

# CITY WATCH

*An Insider Look At City Hall*

July 12, 2004 Volume 2 Issue 14

## CITY WATCH

### *Inside This Issue*

✦ *As of this writing, the best estimates are that an Inclusionary Zoning Ordinance will come before the City Council in September. The Citywide Alliance is spotlighting this important and controversial issue this Saturday. It seemed appropriate then that City Watch provide this Special Issue now, on Inclusionary Zoning.*

## CITY WATCH

We publish City Watch to promote grassroots civic engagement through information and ideas.

City Watch is distributed to Los Angeles' Neighborhood Councils representing more than 3,000,000 stakeholders.

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***We welcome your comments***

## Perspectives

### **What Are NC's For?**

By Ken Draper

There is a growing perception among some around the City that the only voice they are hearing from Neighborhood Councils is the one that tells us what they're against. Nay Sayers.

There are folks within the city-politic that feel that way and a growing number of stakeholders who share that view. A city commissioner said recently, "What are Neighborhood Councils for? You can't just be against everything." That same sentiment has surfaced in City Council a few times lately. More and more stakeholders come away from some NC board meetings with the same negative conclusion. So, how did this perception ... or misperception ... materialize and what is it that sustains it?

#### **Not Doing Homework**

For one thing, says long-time political activist, Keith Bright, some of it is true. "Some councils," he says, "don't do their homework and produce too many shallow decisions. Also, there are too many flat out up and down votes and it leaves people feeling that these councils either don't know what they're doing or are coming to the table with their prejudices intact and their minds made up."

Bright also thinks that there is a homeowner association culture that controls some NC boards. "Historically," he says, "homeowner associations have been more against things that they have been for things. It shouldn't be a surprise that many Neighborhood Council board members come from these

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- **Can space reduce crime?**
- **Is the Public Records battle over?**
- **Does BONC have enough teeth?**

**... and, more!**

associations and bring the culture with them."

That some NC actions tend to support the "against everything" perception is probably true, but there are numerous examples of Neighborhood Councils, and of council actions, that say otherwise. One of those comes in the form of a position paper, from the Silver Lake NC, on Inclusionary Zoning.

**See Complete SLNC Inclusionary Zoning Position Paper**  
Visit: [www.allncs.org](http://www.allncs.org)

The SLNC invested numerous hours, by board and committees, into research, analysis, meetings, and debate in the preparation of a comprehensive position paper that has already become something of a model for other councils. SLNC Co-Chair, Jason Lyon, says, "We spoke with both for-profit and not-for-profit developers." And, they talked to Councilmember Garcetti, Planning Deputies and other NC leaders.

It would be hard to maintain this level of intensity for every issue but the SLNC "felt that Inclusionary Zoning has the potential to radically alter the planning and land use landscape of LA," Lyons said.

***See "Perspective" Page 2.***

# HANDBOOK: INCLUSIONARY ZONING

*The City has asked Neighborhood Councils to weigh in on the important and controversial issue: Inclusionary Zoning. City Watch offers this Inclusionary Zoning Primer, a collection of information, view points and City Watch stories.*

□□□

(FIRST PUBLISHED IN CITY WATCH ON MAY 3, 2004)

## City Wants NC's in the Hot Inclusionary Zoning Debate

By David Lowell

Almost everyone agrees that Los Angeles is in the midst of an affordable housing crisis. What they can't agree on is how to resolve it. Now, Neighborhood Councils have been asked to provide the community voice to the mix and, perhaps, a consensus.

The cost of housing in LA has spiraled out of reach for most low and mid-level income households. The City is running considerably behind on its goal to produce 8,000 new affordable units a year. Left in the crisis wake, according to some experts, are police officers, schoolteachers, nurses, municipal workers and many other working people. A view, contrary to the perception some have that affordable housing is mostly for the homeless.

### Possible Solution

Leading the City's solution list is a controversial concept called inclusionary zoning, which, to simplify, requires developers who are building new apartments, condos and homes to include some affordable units, generally in return for certain incentive benefits like a break on density requirements or expedited permit processing.

Council members Ed Reyes and Eric Garcetti have introduced a motion calling for a mandatory inclusionary zoning ordinance for the City. They are hoping that a liberal list of incentives combined with the big mandatory stick will encourage developers to get with the program.

### Hot Button Issue

The IZ subject pushes a lot of hot buttons. Some see it as an excellent tool for creating and preserving mixed-income communities, for affordable housing near jobs and as a major effort toward relieving LA's crisis. Others see it as a misguided idea certain to reduce property values and the quality of their neighborhood life. Some are for inclusionary zoning, just not in their neighborhood. They oppose the citywide and mandatory aspects of the proposed ordinance.

The first hearing on the Reyes-Garcetti proposal was at a joint session of the Planning and Land Use and Housing Development committees on April 14. The division between the low-income crowd members, who want some control of all developments over five units, and the builders present was sizable and passionate. In the end, the committees decided to go to Neighborhood Councils for advice and directed the Department of Neighborhood Empowerment to provide information and instructions to the City's NC's.

### Lots of Players

There are a lot of players in this debate, all with philosophies and interests to protect. Neighborhood Councils, required by Charter to represent all of the diverse interests in the community, would seem an ideal forum for taking the community's pulse and providing consensus.

*Continued next column*

## Perspectives-

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As to the question of what the Silver Lake Neighborhood Council is for, Lyon offered, we've "only once weighed in with flat opposition to a proposal, and that was a housing development that was out of scale with the neighborhood.

"Every position paper," Lyon went on, "has said 'we support because' or 'we cannot support the proposal as currently written' and goes on to list the factors that went into our decision."

There are a number of Neighborhood Councils that come to the table with well thought out positions with a positive tilt. NC's that come with ideas and proposed solutions or alternatives. But not nearly enough. And, until more Councils learn how to sift through an issue and then articulate what they are for, Neighborhood Councils will be saddled with the perception that they are mostly skilled in the art of being ... as the commissioner said ... "against everything." ■

### *Cont from previous column*

The question, as one observer put it, is whether the entire city is ready for inclusionary zoning or, if the idea is still unworkable, does the city need to assess all types of uses and arrive at a heterogeneous city, possibly more amenable to the quality of life goals of Angelinos.

There is another question too, of course. Are LA's NC's ready for yet another test of their ability to conduct a responsible analysis, reach out to their stakeholders and provide the city with serious advice on a serious issue. The clock is ticking. ■

## The Motion

According to the Non-Profit Housing Association of Northern California (NPH), over 20% of localities in California – 107 cities and counties – have successfully adopted and implemented inclusionary zoning policies. Inclusionary zoning policies are programs that cities or counties enact by ordinance requiring developers of *new market rate housing* to include a certain percentage of units affordable to very-low, low and moderate income households. The inclusionary units typically have rent and sales prices restricted by covenants for a specified term of affordability.

In return, developers can receive various incentives to offset the costs of offering the reduced rate units including: fee deferments or waivers; expedited permit review; land use entitlements (such as, density bonuses, increased floor-area-ratio, open space relief); and alternative compliance options (such as, in-lieu fees, land dedication, off-site construction and/or off-site acquisition/rehabilitation).

Under the Housing Element, the City of Los Angeles adopted the goal (based on projected needs) of producing an estimated 8,000 units per year between 1998 and 2005. Existing data shows that only about two-thirds of projected units has actually been built. It is clear that the City will not meet its Housing Element goal for affordable units – and imperative that the City find a way to meet its future affordable housing needs as well as make up for the substantial deficits over the past years.

In recognition of the City's unabating housing crisis, the Council in 1999 established a City Housing Crisis Task Force (CF 99-1753). In April 2000, the Task Force presented a report with recommendations to establish a Housing Trust Fund with the identification of revenues dedicated to Trust Fund purposes. As part of its report, the Task Force recommended the adoption of an inclusionary zoning policy as a means to bolster the production of both affordable and market rate housing.

On October 22, 2003, the Council's Planning and Land Use Management (PLUM) and Housing, Community and Economic Development (HCED) Committees jointly considered a report by David Paul Rosen and Associates (DRA) entitled "*Inclusionary Housing Implementation Policies, Practices and Program Administration.*"

The joint Committee received testimony from experts representing non-profit affordable housing and for-profit housing developers, academia, and the fields of urban planning and architecture. At that time, qualified support for an inclusionary zoning policy was articulated, provided that an appropriate package of incentives and offsets were provided.

In Fall, 2003, the Central City Association convened a working group comprising representatives of the local development and building industry. The CCA working group developed a comprehensive set of incentives and offsets if an inclusionary zoning policy were to be adopted. These recommendations have been included as part of the policy proposal outlined in this motion.

At the direction of the City Council, the Affordable Housing Commission recently concluded a series of citywide briefings and hearings for Neighborhood Councils and other interested community members on the topic, "State of the City's Housing Crisis." The testimony taken at those hearings overwhelmingly called for the adoption of an inclusionary zoning policy for the City of Los Angeles.

The City of Los Angeles continues to experience an affordable housing crisis which has been exacerbated by sky rocketing prices of rental and for-sale housing. From 1981 through 2001, approximately 190,000 units were built in Los Angeles. If the City had a 15 percent set-aside requirement, throughout that time, 28,500 units of affordable housing would have been constructed. Homeownership and affordable housing are out of reach for a vast majority of our City's constituents, including police officers, school teachers, nurses, receptionists, janitors, municipal workers, single parents, couples with children and many other working people. Given this severe crisis, it is incumbent upon the City's leadership to explore any and all proposals that hold out the promise of increased opportunities for both affordable and market-rate housing.

**I THEREFORE MOVE** that the Council take the following actions: 1. INSTRUCT the Los Angeles Housing Department (LAHD) with the assistance of the Planning Department and City Attorney to prepare and present a citywide, mandatory inclusionary zoning ordinance with the policy provisions, land-use incentives, offsets and alternative compliance options described in the policy matrix attached to this motion.

2. INSTRUCT LAHD with the assistance of the Planning Department to prepare and present the appropriate Findings for inclusion in the requested ordinance.

3. INSTRUCT LAHD as lead agency with the assistance of the Planning Department and City Attorney to initiate an environmental assessment based on the proposed policy provisions and to process the appropriate environmental document in compliance with the California Environmental Quality Act (CEQA). LAHD and the Planning Department shall identify resources to fund any necessary environmental clearance and report back to Council within 30 days.

### **Cont from previous column**

4. INSTRUCT LAHD to identify and recommend any implementation guidelines and asset management strategies necessary to enforce and monitor compliance with the requested ordinance.

5. INSTRUCT LAHD with the assistance of the Planning Department to recommend methodologies for the purpose of calculating in-lieu fees as an alternative compliance option as a dollar amount per square footage (consistent with the attached policy matrix) for inclusion in the ordinance.

#### **PRESENTED BY:**

**Ed P. Reyes Eric Garcetti**  
Council Member, 1st District Council  
Member, 13th District

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## REYES/GARCETTI FACT SHEET

### **What is Inclusionary Zoning?**

Under Inclusionary Zoning developers who are building new apartments, condominiums and homes are required to make some of the units affordable. It is an excellent tool for creating and preserving mixed-income communities because affordable homes and apartments are built at the same time and in the same neighborhoods as market-rate residences. Because new residential development in the City is occurring in relatively job-rich areas, Inclusionary Zoning helps even the housing-jobs balance by putting affordable housing opportunities near jobs.

### **How many units and how affordable?**

Rental

12% of units affordable to 50% AMI or  
10% of units affordable to 30% AMI

Homeownership

20% of units affordable to 80% AMI or  
40% of units affordable to 120% AMI

### **Types of developments included**

The mandatory requirement for affordable units would apply to all new construction developments across the City that have five units or more.

### **5 Ways to Meet IZ Requirement**

#### **• Build mixed-income units on-site.**

Developers would have two options in terms of the number of affordable units and the income level of the residents.

**• Build units off-site.** Developers would have the option to build the affordable units in a different location within the same Community Plan Area. However, they would have to build more units than if build on-site --11% or 13% for rental (depending on income levels), 22% or 44% for homeownership.

**• Dedicate land.** Developers would have the option to dedicate land suitable for residential development. The value of the land would have to be at least equivalent to the value of on-site units.

#### **• Acquisition with or without Rehab.**

Developers would have the option to preserve at-risk housing or bring vacant units on line as affordable.

**• In-lieu Fees.** Developers would have the option of paying an in-lieu fee based on the economic equivalent constructing units. However, the calculation would be based on more units than if built on-site --11% or 13% for rental (depending on income levels), 22% or 44% for homeownership.

### **Developer incentives**

The following package of benefits for developers builds on the City's current Affordable Housing Incentives Ordinance.

**• Density bonus.** The City now allows a 25% density bonus for developments with some affordable units, 35% if located near transit. Developers choosing mixed-income on-site would be entitled to an addition 15% density bonus if located near transit.

**• Building Envelope.** Height and Floor Area Ratio (FAR) would be increased to accommodate density bonus. Height District IXL could have an additional story, HD IVL could have two additional stories.

**• Expedited Processing.** Developers choosing the mixed-income on-site option would get priority in permit processing. The threshold for site plan review would be 100 units (currently 50 units).

**• Parking.** Under the City's Affordable Housing Incentives Ordinance only one parking space is required for each affordable unit. Guest parking would not be required when building near transit. Compact and tandem spaces would be allowed.

**• Fee deferrals.** Building permit and impact fees could be deferred until construction is completed. The City would still collect the same fees, but they would be delayed while the development is under construction.

## INCLUSIONARY ZONING: POINTS OF VIEW

### Re: Inclusionary Zoning

*(Opinions are varied and numerous on Inclusionary zoning. Here are some of those points of view, excerpted from letters, reports and statements submitted on the subject.)*

#### **No "Tale of Two Cities" Policy Please**

It historically has been inner city council representatives that provide the lion share of low income, affordable and special needs housing in our districts. I have gone on record in the past and will continue to strongly advocate for housing strategies that were truly fair. That is, one based on everyone accepting their fair share of the responsibility. Not a policy that perpetuates the "Tale of Two cities."

Inner city communities ... bear the burden of the most overcrowded schools, lack of open space for recreation and access to an overall quality of life because historically this city has not done the work needed to incorporate affordable housing in all areas of our city. Incentives like increased density bonus are needed for developers to build affordable housing in low-density areas of the city.

Inner city council districts need the opposite. Incentives for the creation of more market rate housing. I have seen the results in downtown.

What will not work is an opt-out clause that will do nothing to create incentives for development of affordable housing in areas of this city that historically have not been receptive to having low income families, seniors and persons with disabilities living in their communities.

We should take advantage of the opportunity to create high density housing in major traffic corridors throughout the City.

I ask that you not develop an ordinance that confines low income families and individuals to what have historically been the "poor areas" of our city and prevents the creation of dynamic economically well-integrated communities throughout the City of Los Angeles.

-Congresswoman Jan Perry  
Ninth District

To: Joint Committees on April 14  
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#### **Mandating IZ Housing will Create Shortage**

Studies show that the Inclusionary Housing mandate, adopted by 107 communities throughout California, did not increase the housing supply, but rather limited growth and increased the cost of housing.

Professor Edward Stringham, San Jose State University, studied 50 communities that adopted mandatory inclusionary zoning since 1973. His report found that these communities combined, created less than 7,000 housing units over 27 year, when the region needed 24,000 per year. Inclusionary zoning drove up the cost of housing because developers had to pass on the loss of revenue on the lower income units to the other units in the building. On the construction of new homes, inclusionary zoning increased the cost \$22,000 per house.

Then there is the issue of lost tax revenue for government. Since the property is not allowed to appreciate, tax revenue is capped, causing loss of revenue to pay for Police, Fire, Schools, and other vital city services. Remember, Los Angeles City is facing a \$240 million deficit this coming year.

The solution to the housing shortage problem is to create more supply. Rather than mandating affordable housing that may create a small amount of houses, the city needs to reduce regulations and costs and create major incentives. **See next column**

#### **Continued from previous column**

The City should allow apartment buildings to be converted to condominiums so there will be a homeownership market in the \$300,000 and below market. This way the lower income residents could afford to buy a home and gain equity.

The current mandatory inclusionary zoning is a nice sounding policy that will not accomplish the goal of housing the majority of Los Angeles's low-income residents.

-Kevin Singer

Government Affairs Director

The Apartment Assn of Greater Los Angeles  
.....

#### **Experts Give Support**

On October 22, 2003, the Council's Planning and Land Use Management and Housing, Community and Economic Development Committees jointly considered a report by David Paul Rosen and Associates. The joint Committee received testimony from experts representing nonprofit affordable housing and for-profit housing developers, academia, and the fields of urban planning and architecture. At that time qualified support for an Inclusionary zoning policy was articulated, provided that an appropriate package of incentives and offsets were provided.

-Reyes-Garcetti Motion #04-0637  
.....

#### **Mixed-Income Housing Citywide**

We support "Incentive-Based Mixed-Income Housing" Citywide, which would incentivize developers to allocate a percentage of residentially developed units to affordable housing either in each project or within some acceptable radius of each project, by providing "real-time" subsidies to build affordable units. CCA does not support "Inclusionary Zoning," which mandates that developers provide affordable units in their projects with no financial subsidy. We believe that, without subsidies for development incentives to offset costs of providing affordable housing, Inclusionary zoning is merely a tax on market rate units and will actually deter housing development by making it more expensive.

-Central City Association

Housing Production White Paper

#### **Voices from the City**

*(City Council members Tony Cardenas, Dennis Zine, Wendy Greuel and Alex Padilla to the Southland Regional Association of Realtors in Van Nuys on May 24, 2004 As reported by Sunland-Tujunga NC Board member, Nina Royal.)*

**Tony Cardenas** - Has not made up his mind. Wants to make sure that builders don't put up good projects in a more favored part of town and fill their quota for less expensive units in the North Valley. He believes there is a need for some type of program of this nature but has to be a good fit. Note Cardenas is on the Planning and Land Use Committee.

**Dennis Zine** - Is not sure he is for the plan, but feels some plan is definitely needed. He feels that police, teachers and public service employees will be able to afford the homes. He says there is a citizen organization in L.A. that is pushing Inclusionary Zoning.

**Wendy Greuel** - Says it will abolish the community and specific plans and she is very concerned for all the people that worked so hard putting them together. (There was no denial from the other Council members on this fact.) No zoning will be exempt.

**Alex Padilla** - Is definitely for it. However, he expressed his desire that everyone become involved and attend the hearings because something is going to be put in place within the next 90 days and we should attend the meetings to give our input, or we will be left out in the cold. **□**

## A Realtor's Perspective

On April 14, 2004 the City of Los Angeles Planning and Land Use Management Committee (PLUM) and the Housing Community and Economic Development Committee (HCED) considered and approved, in concept, a proposed Inclusionary Zoning Ordinance for the city.

The proposal, as submitted by council members Garcetti and Reyes would require developers of five units or more, both rental or ownership, to set aside 20-40 percent of the units for low income citizens as an attempt to address the affordable housing shortage in the city. It also mandates a number of requirements and restrictions that will be detrimental to our neighborhoods without adequately addressing the affordability issue.

- **The ordinance is bad for single-family neighborhoods.** It allows for the building of multi-family ownership or rental units in single-family neighborhoods in spite of current zoning.

- **The ordinance is bad for those who qualify.** The maximum family income level to purchase one of these units currently would fall at \$44,000. The income level and sale price are perpetually controlled by the city. Owners would build no equity and therefore have no incentive to move or even maintain the property. Similar disincentives apply to the rental units.

- **The ordinance does not help the very people it purports to favor.** The very people the proponent's claim the ordinance is for, teachers, firefighters, police officers and other median wage earners will be above the maximum income levels allowed.

- \* **The ordinance is bad for future development and supply.** More restrictions will force developers to look outside the city. Those units that are built will have higher rental or purchase costs, as developers contend with the extra expense of providing the subsidized units.

-Lynn Rinker, President  
Southland Regional Association of Realtors

## In Response

1. Of the 5 FOR-PROFIT developers who spoke on Inclusionary Zoning on October 22, 2003 at a City Hall hearing, FOUR supported this. All 5 noted that the primary result of Inclusionary Zoning is that it will reduce land values – not profits. Even the fifth of these developers noted that in Pasadena, land values have declined since their ordinance took effect. IZ does not, as asserted, "raise the cost of development."

2. In the more than 100 cities and counties nationwide where Inclusionary Zoning is in effect currently, not one has shown a decline in development. Not one. (If those who make economic arguments wish to point out where this "ISN'T" working – that would be concrete evidence, rather than scare tactics or ad homonym debate. I think we all agree here.)

3. Inclusionary Zoning is NOT low-income housing. This will do very little to help the poor. It's expected that the income range of persons who will benefit from IZ will be 50-80% of the Area Median Income: in effect, single persons earning between \$19-30,000/year; families of 4 earning between \$27 to \$44,000/year. (WHERE WILL YOUR CHILDREN LIVE?)

4. The notion that "adding low income housing will cause more population" shows the overall flawed reasoning of the person arguing. The population of the county is growing by 830+ people every day. More than 70% of that increase is births from people already here. Where do you homeowners of Encino who oppose this suggest that these people – some of them their very own children – live?

THIS WORKS ELSEWHERE – MANY PLACES – AND HAS NOT BEEN SHOWN TO REDUCE DEVELOPMENT.

THIS IS NOT A PROGRAM FOR THE POOR. IT'S FOR MIDDLE CLASS KIDS WHO GO TO UCLA AND THEN WANT TO FIND A PLACE TO LIVE AFTER (or even during) COLLEGE. WHERE DO OPPONENTS OF INCLUSIONARY ZONING SUGGEST THAT THOSE WHO GRADUATE WITH \$28,000/YEAR JOBS GO TO LIVE?

-Tina Mata  
Greater Wilshire Neighborhood Council  
Saint Andrews Square Neighborhood Association

**Make  
Sure  
You're  
On  
The  
City Watch  
Network!!**

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