

Inclusionary Housing Discussion



Presented by:

Los Angeles Housing Department

Los Angeles Department of City
Planning

July/August 2004



Why are we here tonight?

- Affordable housing – what is it, what does it mean
- What is inclusionary housing
- Components of an inclusionary housing program
- Status of proposed inclusionary housing program



Is this Affordable Housing?

- Here are some examples of mixed income rental and owner housing developments located throughout Los Angeles.

West Los Angeles

2245 S. Beverly Glen Boulevard



San Fernando Valley

15150 W. Sherman Way



South Los Angeles

4471 S. Adams Boulevard



San Fernando Valley

11150 N. Glenoaks Boulevard



West Los Angeles

2033 Beloit Avenue



San Fernando Valley

14420 Kittridge Street



West Los Angeles

13701 Marina Pointe Drive



Northeast Los Angeles

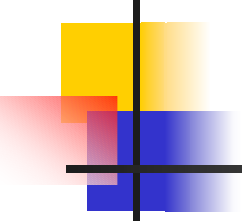
4249 Via Arbolada

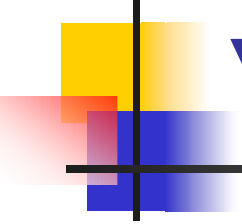


San Fernando Valley

16930 Chatsworth Street



- 
-
- All of these properties are market rate housing developments, rental and ownership, with no government subsidy.
 - They were built with higher densities to help offset the cost of adding affordable units.



What do we mean by “affordable housing”?

- Affordable housing means that the rent or sales price of a home is provided at a below-market cost, and must be rented or sold to an income-qualified individual or family.



“Affordable” in Los Angeles

- The proposed inclusionary housing program requires housing units to be affordable to households earning 30%, 50%, 80% and 120% of area median income (AMI).
- Median income in Los Angeles is currently \$59,500 for a family of four; \$41,650 for an individual.
- AMI is determined by the federal government for all metropolitan areas in the U.S.



30% of AMI

- Equal to \$12,500 per year or \$6.75 per hour, for an individual
- Equal to \$17,850 per year or \$8.45 per hour, for a family of four
- *Who earns this?*
- Full time minimum wage service workers in food service, retail and support services.
- Semi-skilled light industry workers
- Security guards



50% of AMI

- Equal to \$20,850 per year or \$9.88 per hour, for an individual.
- Equal to \$29,750 per year or \$14 per hour for a family of four.
- *Who earns this?*
- Baker
- Teacher's assistant
- Shipping clerk
- Janitor
- Retail clerk
- Bank teller
- Pest controller



80% of AMI

- Equal to \$33,300 per year or \$15.77 per hour for an individual.
 - Equal to \$47,600 per year or \$22.54 per hour for a family of four.
- *Who earns this?*
 - Administrative asst.
 - LVN
 - Law clerk
 - Phone/cable installer
 - Dental assistant
 - Legal secretary
 - Landscape architect
 - Government clerk
 - Purchasing manager



120% of AMI

- Equal to \$49,980 per year or \$23.66 per hour for an individual.
 - Equal to \$71,400 per year or \$33.81 per hour for a family of four.
- *Who earns this?*
 - RN
 - Insurance underwriter
 - Librarian
 - Police/Sheriff
 - Firefighter/Paramedic
 - K-12 school teacher
 - Plumber
 - Computer support
 - Dietician
 - Engineer



Affordability Considerations:

- Housing affordable to those earning 30% - 120% of AMI serves people in many professions and services – and may include us and our children.
- Affordable housing is workforce housing.



Who Can Afford Housing in Los Angeles?

- Average rent for a two bedroom apartment in large buildings is \$1,648/month, which requires an income of \$65,920/ year or \$31.70/hour.

Based on RealFacts 3rd Q '03.

- Fewer than 30% of LA households earn >\$60,000/year.

Census 2000

- Average price of existing home sale is \$387,680, which requires an income of \$89,054/year or \$43/hour.

CAR April '04 (assumes 5% down, 6%, 30 yr, and 35% PITI)

- Fewer than 20% of LA households earn >\$75,000/year.

Census 2000



What has the City done?

- Since the 1990s the City's effort to increase affordable housing includes:
 - 1995 Affordable Housing Incentives Program Ordinance
 - Affordable Housing Trust Fund
 - Recent Planning/Zoning Changes



1995 Affordable Housing Incentives Program

- By-right 25% density bonus* for including affordable units in a housing development.
- Reduced parking for affordable units if near transit.
- Expedited processing and fee waivers
- Waiver of guest parking for affordable units.

**"Density bonus" means that extra apartments or homes can be built. E.g. a 40 unit condominium building, with a 25% bonus, could build 10 extra units (40 x 25% = 10).*



Affordable Housing Trust Fund

- Created in 2000
- Mayor Hahn and the City Council committed in 2002 to provide \$100 million toward development of affordable housing.
- To date has invested approximately \$86 million toward the development of 38 properties with 2,475 affordable units citywide.
- All trust fund recipients must match – “leverage” - trust fund dollars with other federal, state and private financial resources.



Recent Development Changes

- Residential Accessory Services (RAS) Zone
- 35% Density Bonus – along transit corridors
- Expedited Processing
- Adaptive Reuse Ordinances
- Small lot/Townhome Development



What is Inclusionary Housing?

- Inclusionary housing is a program that either requires or encourages developers of market rate housing to also provide a given number of units at below-market rents or sales prices.



How Does Inclusionary Affect Development?

- A required set aside percentage of affordable units at below market rents or sales prices, can impact the developer's costs.
- The City can provide incentives to help offset this cost.
- Inclusionary programs may help to create mixed-income communities.



Where Would Inclusionary Occur in LA?

- Under a citywide, mandatory inclusionary program, all market rate residential developments of 5 or more units would participate.



What are the Benefits of an Inclusionary Program?

- Creation of mixed-income communities
- Affordable housing located close to employment, transit, recreation, medical, education and support services



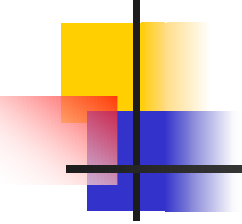
Los Angeles and Inclusionary Housing

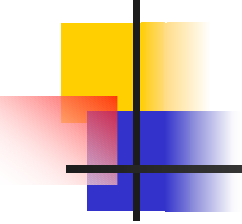
- Background
- Where is Inclusionary Used
- Inclusionary Program Components
- Next Steps
- Community Input and Comment



Background to a Citywide Inclusionary Program

- 1995 Affordable Housing Incentives Program Ordinance
- 2000 Housing Crisis Task Force report
- 2000 City Council instructed LAHD to study inclusionary housing as one tool to increase affordable housing production.

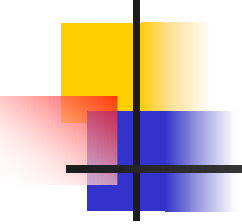
- 
-
- 2001 LAHD contracted with David Paul Rosen & Associates (DRA) to complete an economic analysis of an inclusionary program in Los Angeles.
 - DRA report completed in 2002 and released to the public in 2003; available on-line. Several public hearings held.
 - April 2004 Councilmembers Reyes, Garcetti, Villaraigosa, Padilla and Miscikowski introduced a motion calling for an inclusionary program.

- 
-
- April 14, 2004 – Joint Planning and Land Use Management (PLUM) and Housing Community and Economic Development (HCED) Committee hearing where an inclusionary housing matrix is introduced.
 - May 2004 – PLUM, HCED and joint PLUM/HCED committee hearings are held.
 - Additional 90 days provided to ensure all stakeholders are given opportunity to provide input on potential inclusionary housing ordinance.



Is Inclusionary Used by Other Cities?

- Currently 107 California cities and counties have inclusionary programs, including some of our neighbors – West Hollywood, Santa Monica, Pasadena, Rancho Palos Verdes and Agoura Hills.
- Burbank has developed an inclusionary program that is pending final approval.
- Long Beach is considering a inclusionary program.

- 
-
- California inclusionary programs have been strengthened in the past 15 years.
 - Inclusionary programs are also used nationally, including Boston, Washington D.C., Fairfax County-Virginia, Montgomery County-Maryland, King County-Washington, Boulder, Highland Park-Illinois, Connecticut, Florida, Oregon, Virginia and Rhode Island.



Components of an Inclusionary Housing Program

- Citywide or With Exempted Areas
- Set Aside Requirements
- Affordability
- Applicability
- Ways to Comply
- Developer Incentives



Citywide or With Exemptions

- Citywide programs develop mixed-income communities throughout the City.
- A program may exempt specific geographic areas for a variety of reasons.



Set Aside Requirements

- Set aside requirements, such as 12% of renter housing and 20% of owner housing, establish the required number of affordable units in a development.
- Set aside requirements are based on policy goals, program economics and other factors.



Affordability Requirements

- Affordability requirements provide the level of “affordability”, a percentage of AMI.
- Most inclusionary programs provide workforce housing units (*50% - 120% of AMI*) and do not reach to the poorest residents.



Applicability

- Inclusionary housing programs may apply to new construction market-rate rental and/or for-sale housing.
- In LA, the following areas have inclusionary programs:
 - Community Redevelopment Agency (CRA) project areas
 - Playa Vista
 - Coastal Zone (Mello Act)
 - Central City West Specific Plan Area



Options for Developers to Comply

- Build Affordable Units On Site
- Build Affordable Units Off Site (current proposal requires within the same Community Plan Area as the market rate development)
- Dedicate Land
- Acquisition With or Without rehabilitation
- In-lieu Fees
- Other



Developer Incentives

- Density Bonus
- Building Envelope (height & floor area ratio - FAR)
- Expedited Processing
- Parking Reduction
- Payment of City Fees Deferred until later in development process



Next Steps:

- Additional hearings at PLUM and HCED
- Information posted on LAHD's website, www.lacity.org/lahd and click on "Inclusionary Zoning Ordinance"



Opportunities for Community Input

- Area Planning Commission Meetings
- Mayor's Office
- City Council Members
- City Council Committee hearings:
Housing, Community & Economic
Development (HCED) and Planning and
Land Use Management (PLUM)
- City Clerk



For More Information:

- www.lacity.org/lahd and click on “Inclusionary Zoning Ordinance”
- www.lacity.org/PLN and click on “Selected Ordinances and Reports”