

Exhibit 2B - RECOMMENDATIONS FOR DEEPER AND MORE AFFORDABILITY PURSUANT TO AMENDING MOTION 4C (COUNCIL FILE 25-1083)

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Recommendations for Deeper and More Affordability Pursuant to Amending Motion 4C (Council File 25-1083)

CPC-2026-1797-CA

For consideration by City Planning Commission

May 14, 2026

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I. Introduction

On March 24, 2026, City Council adopted amending motion 4C (Council File 25-1083) with the instruction to provide recommendations for expanding Corridor Transition incentives across Opportunity Stations as part of a phased implementation approach to Senate Bill 79.¹ Specifically, Motion 4C instructs the Department to present options for offering greater density, floor area, and/or height in exchange for deeper affordability and realistic development capacity within the Corridor Transition (CT) program (which would be renamed the Low-Rise Incentive Area with adoption of the Low-Rise Ordinance). In response to Motion 4C, the Department has used the economic and feasibility analysis conducted by AECOM (Appendix 4), case filing data, and recent developer feedback to prepare recommendations on a proposed “Low-Rise Bonus” that would create opportunities for more affordable housing in the Low-Rise Incentive Area while maintaining a small building scale. Additionally, as eligibility is expanded in low density zones for mixed-income projects, future efforts could evaluate larger bonuses for projects setting aside a greater portion of affordable units.

II. Analysis

The Department conducted extensive outreach during the development of the CHIP, initiated implementation interviews after the ordinance was adopted, and revisited the economic and feasibility analysis conducted by AECOM (Appendix 4) to determine how to make projects more feasible with a Low-Rise Bonus and other incentive alterations. Some edits are discussed in the main body of this staff report (see Low-Rise Ordinance Project Summary). Analysis that informed the Low-Rise Bonus specifically is below.

Affordability

Incentive programs codified through the CHIP Ordinance use different affordability requirements tailored to the program’s desired building outcome. As proposed in the Low-Rise Ordinance, density bonuses in the Low-Rise Incentive Area are capped at 10 or 16 units and require a flat (1 or 2 unit) affordable set aside. The predetermined set aside amounts are intended to make up for the extra units that could result from the round up methodology in percentage based set asides and disproportionately impact smaller scale projects. This differs from other incentive programs, such as the Transit Oriented Incentive Area (TOIA) or Opportunity Corridors (OC) program, which typically require a percentage-based affordability in exchange for much larger bonuses or form-limited density as the programs are geared toward producing larger multi-family building outcomes in the five to eight story range. The economic and feasibility analysis conducted by AECOM (Appendix 4) during the development of the Mixed Income Incentive Program (MIIP) found that affordable unit set asides have a larger impact on project feasibility for smaller developments with less units (page 84), consistent with the Department’s case filing data which shows that housing incentive programs tend to produce larger projects. This demonstrates that at any building scale there could be a benefit to allowing

¹ https://cityclerk.lacity.org/onlinedocs/2025/25-1083_misc_4C%20Raman-HSM_3-24-26.pdf

projects to produce more units with the amount set-aside relative to the total units. Furthermore, more overall units helps to offset the outsized impact of affordable unit set asides on smaller scale projects, thereby increasing realistic development capacity.

The Department used case filing data and the economic and feasibility analysis conducted by AECOM (Appendix 4) to identify an optimal percentage based affordability for a Low-Rise Bonus in the Low-Rise Incentive Area. Development trends for the CHIP and other City programs show that when presented with set aside options, mixed income developers tend to opt for setting aside a smaller number of units at deeper affordability levels. Building on the success of incentivizing more development with smaller but deeper set asides, offering extremely low income and very low income set aside options in the Low-Rise Incentive Area might both increase utilization of the program and be more inclusive of Angelenos at all income levels. The AECOM analysis found that for the TOIA, an incentive program aimed at producing larger building outcomes, feasibility for extremely low income units started at 8% in Market Area 3 (Medium/High) and never exceeded 12% in Market Area 4 (the City’s highest Market Area) within residential zones for buildings that are 3 to 5 stories (page 63 and 65). A feasible very low income set aside never exceeded 12% in Market Area 4 (page 65). With this in mind, the Department recognizes that the Low-Rise Bonus needs to land on the lower range of these numbers to increase realistic likelihood of development, since Opportunity Stations span all four market areas and the Low-Rise Incentive Area produces a smaller building scale than TOIA.

In calibrating the optimal percentage based set aside, the Department compared the affordability of Senate Bill 79, the City’s Linkage Fee, and the Transit Oriented Incentive Area. The Department considered these affordability schemes to ensure the target affordability met or exceeded Senate Bill 79 and Linkage Fee thresholds while offering something more competitive than the TOIA, which offers bonuses aimed at producing larger building typologies capable of absorbing costs associated with affordable set asides. Table 1 below provides a comparison of the aforementioned programs’ percentage-based affordability schemes.

Table 1. Current Affordability Thresholds

	Extremely Low Income	Very Low Income	Low Income	Moderate Income
Senate Bill 79	7%	10%	13%	N/A
Linkage Fee	8%	11%	20%	40%
TOIA²	9 -13%	12-17%	21-27%	N/A

² A range is portrayed for TOIA because the affordability set aside is determined by Market Area. Moderate Income Units are not included in the TOIA affordability because units of that income level can only satisfy the eligibility requirement of the program when Acutely Low Income Units are also set aside.

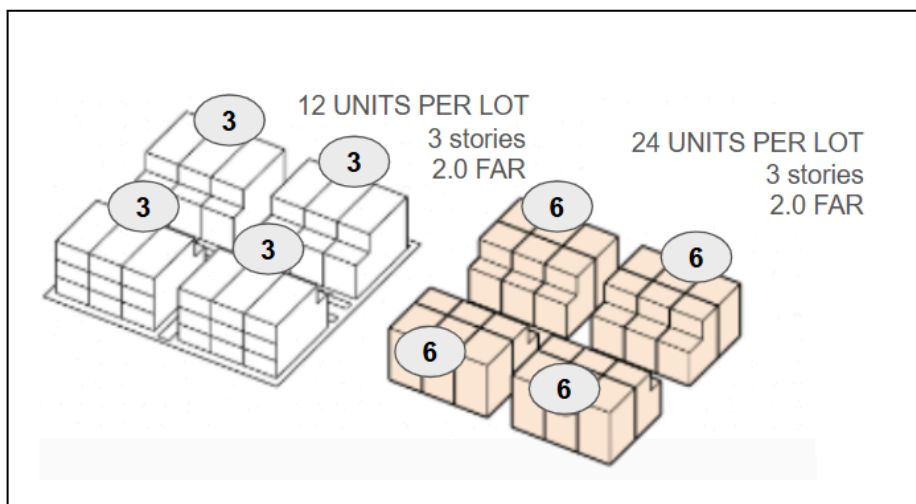
Incentive Limitations

The Department found that the density, height, and FAR offered in combination with the required performance standards of the CT program may impede overall project feasibility. The economic and feasibility analysis conducted by AECOM indicates that height limitations of the program are a major constrictor (page 80). Additionally, case filing data for the CHIP program indicates that requests for relief from yard and open space development standards are the most common types of off-menu and waiver requests because they restrict building envelope.³ The Low-Rise Incentive Area does not offer off-menu incentives or waivers, therefore it is crucial to calibrate the base incentives of the building envelope (like height and FAR) for realistic development capacity. This helps to ensure projects can pencil, and that they are able to do so within a program that maintains the Low-Rise urban design performance standards related to yards and open space.

As mentioned above, projects with less units were found to have a more difficult time offsetting affordability requirements in the economic and feasibility analysis conducted by AECOM (Appendix 4, page 84). A more flexible, form-based density bonus (as visualized in Figure 1) is one incentive that could increase feasibility for Low-Rise Incentive Area projects.

Figure 1. Density limited by form can lead to projects with varying unit counts

(Note: The Figure below is not to scale and is meant to be illustrative of form-based density regulation)



As mentioned above, height is a key limiting factor for Low-Rise building typologies (Appendix 4, page 80), a limitation that developer feedback confirmed. For the Low-Rise Bonus to offer a greater density bonus, it would also need to allow for more building height to realistically accommodate more units. Offering more height with the Low-Rise Bonus incentivizes deeper and more affordability and could increase utilization of the program overall.

³ This data point is based on preliminary application data. Project requests are subject to change as they undergo revision throughout the review process.

III. Recommendation

Based on the analysis summarized above, the Department recommends a Low-Rise Bonus that grants any project in the Low-Rise Incentive Area, inclusive of LR-1 and LR-2, a form-based density, a 3.0 FAR, and 4 stories in height in exchange for an affordability set aside of either 8% extremely low income units, 12% very low income units, or 50% moderate income units. The affordability was informed by the current thresholds in Table 1 above and the economic and feasibility analysis conducted by AECOM (Appendix 4) as discussed in Section II. (Analysis, Affordability). The 50% moderate income set aside is not intended for market rate projects but to ensure majority affordable projects receive the same incentives as mixed income projects, inclusive of alternative models of affordability like shared equity housing and community land trusts. For context, a project in the LR-2 could already achieve a 3.4 FAR and four stories through use of the multi-bedroom incentive in the proposed Low-Rise Ordinance. Although the economic and feasibility analysis conducted by AECOM (Appendix 4) indicated that height is restrictive as set by the program, the Department is recommending that the Low-Rise Incentive Area go up to 4 stories max either through use of the Low-Rise Bonus or multi-bedroom units incentive. Allowing projects to combine the Low-Rise Bonus and multi-bedroom unit incentive might increase feasibility with the ability to build up to a fifth floor.

The Department recognizes the potential need for more zoning tools limited to majority affordable projects given the broadening of applicability of mixed income project incentives through the Low-Rise Ordinance. For this reason, the City Planning Commission could recommend the City Council to direct the Department to evaluate and initiate code amendments that could add land value for affordable housing providers, where they would not otherwise have to out-bid market rate developers.

IV. Conclusion

In response to amending Motion 4C instructing the Department to present options for offering greater density, floor area, and/or height in exchange for deeper affordability and realistic development capacity within the Corridor Transition program, the Department recommends a Low-Rise Bonus that grants any project in the Low-Rise Incentive Area a form limited density, 3.0 FAR, and 4 stories in height in exchange for an affordability set aside of either 8% extremely low income units, 12% very low income units, or 50% moderate income units. Informed by analysis using the economic and feasibility study conducted by AECOM (Appendix 4), extensive outreach that included developer focus groups, and project application trends, the Department views the proposed Low-Rise Bonus as one way to facilitate realistic development capacity and income inclusivity of the Low-Rise Incentive Area, expanding housing opportunities at neighborhood scale. Future work efforts could involve evaluating code amendments outside of the Low-Rise Incentive Area program to provide even larger bonuses for majority affordable housing developments.

As previously described, this exhibit has been prepared in response to Motion 4C, as identified in Council 25-1083. Following the completion of the staff recommendation report for the Phased Implementation and Low-Rise Ordinances, this discussion and recommendations for additional incentives in the Low-Rise Incentive Program will also be transmitted separately to the Council File.