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August 13, 2025

The Honorable City Council
City of Los Angeles
City Hall, Room 395
Los Angeles, California 90012

Attention: PLUM Committee

Dear Honorable Members:

**REPORT ON LOCAL BUSINESS RETENTION STRATEGIES IN THE BOYLE HEIGHTS
COMMUNITY PLAN AREA; CF 23-0861**

On December 12, 2023, the City Council approved the Boyle Heights Community Plan Update (BHCPU). The City Council's actions include a request that directs the Economic & Workforce Development Department (EWDD), in consultation with Department of City Planning (City Planning), to conduct a study recommending effective policies, strategies and resources and modifications to the BHCPU and zoning ordinance to retain local businesses vulnerable to displacement resulting from market pressures in the Boyle Heights Community Plan Area (Boyle Heights CPA), including but not limited to regulating rent increases on commercial properties, a commercial property vacancy tax, or tax incentives to property owners to encourage business retention. This report highlights existing policies and zoning strategies in the BHCPU that effectively support local business retention and considers the feasibility of strategies not implemented through land use and zoning.

Background

The April 20, 2023 Recommendation Report to the City Planning Commission details the aim of the BHCPU to address a wide range of challenges identified through input from Boyle Heights stakeholders, including minimizing displacement for both residents and businesses. The report highlights that two of the guiding principles in the BHCPU include long-term priorities related to this input. The first principle is promoting vibrant neighborhoods and commercial districts by creating transit corridors that provide a mix of housing, jobs, and services that strengthen and support existing businesses within Boyle Heights. The second guiding principle is to preserve and celebrate the cultural heritage of Boyle Heights by ensuring that new developments complement its community, while also encouraging new and existing business uses that best serve the daily

needs of its residents. Since the inception of the BHCPU in 2013, research along with focus group and workshop sessions conducted in the years following were held to help develop its policy priorities and conceptual land use strategies related to local small businesses, as reviewed below.

Discussion

City Planning Initiatives

The BHCPU includes effective zoning and policy protections for legacy small businesses, aims to maintain spaces for small businesses, and continues to provide opportunities for *Tienditas* within Boyle Heights. The BHCPU is the second Community Plan to adopt the City's new Zoning Code that provides a streamlined approach for new development¹. The flexibility of the new Zoning Code also provides an opportunity to develop zoning tools to address long standing community issues, including how the City can better accommodate, retain, and preserve community-serving local small businesses. Below is an overview of BHCPU policies to mitigate displacement and encourage retention of local businesses.

- **Protections for Legacy Small Businesses.** A new legacy small business definition and three protection strategies were added to the new Zoning Code that are effective in the BHCPU:
 - **Legacy Small Business Definition.** *Legacy Small Business. Any business that is on the Citywide Legacy Business Registry, or a privately-owned corporation, cooperative, non-profit, social enterprise, or other entity that serves the neighborhood in which it is located, and is not franchised or affiliated with a national chain.*
 - **Legacy Small Business Special Use Program.** New mixed-use development projects that include a Legacy Small Business can fulfill a residential dwelling “In conjunction with” standard in Use District IX6. This means that new mixed-use projects that were previously required by Use District IX6 to dedicate 0.5 floor area ratio (FAR) of their development towards “Productive Space” can alternatively fulfill the requirement by dedicating 0.5 FAR towards a “Legacy Small Business”. This strategy applies only where the IX6 Use District is applied in Los Angeles River-Adjacent areas within the BHCPU.
 - **Legacy Small Business Incentive Area.** New non-residential development projects can access bonus FAR and height incentives by dedicating a minimum of 5,000 square feet to any of the eligible Community Facilities provided for within the new Zoning Code. A new “Legacy Small Business Incentive Area” was added to the list of Community Facility Options. This incentive strategy applies only where Use District IX6 is applied in Los Angeles River-adjacent areas within the Boyle Heights CPA.
 - **Legacy Small Business Program.** New mixed-use development projects in any Commercial Mixed-use Use District, can access a floor area ratio (FAR) exemption for when an existing on-site building possesses one or more legacy small businesses and involves new construction, or when a new development is proposing to incorporate a legacy small business from an off-site location as a part of its project. This means that a new mixed-use development that preserves, retains, or accommodates a legacy small business(s) can exempt two times the total floor area of those proposed tenant spaces from the new construction’s total floor area calculation. This incentive strategy applies

¹ See [new Zoning Code](#) for more information.

across the entire Boyle Heights CPA and would apply to other Community Plan areas in the future that are updated to incorporate the new Zoning Code.

- **Maintaining Spaces for Small Businesses.** The BHCPU includes policies and zoning standards limiting the size of new commercial tenant spaces to help maintain affordability, avoid displacement, and promote diversity, while also encouraging mixed-use and commercial developments to provide commercial tenant spaces that are appropriately scaled for neighborhood-serving small businesses.
- **Commercial Tenant Size Limits.** New zoning contains limits on individual commercial establishment sizes in strategic areas. According to an economic study for the BHCPU, a tenant size of 5,000 square feet or less reflects the majority of retail businesses currently operating in Boyle Heights (85%), while 50,000 square feet can accommodate traditional retailers. Under the new Zoning Code, Use Districts CX2 and CX5 feature a maximum size limit to ground story commercial establishment spaces on certain corridors, as shown in Figure 1.

Figure 1: Tenant Size Limitations



On smaller scale corridors, such as Cesar E. Chavez Avenue, and sections of 1st Street, 4th Street, Wabash Avenue, and Lorena Street, commercial square footage is limited to 5,000 square feet to help ensure smaller spaces are available for small businesses and to deter consolidation of existing small spaces. While a development project or commercial building may house multiple business spaces totaling over 5,000 square feet, each individual tenant space can only be a maximum of 5,000 square feet. On larger corridors, such as Soto Street, Whittier Boulevard, and around transit hubs, the maximum tenant size limit is 50,000 square feet. This allows for needed neighborhood uses, like grocery stores, while deterring more suburban big box retailers. In each of the applicable Use Districts, businesses that exceed the size limitation may only be permitted through a Conditional Use process.

- **Zoning for “*Tienditas*” (Corner Stores).** One of the most well received concepts in the BHCPU is re-introducing new corner stores or *Tienditas* in residential neighborhoods. Many *Tienditas* currently operating throughout the residential neighborhoods of Boyle Heights have been around for several decades and are essential in providing the community with food items and household goods within walking distance. *Tienditas* operating in areas zoned for residential uses only means that they are currently nonconforming, which limits potential improvements and also prevents new ones from opening. New Zoning Code regulations allow limited introduction of non-residential uses, such as new *Tienditas* in residential neighborhoods, providing new opportunities for small business and increased access to residents for daily necessities. New *Tienditas* are subject to the following use limitations:
 - Have a maximum 1,500 square feet space
 - They can only sell food and beverages (no alcohol)
 - Have limited hours of operation
 - Can only be located on a corner property

- **BHCPU Goals, Policies, and Implementation Program.** In addition to new Zoning Code standards, the BHCPU establishes goals, policies, and implementation programs to direct future development priorities, instruct collaboration between agencies, and guide allocation of resources. The following strategies highlight efforts to strengthen, support, encourage, and preserve existing and future local businesses in Boyle Heights.

- **Chapter 2: Land Use & Urban Form**

Goals: LU GOAL 4, LU GOAL 7, LU GOAL 10, LU GOAL 11, LU GOAL 12, LU GOAL 13

Policies: LU 5.4, LU 7.1, LU 7.2, LU 8.3, LU 10.1, LU 10.2, LU 10.3, LU 10.4, LU 10.5, LU 10.6, LU 10.7, LU 11.1, LU 11.2, LU 11.3, LU 12.1, LU 12.4, LU 12.5, LU 12.6, LU 13.2, LU 13.5, LU 18.7, LU 19.3, LU 25.3

- **Chapter 3: Land Use & Urban Form**

Goals: MC GOAL 5, MC GOAL 6

Policies: MC 5.1, MC 5.3

- **Chapter 5: Implementation**

Program Number: P17., P19., P20., P21., P22., P26., P32.

- Program Numbers P19., P20., and P22. are programmatic efforts that include coordinating specifically with EWDD and other agencies to further develop and promote small business assistance and retention programs, such as low-interest loan programs, management assistance, establishment of incubation centers, conducting business outreach programs by creating partnerships with LAUSD, and a Food Hub study as a future economic development study.

EWDD Initiatives

Financial incentives are often a component of business attraction and retention to lure new businesses or keep existing businesses in a community. While not included in land use decisions, such as within the new Zoning Code, these incentives help neighborhood economies grow, provide employment, and stimulate community investment. The EWDD leads programs designed to grow and improve Los Angeles' economy, while building a well-trained and job-ready workforce. Through the EWDD, business owners are offered services through a network of Business Source and WorkSource centers and service provider agencies with financing, technical assistance, and training.

Regulating Rent Increases, Commercial Vacancy Tax, and Tax Incentives

The City Council's request for a report back identified three particular small business retention strategies for consideration:

- **Regulating Rent Increases.** There are no State laws that regulate rent increases on commercial properties. The recently enacted Senate Bill 1103 (Commercial Tenant Protections Act) is an effort at the State level to enhance protections in commercial leasing

practices by requiring landlords to notify qualified commercial tenants² a certain amount of days before a rent increase, but the law does not regulate rent increases. Regulating rent increases on commercial properties in the Boyle Heights CPA is not a viable strategy as there are currently no legal mechanisms to enable its enforcement.

- **Commercial Vacancy Tax.** A commercial vacancy tax program can be difficult to implement and enforce and potentially lead to unknown outcomes that may outweigh its effectiveness, especially as commercial areas continue to recover from the COVID-19 pandemic and face other economic uncertainties. Initial review of programs in other jurisdictions suggests that subjecting property owners to a vacancy tax can be problematic, as they may not be in control of the lengthy and complex process of matters such as lease negotiation, remodeling, permitting, and construction, and other matters that small businesses must navigate to establish their operations. To avoid the potential effects of a vacancy tax, property owners could seek to urgently fill vacant space by leasing to undesired uses that are not the best fit for a community. Further interest in a commercial vacancy tax should consider these limitations that would best be analyzed citywide.
- **Tax Incentives.** Efforts to assess taxes and fees as barriers to economic development and identify solutions such as tax incentives are currently ongoing at a citywide level as part of the Executive Directive 4 (ED 4) signed by Mayor Karen Bass on June 22, 2023. The overall goals of ED 4 are to review the existing taxes and fees associated for businesses, identify potential opportunities to reduce costs, assess the existing process and timelines with starting and operating a business, and analyze how the City's regulations and approaches of supporting and attracting businesses compares to other jurisdictions.

To lead this effort, ED 4 establishes the Los Angeles Business Steering Committee (LABSC) composed of select City Departments, including City Planning and EWDD. A 90-Day Progress Report³ issued by the LABSC in September 2023 indicates that internal and external data on taxes and fees were collected and are being evaluated. Initial findings from this analysis are pending and will target the identification of specific rates and fees that require further evaluation and any recommendations, including the potential use of tax incentives.

For its role on the LABSC, City Planning has supported the transition of two new programs: the L.A. Al Fresco program⁴ that permanently implements regulations related to outdoor dining, zoning regulations, fees, and permitting procedures for an expedited and streamlined process, and the Restaurant Beverage Program (RBP)⁵ that services sit-down restaurants requesting to serve alcoholic beverages. City Planning's role of developing infrastructure supportive of small businesses like the L.A. Al Fresco program includes offering and enhancing virtual counter services, increasing language access, and simplifying compliance procedures. The RBP also streamlines approvals by making it an administrative application, which cuts down the process time and fees associated with the overall process. Efforts to support L.A. Al Fresco and RBP are ongoing and City Planning staff regularly submit monthly updates to the LABSC, along with progress reports on activity related to ED 4 priorities.

² Qualified Commercial Tenants are defined as a tenant of commercial real property that is a microenterprise, a restaurant with less than 10 employees, or a nonprofit with less than 20 employees. Find more information [here](#).

³ [Executive Directive No. 4 Identifying Barriers to Small Business Creation, Development and Growth 90-Day Progress Report](#)

⁴ [L.A. Al Fresco](#)

⁵ [Restaurant Beverage Program](#)

Recommendations

The new Zoning Code standards and policies established by the BHCPU effectively address local businesses retention in the Boyle Heights CPA and City Planning does not recommend amendments to the BHCPU nor its implementing ordinances. The use of additional local business retention strategies such as regulating rent increases or a commercial vacancy tax are constrained by State law and any future consideration of these approaches and their effectiveness should be analyzed citywide. Future consideration of tax incentives as a strategy to support local business retention in Boyle Heights should default to potentially implementing findings from ongoing citywide analysis as part of ED 4.

Sincerely,

A handwritten signature in blue ink, appearing to read 'V. Bertoni', with a stylized, looping flourish at the end.

VINCENT P. BERTONI, AICP
Director of Planning

VPB:SMMB:cw:ug:ap:eg:og