.7%	82	64,855	5,098	677,569
Public Garage	4,417,752	15.4%	24	122,605	5,180	1,374,661
Commercial Office	4,382,264	15.3%	98	19,145	5,031	439,380
Retail Store	1,988,039	6.9%	94	12,004	5,010	152,865
Hotel/Motel	1,740,870	6.1%	9	80,797	8,915	881,148
Warehouse	1,601,643	5.6%	31	16,212	5,010	271,130
School	1,379,845	4.8%	38	26,760	5,054	172,443
Airport Building	538,633	1.9%	16	17,003	5,000	128,367
Miscellaneous Structure	403,697	1.4%	9	11,085	6,165	284,548
Amusement Building	395,643	1.4%	20	25,510	5,669	112,269
Restaurant	387,297	1.3%	26	10,330	5,072	45,954
School Dormitory	285,050	1.0%	3	85,192	62,025	137,833
Hospital	279,659	1.0%	1	279,659	N/A	N/A
Medical/Dental Clinic	212,566	0.7%	7	16,408	6,135	73,320
Church	175,289	0.6%	5	29,541	6,725	71,817
Manufacturing	174,799	0.6%	10	11,673	5,558	46,398
Service Station/Repair	144,613	0.5%	6	7,045	5,220	110,777
Public Administration Building	103,078	0.4%	5	15,986	7,358	51,856
Cinema/Live Theater	60,590	0.2%	2	30,295	24,782	35,808
Senior Independent Housing (ground floor retail)	23,409	0.1%	1	23,409	N/A	N/A
Consumer Services	14,190	0.0%	1	14,190	N/A	N/A
Public Utility Facility	12,636	0.0%	2	6,318	5,425	7,211
Single - room Occupancy (ground floor retail)	12,506	0.0%	2	6,253	5,511	6,995
Artist-in-Residence/Loft (ground floor retail)	5,370	0.0%	1	5,370	N/A	N/A
Total	**28,716,413**	**100.0%**	**493**			

Notes:
(a) Includes permits for "New" buildings > 5,000 sf issued by City of LA from 1-1-2011 thru 12-31-15.
(b) Land use categories adapted from categories utilized in 2013 Santa Monica Commercial Nexus Study and Linkage Fee Analysis.
Sources: Los Angeles Department of Buildings; BAE, 2016.

APPENDIX B-2: BUILDING PERMIT DATA RE-CATEGORIZED BY PROPOSED COMMERCIAL FEE LAND USES

Permitted Commercial by Proposed Fee Category Fee Category (a)(b)	5-Year Total	% of	# of	Median	Minimum	Maximum Size	Annual Avg.
1. Office							
Commercial Office	4,382,264	15.3%	98	19,145	5,031	439,380	876,453
Subtotal	***4,382,264***	***15.3%***	***98***				**876,453**
2. Retail							
Retail Store	1,988,039	6.9%	94	12,004	5,010	152,865	397,608
Amusement Building	395,643	1.4%	20	25,510	5,669	112,269	79,129
Restaurant	387,297	1.3%	26	10,330	5,072	45,954	77,459
Service Station/Repair	144,613	0.5%	6	7,045	5,220	110,777	28,923
Cinema/Live Theater	60,590	0.2%	2	30,295	24,782	35,808	12,118
Senior Independent Housing (ground floor retail)	23,409	0.1%	1	23,409	N/A	N/A	4,682
Consumer Services	14,190	0.0%	1	14,190	N/A	N/A	2,838
Single - room Occupancy (ground floor retail)	12,506	0.0%	2	6,253	5,511	6,995	2,501
Artist-in-Residence/Loft (ground floor retail)	5,370	0.0%	1	5,370	N/A	N/A	1,074
Subtotal	***3,031,657***	***10.6%***	***153***				**606,331**
3. Industrial							
Manufacturing	174,799	0.6%	10	11,673	5,558	46,398	34,960
Subtotal	**174,799**	***0.6%***	***10***				**34,960**
4. Hotel							
Hotel/Motel	1,740,870	6.1%	9	80,797	8,915	881,148	348,174
Subtotal	***1,740,870***	***6.1%***	***9***				**348,174**
5. Institutional							
School	1,379,845	4.8%	38	26,760	5,054	172,443	275,969
School Dormitory	285,050	1.0%	3	85,192	62,025	137,833	57,010
Church	175,289	0.6%	5	29,541	6,725	71,817	35,058
Subtotal	***1,840,184***	***6.4%***	***46***				**368,037**
6. Medical & Social Services							
Medical/Dental Clinic	212,566	0.7%	7	16,408	6,135	73,320	42,513
Hospital	279,659	1.0%	1	279,659	N/A	N/A	55,932
Public Administration Building	103,078	0.4%	5	15,986	7,358	51,856	20,616
Subtotal	***595,303***	***2.1%***	***13***				**119,061**
7. Warehouse/Utility/Light Industrial							
Warehouse	1,601,643	5.6%	31	16,212	5,010	271,130	320,329
Public Utility Facility	12,636	0.0%	2	6,318	5,425	7,211	2,527
Airport Building	538,633	1.9%	16	17,003	5,000	128,367	107,727
Subtotal	***2,152,912***	***7.5%***	***49***				**430,582**
SUBTOTAL EMPLOYMENT-GENERATING USES	**13,917,989**	**48.5%**	**378**				**2,783,598**
Not Classifed for Fee Purposes							
Private Garage	9,976,975	34.7%	82	64,855	5,098	677,569	883,550
Public Garage	4,417,752	15.4%	24	122,605	5,180	1,374,661	883,550
Miscellaneous Structure	403,697	1.4%	9	11,085	6,165	284,548	57,010
Subtotal	***14,798,424***	***51.5%***	***115***				**2,959,685**
TOTAL ALL PERMITS	**28,716,413**	**100.0%**	**493**				**5,743,283**

Notes:
(a) Includes permits for "New" buildings > 5,000 sf issued by City of LA from 1-1-2011 thru 12-31-15.
(b) Fee categories adapted from 2013 Santa Monica Commercial Nexus Study and Linkage Fee Analysis.
(c) Includes Commercial Office square footage specifically noted as creative or production-oriented in LADBS database.
Sources: Los Angeles Department of Building and Safety; BAE, 2016.

APPENDIX B-3: DISTRIBUTION OF OFFICE AND RETAIL PROJECTS BY SIZE (SQ.FT.)

	Office		Retail	
By Square Feet	**Sq. Ft.**	**% of Total**	**Sq. Ft.**	**% of Total**
<10K Sq. Ft.	194,293	4.5%	449,170	13.6%
>10K Sq. Ft. and <20K Sq. Ft.	334,789	7.8%	530,094	16.1%
>20K Sq. Ft.	3,766,529	87.7%	2,314,717	70.3%
	4,295,611	**100.0%**	**3,293,981**	**100.0%**
By Number of Projects	**Projects**	**% of Total**	**Projects**	**% of Total**
<10K Sq. Ft.	27	28.4%	66	43.1%
>10K Sq. Ft. and <20K Sq. Ft.	22	23.2%	37	24.2%
>20K Sq. Ft.	46	48.4%	50	32.7%
	95	**100.0%**	**153**	**100.0%**

Note:
Data are for permits for "New" buildings > 5,000 sq. ft. issued by City of LA from 1-1-2011 thru 12-31-15.
Sources: Los Angeles Department of Building and Safety; BAE, 2016.

Appendix C: Pro Forma Analysis for Commercial Land Uses

APPENDIX C-1: RETAIL PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market - Baseline	Low Market with Linkage Fee	Moderate Market-Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Gross Building Area (sf)		14,000	14,000	14,000	14,000	14,000	14,000
Efficiency Ratio		95%	95%	95%	95%	95%	95%
Net Leaseable Area		13,300	13,300	13,300	13,300	13,300	13,300
Parking Ratio (spaces per square foot)		1 per 250	1 per 250	1 per 250	1 per 250	1 per 250	1 per 250
Number of Parking Spaces		56	56	56	56	56	56
Total Surface Spaces		56	56	56	56	56	56
Total Structured Parking Spaces		-	-	-	-	-	-
Total Underground Spaces		-	-	-	-	-	-
Total Parking Area (sf)	350	19,600	19,600	19,600	19,600	19,600	19,600
Total Number of Stories		1	1	1	1	1	1
Total Number of Stories (Parking)		1	1	1	1	1	1
Built FAR (ratio to 1.0)		0.42	0.42	0.42	0.42	0.42	0.42
Site Size (sf)		33,600	33,600	33,600	33,600	33,600	33,600
Site Size (acres)		0.77	0.77	0.77	0.77	0.77	0.77
Rents			0		0		0
Rent/SF/Year (a)		$ 25.00	$ 25.00	$ 35.00	$ 35.00	$ 50.00	$ 50.00
Development Costs			-		-		-
Site Work		$ 5	$ 5	$ 5	$ 5	$ 5	$ 5
Hard Costs (b)		$ 120	$ 120	$ 120	$ 120	$ 120	$ 120
Tenant Improvements (c)		$ 50	$ 50	$ 50	$ 50	$ 50	$ 50
Parking Costs (per space surface)		$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Parking Costs (per space structured)		$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Parking Costs (per space underground)		$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Soft Costs exc Fees (as % of hard)		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees			0		0		0
School Fee per sq. ft. (d)		$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
Commercial Linkage Fee		$ -	$ -	$ -	$ 7.00		$ 28.00
Financing Costs			-		-		23
Loan to Cost Ratio		80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		18	18	18	18	18	18
Average Outstanding Balance		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Operations			-		-		-
Vacancy		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Op Ex (% of Gross Rent) (a)		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cap Rate (e)		7.0%	7.0%	6.0%	6.0%	5.5%	5.5%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market - Baseline	Low Market with Linkage Fee	Moderate Market-Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Land	$ 1,948,800	$ 1,948,800	$ 2,016,000	$ 2,016,000	$ 4,032,000	$ 4,032,000
Land per Site sf	$ 58.00	$ 58.00	$ 60.00	$ 60.00	$ 120.00	$ 120.00
Construction Costs						
Site Work	$ 168,000	$ 168,000	$ 168,000	$ 168,000	$ 168,000	$ 168,000
Hard Costs	$ 1,680,000	$ 1,680,000	$ 1,680,000	$ 1,680,000	$ 1,680,000	$ 1,680,000
Hard Costs - Parking	$ 336,000	$ 336,000	$ 336,000	$ 336,000	$ 336,000	$ 336,000
Tenant Improvements	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000
Soft Costs	$ 576,800	$ 576,800	$ 576,800	$ 576,800	$ 576,800	$ 576,800
School Fee	$ 7,560	$ 7,560	$ 7,560	$ 7,560	$ 7,560	$ 7,560
Commercial Linkage Fee	$ -	$ -	$ -	$ 98,000	$ -	$ 392,000
Subtotal Costs Before Financing	$ 3,468,360	$ 3,468,360	$ 3,468,360	$ 3,566,360	$ 3,468,360	$ 3,860,360
Financing Costs						
Points	$ 41,620	$ 41,620	$ 41,620	$ 42,796	$ 41,620	$ 46,324
Construction Period Interest	$ 390,036	$ 390,036	$ 394,874	$ 401,930	$ 540,026	$ 568,250
Subtotal Financing Costs	$ 431,656	$ 431,656	$ 436,494	$ 444,726	$ 581,646	$ 614,574
Total Development Costs	**$ 5,848,816**	**$ 5,848,816**	**$ 5,920,854**	**$ 6,027,086**	**$ 8,082,006**	**$ 8,506,934**
Total Development Cost per SF	*$ 417.77*	*$ 417.77*	*$ 422.92*	*$ 430.51*	*$ 577.29*	*$ 607.64*
Commerical Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*1.6%*	*0.0%*	*4.6%*
Total Impact Fees as % of TDC	*0.1%*	*0.1%*	*0.1%*	*1.8%*	*0.1%*	*4.7%*
Valuation						
Operations						
Gross Income	$ 332,500	$ 332,500	$ 465,500	$ 465,500	$ 665,000	$ 665,000
Less: Vacancy	$ (16,625)	$ (16,625)	$ (23,275)	$ (23,275)	$ (33,250)	$ (33,250)
Less: Op Expenses	$ (16,625)	$ (16,625)	$ (23,275)	$ (23,275)	$ (33,250)	$ (33,250)
Net Operating Income (NOI)	$ 299,250	$ 299,250	$ 418,950	$ 418,950	$ 598,500	$ 598,500
Value at Stabilization	$ 4,275,000	$ 4,275,000	$ 6,982,500	$ 6,982,500	$ 10,881,818	$ 10,881,818
Yield on Cost						
Value at Stabilization	$ 4,275,000	$ 4,275,000	$ 6,982,500	$ 6,982,500	$ 10,881,818	$ 10,881,818
Less: Total Development Costs	$ 5,848,816	$ 5,848,816	$ 5,920,854	$ 6,027,086	$ 8,082,006	$ 8,506,934
Profit	$ (1,573,816)	$ (1,573,816)	$ 1,061,646	$ 955,414	$ 2,799,812	$ 2,374,884
Return on Cost	**-26.9%**	**-26.9%**	**17.9%**	**15.9%**	**34.6%**	**27.9%**
Yield on Cost (NOI/TDC)	**5.1%**	**5.1%**	**7.1%**	**7.0%**	**7.4%**	**7.0%**
Project Feasible? (f)	No	No	Yes	Yes	Yes	Yes

Notes:

a) Assumes triple net lease

b) Hard costs were based on data from RS Means with a location factor applied to reflect construction costs in Los Angeles.

c) Estimates for tenant improvements were provided by developers active in Los Angeles building this product type.

d) School Fees for Commercial

Current	$ 0.54	psf
Anticipated to Increase in Fall 2016	$ 0.57	psf

e) Cap rates were estimated based on investor reports, data provided by developers, and a review of Costar data for properties sold between August 2015 and July 2016.

f) Feasibility is based on a minimum Yield on C 7%
and a minimum Return on Cost of 15%
based on interviews with developers active in the Los Angeles.

Source: BAE, 2016.

APPENDIX C-2: OFFICE PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Gross Building Area (sf)		23,000	23,000	23,000	23,000	23,000	23,000
Efficiency Ratio		100%	100%	100%	100%	100%	100%
Net Leaseable Area		23,000	23,000	23,000	23,000	23,000	23,000
Parking Ratio (spaces per square foot)		1 per 500	1 per 500	1 per 500	1 per 500	1 per 500	1 per 500
Number of Parking Spaces		46	46	46	46	46	46
Total Surface Spaces		46	46	46	46	46	46
Total Structured Parking Spaces		-	-	-	-	-	-
Total Underground Spaces		-	-	-	-	-	-
Total Parking Area (sf)	350	16,100	16,100	16,100	16,100	16,100	16,100
Total Number of Stories (Bldg)		4	4	4	4	4	4
Total Number of Stories (Parking)		1	1	1	1	1	1
Built FAR (ratio to 1.0)		1.05	1.05	1.05	1.05	1.05	1.05
Site Size (sf)		21,850	21,850	21,850	21,850	21,850	21,850
Site Size (acres)		0.50	0.50	0.50	0.50	0.50	0.50
Rents							
Asking Rent/SF/Year (a)		$ 25.00	$ 25.00	$ 35.00	$ 35.00	$ 50.00	$ 50.00
Development Costs							
Site Work		$ 5	$ 5	$ 5	$ 5	$ 5	$ 5
Hard Costs (b)		$ 195	$ 195	$ 195	$ 195	$ 195	$ 195
Tenant Improvements (c)		$ 20	$ 20	$ 20	$ 20	$ 20	$ 20
Parking Costs (per space surface)		$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Parking Costs (per space structured)		$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Parking Costs (per space underground)		$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Soft Costs exc Fees (as % of hard)		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
School Fee per sq. ft. (d)		$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
Commercial Linkage Fee		$ -	$ -	$ -	$ 14.50	$ -	$ 33.00
Financing Costs							
Loan to Cost Ratio		80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		24	24	24	24	24	24
Average Outstanding Balance		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Operations							
Vacancy		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Op Ex (% of Gross Rent) (a)		25%	25%	25%	25%	25%	25%
Cap Rate (e)		6.5%	6.5%	5.5%	5.5%	5.5%	5.5%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market Baseline	Strong Market with Linkage Fee
Land	$ 983,250	$ 983,250	$ 1,311,000	$ 1,311,000	$ 4,370,000	$ 4,370,000
Land per Site sf	$ 45.00	$ 45.00	$ 60.00	$ 60.00	$ 200.00	$ 200.00
Construction Costs						
Site Work	$ 109,250	$ 109,250	$ 109,250	$ 109,250	$ 109,250	$ 109,250
Hard Costs	$ 4,485,000	$ 4,485,000	$ 4,485,000	$ 4,485,000	$ 4,485,000	$ 4,485,000
Hard Costs - Parking	$ 276,000	$ 276,000	$ 276,000	$ 276,000	$ 276,000	$ 276,000
Tenant Improvements	$ 460,000	$ 460,000	$ 460,000	$ 460,000	$ 460,000	$ 460,000
Soft Costs	$ 1,066,050	$ 1,066,050	$ 1,066,050	$ 1,066,050	$ 1,066,050	$ 1,066,050
School Fee	$ 12,420	$ 12,420	$ 12,420	$ 12,420	$ 12,420	$ 12,420
Commercial Linkage Fee	$ -	$ -	$ -	$ 333,500	$ -	$ 759,000
Subtotal Costs Before Financing	$ 6,408,720	$ 6,408,720	$ 6,408,720	$ 6,742,220	$ 6,408,720	$ 7,167,720
Financing Costs						
Points	$ 76,905	$ 76,905	$ 76,905	$ 80,907	$ 76,905	$ 86,013
Construction Period Interest	$ 709,629	$ 709,629	$ 741,093	$ 773,109	$ 1,034,757	$ 1,107,621
Subtotal Financing Costs	$ 786,534	$ 786,534	$ 817,998	$ 854,016	$ 1,111,662	$ 1,193,634
Total Development Costs	**$ 8,178,504**	**$ 8,178,504**	**$ 8,537,718**	**$ 8,907,236**	**$ 11,890,382**	**$ 12,731,354**
Total Development Costs/SF	*$ 355.59*	*$ 355.59*	*$ 371.21*	*$ 387.27*	*$ 516.97*	*$ 553.54*
Commerical Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*3.7%*	*0.0%*	*6.0%*
Total Impact Fees as % of TDC	*0.2%*	*0.2%*	*0.1%*	*3.9%*	*0.1%*	*6.1%*
Valuation						
Operations						
Gross Income	$ 575,000	$ 575,000	$ 805,000	$ 805,000	$ 1,150,000	$ 1,150,000
Less: Vacancy	$ (28,750)	$ (28,750)	$ (40,250)	$ (40,250)	$ (57,500)	$ (57,500)
Less: Op Expenses	$ (143,750)	$ (143,750)	$ (201,250)	$ (201,250)	$ (287,500)	$ (287,500)
Net Operating Income (NOI)	$ 402,500	$ 402,500	$ 563,500	$ 563,500	$ 805,000	$ 805,000
Value at Stabilization	$ 6,192,308	$ 6,192,308	$ 10,245,455	$ 10,245,455	$ 14,636,364	$ 14,636,364
Yield on Cost						
Value at Stabilization	$ 6,192,308	$ 6,192,308	$ 10,245,455	$ 10,245,455	$ 14,636,364	$ 14,636,364
Less: Total Development Costs	$ 8,178,504	$ 8,178,504	$ 8,537,718	$ 8,907,236	$ 11,890,382	$ 12,731,354
Profit	$ (1,986,196)	$ (1,986,196)	$ 1,707,737	$ 1,338,219	$ 2,745,982	$ 1,905,010
Return on Cost	**-24.3%**	**-24.3%**	**20.0%**	**15.0%**	**23.1%**	**15.0%**
Yield on Cost (NOI/TDC)	**4.9%**	**4.9%**	**6.6%**	**6.3%**	**6.8%**	**6.3%**
Project Feasible? (f)	No	No	Yes	Yes	Yes	Yes

Notes:

a) Assumes full-service lease

b) Hard costs were based on data from RS Means with a location factor applied to reflect construction costs in Los Angeles.

c) Estimates for tenant improvements were provided by developers active in Los Angeles building this product type.

d) School Fees for Commercial

Current	$ 0.54	psf
Anticipated to Increase in Fall 2016	$ 0.57	psf

e) Cap rates were estimated based on investor reports, data provided by developers, and a review of Costar data for properties sold between August 2015 and July 2016.

f) Feasibility is based on a minimum Yield on 6%
and a minimum Return on Cost of 15%
based on interviews with developers active in the Los Angeles.

Source: BAE, 2016.

APPENDIX C-4: HOTEL PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Gross Building Area (sf)		45,000	45,000	45,000	45,000	45,000	45,000
Number of Hotel Rooms	750	60	60	60	60	60	60
Parking Ratio (a)		See (a)	See (a)	See (a)	See (a)	See (a)	See (a)
Number of Parking Spaces		45	45	45	45	45	45
Total Surface Spaces		-	-	-	-	-	-
Total Structured Parking Spaces		-	-	-	-	-	-
Total Underground Spaces		45	45	45	45	45	45
Total Parking Area (sf)	350	15,750	15,750	15,750	15,750	15,750	15,750
Total Number of Stories (Bldg)		5	5	5	5	5	5
Total Number of Stories (Parking)		1	1	1	1	1	1
Built FAR (ratio to 1.0)		2.9	2.9	2.9	2.9	2.9	2.9
Site Size (sf)		15,750	15,750	15,750	15,750	15,750	15,750
Site Size (acres)		0.36	0.36	0.36	0.36	0.36	0.36
Rents							
Average Daily Rate (b)		$ 135	$ 135	$ 250	$ 250	$ 300	$ 300
Occupancy Rate		70%	70%	70%	70%	70%	70%
RevPAR		$ 95	$ 95	$ 175	$ 175	$ 210	$ 210
Other Revenue per Available Room Night		$ 15	$ 15	$ 30	$ 30	$ 30	$ 30
Development Costs							
Site Work		$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0	$ 5.0
Hard Costs (c)		$ 225	$ 225	$ 225	$ 225	$ 225	$ 225
Tenant Improvements/FFEs (per room) (d)		$ 20,000	$ 20,000	$ 25,000	$ 25,000	$ 40,000	$ 40,000
Parking Costs (per space) (surface)		$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Parking Costs (per space) (structured)		$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Parking Costs (per space) (underground)		$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000	$ 45,000
Soft Costs exc Fees (as % of hard)		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
School Fee per sq. ft. (e)		$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
Commercial Linkage Fee		$ -	$ -	$ -	$ 5.00	$ -	$ 25.00
Financing Costs							
Loan to Cost Ratio		85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		24	24	24	24	24	24
Avg. Outstanding Balance During Construction		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Operations							
Op Ex (% of revenue per available room)		60%	60%	60%	60%	60%	60%
Cap Rate (f)		7.0%	7.0%	6.0%	6.0%	6.0%	6.0%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Land	$ 787,500	$ 787,500	$ 1,102,500	$ 1,102,500	$ 2,047,500	$ 2,047,500
Land per Site sf	$ 50.00	$ 50.00	$ 70.00	$ 70.00	$ 130.00	$ 130.00
Construction Costs						
Site Work	$ 78,750	$ 78,750	$ 78,750	$ 78,750	$ 78,750	$ 78,750
Hard Costs	$ 10,125,000	$ 10,125,000	$ 10,125,000	$ 10,125,000	$ 10,125,000	$ 10,125,000
Hard Costs - Parking	$ 2,025,000	$ 2,025,000	$ 2,025,000	$ 2,025,000	$ 2,025,000	$ 2,025,000
Tenant Improvements/FFEs	$ 1,200,000	$ 1,200,000	$ 1,500,000	$ 1,500,000	$ 2,400,000	$ 2,400,000
Soft Costs	$ 2,685,750	$ 2,685,750	$ 2,745,750	$ 2,745,750	$ 2,925,750	$ 2,925,750
School Fee	$ 24,300	$ 24,300	$ 24,300	$ 24,300	$ 24,300	$ 24,300
Commercial Linkage Fee	$ -	$ -	$ -	$ 225,000	$ -	$ 1,125,000
Subtotal Costs Before Financing	$ 16,138,800	$ 16,138,800	$ 16,498,800	$ 16,723,800	$ 17,578,800	$ 18,703,800
Financing Costs						
Points	$ 205,770	$ 205,770	$ 210,360	$ 213,228	$ 224,130	$ 238,473
Construction Period Interest	$ 1,726,483	$ 1,726,483	$ 1,795,333	$ 1,818,283	$ 2,001,883	$ 2,116,633
Subtotal Financing Costs	$ 1,932,252	$ 1,932,252	$ 2,005,692	$ 2,031,511	$ 2,226,012	$ 2,355,106
Total Development Costs	**$ 18,858,552**	**$ 18,858,552**	**$ 19,606,992**	**$ 19,857,811**	**$ 21,852,312**	**$ 23,106,406**
Total Development Costs/SF	*419*	*419*	*436*	*441*	*486*	*513*
Commerical Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*1.1%*	*0.0%*	*4.9%*
Total Impact Fees as % of TDC	*0.1%*	*0.1%*	*0.1%*	*1.3%*	*0.1%*	*5.0%*
Valuation						
Operations						
Revenue - Hotel Rooms	$ 2,069,550	$ 2,069,550	$ 3,832,500	$ 3,832,500	$ 4,599,000	$ 4,599,000
Revenue - Other	$ 328,500	$ 328,500	$ 657,000	$ 657,000	$ 657,000	$ 657,000
Less: Op Expenses	$ (1,438,830)	$ (1,438,830)	$ (2,693,700)	$ (2,693,700)	$ (3,153,600)	$ (3,153,600)
Net Operating Income (NOI)	$ 959,220	$ 959,220	$ 1,795,800	$ 1,795,800	$ 2,102,400	$ 2,102,400
Value at Stabilization	$ 13,703,143	$ 13,703,143	$ 29,930,000	$ 29,930,000	$ 35,040,000	$ 35,040,000
Yield on Cost						
Value at Stabilization	$ 13,703,143	$ 13,703,143	$ 29,930,000	$ 29,930,000	$ 35,040,000	$ 35,040,000
Less: Total Development Costs	$ 18,858,552	$ 18,858,552	$ 19,606,992	$ 19,857,811	$ 21,852,312	$ 23,106,406
Profit	$ (5,155,409)	$ (5,155,409)	$ 10,323,008	$ 10,072,189	$ 13,187,688	$ 11,933,594
Return on Cost	**-27.3%**	**-27.3%**	**52.6%**	**50.7%**	**60.3%**	**51.6%**
Yield on Cost (NOI/TDC)	**5.1%**	**5.1%**	**9.2%**	**9.0%**	**9.6%**	**9.1%**
Project Feasible? (f)	No	No	Yes	Yes	Yes	Yes

Notes:

a) The parking requirements for a hotel/motel are as follows: one parking space for the first 30 guestrooms, 1/2 of a parking space for the next 30 guestrooms, and 1/3 of a parking space for the remaining rooms.

b) Average daily rates were derived from listesd average rooms rates for hotels across market conditions.

c) Hard costs were based on data from RS Means with a location factor applied to reflect construction costs in Los Angeles.

d) Furniture, fixtures, and equipment for hotels in strong markets were assumed to have a greater cost associated with higher grade finishes.

e) School Fees for Commercial

Current	$ 0.54	psf
Anticipated to Increase in Fall 2016	$ 0.57	psf

f) Cap rates were estimated based on investor reports, data provided by developers, and a review of Costar data for properties sold between August 2015 and July 2016.

g) Feasibility is based on a minimum YOC of 9%
and a minimum return on cost of 15%
based on interviews with developers active in the Los Angeles.

Source: BAE, 2016.

APPENDIX C-5: WAREHOUSE PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Gross Building Area (sf)		16,000	16,000	16,000	16,000	16,000	16,000
Efficiency Ratio		100%	100%	100%	100%	100%	100%
Net Leaseable Area		16,000	16,000	16,000	16,000	16,000	16,000
Parking Ratio (spaces per square foot) (a)		1 per 500	1 per 500	1 per 500	1 per 500	1 per 500	1 per 500
Number of Parking Spaces (a)		21	21	21	21	21	21
Total Surface Spaces		21	21	21	21	21	21
Total Structured Parking Spaces		-	-	-	-	-	-
Total Underground Spaces		-	-	-	-	-	-
Total Parking Area (sf)	350	7,420	7,420	7,420	7,420	7,420	7,420
Total Number of Stories (Bldg)		1	1	1	1	1	1
Total Number of Stories (Parking)		1	1	1	1	1	1
Built FAR (ratio to 1.0)		0.68	0.68	0.68	0.68	0.68	0.68
Site Size (sf)		23,420	23,420	23,420	23,420	23,420	23,420
Site Size (acres)		0.54	0.54	0.54	0.54	0.54	0.54
Rents							
Asking Rent/SF/Year (b)		$ 9.00	$ 9.00	$ 14.00	$ 14.00	$ 20.00	$ 20.00
Development Costs							
Site Work		$ 5	$ 5	$ 5	$ 5	$ 5	$ 5
Hard Costs (c)		$ 110	$ 110	$ 110	$ 110	$ 110	$ 110
Tenant Improvements		$ -	$ -	$ -	$ -	$ -	$ -
Parking Costs (per space surface)		$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Parking Costs (per space structured)		$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Parking Costs (per space underground)		$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Soft Costs exc Fees (as % of hard)		20%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
School Fee per sq. ft. (d)		$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
Commercial Linkage Fee		$ -	$ -	$ -	$ 5.00	$ -	$ 25.00
Financing Costs							
Loan to Cost Ratio		80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		12	12	12	12	12	12
Average Outstanding Balance		60.0%	60.0%	60.0%	60.0%	60.0%	60%
Operations							
Vacancy		5%	5%	5%	5%	5%	5%
Op Ex (% of Gross Rent) (b)		3%	3%	3%	3%	3%	3%
Cap Rate (e)		6.0%	6.5%	5.5%	5.5%	5.5%	5.5%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market - Baseline	Low Market with Linkage Fee	Moderate Market- Baseline	Moderate Market with Linkage Fee	Strong Market - Baseline	Strong Market with Linkage Fee
Land	$ 351,300	$ 351,300	$ 468,400	$ 468,400	$ 1,405,200	$ 1,405,200
Land per Site sf	$ 15.00	$ 15.00	$ 20.00	$ 20.00	$ 60.00	$ 60.00
Construction Costs						
Site Work	$ 117,100	$ 117,100	$ 117,100	$ 117,100	$ 117,100	$ 117,100
Hard Costs	$ 1,760,000	$ 1,760,000	$ 1,760,000	$ 1,760,000	$ 1,760,000	$ 1,760,000
Hard Costs - Parking	$ 127,200	$ 127,200	$ 127,200	$ 127,200	$ 127,200	$ 127,200
Tenant Improvements	$ -	$ -	$ -	$ -	$ -	$ -
Soft Costs	$ 400,860	$ 400,860	$ 400,860	$ 400,860	$ 400,860	$ 400,860
School Fee	$ 8,640	$ 8,640	$ 8,640	$ 8,640	$ 8,640	$ 8,640
Commercial Linkage Fee	$ -	$ -	$ -	$ 80,000	$ -	$ 400,000
Subtotal Costs Before Financing	$ 2,413,800	$ 2,413,800	$ 2,413,800	$ 2,493,800	$ 2,413,800	$ 2,813,800
Financing Costs						
Points	$ 28,966	$ 28,966	$ 28,966	$ 29,926	$ 28,966	$ 33,766
Construction Period Interest	$ 132,725	$ 132,725	$ 138,346	$ 142,186	$ 183,312	$ 202,512
Subtotal Financing Costs	$ 161,690	$ 161,690	$ 167,311	$ 172,111	$ 212,278	$ 236,278
Total Development Costs	**$ 2,926,790**	**$ 2,926,790**	**$ 3,049,511**	**$ 3,134,311**	**$ 4,031,278**	**$ 4,455,278**
Total Development Costs/SF	*$ 183*	*$ 183*	*$ 191*	*$ 196*	*$ 252*	*$ 278*
Commerical Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*2.6%*	*0.0%*	*9.0%*
Total Impact Fees as % of TDC	*0.3%*	*0.3%*	*0.3%*	*2.8%*	*0.2%*	*9.2%*
Valuation						
Operations						
Gross Income	$ 144,000	$ 144,000	$ 224,000	$ 224,000	$ 320,000	$ 320,000
Less: Vacancy	$ (7,200)	$ (7,200)	$ (11,200)	$ (11,200)	$ (16,000)	$ (16,000)
Less: Op Expenses	$ (4,320)	$ (4,320)	$ (6,720)	$ (6,720)	$ (9,600)	$ (9,600)
Net Operating Income (NOI)	$ 132,480	$ 132,480	$ 206,080	$ 206,080	$ 294,400	$ 294,400
Value at Stabilization	$ 2,208,000	$ 2,038,154	$ 3,746,909	$ 3,746,909	$ 5,352,727	$ 5,352,727
Yield on Cost						
Value at Stabilization	$ 2,208,000	$ 2,038,154	$ 3,746,909	$ 3,746,909	$ 5,352,727	$ 5,352,727
Less: Total Development Costs	$ 2,926,790	$ 2,926,790	$ 3,049,511	$ 3,134,311	$ 4,031,278	$ 4,455,278
Profit	**$ (718,790)**	**$ (888,637)**	**$ 697,398**	**$ 612,598**	**$ 1,321,450**	**$ 897,450**
Return on Cost	**-24.6%**	**-30.4%**	**22.9%**	**19.5%**	**32.8%**	**20.1%**
Yield on Cost (NOI/TDC)	**4.5%**	**4.5%**	**6.8%**	**6.6%**	**7.3%**	**6.6%**
Project Feasible? (f)	No	No	Yes	Yes	Yes	Yes

Notes:

a) The parking ratio for warehouse or storage is 1 per 500 square feet for the first 10,000 square feet, and 1 per 5,000 thereafter.

b) Assumes triple-net lease

b) Hard costs were based on data from RS Means with a location factor applied to reflect construction costs in Los Angeles.

d) School Fees for Commercial

Current	$ 0.54	psf
Anticipated to Increase in Fall 2016	$ 0.57	psf

e) Cap rates were estimated based on investor reports, data provided by developers, and a review of Costar data for properties sold between August 2015 and July 2016.

f) Feasibility is based on a minimum YOC of 6.5%
and a minimum return on cost of 15%
based on interviews with developers active in the Los Angeles.

Source: BAE, 2016.

APPENDIX C-6: INDUSTRIAL PRO FORMAS

Key Development Assuptions		Alternative 1 Low Market - Baseline	Alternative 1 Low Market with Linkage Fee	Alternative 2 Moderate Market- Baseline	Alternative 2 Moderate Market with Linkage Fee	Alternative 3 Strong Market - Baseline	Alternative 3 Strong Market with Linkage Fee
Gross Building Area (sf)		12,000	12,000	12,000	12,000	12,000	12,000
Efficiency Ratio		95%	95%	95%	95%	95%	95%
Net Leaseable Area		11,400	11,400	11,400	11,400	11,400	11,400
Parking Ratio (spaces per square foot)		1 per 500	1 per 500	1 per 500	1 per 500	1 per 500	1 per 500
Number of Parking Spaces		24	24	24	24	24	24
Total Surface Spaces		24	24	24	24	24	24
Total Structured Parking Spaces		-	-	-	-	-	-
Total Underground Spaces		-	-	-	-	-	-
Total Parking Area (sf)	350	8,400	8,400	8,400	8,400	8,400	8,400
Total Number of Stories (Bldg)		1	1	1	1	1	1
Total Number of Stories (Parking)		1	1	1	1	1	1
Built FAR (ratio to 1.0)		0.59	0.59	0.59	0.59	0.59	0.59
Site Size (sf)		20,400	20,400	20,400	20,400	20,400	20,400
Site Size (acres)		0.47	0.47	0.47	0.47	0.47	0.47
Rents							
Asking Rent/SF/Year (a)		$ 10.00	$ 10.00	$ 18.00	$ 18.00	$ 21.00	$ 21.00
Development Costs							
Site Work		$ 5	$ 5	$ 5	$ 5	$ 5	$ 5
Hard Costs		$ 135	$ 135	$ 135	$ 135	$ 135	$ 135
Tenant Improvements		$ -	$ -	$ -	$ -	$ -	$ -
Parking Costs (per space surface)		$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Parking Costs (per space structured)		$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 30,000
Parking Costs (per space underground)		$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Soft Costs exc Fees (as % of hard)		20%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
School Fee per sq. ft. (c)		$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
Commercial Linkage Fee		$ -	$ -	$ -	$ 14.00	$ -	$ 19.50
Financing Costs							
Loan to Cost Ratio		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		12	12	12	12	12	12
Average Outstanding Balance		60.0%	60.0%	60.0%	60.0%	60.0%	60%
Operations							
Vacancy		5%	5%	5%	5%	5%	5%
Op Ex (% of Gross Rent) (b)		5%	5%	5%	5%	5%	5%
Cap Rate (d)		6.0%	6.5%	5.5%	5.5%	5.5%	5.5%

Development Costs	Alternative 1 Low Market - Baseline	Alternative 1 Low Market with Linkage Fee	Alternative 2 Moderate Market- Baseline	Alternative 2 Moderate Market with Linkage Fee	Alternative 3 Strong Market - Baseline	Alternative 3 Strong Market with Linkage Fee
Land	$ 306,000	$ 306,000	$ 408,000	$ 408,000	$ 816,000	$ 816,000
Land per Site sf	$ 15.00	$ 15.00	$ 20.00	$ 20.00	$ 40.00	$ 40.00
Construction Costs						
Site Work	$ 102,000	$ 102,000	$ 102,000	$ 102,000	$ 102,000	$ 102,000
Hard Costs	$ 1,620,000	$ 1,620,000	$ 1,620,000	$ 1,620,000	$ 1,620,000	$ 1,620,000
Hard Costs - Parking	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000	$ 144,000
Tenant Improvements	$ -	$ -	$ -	$ -	$ -	$ -
Soft Costs	$ 373,200	$ 373,200	$ 373,200	$ 373,200	$ 373,200	$ 373,200
School Fee	$ 6,480	$ 6,480	$ 6,480	$ 6,480	$ 6,480	$ 6,480
Commercial Linkage Fee	$ -	$ -	$ -	$ 168,000	$ -	$ 234,000
Subtotal Costs Before Financing	$ 2,245,680	$ 2,245,680	$ 2,245,680	$ 2,413,680	$ 2,245,680	$ 2,479,680
Financing Costs						
Points	$ 2,695	$ 2,695	$ 2,695	$ 2,896	$ 2,695	$ 2,976
Construction Period Interest	$ 12,248	$ 12,248	$ 12,738	$ 13,544	$ 14,696	$ 15,819
Subtotal Financing Costs	$ 14,943	$ 14,943	$ 15,432	$ 16,440	$ 17,391	$ 18,795
Total Development Costs	**$ 2,566,623**	**$ 2,566,623**	**$ 2,669,112**	**$ 2,838,120**	**$ 3,079,071**	**$ 3,314,475**
Total Development Costs/SF	*$ 214*	*$ 214*	*$ 222*	*$ 237*	*$ 257*	*$ 276*
Commerical Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*5.9%*	*0.0%*	*7.1%*
Total Impact Fees as % of TDC	*0.3%*	*0.3%*	*0.2%*	*6.1%*	*0.2%*	*7.3%*
Valuation						
Operations						
Gross Income	$ 114,000	$ 114,000	$ 205,200	$ 205,200	$ 239,400	$ 239,400
Less: Vacancy	$ (5,700)	$ (5,700)	$ (10,260)	$ (10,260)	$ (11,970)	$ (11,970)
Less: Op Expenses	$ (5,700)	$ (5,700)	$ (10,260)	$ (10,260)	$ (11,970)	$ (11,970)
Net Operating Income (NOI)	$ 102,600	$ 102,600	$ 184,680	$ 184,680	$ 215,460	$ 215,460
Value at Stabilization	$ 1,710,000	$ 1,578,462	$ 3,357,818	$ 3,357,818	$ 3,917,455	$ 3,917,455
Yield on Cost						
Value at Stabilization	$ 1,710,000	$ 1,578,462	$ 3,357,818	$ 3,357,818	$ 3,917,455	$ 3,917,455
Less: Total Development Costs	$ 2,566,623	$ 2,566,623	$ 2,669,112	$ 2,838,120	$ 3,079,071	$ 3,314,475
Profit	**$ (856,623)**	**$ (988,161)**	**$ 688,706**	**$ 519,698**	**$ 838,384**	**$ 602,980**
Return on Cost	**-33.4%**	**-38.5%**	**25.8%**	**18.3%**	**27.2%**	**18.2%**
Yield on Cost (NOI/TDC)	**4.0%**	**4.0%**	**6.9%**	**6.5%**	**7.0%**	**6.5%**
Project Feasible? (f)	No	No	Yes	Yes	Yes	Yes

Notes:

a) Assumes triple-net lease

b) Hard costs were based on data from RS Means with a location factor applied to reflect construction costs in Los Angeles.

c) School Fees for Commercial

Current	$ 0.54	psf
Anticipated to Increase in Fall 2016	$ 0.57	psf

d) Cap rates were estimated based on investor reports, data provided by developers, and a review of Costar data for properties sold between August 2015 and July 2016.

e) Feasibility is based on a minimum YOC of 6.5%
and a minimum return on cost of 15%
based on interviews with developers active in the Los Angeles.

Source: BAE, 2016.

APPENDIX C-7: MEDICAL (HOSPITAL) PROTOTYPE (COST-BASIS)

Key Development Assuptions (a)		Cost Basis
Gross Building Area (sf)		75,000
Efficiency Ratio		100%
Net Leaseable Area		75,000
Parking Ratio (spaces per square foot)		1 per 200
Number of Parking Spaces		375
Total Surface Spaces		-
Total Structured Parking Spaces		375
Total Underground Spaces		-
Total Parking Area (sf)	350	131,250
Total Number of Stories (Bldg)		6
Total Number of Stories (Parking)		2
Built FAR (ratio to 1.0)		1.0
Site Size (sf)		78,125
Site Size (acres)		1.79
Rents		
Asking Rent/SF/Year		N/A
Development Costs		
Site Work		$ 5
Hard Costs		$ 800
Tenant Improvements		$ -
Parking Costs (per space surface)		$ 6,000
Parking Costs (per space structured)		$ 25,000
Parking Costs (per space underground)		$ 40,000
Soft Costs exc Fees (as % of hard)		20.0%
Impact Fees		
School Fee per sq. ft. (b)		$ 0.54
Commercial Linkage Fee		$ 35.00

Development Costs	Cost Basis
Land	$ 3,906,250
Land per Site sf	$ 50.00
Construction Costs	
Site Work	$ 390,625
Hard Costs	$ 60,000,000
Hard Costs - Parking	$ 9,375,000
Tenant Improvements	$ -
Soft Costs	$ 13,953,125
Subotoal Before Fees	**$ 83,718,750**
School Fee	$ 40,500
Commercial Linkage Fee	$ 2,625,000
Subtotal Fees	**$ 2,665,500**
Total Development Costs	**$ 90,290,500**
Total Development Costs/SF	*$ 1,204*
Commerical Linkage Fee as % of TDC	*2.9%*
Total Impact Fees as % of TDC	*3.0%*

Notes:

a) The hospital/medical office prototype was evaluated using a total development cost metric because it is difficult to obtain data on revenue, which varies depending on the type of medical services offered. Data from the Office of Statewide Health Planning and Development was evaluated for new hospital expansion projects between 2010 and 2016, with construction costs averaging $600-$1,200 per square foot. For each cost threshold, the fee was set at 1% of total development cost.

b) School Fees for Commercial

Current	$	0.54
Anticipated to Increase in Fall 2016	$	0.57

Source: BAE, 2016.

APPENDIX C-8: LAND SALES FOR COMMERCIAL AND RESIDENTIAL PROJECTS

Commercial Land Comps	City	Neighborhood	APN	Zoning	Sale Date	Land SF	Sales Price	Price/SF	Market
7221 Canby Avenue	Reseda	Reseda	2119-020-901	C2	4/3/2015	10,994	$ 439,760	$ 40.00	Low
18854 Sherman Way	Reseda	Reseda	2126-001-001	C2	4/17/2014	36,690	$ 1,600,000	$ 43.61	Low
18854-18860 Sherman Way	Reseda	Reseda	2126-001-001	C2	4/17/2014	36,220	$ 1,600,000	$ 44.17	Low
18447 Sherman Way	Reseda	Reseda	2119-020-900	C2	4/3/2015	8,400	$ 420,000	$ 50.00	Low
7324-7332 Reseda Blvd	Reseda	Reseda	2119-019-032	C2/P	3/3/2015	29,142	$ 1,550,000	$ 53.19	Low
7332 Reseda Blvd	Reseda	Reseda	2119-019-032	C2	9/19/2013	29,140	$ 1,555,000	$ 53.36	Low
22112 Sherman Way	Canoga Park	Canoga Park	2024-012-007	R2	5/4/2015	15,719	$ 880,000	$ 55.98	Low
7304 Canby Avenue	Reseda	Reseda	2119-021-039	C2	4/18/2014	8,003	$ 540,000	$ 67.47	Low
18438 Bryant Street	Northridge	Northridge	2786-005-011	CM	3/2/2016	14,192	$ 1,040,000	$ 73.28	Low
20460 Sherman Way	Winnetka	Winnetka	2136-002-024	C4-5/P	6/6/2014	16,533	$ 1,500,000	$ 90.73	Low
Average								***$ 57.18***	
16623 Sherman Way	Van Nuys	Lake Balboa	2226-006-016	C2	2/28/2011	16,552	$ 840,000	$ 50.75	Moderate
16836 Sherman Way	Van Nuys	Lake Balboa	2225-018-012	LAR3	3/14/2014	14,462	$ 967,000	$ 66.86	Moderate
Average								***$ 58.81***	
Industrial Land Comps									
930 East 111th Place	Los Angeles	Green Meadows	Multiple	M-1	-	395,555	$ 7,900,000	$ 19.97	Moderate
338 East Beach Avenue	Inglewood	N/A	4015-017-017	Industrial	11/1/2014	61,468	$ 1,100,000	$ 17.90	Outside of City
9415 Burtis Street	South Gate	N/A	622-001-015	Industrial	11/1/2014	187,508	$ 5,250,000	$ 28.00	Outside of City
21038 South Wilmington Avenue	Carson	N/A	7316-028-014	Industrial	12/1/2013	435,164	$ 14,200,000	$ 32.63	Outside of City
Average								***$ 24.62***	
Residential Land Comps						**# of Units**		**Price/Unit**	
1030-48 N. Soto Street	Los Angeles	Boyle Heights	N/A	N/A	Escrow	49	$ 2,000,000	$ 40,816	Low
2423-31 East 1st Street	Los Angeles	Boyle Heights	N/A	N/A	8/1/2014	31	$ 1,483,100	$ 47,842	Low
1836-42 Sichel Street	Los Angeles	Lincoln Heights	N/A	N/A	2/1/2015	20	$ 1,195,000	$ 59,750	Low
516 Echandia Street	Los Angeles	Boyle Heights	N/A	N/A	4/1/2015	3	$ 230,000	$ 76,667	Low
Average								***$ 56,269***	
G12	Los Angeles	Downtown	N/A	N/A	Oct-13	640	$ 45,000,000	$ 70,313	High
Hanover	Los Angeles	Downtown	N/A	N/A	Jan-13	231	$ 18,000,000	$ 77,922	High
1027 Olive	Los Angeles	Downtown	N/A	N/A	Jan-14	201	$ 20,000,000	$ 99,502	High
Average								***$ 82,579***	

Source: Data based on multiple appraisals provided by the City of Los Angeles in 2016

Appendix D: Residential Fee Case Studies

The following profiles several residential fee programs established in cities throughout California. First, larger cities' programs are summarized, including San Francisco, Sacramento, Oakland, and San Diego. Next, several smaller cities located near Los Angeles are profiled to provide context for more localized real estate economics and policy considerations.

It should be noted that these profiles are not exhaustive; numerous other cities in California have pre-existing inclusionary housing programs, and almost all of these jurisdictions have an in-lieu fee option (especially post-Palmer for rental housing projects).

The only city profiled in this chapter that did not have an existing inclusionary housing ordinance at the time of the Palmer decision is Oakland, which just recently adopted it's housing impact fee, as described below.

San Francisco Inclusionary Program and In-Lieu Fees

Background

San Francisco's Inclusionary Housing Program dates back to 1992, though substantial amendments in 2002 extended applicability to as-of-right projects with ten units or more, and established the option to pay an in-lieu fee that in large part remains in place today.

Since its inception, the inclusionary requirements and scope have been modified numerous times to account for changing economic conditions, growing affordable housing needs. and legal challenges to inclusionary housing policies across the State.[55] At the time of the policy's adoption in 1992, the program established a 10 percent on-site affordable housing (60% AMI) requirement that applied only to projects seeking conditional uses. Changes to the policy in 2002 cited declining vacancy rates and dramatic increases in average housing prices as the impetus for the imposition of stricter requirements, including expanding its applicability to as-of-right projects.[56]

Rather than constructing inclusionary units, market-rate residential developers have had an option to pay an in-lieu fee, based on the number of off-site inclusionary units (typically a higher percentage than those required on-site), the affordability gap identified by way of a nexus study, and annual adjustments.

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[55] A summary of the evolution of San Francisco's Inclusionary Housing Program has been compiled by the Mayor's Office of Housing and Community Development and may be accessed at the following URL as of 7/21/16: http://sfmohcd.org/sites/default/files/FileCenter/Documents/7252-Evolution%20of%20Inclusionary%20Housing%20Program%20110513.pdf.

[56] San Francisco Ordinance No. 37-02, "Inclusionary Affordable Housing Program." Amended 3/18/02. Accessed 7/18/16. http://sfmohcd.org/sites/default/files/FileCenter/Documents/3780-Inclusionary%20Housing%20LawOrdinance37-02.pdf.

In 2010, the Program's in-lieu fee evolved into the Affordable Housing Fee following the 2009 California Court of Appeal's decision in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, which effectively prohibited the enforcement of inclusionary housing programs and associated in-lieu fees on rental developments. The current ordinance imposes the Affordable Housing Fee on residential projects of ten or more units and provides developers with an option to construct units rather than paying the Fee, provided they meet certain requirements. This setup is opposite the original policy, which required the construction of units but offered the option to pay an in-lieu fee, subject to conditions.

Most recently, in June 2016, San Francisco voters passed Proposition C, which removed the existing inclusionary rates from the City Charter to allow for easier routine adjustment and increased the affordable housing obligations applicable for larger market-rate residential developments. The requirements set forth in Proposition C will be enforced on an interim basis until the City enacts an ordinance to amend the Planning Code and adopt inclusionary and/or affordable housing obligations.[57] As such, the inclusionary standards described in this section reflect those in Proposition C.

Today, San Francisco's program applies broadly to any residential development project that consists of at least ten units (even if units are located on separate adjacent lots), with standard exemptions such as developments located on property owned or leased continuously by the United States or State of California used exclusively for governmental or educational purposes, and those located on property owned by the San Francisco Redevelopment Agency or Port of San Francisco where application is prohibited by State or local law. Projects in which 100 percent of units will be affordable and regulated by a government unit, agency, or authority and qualified student housing projects are also exempt from the inclusionary requirement, subject to specific requirements and conditions.[58]

As part of the program, all project sponsors or developers are required to submit a Declaration of Intent specifying how the inclusionary requirements will be fulfilled to the Planning Department before payment of any fees. The Planning Department is then responsible for notifying the Development Fee Collection Unit at the Department of Building Inspection of their choice. Should a developer opt to proceed with an alternative option rather than paying the

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[57] The full text of Proposition C may be accessed at the following URL as of 7/21/16: http://sfgov.org/elections/sites/default/files/Documents/candidates/IHR%20Legal%20Text.pdf.

[58] Section 415.3 of the Municipal Code states, "If a project qualifies as exempt because it consists of 100 percent affordable units, the project sponsor must record an NSR against the property that provides that, in the event of foreclosure or for any other reason, the project no longer qualifies as a project meeting the requirements of [the exemption], the project will either pay the Affordable Housing Fee plus interest from the date the project received its first construction document for the project if no affordable units were ever provided, or if affordable units were provided and occupied, then the Affordable Housing Fee with no interest is due on the dates the units were no longer occupied by qualifying households; or provide the required number of on-site affordable units required at time of original project approval and that those units shall be subject to all of the requirements of [the inclusionary program]." In order to qualify as exempt, a Student Housing project must be part of a larger institutional master plan, which is to be filed with the Planning Department prior to the issuance of any building permit or alteration permit.

fee, they must submit an Affidavit of Eligibility for an Alternative to the Affordable Housing Fee in addition to the Declaration of Intent.

Fee Structure

The amount of the Affordable Housing Fee (formerly the in lieu fee) is charged on a per-unit basis for either 20 percent of the total number of units in the principal project for projects with 10 to 24 units or 33 percent for projects with 25 units or more, without rounding up to the nearest whole number. The current fee schedule is shown in the table below. Fees charged per unit reflect the unit mix of the principal project.

The inclusion of a fee specific to single room occupancy (SRO) and Group Housing Units in 2016 is unique among the case study areas analyzed for this report and accounts for the finding that these units are typically smaller than studios.

MARKET-RATE RESIDENTIAL AFFORDABLE HOUSING FEES

	Project Size	
Unit Type (a)	**10-24 Units** (b)	**25+ Units** (c)
SRO/Group Housing Unit	$29,701	$49,007
Studio	$39,602	$65,343
1 Bedroom	$53,792	$88,757
2 Bedroom	$73,274	$120,902
3 Bedroom	$83,560	$137,874
4 Bedroom	$104,286	$172,072

Note:
(a) Fees shown are those effective June 1, 2016.
(b) Reflects an off-site inclusionary requirement of 20% of units in the principal project.
(c) Reflects an off-site inclusionary requirement of 33% of units in the principal project.

Sources: SF Mayor's Office of Housing and Community Development, 2016; BAE, 2016.

The Affordable Housing Fee must be paid in full before issuance of the first construction document, though in the past, the Board of Supervisors has adopted deferral mechanisms. For example, during the Great Recession, development projects in the pipeline were permitted to defer payment of the in-lieu fee, in addition to all other impact fees, to prior to issuance of the first certificate of occupancy, subject to a deferral surcharge deposited into the Downtown Park Fund. This option expired in July 2013, though the language still exists in the Planning Code, in the event that the Board of Supervisors is motivated to reactivate such provisions.

All monies collected by the Affordable Housing Fee and any lien proceedings are deposited into the Citywide Affordable Housing Fund, which is managed by the Mayor's Office of Housing. Funds generated by the Inclusionary Housing Program are used as a source of gap financing to

support affordable housing developments,[59] assist low and moderate income homebuyers, and pay the expenses of the Mayor's Office of Housing and Community Development (MOHCD) as necessary to administer and monitor compliance with the Program, but not exceeding $200,000 every five years.

The Mayor's Office of Housing and Community Development updates and publishes annual adjustments to the Affordable Housing Fee, based on the annual percent change in the Construction Cost Index (CCI) for San Francisco as published by Engineering News Record.

Alternatives

As noted previously, developers may choose to construct inclusionary units, either on- or off-site (or provide a combination of units and paying the fee) rather than paying the Affordable Housing Fee in full.[60] If a developer chooses to construct units rather than paying the fee, they must either (a) construct, market and sell all units as ownership units that will remain ownership units for the life of the project, or (b) submit a contract to the City demonstrating that construction of the inclusionary units is not in violation of the Costa-Hawkins Rental Housing Act because they have entered into an agreement with a public entity to receive a direct financial contribution or other form of assistance, thereby exempting the development from the requirements of Costa-Hawkins.[61] Typically, off-site units must be located within one mile of the principal project, to support an even distribution of market-rate and subsidized housing across the City. Special requirements may apply to individual projects subject to standards established in a developer agreement.

Pursuant to recent changes adopted in Proposition C, the number of inclusionary units required is dependent on project size as follows:

Projects with 10-24 Units

For projects with fewer than 25 units, developers may choose to construct inclusionary units on- or off-site, equivalent to either 12 percent of the number of units in the principal project for on-site units or 20 percent for off-site units, and affordable to low-income households.[62]

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[59] Based on an interview with a Development Project Manager in the Mayor's Office of Housing and Community Development, the amount of gap financing contributed by the Affordable Housing Fund typically does not exceed $200,000 per unit. The City has established supportive service requirements for affordable projects, and these standards which may be increased especially when the City has invested funds into the project; however, funds are generally not used directly for supportive services, which are typically shown as an operating expense (rather than construction cost), and paid by the developer over the life of the project.

[60] In certain geographic areas such as the UMU and Mission Transit Districts, developers also have an additional option to contribute land to the City whose value is at least equivalent to payment of the Affordable Housing Fee.

[61] Refer to California Civil Code Section 1954.53(a)(2).

[62] The percentage requirement of off-site affordable units is slightly different for tall projects. Section 415.7 of the Municipal Code provides that any project that is over 120 feet in height and does not require a Zoning Map amendment or Planning Code text amendment related to its project approvals that results in a net increase in the number of permissible residential units or in a material increase in the net permissible residential square footage is required to construct 17 percent times the number of units in the principal project, rounded up from fractions of 0.5 or more.

Projects with 25+ Units

For projects with twenty-five dwelling units or more, the minimum required number of on-site affordable units be must be equal to at least 25 percent of the units in the principal project, rounded up from fractions of 0.5 or more, with 15 percent of units affordable to low- and very low-income households and 10 percent affordable to middle-income households. If inclusionary units are constructed off-site, the developer must construct at least the number of units equivalent to 33 percent of all units constructed in the principal project, rounded up from fractions of 0.5 or more, with 20 percent of units affordable to low- and very low-income households and 13 percent of units affordable to middle-income households.

These alternative scenarios are summarized in the table below.

INCLUSIONARY HOUSING REQUIREMENTS FOR ON- AND OFF-SITE UNITS

Project Size	On-Site Requirement (a)	On-Site Minimum Affordability Requirement	Off-Site Requirement (b)	Off-Site Minimum Affordability Requirement
< 10 units	0	N/A	0	N/A
10 - 24 units	12% of units on project site	Affordable to LI households	20% of units in principal project	Affordable to LI households
> 24 units	25% of units on project site	15% affordable to LI households; 10% affordable to LI/MI households	33% of units in principal project	20% affordable to LI households; 13% affordable to LI/MI households

Notes:
(a) The requirements shown are general, city-wide requirements. Specific requirements may apply to the UMU District and Eastern Neighborhood.
(b) Subject to a pending feasibility study.

Sources: SF Planning Code, Sec. 415, 2016; SF Planning, 2016; BAE, 2016.

Outcomes

Since its inception in 1992, the inclusionary housing program has resulted in the production of 2,157 total below market-rate (BMR) units with an average of 86 units completed per year[63] Due to the nature of the program, the magnitude of BMR inclusionary housing units completed in a particular year is dependent on market-rate construction trends and consequently broader economic conditions. In 2008, for example, 311 BMR units were completed, the peak year since the program's establishment in 1992. Following the Great Recession, the program saw its lowest production of BMR inclusionary units, with just four completed in 2011. Since 2012, production of BMR units has grown annually, but has not yet exceeded the 2008 pre-recession peak. In addition to the units produced on-site, as of FY 2011-12, $50,321,468 in Inclusionary Housing Fees had been deposited into the Affordable Housing Fund.[64]

Lessons Learned

[63] Based on an inventory of projects completed between Q1 1992 and Q2 2016. Source data provided by the SF MOHCD and may be downloaded at https://data.sfgov.org/Housing-and-Buildings/Residential-Projects-With-Inclusionary-Requirement/nj3x-rw36n. Accessed 7/19/16.

[64] City and County of San Francisco Controllers Office, "FY 2011-12 Development Impact Fee Report." November 30, 2012. Accessed 7/19/16. http://sfcontroller.org/sites/default/files/FileCenter/Documents/3770-ImpactReport_2011-12.pdf.

City staff interviewed for this study remarked that while the City is not legally able to require developers to select one particular option to comply with the ordinance, construction of on-site units is the City's preferred option in most cases.[65] This is partially due to the challenge of using of Affordable Housing Fee funds in housing boom cycles, when land prices and construction costs are high, making affordable projects difficult to build.

By imposing a smaller proportion of affordable units when constructed on-site, San Francisco's program incentivizes on-site construction of affordable units.

Since the transition of the in-lieu fee to the Affordable Housing Fee in 2010 and realignment of the policy towards a fee-based program, 60 percent of projects approved by the Planning Department have elected to construct on-site units. Of those projects electing to provide on-site affordable units, a slightly greater proportion have built ownership units (54 percent ownership compared to 46 percent rental units.)[66] Approximately 34 percent of projects approved since 2011 have chosen to pay the Affordable Housing Fee and approximately three percent have sought a combination of units and fees.

These program outcomes are summarized below.

INCLUSIONARY PROGRAM OUTCOMES, Q1 2011 - Q2 2016

Option	Projects (a)	Percent
On-Site BMR Project	82	60.3%
Fee Payment	46	33.8%
Combination Project	4	2.9%
Land Dedication	2	1.5%
Units for Off-Site Project with Onsite Obligation	1	0.7%
Units for Off-Site Project	1	0.7%
Total	**136**	**100.0%**

Note:
(a) Based on the date of planning approval.

Sources: San Francisco MOHCD, 2016; BAE, 2016.

[65] One case in which on-site units are not a preference are those in which luxury units have particularly high homeowners' association fees that may ultimately make a technically "affordable" unit exceed allowable housing payments.
[66] Based on a total of 83 projects that chose to provide on-site BMR units and received planning approval between 1/1/11 and 6/9/2016.

OAKLAND AFFORDABLE HOUSING IMPACT FEE

Background

The City of Oakland had undertaken various efforts to study inclusionary housing ordinances prior to the City's recent adoption of an affordable housing impact fee in May 2016. For example, in 2000, a City Housing Task Force recommended that the City consider adopting an inclusionary housing policy, though the City did not act on the recommendation at that time. In 2006, the City Council established a Blue Ribbon Commission to study a proposed inclusionary ordinance, condominium conversions, and a comprehensive housing strategy, and formulate a set of recommendations. The Commission's final report was presented to Council in September 2007. Among other recommendations, the Commission recommended that the City adopt an inclusionary housing ordinance for new residential ownership developments. An economic feasibility report that was completed to inform the Commission's work found that development of rental housing was economically infeasible at the time even without an additional affordable housing impact fee, leading the Commission to elect not to recommend inclusionary requirements for rental projects.

In late 2007, shortly after the release Blue Ribbon Commission's recommendations, the Oakland housing market began to experience the impacts of the recent recession, stalling the City's consideration of an inclusionary housing ordinance. However, in the past few years, Oakland's housing market, including the market for rental housing, has experienced a dramatic boom. Significant increases in housing costs and concerns about displacement have led housing advocates to call for affordable housing impact fees, particularly within the context of the City's recent adoption of four major Specific Plans.

At roughly the same time, the City began to consider adoption of a transportation impact fee, causing City staff and Council members to call attention to the need for an affordable housing impact fee, along with fees for other capital improvements.

In 2013 the City Council authorized funding for the affordable housing impact fee nexus study, which was completed in 2016. The Nexus Study analyzed seven types of residential development and found the maximum legal fees per unit of each type of housing to be as follows:

- Single-Family Homes – Urban $34,833
- Single-Family Homes – Hills $81,729
- Townhomes – Urban $44,693
- Townhomes – Hills $53,258
- Multifamily – Lower/Mid-Rise $35,172
- Multifamily – Mid-Rise $39,887
- Multifamily – High-Rise $50,804

Alongside the nexus study, the City commissioned an Economic Feasibility Study to evaluate the impacts of all three new impact fees (affordable housing, transportation, and capital facilities) on development feasibility. The study found that single-family homes and townhouses were feasible in most parts of Oakland, multifamily rental housing was marginally feasible without the new impact fees, and condominium development was not feasible even without the new fees.

The Oakland City Council adopted substantially lower-than-maximum housing fees (see next section) on May 2016. The adopted fee schedule is effective on September 1, 2016.

Fee Structure

Oakland's affordable housing impact fee applies to all new residential units constructed in the City, regardless of the number of units in the project. The fee structure has different rates for each of three product types - multifamily, townhome, and single-family units - as well as different fees and phase-in schedules for each of three geographic zones. In the two geographic zones with stronger current residential market conditions, the fee will be phased in starting on September 1, 2016 and increasing on July 1, 2017 and July 1, 2018. The third zone, with a more moderate residential market, has a slower phase-in period. Starting on July 1, 2021, the fee will increase on an annual basis based on the Marshall & Swift building cost index. The adopted fee rates and phasing through July 1, 2020 are as shown in the table below. Affordable units and accessory dwelling units are exempt from the fee.

OAKLAND AFFORDABLE HOUSING IMPACT FEE (PER UNIT)

	Sept. 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	July 1, 2020
Zone 1					
Multifamily	$5,500	$11,500	$22,000	$22,000	$22,000
Townhome	$6,500	$12,000	$20,000	$20,000	$20,000
Single-Family	$6,000	$12,500	$23,000	$23,000	$23,000
Zone 2					
Multifamily	$4,550	$9,250	$17,750	$17,750	$17,750
Townhome	$2,600	$7,200	$14,250	$14,250	$14,250
Single-Family	$3,750	$9,000	$16,500	$16,500	$16,500
Zone 3					
Multifamily	$0	$0	$3,000	$6,000	$12,000
Townhome	$0	$0	$1,000	$4,000	$8,000
Single-Family	$0	$0	$1,000	$4,000	$8,000

Sources: City of Oakland, 2016; BAE, 2016.

Oakland's affordable housing impact fee is collected in two installments: half prior to issuance of a building permit for all or any part of the project, and half prior to issuance of a certificate of occupancy or temporary certificate of occupancy. The City has the ability to enforce payment of the fee by withholding building permits, recording a special assessment or other

lien against the property, revoking or suspending the certificate of occupancy or temporary certificate of occupancy, assessing civil penalties, or taking any other action necessary and appropriate to secure payment.

Project applicants have the option to provide affordable units on- or off-site rather than pay the fee. Affordable units provided off site must be completed within 18 months of the issuance of a certificate of occupancy for the market-rate units, and in most cases must be located within one half mile of the market-rate project site. In order to qualify for a fee exemption, the project must provide ten percent of units to low- or moderate-income households or five percent of units to very low-income households. In effect, these provisions exempt projects that are developed pursuant to the State Density Bonus Ordinance from the fee.[67] The City enacted these provisions in part to encourage developers to apply for density bonuses to address a lack of developer interest in pursuing density bonus projects in Oakland. In addition, City staff and leadership are hoping that use of the density bonus will make it feasible for a larger number of developers to provide units on-site within market-rate developments.

Applicants can also petition the City Manager for fee waivers or reductions on the basis that the fee would make a project infeasible and there are no feasible means of compliance, that the specific project will not generate a need for affordable housing (or only a limited need for affordable housing), or that the project has been subjected to atypical delays beyond the applicant's control due to litigation or similar circumstances.

Once the fee is implemented, revenues will be deposited into Oakland's Housing Trust Fund and can be used to support primarily the development of units for very low- or low-income households; up to 15 percent of revenues can be used to support the development of moderate-income households.

Outcomes

Because the fee has not yet gone into effect, the program has not generated any revenue or units to date.

Lessons Learned

Stakeholder working groups are often essential to creating a feasible fee, but can be controversial. Oakland engaged a stakeholder working group comprised of housing advocates and developers in order to gain technical insight and ensure that the adopted fee rate would be feasible. City staff report that this process was essential to determine feasible fee rates.

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[67] Oakland's affordability requirements for fee exemptions differ slightly from the affordability requirements under the State Density Bonus Ordinance in that the State Density Bonus does not include provisions that allow for additional density for rental projects that provide units for moderate-income households, while Oakland's ordinance does allow fee exemptions for projects that provide moderate-income units.

However, the working group process did receive some negative media attention because meetings were not open to the public in order to ensure candid stakeholder input.

Adopting different fees in different geographic areas can be politically controversial. The City of Oakland adopted different fee rates for each residential unit type based on three geographic zones. In general, the adopted fee rates and are lower and phased in more slowly in areas of the City that have experienced minimal recent developer interest in order to avoid the potential negative impacts of fees in areas with weaker real estate market conditions and encourage additional development in those areas. As the City began discussing the proposed fee rates with the public, some residents expressed dissatisfaction with the difference in rates on the basis that the differing rates send a message that the area with lower fee rates are not as desirable as other areas.

Stakeholders have differing views on fee collection vs. units on site. Affordable housing advocates in Oakland generally supported policies that would encourage most developers to provide fee revenue rather than construct units on site. Because Housing Trust Fund revenue can be used to leverage other sources of affordable housing financing, many affordable housing developers and advocates prefer fee revenue on the basis that it can generate a larger total number of affordable units. However, City staff and elected officials developed fee exemptions for on-site units with the goal of encouraging a greater mix of incomes at both the project and neighborhood level, and therefore adopted less stringent requirements for onsite units than many housing advocates requested. The City expects some developers to elect to pay the fees regardless of exemptions for on or offsite units due to the relative simplicity of providing the fee or economic feasibility considerations specific to each project. Notably, some areas of Oakland have no height or density limits, thereby negating any potential benefit of a density bonus that would be provided in exchange for affordable units.

Eligible activities for fee expenditures should be related to nexus study methodology. Affordable housing advocates lobbied to have all affordable housing fee revenues dedicated to support units serving lower-income households. In contrast, due to high market-rate housing costs, Oakland City staff and elected officials identified a need to also serve moderate-income households. Consequently, the City adopted policies that would allow up to 15 percent of housing impact fee revenue to support moderate-income units.

Adopting a charge based on square footage can lead to different outcomes than per-unit charges. The City of Oakland's adopted fees are charged on a per-unit basis, despite prior consideration of a fee that would be based on square footage. In part, the City decided on a per unit fee because developers often make a larger profit on a per-square-foot basis for smaller units. A per-unit fee effectively results in a higher fee rate per square foot for smaller units than for larger units, thereby capturing a larger share of any excess profit from smaller units relative to larger units, which may have lower profit margins. Perhaps more importantly,

the City has identified a need for increased construction of larger multifamily units, and therefore sought to avoid charging higher fees for larger units.

SACRAMENTO HOUSING IMPACT FEE

Background

In 2005, housing advocates pushed for making inclusionary housing requirements citywide. (The 2000 regulations on inclusionary housing concerned only certain growth areas.) A new council member elected in District 1 (with one of the growth areas) also wanted a fairer distribution of affordable housing units. The Housing Element update of 2008 put the shift to city-wide affordable housing policy on paper. The Palmer and Patterson decision and the loss of the Redevelopment Agency both forced the city to look for new ways of producing affordable housing or revenue for affordable housing. A linkage fee was chosen. Keyser Marston did a nexus study in 2015, and a new ordinance was passed in the summer of that year. Fees go into the Housing Trust Fund that was created in 1989, for the commercial impact fee program.

The "Mixed Income Housing" ordinance was enacted on Sept. 1, 2015.

Fee Structure

The fee structure shown below aims to foster higher densities of development and to steer development into specific locations: the fee of $2.58 per square foot is waived for high-density housing and greatly reduced in a Housing Incentive Zone (see figure on next page).

SACRAMENTO HOUSING FEES

Type	Fee Per Square Foot
Single/Duplex	$ 2.58
High Density Single/Duplex (a)	$ -
Multi-Unit Dwelling	$ 2.58
High Density Multi-Unit Dwelling (b)	$ -
Nonresidential to Residential Conversion	$ -
DU in Housing Incentive Zone	$ 1.11

Notes:
(a) "High Density" single/duplex is defined as 20 dwelling units or more per acre.
(b) "High Density" multi-unit is defined as 40 dwelling units or more per acre.

Sources: City of Sacramento, 2016; BAE, 2016.
Effective 11/1/2015

The Housing Incentive Zone (HIZ) is made up of areas where the market supplies housing that is actually affordable. The reduction in the fee represents an incentive to build there and helps to keep prices affordable. The ratio of HIZ fee to citywide fee is the same as the ratio of the median home price in the HIZ to the median home price in the rest of the city.

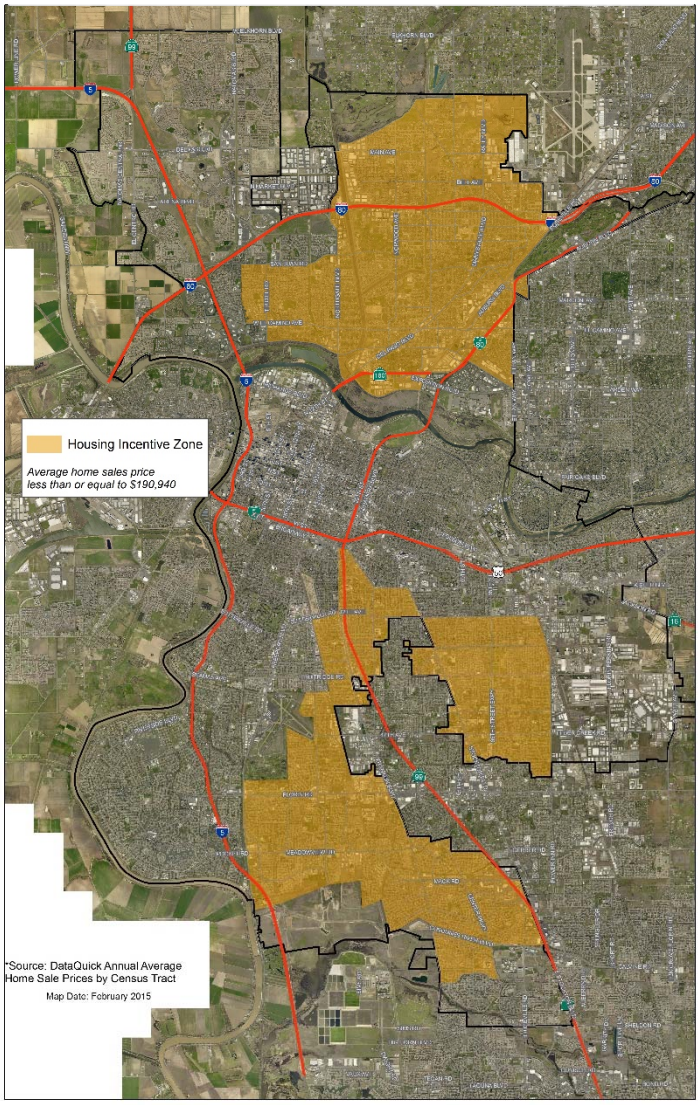
Note that for projects on parcels larger than 100 acres in area, the developer, in addition to paying impact fees, must gain approval of a "mixed income housing strategy" in the project.

Aside from grandfathered projects (with varying conditions according to the type of the project), several categories of project are exempt, including mobile home parks, development projects with at least 10 percent of affordable units, a new single-unit dwelling built by an owner-builder on his/her property (under certain conditions), a secondary dwelling unit, uninhabitable square footage without conditioned air, and community rooms for residential developments.[68]

Increases occur annually, on July 1, according to the San Francisco Construction Cost Index.

Fees are collected prior to (and as condition for) the issuance of the building permit. No provisions exist for the deferral of fees (but see below, planned revisions) and no provisions exist for refunds. However, as long as the monies have not been transferred into the Housing Trust Fund itself, it should be possible for a developer who decides not to build to negotiate a refund.

SACRAMENTO HOUSING INCENTIVE ZONES



According to staff interviewed for this report, there is little interplay between the fee program with the density bonus program, because the current zoning code is very permissive in terms of densities. Only two bonuses have been awarded in the last 20 years.

[68] Sacramento City Code, section 17.712.040 Exempted development projects.

Fees accrue to the Housing Trust Fund, founded in 1989 (when the commercial linkage fee program was initiated. The objective of the Housing Trust Fund is "to increase and improve the supply of housing affordable to households of low income, with priority given to very low income households."[69] "Low income" is defined as being below 80% of countywide median income; "very low income" is defined as below 50% of median income.

Housing that is financed by the Housing Trust Fund does not include housing for the homeless and housing dedicated to seniors.

Outcomes

Since Sept. 1, 2016, only about $30,000 has been collected. This small amount can be explained by three factors: the limited time since the adoption of the ordinance; the fact that many projects were already in the pipeline at the time of adoption; the fact that many projects are at densities or in locations that make them exempt from the fee.

No affordable housing units have been produced.

Lessons Learned

The requirement to pay the whole housing linkage fee upfront is a burden to developers. Council is currently studying a fee deferral ordinance, to enable developers to pay housing linkage fees over a certain amount of time.

The fees apply to all housing projects in which units are "market-rate," i.e., "not restricted to an affordable housing price or affordable rent."[70] This includes projects such as those built by Habitat for Humanity, in which owners invest sweat equity. The Planning Division would like to amend definitions so as to exempt such projects. Planners also would like to clarify the ways in which fees are assessed on multi-use projects or projects with different forms of tenure.

Finally, the price differential between market-rate housing in the Housing Incentive Zone and housing elsewhere in the city needs to be monitored, to know whether the ratio of HIZ fee to "regular" fee is still correct.

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[69] Sacramento City Code, section 17.708.020 Low income housing fund.
[70] Sacramento City Code, section 17.712.020 Definitions.

San Jose Affordable Housing Impact Fee

Background

The City of San Jose wanted to have additional tools to implement some of its housing policy goals (as spelled out in the Housing Element of its General Plan), in particular the objective to have 15 percent of new residential units be affordable units. Other goals served by the provision of affordable housing is a better jobs-housing balance and reduced pressure on traffic, and the attraction and retention of employees by the city's businesses.[71] A nexus analysis was prepared in 2014, and a new regulation was passed by City Council later that year. The Affordable Housing Impact Fee ordinance will take effect on July 1, 2016.

The Affordable Housing Impact Fee applies only to rental housing projects in large part because the *Palmer* decision limited the City's ability to generate revenue for affordable housing through in-lieu fees on rental development as part of its Inclusionary Housing Policy. San Jose's Inclusionary Housing Ordinance was adopted in 2010 (though it will take effect only this year, after a long legal battle). Legally distinct from the in-lieu fee, the Affordable Housing Impact Fee is an alternative mechanism to increase the City's supply of both affordable rental and ownership units.

Fee Structure

Fees apply to all market-rate rental developments (i.e., not to homeownership projects). Floor areas on which the fee is calculated are the residential areas of units (i.e., not including balconies, loggias, etc. or common areas in buildings).

Two categories of projects exist: Rental Development and Downtown High Rise Rental Development. The latter are projects in the Downtown Core Area in which the highest occupied floor is 150 feet or more above street level. The fees are $17.00 per square foot for both categories. (The two categories of projects reflect the categorization that exists in the Inclusionary Housing Ordinance, where downtown high-rise buildings had a lower in-lieu fee.) It is also noteworthy that the fee on rental units is the same as the in-lieu fee per the inclusionary program charged on for-sale units.[72]

Exemptions to the fee include pipeline projects, downtown high-rise projects which obtain a certificate of occupancy by July 1, 2021, and projects for which the developer is able to demonstrate no impact or standard violations of the US Constitution or California Constitution."[73]

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[71] City of San Jose, Resolution No. 77218, "A Resolution of the Council of the City of San Jose Adopting a Housing Impact Fee," available at http://www.sanjoseca.gov/DocumentCenter/View/37779, last accessed on June 1, 2016.
[72] This equality is due to the fact that the nexus study gave a range of possible levels for the impact fee and that $17.00 per square foot was within that range and seemed to all to be a good compromise.
[73] City of San Jose, Resolution No. 77218, Section 11, par. A.

Fees are adjusted annually at a fixed rate of 2.4 percent. In addition, the resolution allows the City to adjust the fee schedule from time to time if conditions change, such as an economic downturn.

Fees must be paid prior to issuance of the building permit. Developers may petition the Director of Housing of the City to delay payment of the fees to the time of delivery of the Certificate of Occupancy or the date of the final inspection if the City is not yet able to spend impact fees.

A Housing Impact Fee Fund was set up to manage the monies collected. It can be used to purchase affordable housing, finance the development of affordable housing, or to acquire affordability covenants. This fund is different from the Affordable Housing Fund set up with the adoption of the Inclusionary Housing Policy in 1988 (revised 2010).

The City has prepared an "Expenditure Plan for Housing Impact Fee Revenue" based on the nexus study of 2014 and demographic projections from ABAG.

Outcomes

The program has not yet generated fees. The City received 34 applications for exemptions as pipeline projects.

Lessons Learned

The ordinance was produced on the basis of a robust consultation process, in which developers and the public were heard. This produced a good compromise (e.g., 5-year exemption for downtown high-rise rental projects, but the same fee of $17.00 per square foot fee as on rental projects elsewhere), and provided solid support when City Council voted on the ordinance.

SANTA MONICA AFFORDABLE HOUSING PRODUCTION PROGRAM

Background

In 1990, Santa Monica voters approved Proposition R, which required that at least 30 percent of all housing units produced in any given year be affordable to low- and moderate-income households. Other ordinances were adopted over the years, including the Affordable Housing Production Program (AHPP) in 1998. The current ordinance took effect in May 2006 and was revised in June 2015.

Santa Monica's inclusionary housing policy mandates that 20 to 25 percent of market-rate units on-site, or 25 percent more than the on-site requirement for inclusionary units built off-site, be made affordable to low- and moderate-income households, depending on tenure and project size. The current residential Affordable Housing Fee originated from the option for residential developers to pay an in-lieu fee, rather than constructing affordable units, to satisfy the requirements of the AHPP.

Fee Structure

In-lieu fees are required for all rental projects, irrespective of the number of units[74] As an option for rental projects, a developer of a project with two or more units may dedicate land to the City or to a non-profit housing developer, sell either party land below market rate, or pay for an option on a piece of land. In all of these land options, the developer's loss or investment must equal the fee amount.

Fees can also be an option for or-sale projects that contain two or three units. For-sale projects with four or more units must provide affordable units either on- or off-site.

Currently, the Unit Base Fee is $31.25 per square foot for rental projects and $36.51 per square foot for condominium projects. [75]

Exemptions in addition to pipeline and other standard exemptions include single-unit projects, and designated landmark buildings or structures that are part of a historic district (fee only applies to new structures on site).

Fees are reviewed annually and are set by Council. Increases are based on changes in construction costs and on changes in land costs in the past year. The former are assessed by means of the relevant Construction Cost Index published by the Engineering New Record; the

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[74] City of Santa Monica, "Affordable Housing Production Program," at http://www.smgov.net/Departments/HED/Housing_and_Redevelopment/Housing/Production_Program_(Inclusionary)/AHPP.aspx, last accessed on June 5, 2016. In the Municipal Code that is available on the web at this time (June 5, 2016), there is no differentiation between condominium and apartment projects.

[75] City of Santa Monica, "Fee – Affordable Housing," available at https://smgov.net/Departments/HED/ Housing_and_ Redevelopment/Housing/Fee_-_Affordable_Housing/Fee_-_Affordable_Housing.aspx

latter are determined by data on the median condominium prices in the city. The precise methodology for revising the "Affordable housing unit base fee" is described in internal guidelines, the latest version of which was approved by Council in April 2016.[76]

Fees must be paid between issuance of the first building permit and issuance of the certificate of occupancy. No certificate will be issued without fees having been paid.

Fees are deposited a reserve account separate from the General Fund, and are to be used only for development of affordable housing, administrative costs related to the production of this housing, and monitoring and evaluation of this affordable housing production program."[77]. Fees must be used within five years of payment or approval of the project, whichever occurs later. An interesting enforcement mechanism has been adopted to manage the fee program: If fees are not used in the five-year time period, they will be returned to all developers who paid fees during the relevant five-year period, on a pro-rata basis.

The City of Santa Monica has also adopted an extensive Land Use and Circulation Element of the General Plan (LUCE), which provides for density bonuses in exchange for providing affordable housing along with an array of other incentives to direct denser development to certain locations. However, these provisions have been in flux in the past several years, with changes to implementing policies (not detailed herein).

Outcomes

Approximately $17 million has been received as in-lieu fees between 1998 and 2015.[78]

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[76] City of Santa Monica Housing Division, "Affordable Housing Production Program Administrative Guidelines (Pursuant to Chapter 9.64 of the Municipal Code)," April 12, 2016, available at http://www.smgov.net/uploadedFiles/Departments/HED/Housing_and_Redevelopment/Housing/Production_Program_(Inclusionary)/AHPP_Administrative_Guidelines_2016-04-12.pdf, last accessed on June 5, 2016.

[77] Santa Monica Municipal Code, Section 9.64.070: Affordable Housing Fee, paragraph F.

[78] This sum was obtained by adding in-lieu fees reported in the annual "Housing Reports" of the City of Santa Monica, available at https://www.smgov.net/Departments/HED/Housing_and_Redevelopment/Housing/Reports/Housing_ Reports.aspx, last consulted on June 7, 2016. The exact sum is $16,863,380. It was obtained by adding (1) fees collected in the first half of 1998 and in fiscal year 1998-1998 from all projects approved in that time period, (2) fees collected in fiscal years 1999-2000 to 2013-2014 for all projects completed in that time period, and (3) fees collected in fiscal year 2014-2015 from all projects completed, under construction or approved in that year.

West Hollywood Affordable Housing Impact Fee

Background

Established in 1986, West Hollywood's original Inclusionary Housing Program required developers to construct at least one unit affordable to low- or moderate-income households for projects with ten or fewer units and 20 percent affordable units in projects with over ten units.[79] Only projects of ten or fewer units have historically had the option to pay an Affordable Housing Fee in-lieu of providing units.

Subsequent to *Palmer/Sixth Street Properties, L.P v. City of Los Angeles* (2009), the City modified its inclusionary program by expanding the in-lieu fee option to rental projects of any size, provided the project does not utilize the State Density Bonus program or any other form of assistance described in Section 65915 of the California Civil Code. Condominiums, cooperatives, and apartments constructed using the Density Bonus program or other forms of assistance are still required to construct inclusionary units.[80]

In 2014 the City commissioned a residential nexus study to ensure that even if such requirements faced legal challenge, the requisite fees would survive the reasonable nexus test.[81] The Nexus Study prepared in 2014 confirmed that the in-lieu fee charged as part of the City's inclusionary program is supported by the analysis of all three residential prototypes studied. Nevertheless, the City is in the process of converting the Inclusionary Housing Ordinance into a Residential Affordable Housing Impact Fee program to establish consistent fee requirements for all residential development, regardless of tenure, and reduce the opportunity for legal challenge. While inclusionary units are still required of condominiums, cooperatives, and apartments constructed with a density bonus, this section describes the Residential Affordable Housing Fee as it applies to rental projects constructed without a density bonus or other form of financial assistance.

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[79] City of West Hollywood, "2013-2021 Housing Element." December 2013. PDF. Accessed 7/14/16. http://www.hcd.ca.gov/housing-policy-development/housing-resource-center/plan/he/housing-element-documents/west_hollywood_5th_adopted121313.pdf.

[80] City staff expressed that while their program has faced legal challenge, it has withstood such scrutiny due to the fact that the court's ruling in the *Palmer* case was that density bonuses and other types of incentives qualify as "direct financial contribution or any other [form] of assistance" specified in CA Civil Code Section 65915 (Density Bonus Program), therefore exempting development projects utilizing such incentives or assistance from the requirements of the Costa-Hawkins Rental Housing Act (CA Civil Code Section 1954.50).

[81] West Hollywood Department of Human Services and Rent Stabilization, "Non-Residential Jobs-Housing Nexus Study and Residential Nexus Study." December 15, 2014 City Council Agenda Report.

Fee Structure

In general, all residential development projects are required to either construct inclusionary units or pay the Affordable Housing Fee, with the exception of new single family dwelling units or the replacement of one single family dwelling with another single family dwelling, and projects developed, owned, or operated by a nonprofit housing provider (including residential care facilities), where all units are exclusively for low- or low- and moderate-income persons.[82]

The City provides density bonuses in excess of what is currently required per State law, allowing a maximum density increase of up to 100 percent the maximum density permitted by the underlying zone, subject to conditions of approval. In addition, the Inclusionary Housing Program offers concessions to developers including modified development standards such as height limits, setback, and open space requirements, in addition to reduced parking requirements. If a density bonus or other financial incentives are utilized, developers are required to construct inclusionary units (with an option to construct a greater proportion of inclusionary units off-site) and comply with the development standards as described in Chapter 19.22 of the West Hollywood Municipal Code.

The amount of the Affordable Housing Fee depends on project size (in terms of the number of units) and calculated based on the square feet of gross livable area (GLA) (including balconies and porches, but excluding parking.) Projects with 10 or fewer units pay a fee per square foot of GLA based on the sliding scale shown below. Projects with greater than ten units are required to pay a fee of $27.13 per square foot of GLA. Note that the figures in the table below reflect current amounts for the 2016-2017 fiscal year.

WEST HOLLYWOOD AFFORDABLE HOUSING IN-LIEU FEES

Project Size	Fee per Square Foot
2 Units	$12.65
3 Units	$14.47
4 Units	$16.28
5 Units	$18.09
6 Units	$19.90
7 Units	$21.71
8 Units	$23.53
9 Units	$25.33
10+ Units	$27.13

Sources: City of West Hollywood, 2016; BAE, 2016.

The adopted Affordable Housing Fee is a fraction of the maximum fees supported by the 2014 Residential Nexus Study. The Nexus Study arrived at a maximum supportable per square foot

[82]West Hollywood Municipal Code, Chapter 19.22 (Affordable Housing Requirements and Incentives).

fee of $33.00 for small condo projects, $40.30 for medium rental projects, and $47.20 for large rental projects.

The Affordable Housing Fee is adjusted based on changes in the Construction Cost Index (CCI) and adopted annually by the City Council. Fees must be paid in full upon issuance of a building permit for all units incurring the fees. If the project consists of multiple detached units, fees for the whole project must be paid before building permit issuance. Currently, there is no option for fee deferral. Impact fees are generally nonrefundable; however, funds may be issued if the building permit expires and is not extended or if the fees were collected illegally or erroneously. To request a refund, applicants must file a written request with the City no later than 90 days after the initial payment date to be considered.[83]

Outcomes

Revenue generated by the Affordable Housing Fee is deposited into the City's Affordable Housing Trust Fund. In fiscal year 2014-15, the Affordable Housing Fee generated approximately $1.3 million.[84]

Established in 1986, the Affordable Housing Trust Fund receives funds from residential and commercial development impact fees, as well as settlement funds. Funds are used exclusively for projects that include a minimum of 20 percent of the total units affordable to low income households and at least 60 percent affordable to low- and moderate-income households. Tax-exempt, non-profit corporations are eligible to apply to receive funds from the Affordable Housing Trust Fund which may be used for predevelopment costs, land or air rights acquisition, administrative costs, gap financing, or to lower the interest rate of construction loans or permanent financing. As of June 20, 2015, loans disbursed from the Affordable Housing Trust Fund and the Housing Asset Fund to qualified non-profit housing and community development corporations had an outstanding balance of $28,996,603.[85] The City does not have an updated estimate of the funds generated by the Residential Affordable Housing Fee or the number of units constructed by the program. City staff expressed a desire to maintain records of this progress in the future.

Lessons Learned

Of the case study areas analyzed, the City of West Hollywood's detailed sliding scale for smaller projects is unique; this approach lessens the burden of impact fees on small projects.

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[83] West Hollywood Municipal Code, Chapter 19.64 (Development Fees).
[84] City of West Hollywood, "Comprehensive Annual Financial Report." Fiscal Year Ending June 30, 2015. Accessed 7/14/16. http://www.weho.org/home/showdocument?id=25132. Page 14.
[85] City of West Hollywood, "Comprehensive Annual Financial Report." Fiscal Year Ending June 30, 2015. Accessed 7/14/16. http://www.weho.org/home/showdocument?id=25132. Page 66.

SANTA ANA INCLUSIONARY IN-LIEU FEE

Background

The Housing Opportunity Ordinance was adopted in 2011 to support implementation of the 2009 Housing Element Update. Other major land use changes underway in the City of Santa Ana at the time, including major rezoning of large industrial areas (Transit Zoning Code) and for the Harbor Boulevard Corridor, underscored the need to address affordable housing as well.

Santa Ana's inclusionary housing policy is contained in the Housing Opportunity Ordinance and requires that 15 percent of new, market rate residential projects consisting of five or more units be made affordable on-site to very low- or low-income households. Rather than constructing affordable units, developers may opt to pay an in-lieu fee, whose revenues are collected in an Inclusionary Housing Fund and used to produce affordable housing.

It is important to note that the Ordinance applies only to three types of projects: (1) housing developments that exceed the density otherwise available under applicable zoning and development standards, (2) projects that require a change in land use classification from a land use that does not permit residential uses to one that does, and (3) the conversion of rental units to condominiums.[86]

Fee Structure

The in-lieu fee varies by size of project, from $5.00 per square foot for projects with 5 to 20 units, to $15.00 per square foot for projects with over 20 units. This fee is applied only to the number of units that exceed land use density regulations allow at the time of the application. The fee is also used to deal with fractions of units that are normally required but are not included among those being built on-site or off-site.

The structure of the in-lieu fee has changed over time, with a recent shift to a higher fee per square foot on smaller projects because City Council realized that it is difficult for smaller projects (less than 20 units) to incorporate affordable units within them, so a fee payment is preferable.

Aside from pipeline projects and projects subject to California statues, projects with fewer than five units are exempt from the inclusionary requirement and thus the fee. In addition, the ordinance exempts conversion or adaptive reuse projects that change the use of the property from non-residential to residential; this exemption is provided in recognition of the fact that conversion and adaptive reuse projects are often made very expensive by code upgrades

[86] City of Santa Ana, "Affordable Rental Housing Administrative Procedures." January 2015. PDF. Accessed 8/9/16. http://www.santa-ana.org/pba/planning/documents/3AdminProcedures-RentALL.pdf.

The fee is due at issuance of the building permit. In the case of mixed-use projects, the rule applies even if the first building permit concerns only the non-residential portion of the project.

Outcomes

Fees are deposited in an Inclusionary Housing Fund, and combined with other affordable housing funding sources. Uses of in-lieu and other Trust funds can be used for rental or ownership projects. The ordinance contains a provision that invites developers paying the fees to provide input into their use, which according to staff interviewed for this study, is present to prevent political pressure from directing the affordable housing funds to a particular project or affordable housing developer.

As of June 2016, $4,302,000 has been received. So far, $1,875,000 has been committed to a project with 64 units.

Palo Alto Below Market Rate Housing Program

Background

Palo Alto's Below Market Rate (BMR) Housing Program was implemented in 1974, concurrent with the City's first receipt of Community Development Block Grant funding, to increase the City's supply of affordable housing.[87] Like other cities with inclusionary housing programs that predate the *Palmer* decision, Palo Alto is in the process of converting its residential inclusionary in-lieu fee to an impact fee supported by a reasonable nexus. In 2014, the City completed both residential and commercial nexus studies to determine the maximum legal fees justified by the impact of market-rate residential development in the City.

The City's existing BMR Housing program, adopted in 2008, is contained in Chapter 18.14 of the Municipal Code. The policy requires developers of projects with five or more units to construct 15 percent of units in the principal project as BMR units, or pay an in-lieu fee. Today this requirement applies only to ownership housing units, unless the developer agrees by contract to restrict rents in exchange for financial incentives such as a density bonus. Rental projects were once subject to this requirement before the 2009 California Court of Appeal ruled, in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles,* that the application of inclusionary housing requirements and associated in-lieu fees on rental residential development was a violation of the Costa-Hawkins Rental Housing Act. In 2014, the City completed a residential nexus study to transform the in-lieu fee into a market-rate residential affordable housing impact fee.

Palo Alto's home prices and rental rates surged during its recovery from the Great Recession. A 2016 staff report explains that, "Since 2010 the purchase price of an average priced home in Palo Alto has increased 259% from $900,785 to $2,337,500. Rental costs have also skyrocketed from an average of $1,695 in 2010 to $3,105 in 2015."[88] Combined with the *Palmer* decision, these factors formed the impetus for the City to undertake commercial and residential nexus studies to establish impact fees and generate revenue for affordable housing.

Fee Structure

Historically, the City has imposed an inclusionary in-lieu fee equivalent to 7.5 to 10 percent of the sales price for market-rate single-family detached, single family attached, and condominiums. Following the results of recent nexus studies, the City has adopted flat fees per unit, rather than the existing percentage of sales price, that will take effect on August 15, 2016.

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[87] City of Palo Alto Finance Committee, "Residential/Commercial Impact Fee Studies Staff Report." February 16, 2016. Accessed 7/19/16. http://www.cityofpaloalto.org/civicax/filebank/documents/50935.

[88] City of Palo Alto Finance Committee, "Residential/Commercial Impact Fee Studies Staff Report." February 16, 2016. Accessed 7/19/16. http://www.cityofpaloalto.org/civicax/filebank/documents/50935. Page 3.

Both the existing and adopted fees are shown in the table below.

PALO ALTO RESIDENTIAL FEES

Unit Type	Existing Fee	Adopted Fee (a)
Single Family Detached	7.5 to 10% of sales price	$95/sf
Single Family Attached	7.5 to 10% of sales price	$50/sf
Condominium	7.5 to 10% of sales price	$50/sf
Rental Housing	None	$50/sf

Note:
(a) Adopted fee schedule is effective August 15, 2016.

Sources: Palo Alto Planning and Community Environment Department, 2016; BAE, 2016.

Revenues generated by the affordable housing impact fee are collected in the City's Residential Housing Fund, a "sub-fund" of the City's Affordable Housing Fund, a trust fund that exists to preserve and expand affordable housing for very low-, low-, and moderate-income households. Other sub-funds of the Affordable Housing Fund include the Commercial In-Lieu Fund, Home Investment Partnership Fund, Community Development Block Grant (CDBG), and Below Market Rate Emergency Fund. Detailed guidelines dictating the use of Affordable Housing Fund are posted on the City's website. According to these guidelines and the City's Notice of Funding Availability application, specific restrictions apply to the use of funds in each sub-category. Fees generated by the Residential Housing Fund may be used for the following:

- Construction of new housing units;
- Addition of new units to existing buildings;
- Conversion of non-residential space to housing units;
- Acquisition, rehabilitation, and preservation of existing affordable housing, where rents are controlled by deed restriction or another similar mechanism;
- Administrative costs of operating the BMR housing program.[89]

There is currently no limit on the amount of funding that can be allocated to a single development.[90]

Established in 2002 and distinct from the Residential Affordable Housing Fund, the Below-Market Rate Emergency Fund is used chiefly for activities necessary to preserve existing BMR housing by providing assistance such as deferred payment, low interest loans in the event that an owner of BMR housing faces "severe financial hardship" in paying major capital assessment on condominiums (not including monthly homeowners dues), acquiring units in

[89] City of Palo Alto, "Affordable Housing Fund Guidelines." August 17, 2015. PDF. Accessed 7/21/16. http://www.cityofpaloalto.org/civicax/filebank/documents/53195.
[90] City of Palo Alto, "Notice of Funding Availability." May 20, 2014. PDF. Accessed 7/21/16. http://www.cityofpaloalto.org/civicax/filebank/documents/42343.

foreclosure, repairing and reselling BMR units acquired by the City, or issuing short-term loans to rehabilitate older BMR housing stock.[91]

Outcomes

In Fiscal Year 2014-15, $19,800 in housing in-lieu fees was collected and deposited into the City's Residential Housing In-Lieu Fund, which as of June 30, 2015 had an ending balance of approximately $17.6 million.

[91] City of Palo Alto, "Affordable Housing Fund Guidelines." August 17, 2015. PDF. Accessed 7/21/16. http://www.cityofpaloalto.org/civicax/filebank/documents/53195. Page 5.

PASADENA INCLUSIONARY HOUSING ORDINANCE

Background

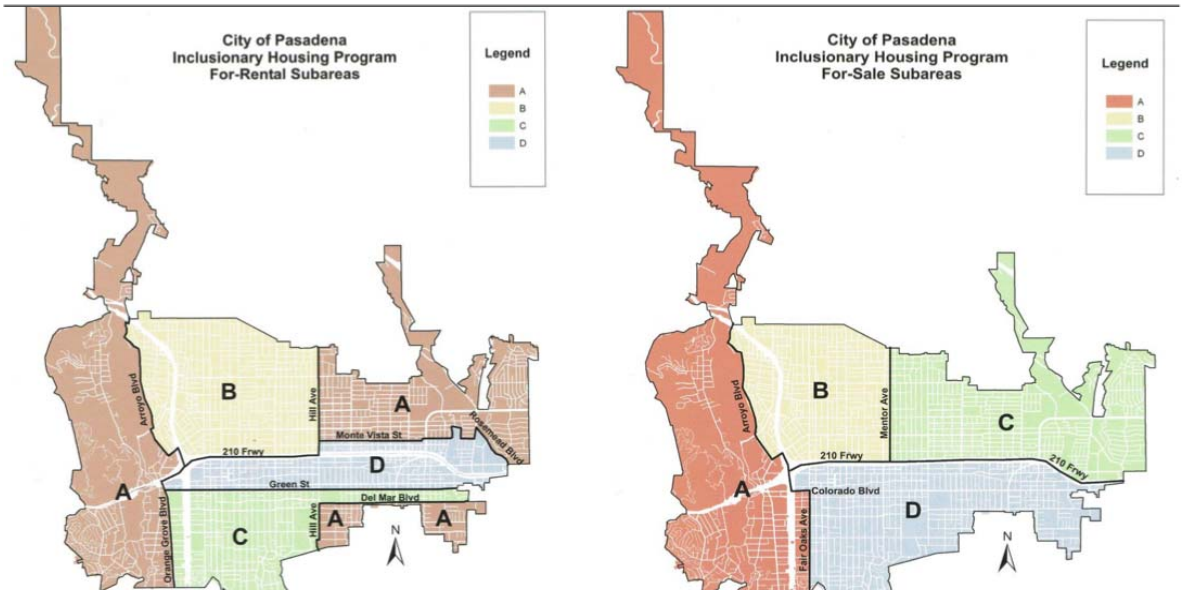
Pasadena's Inclusionary Housing Ordinance was adopted in 2001.[92] The policy requires either that 15 percent of all newly constructed, market-rate residential units be made affordable to low- and moderate- income households and constructed on-site, or payment of a fee based on project size and tenure, and assessed per square foot.

As with most inclusionary housing ordinances in California, the residential fee was originally established as an option "in-lieu" of producing the required number of affordable units. After the California courts limited mandatory unit production in the case of market-rate rental units, Pasadena revisited its rental housing in-lieu fee. In 2015 the City commissioned an Affordable Housing In-Lieu Analysis to recalculate the fee based on the affordability gap between the cost of market-rate housing units and the price that a low- or moderate-income household could afford to pay.[93] The City is currently considering raising its ordinance requirements based on a recent nexus study presented to City Council in April 2016.

Fee Structure

Inclusionary requirements and in-lieu fees vary by zone, with the four zones also varying slightly by tenure (rental vs. ownership projects) as shown below.

PASADENA INCLUSIONARY HOUSING ZONES



Source: City of Pasadena: http://ww5.cityofpasadena.net/housing/wp-content/uploads/ sites/3/2016/04/City-presentation-April-12-2016-.pdf

[92] City of Pasadena, Ordinance #6868, "An Ordinance of the City of Pasadena Amending Title 17"
[93] David Paul Rosen and Associates, "Pasadena Affordable Housing In Lieu Fee Analysis." March 10, 2016. PDF. Accessed 8/9/16. http://ww5.cityofpasadena.net/housing/wp-content/uploads/sites/3/2016/03/DRAFT-Inclusionary-In-Lieu-Fee-Analysis-.pdf.

Current and proposed fees as of April 2016 are shown below:

PASADENA CURRENT AND PROPOSED IN-LIEU FEES

	Fee Per Square Foot	
	FY 2016 Rate	Proposed Rate
10-49 Rental Units		
Sub-area A	$ -	$ 35.37
Sub-area B	$ 1.14	$ 19.97
Sub-area C	$ 25.21	$ 32.89
Sub-area D	$ 22.92	$ 35.37
50+ Rental Units		
Sub-area A	$ -	$ 49.12
Sub-area B	$ 1.14	$ 27.74
Sub-area C	$ 34.39	$ 45.68
Sub-area D	$ 32.10	$ 49.12
10-49 Ownership Units		
Sub-area A	$ 43.56	$ 47.01
Sub-area B	$ 16.04	$ 19.01
Sub-area C	$ 26.36	$ 29.66
Sub-area D	$ 20.63	$ 47.01
50+ Ownership Units		
Sub-area A	$ 60.75	$ 65.30
Sub-area B	$ 21.78	$ 26.40
Sub-area C	$ 36.68	$ 41.20
Sub-area D	$ 28.65	$ 65.30

Sources: David Paul Rosen and Associates; 2016, BAE, 2016.

Projects with fewer than 10 units are exempt from the Inclusionary Ordinance.

Half of the fee is due prior to obtaining the first building permit, with the balance due prior to obtaining a certificate of occupancy. Fees accrue to the Inclusionary Housing Trust Fund. There are no guidelines or limitations on the use of the fees collected.

Outcomes

The total amount collected between 2001 and April 2016 was $19.6 million.[94] Fee revenues have varied dramatically year by year: revenue dropped from about $5,000,000 in 2006 to about $100,000 six years later, during the Great Recession. These fluctuations have spurred the City to consider other options currently, including a commercial fee.[95]

As of 2016, Pasadena reports that there have been 1,507 "city-funded affordable units" produced.

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[94] City of Pasadena, "Affordable Housing Workshop: Pasadena Inclusionary Housing Ordinance" (presentation by Jim Wong, Senior Project Manager, April 12, 2016), p. 7, available at http://ww5.cityofpasadena.net/housing/wp-content/uploads/sites/3/2016/04/City-presentation-April-12-2016-.pdf, last accessed on June 6, 2016.

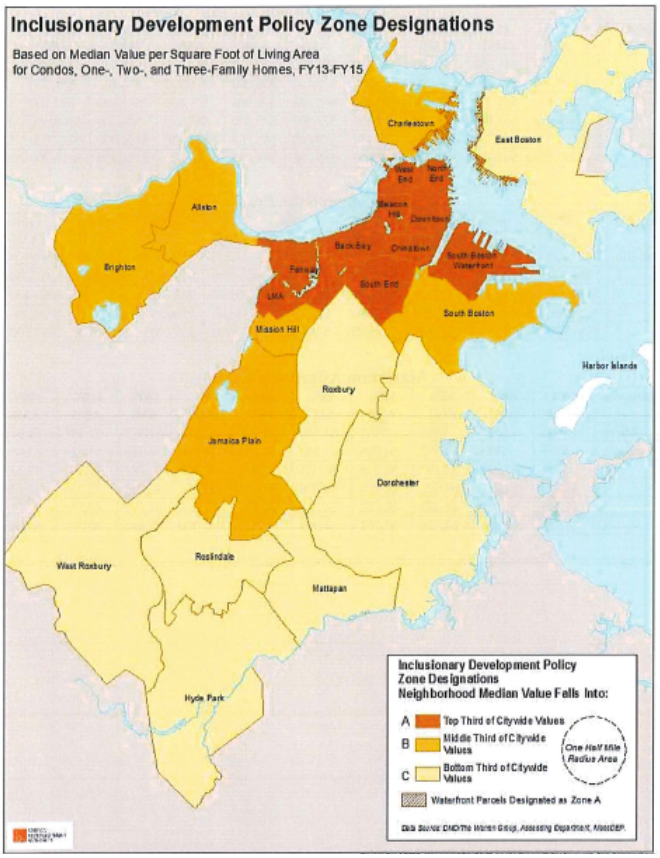
95 City of Pasadena, "City Council Affordable Housing Workshop" (PowerPoint presentation by William Huang, Director of the Housing Department, January 11, 2016),available at ww2.cityofpasadena.net/councilagendas/2016%20Agendas/ Jan_11.../AR%2014.ppt, last accessed on June 6, 2016.

BOSTON INCLUSIONARY DEVELOPMENT IN-LIEU FEE

Background

An executive order created the Boston inclusionary housing policy in 2000. The policy allowed for in-lieu fees: instead of including a number of affordable units equivalent to 10 percent of the total number of units in the project, the developer could pay a fee of $52,000 per unit on a number of units equivalent to 15 percent of the total number of units in the project. In 2003, a revision required that an in-lieu fee also be paid for the fraction of affordable unit that was not built when the number of affordable units was rounded off to the nearest lower number. The program has been revised several times to improve implementation since its inception.

BOSTON INCLUSIONARY DEVELOPMENT ZONES



Source: City of Boson. Inclusionary Development Policy. Exhibit B

The Inclusionary Development Program (IDP) applies to all residential projects that have ten units or more that are financed by the City, that are located on land that belongs to the City or to the Boston Redevelopment Authority, or for which zoning relief is sought.

Fee Structure

Fees vary by location and by tenure. The territory of the city was divided into three zones: Zone A comprise neighborhoods whose median value of a square foot of residential living area is in the top third of city valuations; Zone B has neighborhood medians close to the city average; and Zone C has neighborhood medians in the bottom third of city valuations. Different fees apply in each zone.

Contributions for rental projects are $380,000 per unit for projects in Zone A, $300,000 per unit for projects in Zone B, and $200,000 per unit for projects in Zone C. These unit costs are called “Zone Factors.” The number of units on which the IDP Contribution is calculated is 18 percent of the total number of units for projects in Zone A and in Zone B and 15 percent in Zone C. The total contribution is therefore Zone Factor X number of units.

Contributions per unit for homeownership projects are the highest of two figures: the Zone Factor or 50 percent of the difference between the market rate price and the affordable price for each unit type. The number of units is the same as for rental projects: 18 percent of total project units in Zones A and B, 15% in Zone C.

Note that an in-lieu contribution is also required in cases where affordable units are built on site to compensate for the loss of a fraction of an affordable unit in the project. For example, if the number of affordable units that is required is 7.35 and 7 units are built, the developer owes 35 percent of the in-lieu fee for a unit.

Exemptions include grandfathered projects, projects in which 40 percent or more of the units have income restrictions or are otherwise protected as affordable units, and dormitories.

There are no automatic fee increases; the unit factor was first set at $52,000, raised to $97,000 in 2005, and then to $200,000 in 2006. The 2006 revisions included a provision that contributions for rental projects could be paid in seven annual installments rather than all at once. The fee structure was amended again in 2015, to its current status.

Developers of rental housing may pay the IDP Contribution in 7 annual installments or all at once (using the current yield of a 10-year Treasury bond to calculate NPV). The first installment is due within 30 days of receipt of the "initial full building permit." Developers of ownership projects must pay 25 percent of the IDP Contribution based on Zone Factors within 30 days of receiving the building permit and the remaining 75 percent within 30 days of receiving the Certificate of Occupancy for their project.

Fees normally go into the IDP Fund. However, developers may ask that some or all of their IDP Contribution be used to finance an affordable housing project in the vicinity of their own development project.

Outcomes

Between 2000 and 2015, $119,700,542 was generated by in-lieu IDP Contributions. About $80,000,000 were already collected at that time, and the remainder was committed but not collected. An additional $22,176,190 was estimated to be in the pipeline, from projects that had been approved by the Boston Redevelopment Authority but had not yet been granted a development permit.[96]

In the same time period (2000 – 2015), contributions helped to build 1,597 new affordable housing units. Of these, 1,215 units were for low-income households (< 60% AMI) and 382 units were middle-income households (60% - 120% AMI).[97]

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[96] *Ibid*.
[97] *Ibid*.

Lessons Learned

The City would like a maximum number of projects to be built with affordable housing units on-site. Developers prefer either building off-site units or paying in-lieu fees. City staff reports that most projects chose a combination of units and fees.

Staff are currently considering revisions or clarifications on a number of elements of the ordinance including:

- The provision that allows developers to identify a specific project to target their in-lieu fees; because fee payments may be made in 7 years, this provision raises a serious problem for the financing of the affordable housing project. If the developer does not pay all fees upfront (with NPV calculation), the City must utilize the IDP fund to finance the affordable housing project and then use future fee payment to repay the IDP
- The distribution of monies to affordable housing projects; more emphasis on unit preservation vs. new construction may be needed. New units are generally in less attractive locations with fewer services, and preservation may also be cheaper in some cases.

CHICAGO AFFORDABLE REQUIREMENTS ORDINANCE

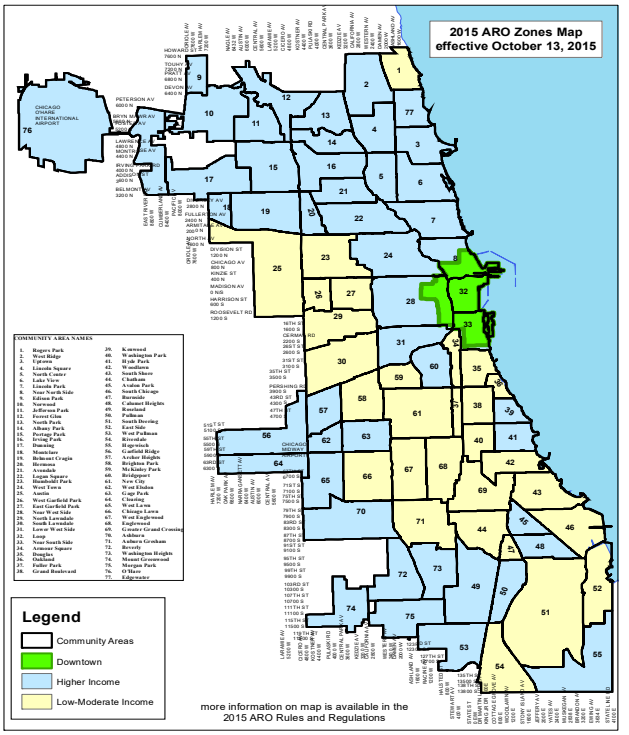
Background

Chicago adopted the first version of the Affordable Requirements Ordinance (ARO) in 2003. A few years later, as the market grew stronger and affordable units lost to new development increased, community groups pushed for stronger inclusionary requirements and Mayor Daley supported their goals. A much stronger ordinance was adopted in 2007, which started to generate more in-lieu fees (see Fees collected since inception, below). After the Great Recession, a new market upswing provoked a new push for generating affordable housing funding. Thus in 2015, requirements were strengthened again in order to generate more in-lieu fees.

Fee Structure

The fees are differentiated in several ways. First, they are differentiated geographically, according to local market conditions. Where the market is strongest ("Downtown"), the fees are highest. Lower fees are charged in medium strength markets (e.g., "Higher Income" areas, with low poverty rates), and still lower fees are charged in areas where markets are weakest (e.g., "Low-Moderate Income" areas, with high poverty rates). This scale is viewed as an incentive for developers to invest in Low-Moderate Income areas. A simplified map of the three zones will be updated every five years, based on new census data.

CHICAGO ZONE MAP



Source: City of Chicago, available at http://www.cityofchicago.org/content/dam/city/depts/dcd/general/housing/2015_ARO_ Zone_Map _JULY_28_2015.pdf

Second, the fees are differentiated according to tenure in the Downtown zone. Third, the fees are differentiated according to the developer's effort to contribute to the supply of affordable housing by means of construction (rather than in-lieu fees; see three green columns). Thus in the table on the next page, the "Final In-lieu Fee" applies today for regular projects; the "Final Authorized Agency In-lieu Fee" applies to projects in which the developer builds and sells or leases to an "authorized

agency" (for use as affordable housing, in the project at hand) a number of housing units at least equal to 25 percent of the total number of affordable units required under the ARO (i.e., the number of affordable units that should be built if no in-lieu fees were paid). The "Final In-lieu Premium" applies to downtown for-sale projects in which the developer fails to build, on-site or off-site, at least 25 percent of the number of required affordable units.[98]

Finally, fee increases were phased in over a year: "initial" levels are replaced by "final" levels after about 6 months.

CHICAGO IN-LIEU FEES

	In-Lieu Fee Per Unit					
Zone	Initial (a)	Final (b)	Initial Authorized Agency	Final Authorized Agency	Initial Premium	Final Premium
Low-Moderate Income	$ 50,000	$ 50,000	n/a	n/a	n/a	n/a
Higher Income	$ 125,000	$ 125,000	$ 100,000	$ 100,000	n/a	n/a
Downtown Rental	$ 140,000	$ 175,000	$ 115,000	$ 150,000	n/a	n/a
Downtown For Sale	$ 140,000	$ 175,000	$ 115,000	$ 150,000	$ 160,000	$ 225,000

Notes:
(a) "Initial" denotes an effective date of October 13, 2015.
(b) "Final" denotes an effective date of April 16, 2015.

Sources: City of Chicago, 2016; BAE, 2016.

Chicago, unlike other cities, does not require the payment of in-lieu fees for fractions of units that are required under the percentage-based formulas for on-site or off-site affordable housing construction. Results are rounded off to the nearest whole number.

A number of projects are exempt from affordable housing requirements under ARO including grandfathered projects, projects that do not call for a rezoning, do not benefit from the sale of City land and do not benefit from the City's financial assistance (i.e., require a rezoning, include the purchase of City land or benefit from City subsidies); and existing housing units, except in projects for which the developer received financial assistance from the City (i.e., for projects that involve existing buildings and are not subsidized, the requirements are calculated only on the new units added to the project)

Like other cities, Chicago also has a "waiver" option in its ordinance, which allows, the Commissioner of Planning and Development, "in certain limited circumstances as specified in the rules and regulations, to waive, adjust or reduce the requirements of this section [i.e., ARO]."[99] However, the rules were written is such a way as to limit the number of requests for

98 Chicago Municipal Code, Section 2-45-115 2015 Affordable Requirements, subsection F Methods of compliance. Note that the price of units sold to an authorized agency is not regulated; i.e., the sale can be done at market prices.
99 Chicago Municipal Code, 2-45-115 2015 Affordable Requirements, subsection P Hardship Waiver.

waivers to a minimum. In fact, no developer has yet attempted to obtain a waiver under this article of the ordinance.

Until 2015, fees were being updated periodically. The new ARO specifies that as of 2018, fees will be increased on January 1 of every year, at the rate given by the change in the Consumer Price Index for the metropolitan area of Chicago (using the annual change posted in September of the previous year).

Fees are due prior (and as a condition for) the issuance of the first building permit. The applicable fees are calculated by the Project Manager when the project is submitted for review and are valid for two years only; after that time period they must be calculated again, in light of any changes in the ARO.

In-lieu fees are deposited in the Affordable Housing Opportunity Fund ("unless required to be deposited into another fund pursuant to federal or state law"[100]). The funds will be divided two, one half being used for the production of affordable housing (new construction, rehabilitation or preservation), the other half is to be transferred to the Chicago Low-Income Housing Trust Fund, which provides rental subsidies.

To date, the fee program has raised approximately $50 million since 2007. Because of the economic downturn of 2008 and subsequent years, most fees have been collected since 2014. To date, in-lieu fees have been used to produce an estimated 310 affordable units, with an addition 242 units were built by developers as part of their projects.

Developers of projects who have received extra density under Chicago's Affordable Housing Zoning Bonus program (which give extra floor area in exchange for cash payments to the City) must first pay the fees owed under that program. Sums paid are then credited toward the in-lieu fees to be paid under the ARO.[101]

Lessons Learned

Sensitivity to context, i.e., to the socioeconomic geography of the city, is important. In Chicago, the very robust downtown market is key to the generation of fees for affordable housing and for other city priorities. (A new Neighborhood Opportunity Bonus was instituted in May 2016, whereby developers can earn a density bonus in exchange for a contribution to a newly established Neighborhood Opportunity Fund, which will be used to finance local economic development programs and projects.[102]) The distinction by zone, recognizing market

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[100] Chicago Municipal Code, 2-45-115 2015 Affordable Requirements, subsection G Affordable Housing Opportunity Fund.
101 Chicago Municipal Code, 2-45-115 2015 Affordable Requirements, subsection E Relationship between 2015 ARO and Affordable Housing Density Bonus. See also Section 17-4-1004-C Bonus Formula.
[102] City of Chicago, Neighborhoods Opportunity Fund Ordinance, available at http://chicagotonight.wttw.com/sites/default/files/article/file-attachments/Neighborhood%20Opportunity%20Fund%20Ordinance.pdf, last accessed on June 4, 2016.

conditions, is also important, so that modulated fees can help to generate more fee income in areas where development is robust and encourage developers to do projects in areas where economic development is needed.

One important issue noted during interviews for this case study is the balance between certainty and discretion in the use of funds generated by the in-lieu fee. On the one hand, the funds must be earmarked for specific purposes. However, planners feel that they must be able to allocated the funds without constraints on the location or type of project. In Chicago as in other cities, there was pressure from the community to earmark in-lieu fees from a project to affordable units in the same neighborhood. Planners resisted the pressure and maintained their right to allocate fees to projects throughout the city, on the basis of need.

A similar tension exists in the provision about waivers: use of this provision must be very tightly regulated, to prevent abuse, but it remains useful as an escape valve for truly exceptional cases.

Appendix E: Residential Building Permit Analysis

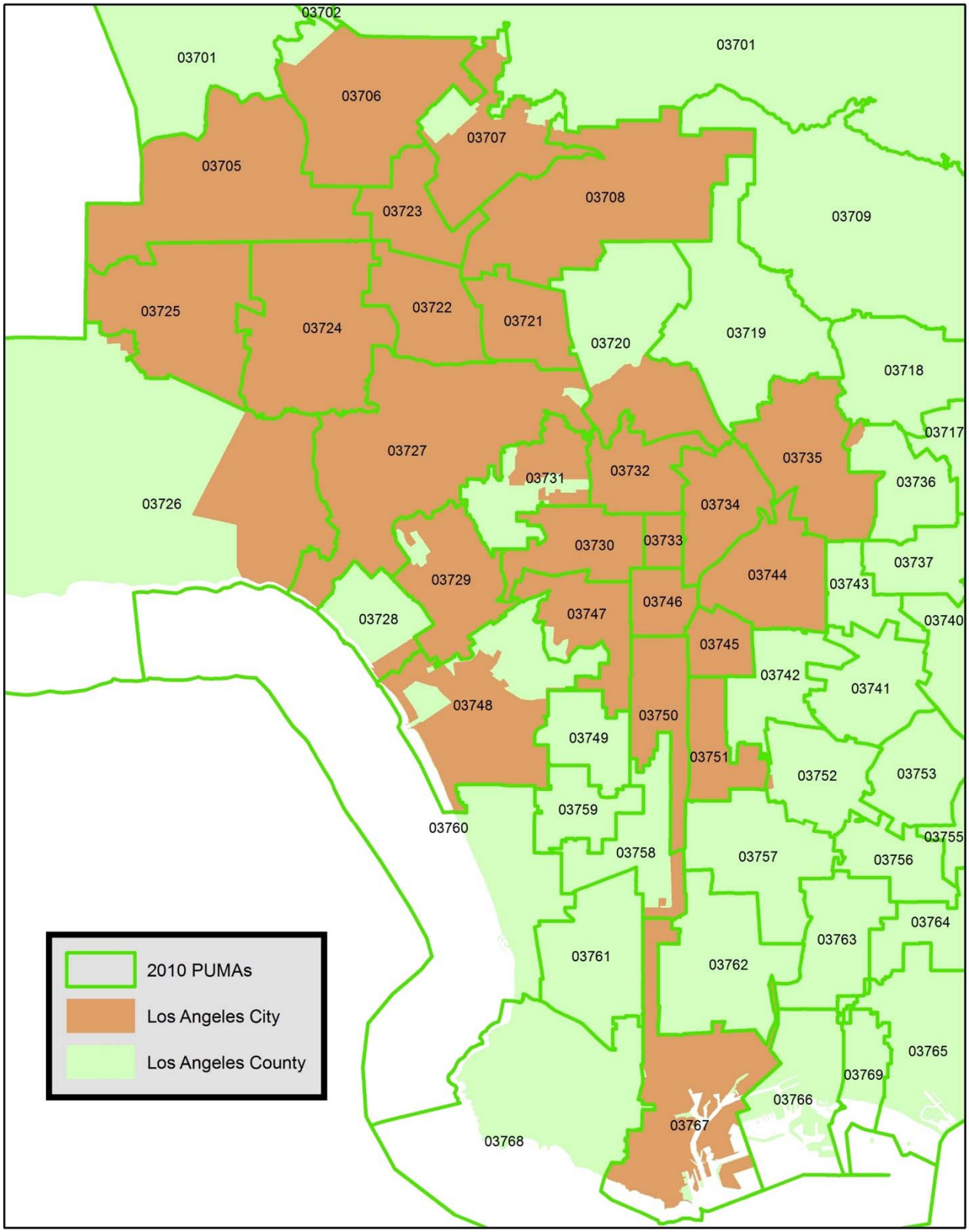
APPENDIX E-1: RESIDENTIAL UNITS PERMITTED, CITY OF LOS ANGELES, 2011-2015

Permit database does not differentiate between single family small lots and conventional lots. Thus, single family attached and single family detached categories include small lot projects.

Residential Units Permitted 2011-2015								
	Total for 2011-2015							
Building Type (a)(b)	Total Sq. Ft. Permitted	Percent of Total Sq.Ft.	Number of Permits	Total Units	Median Building Size (sf)	Avg. Units Per Permit	Avg, Sq,Ft, Per Year	Avg. Units Per Year
Single Family Detached (b)	**18,386,907**	**26.2%**	**4,973**	**4,952**	**3,088**		**3,677,381**	**990**
Single Family Attached/Townhouse								
Single Family Attached	1,266,345	1.8%	550	550	2,150		253,269	
Condominium	167,341	0.2%	56	61	2,632		33,468	
Duplex Condominium	16,093	0.0%	4	8	4,019		3,219	
Subtotal	**1,449,779**	**2.1%**	**610**	**619**			**289,956**	**124**
Multifamily Condominium								
Condominium 2-3 story	551,298	0.8%	48	313	9,511	7	110,260	
Condominium 4-5 story	876,126	1.2%	51	396	11,379	8	175,225	
Condominium > 6 story	0	0.0%	0	0	N/A	N/A	-	
Subtotal	**1,427,424**	**2.0%**	**99**	**709**			**285,485**	**142**
TOTAL OWNERSHIP UNITS	**21,264,110**	**30.3%**	**5,682**	**6,280**			**4,252,822**	**1,256**
Mutlifamily Rental								
Accessory Living Quarters	157,676	0.2%	74	67	1,477		31,535	
Duplex	3,105,698	4.4%	907	1,810	3,334		621,140	
Artist-in-Residence/Loft	7,049	0.0%	3	4	2,998		1,410	
Apartment 2-3 story	5,588,337	8.0%	321	4,272	10,248	13	1,117,667	
Apartment 4-5 story	17,333,097	24.7%	273	14,488	38,302	53	3,466,619	
Apartment 6-12 story	15,052,510	21.4%	70	14,343	161,060	205	3,010,502	
Apartment > 12 story	6,524,181	9.3%	15	5,225	358,796	348	1,304,836	
Senior Independent Housing	1,189,081	**1.7%**	15	1,132	68,404	75	237,816	
TOTAL RENTAL UNITS	**48,957,629**	**69.7%**	**1,678**	**41,341**			**9,791,526**	**8,268**
TOTAL ALL UNITS	**70,221,739**	**100.0%**	**7,360**	**47,621**			**14,044,348**	**9,524**

Notes:
(a) Includes permits for "New" buildings > 1,000 sf issued by City of LA from 1-1-2011 thru 12-13-15.
(b) Excludes Miscellaneous Structure Use Codes.
Sources: Los Angeles Department of Building and Safety; BAE, 2016.

Appendix F: Los Angeles PUMAs



Appendix G: Overview of IMPLAN

This appendix provides additional clarification of the workings of the IMPLAN input-output model. It provides a step-by-step account of how IMPLAN estimates economic impacts using new residential development as an illustrative example. Definitions of key *italicized* terms are provided in footnotes for the benefit of the reader. This section begins with an overview of the data that IMPLAN uses internally, and moves forward through the process of how the model estimates the impacts of the construction phase of the proposed casino.

What is IMPLAN?

As stated in the main body of the text, IMPLAN is an input-output model that estimates the total economic implications of new economic activity within a specified geography. The model uses national industry data and county-level economic data to generate a series of multipliers, which in turn estimate the total economic implications of economic activity.

At the heart of the model is a national input-output dollar flow table called the Social Accounting Matrix (SAM). Unlike other static input-output models, which just measure the purchasing relationships between industry and household sectors, SAM also measures the economic relationships between government, industry, and household sectors, allowing IMPLAN to model transfer payments such as unemployment insurance. Thus, for the specified region, the input-output table accounts for all the dollar flows between the different sectors within the economy.

National Industry Data. The model uses national production functions for 440 sectors to determine how an industry spends its operating receipts to produce its commodities. The model also uses a national matrix to determine the *byproducts*[103] that each industry generates. To analyze the impacts of household spending, the model treats households as an "industry" to determining their expenditure patterns. IMPLAN couples the national production functions with a variety of county-level economic data to determine the impacts for our example.

d

County-Level Economic Data. In order to estimate the county-level impacts, IMPLAN combines national industry production functions with county-level economic data. IMPLAN collects data from a variety of economic data sources to generate average output, employment, and productivity for each of the industries in a given county. It also collects data on average prices for all of the goods sold in the local economy. In the case of our example, IMPLAN uses economic data for Los Angeles County. IMPLAN gathers data on the types and amount of output that each industry generates within the region. In addition, the IMPLAN model uses county-level data on the prices of goods and household expenditures to determine the

[103] The byproducts refer to any secondary commodities that the industry creates.

consumption functions of regional households and local government, taking into account the availability of each commodity within the specified geography.

Multipliers. IMPLAN combines this data to generate a series of SAM-type multipliers for the local economy. The multiplier measures the amount of total economic activity that results from an industry (or household) spending an additional dollar in the local economy. Based on these multipliers, IMPLAN generates a series of tables to show the economic event's *direct*, *indirect*, and *induced* impacts to gross receipts, or output, within each of the model's 536 sectors. These outputs are described below:

- Direct Impacts. Direct impacts refer to the dollar value of economic activity available to circulate through the economy. In the case of new residential development, the direct impacts are equal to the new households' discretionary spending. The direct impacts do not include household savings and payments to federal, state, and local taxes, as these payments do not circulate through the economy.

  It should be noted that impacts from retail expenditures differ significantly between the total economic value of retail and the amount available to circulate through the local economy. The nature of retail expenditures accounts for this difference. The model assumes that only the retail markup impacts the local economy, particularly for industries heavily populated with national firms such as gas stations and grocery stores. Since local stores buy goods from wholesalers and manufacturers outside of the area, and corporate profits also leave the local economy, only the retail markup will be available for distribution within the local economy. To the extent that retailers' headquarters are located within the county or region, the model allocates their portions of the impacts to the local economy.

- Indirect Impacts. The indirect impacts refer to the inter-industry impacts of the input-output analysis. Since IMPLAN is only used for the housing analysis for this report to assess the impacts of new resident household expenditures, there are no indirect impacts to assess as there are no industry expenditures as inputs to the model.

- Induced Impacts. The induced impacts refer to the impacts of household spending by the employees generated by the direct and indirect impacts. In other words, induced impacts result from the household spending of employees of business establishments that the new households patronize (direct) and their suppliers (indirect). The model accounts for local commute patterns in the geography. For example, if 20 percent of construction workers who work in the region live outside of the region, the model will allocate 80 percent of labor's disposable income into the model to generate induced impacts. The model excludes payments to federal and state taxes and savings based on the geography's average local tax and savings rates. Thus, only the disposable incomes from local workers are included in the model.

Specifying the "Event" and Running the Model

Once the model is built for the specified geographies, it is time to specify the "event" that the model will analyze and run the model.

Specifying the "Event." The "event" refers to the total economic value of industry output that we are interested in analyzing. In the case of the ongoing economic impacts of a new residential development, the "event" would be the total household incomes of the households that buy or rent the homes.

Running the Model. Once the event is specified, IMPLAN runs the event through the model to generate the results. IMPLAN applies the local data on average output per worker and compensation per worker to determine the direct impacts. It then applies the value of the event to the national production functions and runs a number of iterations of this value through the production functions for the local economy to determine the indirect and induced impacts. For each iteration, the model removes expenditures to government, savings, and for goods bought outside of the local economy so that the results only include those dollars that impact the local economy.

Summarizing the Impacts

Once the model is run, IMPLAN generates a series of output tables to show the direct, indirect, and induced impacts within each of the model's 536 sectors. IMPLAN generates these tables for three types of impacts: output, employment, and value added. This nexus study is concerned with the employment impacts.

- *Output* refers to the total economic value of the project in the local economy.
- *Employment* shows the number of employees needed to support the economic activity in the local economy. It should be noted that for annual impacts of ongoing operations, the employment figure shown represents the amount of employment needed to support that activity for a year. Furthermore, IMPLAN reports the number of jobs based on average output per employee for a given industry within the geography. This is not the same as the number of full-time positions.
- *Value Added* shows the total income that the event generates in the local economy. This income includes:
    - *Employee Compensation* – total payroll costs, including benefits
    - *Proprietary Income* – payments received by self-employed individuals as income
    - *Other Property Type Income* – payments for rents, royalties, and dividends
    - *Indirect Business Taxes* – excise taxes, property taxes, fees, and sales taxes paid by businesses. These taxes occur during the normal operation of businesses, but do not include taxes on profits or income.

Appendix H: Detailed Pro Forma Analysis for Residential Land Uses

APPENDIX H-1: MULTIFAMILY RENTAL PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Site Size (sf)		43,560	43,560	43,560	43,560	43,560	43,560
Less: Open Space (sf of site per unit) (a)	125	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Developed Footprint (sf)		38,560	38,560	38,560	38,560	38,560	38,560
Number of Units		80	80	80	80	80	80
Average Unit Size (mix of studios, 1s, 2s)		1,150	1,150	1,150	1,150	1,150	1,150
Net Residential Space (sf)		92,000	92,000	92,000	92,000	92,000	92,000
Common Area	15.0%	13,800	13,800	13,800	13,800	13,800	13,800
Total Residential Space (sf)		105,800	105,800	105,800	105,800	105,800	105,800
FAR		2.4	2.4	2.4	2.4	2.4	2.4
Parking Ratio (spaces per unit)		1.5	1.5	1.5	1.5	1.5	1.5
Number of Parking Spaces		120	120	120	120.00	120	120
Total Parking Garage (sf)	350	42,000	42,000	42,000	42,000	42,000	42,000
Number of Residential Floors		3	3	3	3	3	3
Total Number of Stories		1	1	1	1	1	1
Rents							
Average Rent per Unit		$ 2,500	$ 2,500	$ 3,200	$ 3,200	$ 3,800	$ 3,800
Development Costs							
Site Work		$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Hard Costs - Res (wood frame)		$ 175	$ 175	$ 175	$ 175	$ 210	$ 210
Parking Costs (per space)		$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Soft Costs exc Fees (as % of hard)		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
Quimby/Park Fee per Unit (b)		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
School Fee per sq. ft. (c)		$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36
Residential Fee per sq. ft.		$ -	$ -	$ -	$ 18.00	$ -	$ 24.00
Residential Fee per unit		$ -	$ -	$ -	$ 23,805	$ -	$ 31,740
Financing Costs							
Loan to Cost Ratio		85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		18	18	18	18	18	18
Avg. Outstanding Balance During Construction		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Operations							
Vacancy		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
OpEx per unit		$ 8,000	$ 8,000	$ 8,000	$ 8,000	$ 9,500	$ 9,500
Cap Rate		6.0%	6.0%	5.0%	5.0%	5.0%	5.0%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Land	$ 4,000,000	$ 4,000,000	$ 6,000,000	$ 6,000,000	$ 8,000,000	$ 8,000,000
Land per Residential Unit	$ 50,000	$ 50,000	$ 75,000	$ 75,000	$ 100,000	$ 100,000
Land per Site sf	$ 91.83	$ 91.83	$ 137.74	$ 137.74	$ 183.65	$ 183.65
Construction Costs						
Site Work	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800
Hard Costs - Residential	$ 18,515,000	$ 18,515,000	$ 18,515,000	$ 18,515,000	$ 22,218,000	$ 22,218,000
Hard Costs - Parking	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Soft Costs	$ 4,346,560	$ 4,346,560	$ 4,346,560	$ 4,346,560	$ 5,087,160	$ 5,087,160
Quimby/Park Fee	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000
School Fee	$ 355,488	$ 355,488	$ 355,488	$ 355,488	$ 355,488	$ 355,488
Residential Linkage Fee	$ -	$ -	$ -	$ 1,904,400	$ -	$ 2,539,200
Subtotal Const Costs Before Financing	$ 26,834,848	$ 26,834,848	$ 26,834,848	$ 28,739,248	$ 31,278,448	$ 33,817,648
Financing Costs						
Points	$ 342,144	$ 342,144	$ 342,144	$ 366,425	$ 398,800	$ 431,175
Construction Period Interest	$ 2,358,866	$ 2,358,866	$ 2,511,866	$ 2,657,552	$ 3,004,801	$ 3,199,050
Subtotal Financing Costs	$ 2,701,010	$ 2,701,010	$ 2,854,010	$ 3,023,978	$ 3,403,601	$ 3,630,225
Total Development Costs	**$ 33,535,858**	**$ 33,535,858**	**$ 35,688,858**	**$ 37,763,226**	**$ 42,682,049**	**$ 45,447,873**
Total Development Cost per SF (excl land)	*$ 279*	*$ 279*	*$ 281*	*$ 300*	*$ 328*	*$ 354*
Total Development Cost per SF (inc. land)	*$ 317*	*$ 317*	*$ 337*	*$ 357*	*$ 403*	*$ 430*
Residential Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*5.0%*	*0.0%*	*5.6%*
Total Impact Fees as % of TDC	*2.3%*	*2.3%*	*2.1%*	*7.0%*	*1.8%*	*7.2%*
Valuation						
Operations						
Gross Income	$ 2,400,000	$ 2,400,000	$ 3,072,000	$ 3,072,000	$ 3,648,000	$ 3,648,000
Less: Vacancy	$ (120,000)	$ (120,000)	$ (153,600)	$ (153,600)	$ (182,400)	$ (182,400)
Less: Op Expenses	$ (640,000)	$ (640,000)	$ (640,000)	$ (640,000)	$ (760,000)	$ (760,000)
Net Operating Income (NOI)	$ 1,640,000	$ 1,640,000	$ 2,278,400	$ 2,278,400	$ 2,705,600	$ 2,705,600
Value at Stabilization	$ 27,333,333	$ 27,333,333	$ 45,568,000	$ 45,568,000	$ 54,112,000	$ 54,112,000
Return on Cost						
Value at Stabilization	$ 27,333,333	$ 27,333,333	$ 45,568,000	$ 45,568,000	$ 54,112,000	$ 54,112,000
Less: Total Development Costs	$ 33,535,858	$ 33,535,858	$ 35,688,858	$ 37,763,226	$ 42,682,049	$ 45,447,873
Profit	$ (6,202,525)	$ (6,202,525)	$ 9,879,142	$ 7,804,774	$ 11,429,951	$ 8,664,127
% Return on Cost	**-18.5%**	**-18.5%**	**27.7%**	**20.7%**	**26.8%**	**19.1%**
Yield on Cost (NOI/TDC)	**4.9%**	**4.9%**	**6.4%**	**6.0%**	**6.3%**	**6.0%**
Feasible? (d)	No	No	Yes	Yes	Yes	Yes

Notes:

a) Assumes 50% of open space requirement is satisfied on first floor as common open space, pursuant to LAMC Section 12.21G. The remaining open space requirement will be satisifed on private balconies and a roof top deck.

b) Proposed park fees under study by City Council are:

Quimby (for subdivisions)	$ 10,000	per dwelling unit
Park Facililties Fee (applicable to all rental units)	$ 5,000	per dwelling unit

c) School Fees for Residential

Current	$ 3.36	psf
Anticipated to Increase in Fall 2016	$ 3.54	psf

d) Project feasibility assumes a minimum return on cost of 15%
and a minimum yield on cost of 6%

APPENDIX H-2: CONDOMINIUM PRO FORMAS

Key Development Assuptions		Alternative 1		Alternative 2		Alternative 3	
		Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Site Size (sf)		43,560	43,560	43,560	43,560	43,560	43,560
Less: Open Space (sf of site per unit) (a)	125	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Developed Footprint (sf)		38,560	38,560	38,560	38,560	38,560	38,560
Number of Units		80	80	80	80	80	80
Average Unit Size (mix of studios, 1s, 2s)		1,485	1,485	1,485	1,485	1,485	1,485
Net Residential Space (sf)		118,800	118,800	118,800	118,800	118,800	118,800
Common Area	15.0%	17,820	17,820	17,820	17,820	17,820	17,820
Total Residential Space (sf)		136,620	136,620	136,620	136,620	136,620	136,620
FAR		3.1	3.1	3.1	3.1	3.1	3.1
Parking Ratio (spaces per unit)		1.5	1.5	1.5	1.5	1.5	1.5
Number of Parking Spaces		120	120	120	120.00	120	120
Total Parking Garage (sf)	350	42,000	42,000	42,000	42,000	42,000	42,000
Number of Residential Floors		4	4	4	4	4	4
Total Number of Stories (Parking)		1	1	1	1	1	1
Sales Price		3.54					
Average Sales Price PSF		$ 329	$ 329	$ 521	$ 521	$ 785	$ 785
Average Sales Price per Unit		488,565	488,565	773,685	773,685	1,165,725	1,165,725
Development Costs							
Site Work		$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Hard Costs		$ 185	$ 185	$ 200	$ 200	$ 310	$ 310
Parking Costs (per space)		$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Soft Costs exc Fees (as % of hard)		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees							
Quimby/Park Fee per Unit (b)		$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
School Fee per sq. ft. (c)		$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36
Residential Fee per sq. ft.		$ -	$ -	$ -	$ 22.00	$ -	$ 45.00
Residential Fee per unit		$ -	$ -	$ -	$ 37,571	$ -	$ 76,849
Financing Costs							
Loan to Cost Ratio		85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Interest Rate		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees		1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)		18	18	18	18	18	18
Avg. Outstanding Balance During Construction		60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Sales Assumptions							
Marketing Costs		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Land	$ 4,800,000	$ 4,800,000	$ 6,000,000	$ 6,000,000	$ 8,000,000	$ 8,000,000
Land per Residential Unit	$ 60,000	$ 60,000	$ 75,000	$ 75,000	$ 100,000	$ 100,000
Land per Site sf	$ 110.19	$ 110.19	$ 137.74	$ 137.74	$ 183.65	$ 183.65
Construction Costs						
Site Work	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800
Hard Costs - Residential	$ 25,274,700	$ 25,274,700	$ 27,324,000	$ 27,324,000	$ 42,352,200	$ 42,352,200
Hard Costs - Parking Garage	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Soft Costs	$ 5,698,500	$ 5,698,500	$ 6,108,360	$ 6,108,360	$ 9,114,000	$ 9,114,000
Quimby/Park Fee	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000
School Fee	$ 459,043	$ 459,043	$ 459,043	$ 459,043	$ 459,043	$ 459,043
Residential Linkage Fee	$ -	$ -	$ -	$ 3,005,640	$ -	$ 6,147,900
Subtotal Const Costs Before Financing	$ 35,450,043	$ 35,450,043	$ 37,909,203	$ 40,914,843	$ 55,943,043	$ 62,090,943
Financing Costs						
Points	$ 451,988	$ 451,988	$ 483,342	$ 521,664	$ 713,274	$ 791,660
Construction Period Interest	$ 3,079,128	$ 3,079,128	$ 3,359,054	$ 3,588,986	$ 4,891,643	$ 5,361,957
Subtotal Financing Costs	$ 3,531,116	$ 3,531,116	$ 3,842,396	$ 4,110,650	$ 5,604,917	$ 6,153,617
Total Development Costs	**$ 43,781,160**	**$ 43,781,160**	**$ 47,751,600**	**$ 51,025,493**	**$ 69,547,960**	**$ 76,244,560**
Total Development Cost per SF (excl land)	*$ 285*	*$ 285*	*$ 306*	*$ 330*	*$ 451*	*$ 500*
Total Development Cost per SF (inc. land)	*$ 320*	*$ 320*	*$ 350*	*$ 373*	*$ 509*	*$ 558*
Residential Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*5.9%*	*0.0%*	*8.1%*
Total Impact Fees as % of TDC	*2.9%*	*2.9%*	*2.6%*	*8.4%*	*1.8%*	*9.7%*
Valuation						
Sales						
Condominium Sales	$ 39,085,200	$ 39,085,200	$ 61,894,800	$ 61,894,800	$ 93,258,000	$ 93,258,000
Less: Marketing Costs	$ (1,954,260)	$ (1,954,260)	$ (3,094,740)	$ (3,094,740)	$ (4,662,900)	$ (4,662,900)
Net Sales Revenue	$ 37,130,940	$ 37,130,940	$ 58,800,060	$ 58,800,060	$ 88,595,100	$ 88,595,100
Return on Cost						
Net Sales Revenue	$ 37,130,940	$ 37,130,940	$ 58,800,060	$ 58,800,060	$ 88,595,100	$ 88,595,100
Less: Total Development Costs	$ 43,781,160	$ 43,781,160	$ 47,751,600	$ 51,025,493	$ 69,547,960	$ 76,244,560
Profit	$ (6,650,220)	$ (6,650,220)	$ 11,048,460	$ 7,774,567	$ 19,047,140	$ 12,350,540
% Return on Cost	**-15.2%**	**-15.2%**	**23.1%**	**15.2%**	**27.4%**	**16.2%**
Feasible? (d)	**No**	**No**	**Yes**	**Yes**	**Yes**	**Yes**

Notes:

a) Assumes 50% of open space requirement is satisfied on first floor as common open space, pursuant to LAMC Section 12.21G.
The remaining open space requirement will be satisifed on private balconies and a roof top deck.

b) Proposed park fees under study by City Council are:

Quimby (for subdivisions)	$ 10,000	per dwelling unit
Park Facililties Fee (applicable to all rental units)	$ 5,000	per dwelling unit

c) School Fees for Residential

Current	$ 3.36	psf
Anticipated to Increase in Fall 2016	$ 3.54	psf

d) Project feasibility assumes a minimum return on cost of 15%

APPENDIX H-3: SINGLE-FAMILY ATTACHED PRO FORMAS

Key Development Assuptions	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Site Size (sf)	43,560	43,560	43,560	43,560	43,560	43,560
Minimum Lot Size (a)	3,000	3,000	3,000	3,000	3,000	3,000
Total Lots	14	14	14	14	14	14
Average SFR Size (sf)	1,650	1,650	1,650	1,650	1,650	1,650
Total Residential Space (sf)	23,100	23,100	23,100	23,100	23,100	23,100
Number of Residential Floors	2	2	2	2	2	2
FAR	0.5	0.5	0.5	0.5	0.5	0.5
Parking Ratio (spaces per unit) (parking in unit)	2.0	2.0	2.0	2.0	2.0	2.0
Number of Parking Spaces	28	28	28	28.00	28	28
Sales Price						
Average Sales Price PSF	$ 251	$ 251	$ 450	$ 450	$ 656	$ 656
Average Sales Price Per Unit	$ 414,150	$ 414,150	$ 742,500	$ 742,500	$ 1,082,400	$ 1,082,400
Development Costs						
Site Work	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Hard Costs - Res (wood frame)	$ 185	$ 185	$ 195	$ 195	$ 295	$ 295
Parking Costs (per space)	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Soft Costs exc Fees (as % of hard)	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees						
Quimby/Park Fee per Unit (b)	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
School Fee per sq. ft. (c)	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36
Residential Fee per sq. ft.	$ -	$ -	$ -	$ 26.00	$ -	$ 32.00
Residential Fee per unit	$ -	$ -	$ -	$ 42,900	$ -	$ 52,800
Financing Costs						
Loan to Cost Ratio	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Interest Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)	18	18	18	18	18	18
Avg. Outstanding Balance During Construction	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Sales Assumptions						
Marketing Costs	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Land	$ 1,050,000	$ 1,050,000	$ 1,400,000	$ 1,400,000	$ 2,100,000	$ 2,100,000
Land per Residential Unit	$ 75,000	$ 75,000	$ 100,000	$ 100,000	$ 150,000	$ 150,000
Land per Site sf	$ 24.10	$ 24.10	$ 32.14	$ 32.14	$ 48.21	$ 48.21
Construction Costs						
Site Work	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800
Hard Costs - Residential	$ 4,273,500	$ 4,273,500	$ 4,504,500	$ 4,504,500	$ 6,814,500	$ 6,814,500
Hard Costs - Parking (in unit)	$ -	$ -	$ -	$ -	$ -	$ -
Soft Costs	$ 898,260	$ 898,260	$ 944,460	$ 944,460	$ 1,406,460	$ 1,406,460
Quimby/Park Fee	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000	$ 140,000
School Fee	$ 77,616	$ 77,616	$ 77,616	$ 77,616	$ 77,616	$ 77,616
Residential Linkage Fee	$ -	$ -	$ -	$ 600,600	$ -	$ 739,200
Subtotal Const Costs Before Financing	$ 5,607,176	$ 5,607,176	$ 5,884,376	$ 6,484,976	$ 8,656,376	$ 9,395,576
Financing Costs						
Points	$ 71,491	$ 71,491	$ 75,026	$ 82,683	$ 110,369	$ 119,794
Construction Period Interest	$ 509,274	$ 509,274	$ 557,255	$ 603,201	$ 822,863	$ 879,412
Subtotal Financing Costs	$ 580,765	$ 580,765	$ 632,281	$ 685,884	$ 933,232	$ 999,205
Total Development Costs	**$ 7,237,941**	**$ 7,237,941**	**$ 7,916,657**	**$ 8,570,860**	**$ 11,689,608**	**$ 12,494,781**
Total Development Cost per SF (excl land)	*$ 268*	*$ 268*	*$ 282*	*$ 310*	*$ 415*	*$ 450*
Total Development Cost per SF (inc. land)	*$ 313*	*$ 313*	*$ 343*	*$ 371*	*$ 506*	*$ 541*
Residential Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*7.0%*	*0.0%*	*5.9%*
Total Impact Fees as % of TDC	*3.0%*	*3.0%*	*2.7%*	*9.5%*	*1.9%*	*7.7%*
Valuation						
Sales						
Sales	$ 5,798,100	$ 5,798,100	$ 10,395,000	$ 10,395,000	$ 15,153,600	$ 15,153,600
Less: Marketing Costs	$ (289,905)	$ (289,905)	$ (519,750)	$ (519,750)	$ (757,680)	$ (757,680)
Net Sales Revenue	$ 5,508,195	$ 5,508,195	$ 9,875,250	$ 9,875,250	$ 14,395,920	$ 14,395,920
Return on Cost						
Net Sales Revenue	$ 5,508,195	$ 5,508,195	$ 9,875,250	$ 9,875,250	$ 14,395,920	$ 14,395,920
Less: Total Development Costs	$ 7,237,941	$ 7,237,941	$ 7,916,657	$ 8,570,860	$ 11,689,608	$ 12,494,781
Profit	$ (1,729,746)	$ (1,729,746)	$ 1,958,593	$ 1,304,390	$ 2,706,312	$ 1,901,139
% Return on Cost	**-23.9%**	**-23.9%**	**24.7%**	**15.2%**	**23.2%**	**15.2%**
Feasible? (d)	**No**	**No**	**Yes**	**Yes**	**Yes**	**Yes**

Notes:

a) Assumes minimum associated with RD-3-1 zoning

The remaining open space requirement will be satisifed on private balconies and a roof top deck.

b) Current Quimby/Finn fees for parks only apply to projects with a zone change. This pro forma assumes no zone change.

b) Proposed park fees under study by City Council are:

Quimby (for subdivisions)	$ 10,000	per dwelling unit
Park Facililties Fee (applicable to all rental units)	$ 5,000	per dwelling unit

c) School Fees for Residential

Current	$ 3.36	psf
Anticipated to Increase in Fall 2016	$ 3.54	psf

d) Project feasibility assumes a minimum return on cost of 15%

APPENDIX H-4: SINGLE-FAMILY DETACHED PRO FORMAS

Key Development Assuptions	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Site Size (sf)	43,560	43,560	43,560	43,560	43,560	43,560
Minimum Lot Size (a)	5,000	5,000	5,000	5,000	5,000	5,000
Total Lots	8	8	8	8	8	8
Average SFR Size (sf)	3,000	3,000	3,000	3,000	3,000	3,000
Total Residential Space (sf)	24,000	24,000	24,000	24,000	24,000	24,000
Number of Residential Floors	2	2	2	2	2	2
FAR	0.6	0.6	0.6	0.6	0.6	0.6
Parking Ratio (spaces per unit) (parking in unit)	-	-	-	-	-	-
Number of Parking Spaces	-	-	-	-	-	-
Sales Price						
Average Sales Price PSF	$ 263	$ 263	$ 444	$ 444	$ 953	$ 953
Average Sales Price Per Unit	$ 789,000	$ 789,000	$ 1,332,000	$ 1,332,000	$ 2,859,000	$ 2,859,000
Development Costs						
Site Work	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Hard Costs	$ 165	$ 165	$ 185	$ 185	$ 250	$ 250
Parking Costs (per space)	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
Soft Costs exc Fees (as % of hard)	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Impact Fees						
Quimby/Park Fee per Unit (b)	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
School Fee (c)	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36	$ 3.36
Residential Fee per sq. ft.	$ -	$ -	$ -	$ 31.00	$ -	$ 48.63
Residential Fee per unit	$ -	$ -	$ -	$ 93,000	$ -	$ 145,890
Financing Costs						
Loan to Cost Ratio	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Interest Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Loan Fees	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Construction Period (months)	18	18	18	18	18	18
Avg. Outstanding Balance During Construction	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Sales Assumptions						
Marketing Costs	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Development Costs	Alternative 1		Alternative 2		Alternative 3	
	Low Market Baseline	Low Market with Res. Linkage Fee	Moderate Market Baseline	Moderate Market with Res. Linkage Fee	Strong Market Baseline	Strong Market with Res. Linkage Fee
Land	$ 800,000	$ 800,000	$ 1,600,000	$ 1,600,000	$ 3,200,000	$ 3,200,000
Land per Residential Unit	$ 100,000	$ 100,000	$ 200,000	$ 200,000	$ 400,000	$ 400,000
Land per Site sf	$ 18.37	$ 18.37	$ 36.73	$ 36.73	$ 73.46	$ 73.46
Construction Costs						
Site Work	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800	$ 217,800
Hard Costs - Residential	$ 3,960,000	$ 3,960,000	$ 4,440,000	$ 4,440,000	$ 6,000,000	$ 6,000,000
Hard Costs - Parking (in unit)	$ -	$ -	$ -	$ -	$ -	$ -
Soft Costs	$ 835,560	$ 835,560	$ 931,560	$ 931,560	$ 1,243,560	$ 1,243,560
Quimby/Park Fee	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
School Fee	$ 80,640	$ 80,640	$ 80,640	$ 80,640	$ 80,640	$ 80,640
Residential Linkage Fee	$ -	$ -	$ -	$ 744,000	$ -	$ 1,167,120
Subtotal Const Costs Before Financing	$ 5,174,000	$ 5,174,000	$ 5,750,000	$ 6,494,000	$ 7,622,000	$ 8,789,120
Financing Costs						
Points	$ 65,969	$ 65,969	$ 73,313	$ 82,799	$ 97,181	$ 112,061
Construction Period Interest	$ 457,011	$ 457,011	$ 562,275	$ 619,191	$ 827,883	$ 917,168
Subtotal Financing Costs	$ 522,980	$ 522,980	$ 635,588	$ 701,990	$ 925,064	$ 1,029,229
Total Development Costs	**$ 6,496,980**	**$ 6,496,980**	**$ 7,985,588**	**$ 8,795,990**	**$ 11,747,064**	**$ 13,018,349**
Total Development Cost per SF (excl land)	*$ 237*	*$ 237*	*$ 266*	*$ 300*	*$ 356*	*$ 409*
Total Development Cost per SF (inc. land)	*$ 271*	*$ 271*	*$ 333*	*$ 366*	*$ 489*	*$ 542*
Residential Linkage Fee as % of TDC	*0.0%*	*0.0%*	*0.0%*	*8.5%*	*0.0%*	*9.0%*
Total Impact Fees as % of TDC	*2.5%*	*2.5%*	*2.0%*	*10.3%*	*1.4%*	*10.2%*
Valuation						
Sales						
Sales	$ 6,312,000	$ 6,312,000	$ 10,656,000	$ 10,656,000	$ 22,872,000	$ 22,872,000
Less: Marketing Costs	$ (315,600)	$ (315,600)	$ (532,800)	$ (532,800)	$ (1,143,600)	$ (1,143,600)
Net Sales Revenue	$ 5,996,400	$ 5,996,400	$ 10,123,200	$ 10,123,200	$ 21,728,400	$ 21,728,400
Return on Cost						
Net Sales Revenue	$ 5,996,400	$ 5,996,400	$ 10,123,200	$ 10,123,200	$ 21,728,400	$ 21,728,400
Less: Total Development Costs	$ 6,496,980	$ 6,496,980	$ 7,985,588	$ 8,795,990	$ 11,747,064	$ 13,018,349
Profit	$ (500,580)	$ (500,580)	$ 2,137,613	$ 1,327,211	$ 9,981,337	$ 8,710,051
% Return on Cost	**-7.7%**	**-7.7%**	**26.8%**	**15.1%**	**85.0%**	**66.9%**
Feasible? (d)	**No**	**No**	**Yes**	**Yes**	**Yes**	**Yes**
Cost per unit	$ 812,122	$ 812,122	$ 998,198	$ 1,099,499	$ 1,468,383	$ 1,627,294

Notes:

a) Assumes RD-1.5-1 zoning

The remaining open space requirement will be satisifed on private balconies and a roof top deck.

b) Proposed park fees under study by City Council are:

Quimby (for subdivisions)	$ 10,000	per dwelling unit
Park Facililties Fee (applicable to all rental units)	$ 5,000	per dwelling unit

c) School Fees for Residential

Current	$ 3.36	psf
Anticipated to Increase in Fall 2016	$ 3.54	psf

d) Project feasibility assumes a minimum return on cost of 15%

Appendix I: Minimum Wage Analysis

This appendix provides additional detail on the methodology and calculations that supported the analysis of the potential impacts of the future increase in the City of Los Angeles minimum wage, as summarized in the body of this report. In summary, BAE analyzed the potential impacts of the minimum wage increase by determining the household AMI levels for workers that will earn the new minimum wage and adjusting the household income distribution among the workers generated by each residential or commercial land use type accordingly. BAE then re-calculated the maximum fee based on the adjusted household income distribution. The detailed steps and calculation tables are discussed below.

Step 1: Determine AMI bands for households with workers earning the new minimum wage

Step 1A: Discount the minimum wage to 2016 dollars

Since the full $15 minimum wage will take effect beginning in 2020 (2021 for some employers), this analysis is based on an estimate of the $15 hourly wage in current (2016) dollars. Although the $15 minimum wage will take full effect with all employers in 2021, this analysis discounts the $15 wage assuming implementation in 2020, when it will apply to the majority of employers. Assuming three percent annual inflation, $15 in 2020 is equivalent to approximately $13.33 in 2016 dollars.

Step 1B: Calculate the annual household income for workers earning the new minimum wage

Assuming full-time employment, the discounted 2020 minimum wage would result in an annual income of approximately $27,700 ($13.33 per hour x 2,080 work hours per year) in 2016 dollars, as shown below. According to the US Census American Community Survey, as of 2014 the City of Los Angeles had 1,849,845 workers living in households and 1,047,928 households with at least one worker, averaging approximately 1.77 workers per household with workers. Therefore, this analysis uses an average of 1.77 workers per worker household to calculate household income among minimum wage workers, resulting in an annual worker household income equal to approximately $48,900.

Step 1C: Determine the AMI level for minimum wage worker households

According to 2016 HCD income limits for a household in Los Angeles County, a household earning the annual income derived in Step 1B ($48,900 per year) falls within the low-income AMI band for any household size from two to five people. Accordingly, this analysis places minimum wage worker households into the low-income AMI band.

TABLE I-1: HOUSEHOLD INCOME AT INCREASED MINIMUM WAGE, LOS ANGELES, 2020

2020 Minimum Hourly Wage (Nominal) (a)	$15
2020 Minimum Hourly Wage in 2016 $ (b)	$13
Annual Worker Income at Minimum Wage (2016 $) (c)	$27,721
Minimum Wage Worker Household Income (2016 $) (d)	$48,934
Minimum Wage Worker Household Income Level (e)	Low Income

Notes:
(a) 2020 Minimum Wage for businesses with 26 or more employees per City of Los Angeles Minimum Wage Ordinance. The mimimum wage for businesses with 25 or fewer employees will increase to $15 per hour in 2021.
(b) Assumes 3% annual inflation.
(c) Assumes 2080 work hours per year (40 hrs per week x 52 weeks per year).
(d) Average number of workers per worker household calculated for Los Angeles County based on American Community Community Survey data, 2010-2014.

Total Workers	1,849,845
Total Households with Workers	1,047,928
Avg. Workers per Household	*1.765*

(e) Based on 2016 HCD income limits for a 3-person household.
Sources: City of Los Angeles, 2016; ACS, 2010-2014; CA Dept. of Housing and Community Development, 2016; BAE, 2016.

Step 2: Adjust the household income distribution for workers generated by new development.

The findings from Step 1 indicate that all worker households that fall into the extremely low- or very low-income AMI bands under current minimum wage requirements would fall into the low-income AMI band following an increase in the minimum wage to $15 in 2020. As a result, all of the extremely low- and low-income housing need generated by the eight commercial land use types and the four residential product types analyzed in the Nexus Study would instead constitute low-income housing need.

Accordingly, in Step 2 of the minimum wage analysis, BAE adjusted the income distribution among the worker households generated by each commercial and residential land use type (from Step 6 in the commercial maximum fee calculations and Step 5 in the residential maximum fee calculations) by moving all extremely low- and very low-income households into the low-income AMI band. The resulting household income distributions are shown below.

Step 3: Re-calculate the maximum legal fees using the adjusted AMI distributions

Step 2 results in an income distribution that shows a reduction in extremely low- and very low-income households (to zero) and a commensurate increase in low-income households. As shown in Step 7 of the commercial and residential maximum fee calculations in the body of this report, the subsidy gap for low-income units is smaller than the subsidy gap for extremely low- or very low-income units. Consequently, the cost associated with providing housing for households below the moderate income level decreases as extremely low- and very low-income households shift to become low-income households as discussed in Step 2 above. The lower per-unit cost associated with housing low-income households as compared to

extremely low- and very low-income households results in a lower maximum legal fee under the new minimum wage requirements. The adjusted fee calculations are shown below.

APPENDIX I-2: MAXIMUM COMMERCIAL LINKAGE FEES PER NEW CITY MINIMUM WAGE, LA, 2016

Affordable Housing Need	Office	Creative Office	Retail	Hotel/ Motel	Industrial	Institutional	Medical & Social Assistance	Construction, Warehousing, & Wholesale Trade
Extremely Low Income (up to 30% AMI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Very Low Income (31-50% AMI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Low Income (51-80% AMI)	61.4	44.5	73.9	31.5	31.3	45.9	46.2	28.1
Moderate Income (81-120% AMI)	9.1	8.1	8.1	4.2	3.9	6.8	7.0	3.3
Total Affordable Housing Need	70.5	52.6	82.0	35.7	35.3	52.7	53.2	31.4
Financing Gap (a)								
Extremely Low Income Units	$0	$0	$0	$0	$0	$0	$0	$0
Very Low Income Units	$0	$0	$0	$0	$0	$0	$0	$0
Low Income Units	$19,704,956	$14,300,108	$23,747,066	$10,114,661	$10,055,821	$14,748,770	$14,835,009	$9,010,563
Moderate Income Units	$2,695,275	$2,398,078	$2,392,525	$1,240,985	$1,167,458	$2,017,919	$2,067,181	$983,651
Total Financing Gap	**$22,400,231**	**$16,698,186**	**$26,139,592**	**$11,355,646**	**$11,223,278**	**$16,766,688**	**$16,902,190**	**$9,994,214**
Maximum Impact Fee per Sq. Ft.	**$224.00**	**$166.98**	**$261.40**	**$113.56**	**$112.23**	**$167.67**	**$169.02**	**$99.94**
Assumptions								
Building Size	100,000							
Financing Gap								
Extremely Low Income Units	$448,500							
Very Low Income Units	$399,600							
Low Income Units	$321,129							
Moderate Income Units	$296,199							

Note:
(a) The financing gap is calculated by multiplying the number of employee housesholds at each income level by the financing gap per unit (from Step 7 of the commercial maximum fee calculation) at each affordability level.
Source: BAE, 2016.

APPENDIX I-3: MAXIMUM RESIDENTIAL IMPACT FEES PER NEW CITY MINIMUM WAGE, LA 2016

Employee Households in City by Income Level	Multifamily Rental	Condominium	Single-Family Attached	Single-Family Detached
Extremely Low Income (up to 30% AMI)	0.0	0.0	0.0	0.0
Very Low Income (31-50% AMI)	0.0	0.0	0.0	0.0
Low Income (51-80% AMI)	20.1	22.6	16.6	34.6
Moderate Income (81-120% AMI)	2.6	2.9	2.1	4.5
Subtotal - Affordable Housing Need (Units)	***22.8***	***25.6***	***18.7***	***39.1***
Above Moderate Income (over 120% AMI)	19.7	22.0	16.1	33.5
Total Housing Need	**42.5**	**47.6**	**34.8**	**72.5**
Financing Gap (a)				
Extremely Low Income Units	$0	$0	$0	$0
Very Low Income Units	$0	$0	$0	$0
Low Income Units	$6,468,714	$7,271,117	$5,322,875	$11,110,478
Moderate Income Units	$774,962	$867,372	$634,966	$1,323,442
Total Financing Gap per 100 Units	**$7,243,676**	**$8,138,489**	**$5,957,841**	**$12,433,919**
Maximum Impact Fee per Unit	**$72,437**	**$81,385**	**$59,578**	**$124,339**
Assumptions				
Building Size (# of units)	100			

Note:
(a) The financing gap is calculated by multiplying the number of employee housesholds at each income level by the financing gap per unit (from Step 7 of the residential maximum fee calculation) at each affordability level.
Source: BAE, 2016.

Sec. 5. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

Approved as to Form and Legality

HYDEE FELDSTEIN SOTO, City Attorney

By _____
KATHRYN PHELAN
Deputy City Attorney

Date January 6, 2025

File No. _____

Pursuant to Charter Section 559, I **disapprove** this ordinance on behalf of the City Planning Commission and recommend that it **not** be adopted.

_____
VINCENT P. BERTONI, AICP
Director of Planning

Date 1/6/2025

"M:\Real Prop_Env_Land Use\Land Use\Kathryn Phelan\Ordinances\Hollywood CPU\Ordinances\With Urgency Clause\HOLLYWOOD CPIO (URGENCY).docx"

The Clerk of the City of Los Angeles hereby certifies that the foregoing ordinance was passed by the Council of the City of Los Angeles, **by a vote of not less than three-fourths** of all its members.

CITY CLERK

_____

Ordinance Passed_____

MAYOR

_____

Approved _____