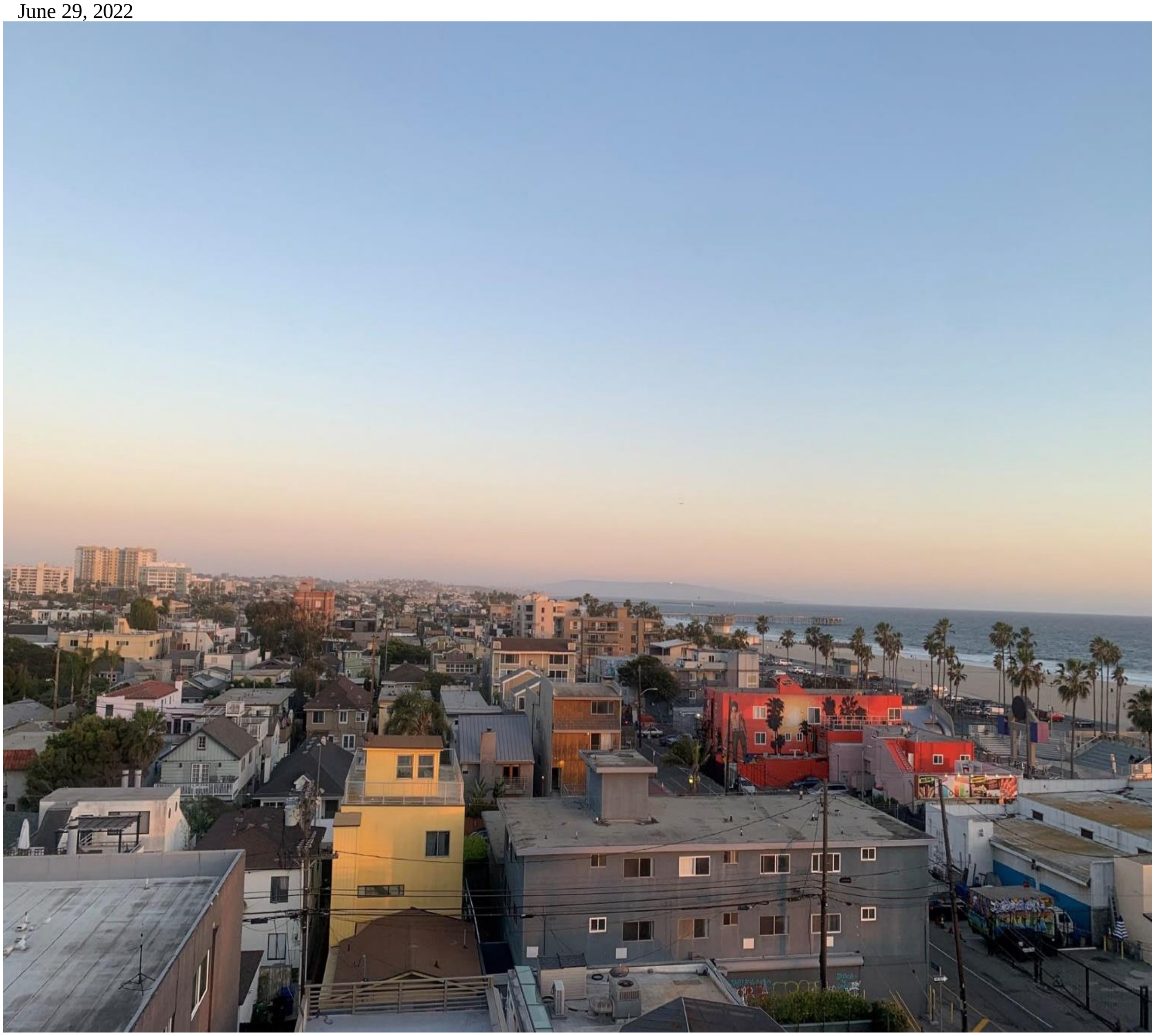
Westside Cities Council of Governments

Westside Development Constraints Cost and Land Use Regulation Policy Actions

Task 1.3: Development Constraints Analysis

June 29, 2022



Source: Arup

Job number 28599700

Arup Americas Inc.
900 Wilshire Boulevard, 19th floor
Los Angeles, CA 90017
USA
arup.com

ARUP

Document Verification

Project title	Westside Development Constraints Cost and Land Use Regulation Policy Actions
Document title	Task 1.3: Development Constraints Analysis Memo
Job number	28599700
Document ref	
File reference	

Revision	Date	Filename			
Draft 1	April 29, 2022	**Description**			
			Prepared by	**Checked by**	**Approved by**
		Name	Katherine Buck	Veronica Tam	Heather Rosenberg
		Signature			
Final	June 29, 2022	**Filename**			
		Description			
			Prepared by	**Checked by**	**Approved by**
		Name	Katherine Buck	Veronica Tam	Heather Rosenberg
		Signature			
		Filename			
		Description			
			Prepared by	**Checked by**	**Approved by**
		Name			
		Signature			

Issue Document Verification with Document ✓

Tables

Figures

Contents

Click or tap here to enter text.

Click or tap here to enter text.

Click or tap here to enter text.

1. Introduction

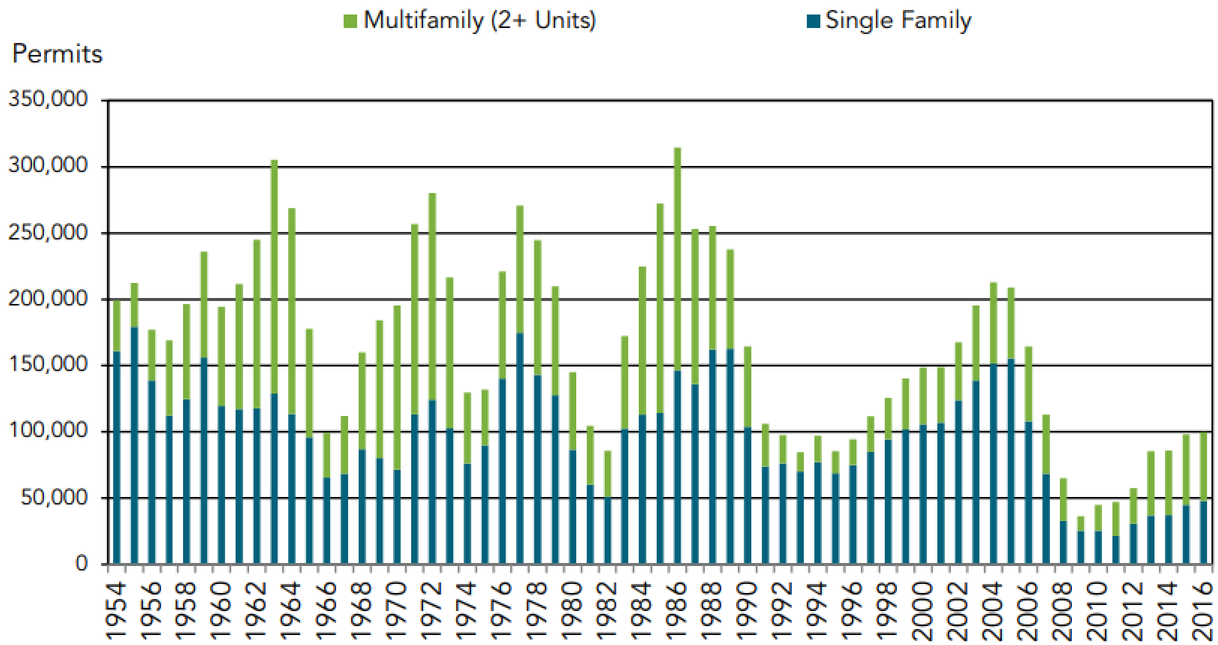
For the Westside Development Constraints Cost and Land Use Regulation Policy Actions Project, constraints to building multi-family residential development in the Westside Cities Council of Governments (WSCCOG) subregion are reviewed and policy actions to ameliorate the constraints are identified, as part of Task 1.3. In Task 1.2 Comprehensive Development Costs Database, the hard constructions costs, the soft construction costs, and the land costs were reviewed to see how they affect the feasibility of development. While the cities do not have direct control over the hard construction costs, some soft costs, or the land costs, the cities do control the impact fees and entitlements and permitting fees (soft costs) and have an impact on land value. The cities' roles in these costs are discussed in this memo.

The Development Constraints Analysis memo bridges how local land use policies affect the financial feasibility and overall feasibility of new multi-family residential projects to provide recommendations for the cities to ensure they are promoting housing development. Building off of the cost data in Task 1.2, Task 1.3 includes an analysis of the development and administrative constraints that impact housing production in the Westside subregion, focusing on the entitlements and permitting processes, and the zoning and development standards in each of the cities. Interviews were conducted with the development and land use community to understand the perspective of developers and their constraints to building more multi-family housing. A desktop review of the land use regulations in the cities was also completed to highlight policies that may be inhibiting development.

Regional Housing Need

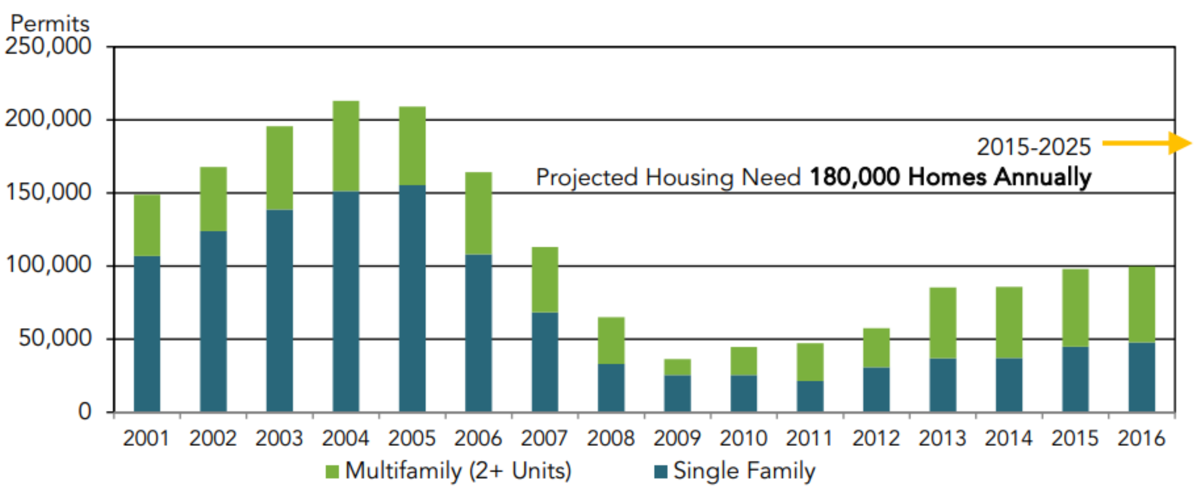
There is a regional housing crisis and a current shortage of housing, especially lower- and moderate-income housing. Over the last few decades, the production of housing has not kept up with the housing demand, and there have been noticeable declines in housing permitting during the economic downturns in the early 1990's and during the Great Recession of 2007- 2009. Historically, the number of housing permits issued peaked in the 1980s and has never rebounded close to achieving that level of permits, as shown in Figure 1. This decade has been the lowest number of housing units permitted since the 1950s. The lack of available housing causes a strain on residents and leads to overcrowding of units, housing costs/rent burden, and a jobs-housing mismatch, which can result in long commutes, air pollution, and ultimately residents moving out of the region. According to data from the California Department of Housing and Community Development, California has struggled to produce the projected need of 180,000 units per year, negatively impacting both the supply and affordability of housing (Figure 2). To keep up with the demand for housing, California needs to ensure they are permitting hundreds of thousands of new housing units every year.

Figure 1. Annual Permitting of New Housing Units in California, 1954-2016



Source: HCD

Figure 2. Annual Permitting of Housing Units 2001-2016 Compared to Projected Statewide Need for Additional Homes



Source: HCD

The WSCCOG subregion has seen varying levels of new multi-family residential projects in the last 10 years, with the most units constructed in West Los Angeles, which covers Los Angeles Council Districts 5 and 11, followed by Santa Monica. According to CoStar real estate data, after West Los Angeles, Santa Monica currently has the most housing units proposed or in construction (Table 1).

Table 1. Multi-family Residential Projects Recently Built or Proposed

Multi-Family Residential Projects		Beverly Hills*	Culver City	West Los Angeles	Santa Monica	West Hollywood
Constructed in the Last 10 Years	Projects	7	21	187	29	23
	Units	143	1,028	11,935	2,222	1,576^
Proposed or In Construction	Projects	12	10	127	49	27
	Units	493+	1,447	8,565	3,939	641^

Source: CoStar, Q1 2022

**Beverly Hills data combines CoStar data with the Community Development Department's Project List*
+One proposed project did not provide a unit count
^2 low rise projects and 6 low rise projects, respectively, did not provide unit counts

A Developer's Timeline and Financial Motivation

When understanding how to get more housing units permitted, it is important to understand a developer's motivation and appetite for building new housing. Development is an expensive and lengthy process, so developers are cautious about where they build and what they build to ensure that the project will be financially feasible and successful. Developers are risk-adverse, and the predevelopment phase, involving entitlements and permitting, can be an especially unclear and risky time for a project. Some of the processes in the predevelopment phase create administrative and development constraints through the uncertainty around cost, time, and approval status that make it a risky phase for developers. In order to expedite the production of multi-family housing in the WSCCOG subregion, modifications and streamlining of the development process and a thorough review of existing zoning, codes, and land use regulations should be explored and implemented. The benefits that these changes will bring to a developer will strengthen the housing development pipeline and bring the housing units to the market faster, while still allowing the jurisdictions to review and comment on the new projects to ensure they conform with the general plan and goals of the city.

A developer has a financial motivation to move quickly through the entitlements and permitting process to begin construction. A developer's source of income is tied to the development phase, and during the pre-development phase while securing entitlements and permits, a developer's only source of funding comes from investors or partners, if the developer has them. However, despite not bringing in income during this phase, a developer has a significant expenditure with land use consultants, architects, engineers, attorneys, and city fees for rezoning, site plan review, building permits, and impact fees. The developer is paying a significant amount of money during this phase without any certainty the project will be reviewed within a certain amount of time or approved at all, which creates significant risk. Also, the faster a project can receive entitlements and permits, the sooner a project can break ground and construction can begin, and the sooner tenants can start moving in and paying rent. When the developer looks at a discounted 10-year cash flow analysis, if there are less years in the beginning with a negative cash flow (stemming from the years associated with the pre-development and construction phases), then the outcome of the 10-year analysis will be stronger.

Economics of the WSCCOG Subregion

The real estate market in the WSCCOG subregion is extremely strong and development is not likely to slow in this subregion. Despite record high construction costs, these markets provide a high rental price per square foot that makes the real estate development pro formas for these projects able to pencil even with the current high costs for labor and materials (Table 2).

Table 2. Rental Rates Per Square Foot

Market	Multi-Family Rent per Square Foot (Average for all classes of properties)
Beverly Hills	$3.12
Culver City	$3.24
Santa Monica	$4.38
West Hollywood	$3.25
CD11 – Venice, Del Rey, Westchester	$3.76
LA County Average	$2.73

Source: CoStar, Q1 2022

A standard metric for real estate analysis is the cap rate, which measures the rate of return on the total project. Cap rates vary by location, product type, and perceived quality. They are inversely related to value; a low cap rate equals a high project value, and as the cap rate increases, the value decreases. The Westside Cities have very low cap rates, below the county and national averages, and below other communities in the region (Table 3).

Table 3. Cap Rates Around Los Angeles County

Market	Multi-Family Cap Rate
Beverly Hills	3.0%
Culver City	3.8%
Santa Monica	3.6%
West Hollywood	3.8%
CD11 - Venice, Del Rey, Westchester	3.5%
Koreatown	4.1%
Studio City/ North Hollywood	4.0%
Inglewood	4.5%
Pasadena	3.9%
Long Beach	4.3%
LA County	4.0%
National Average	5.2%

Source: CoStar, Q1 2022

CoStar defines a 5-Star building as representing the luxury end of multi-family buildings defined by finishes, amenities, the overall interior/exterior design, and the highest level of specifications for its style, while 4-Star buildings are constructed with higher end finishes and specifications, providing desirable amenities to residents, and built to competitive standards; these properties could also be categorized as Class A properties. The 3-star buildings would have average aesthetics and amenities that could have previously been 4-star buildings but are now older properties and would be categorized as Class B properties. Buildings with 1 or 2 stars are Class C properties, typically older properties with functional aesthetics and below average finishes, with no tenant amenities.[1]

These cities have very low cap rates and low vacancy rates, making them extremely valuable markets for real estate developers who will likely continue to develop regardless of the constraints from local development procedures. Traditional vacancy rates for multi-family residential are between 5-8% and most of the cities are below this level, with Beverly Hills and Santa Monica above 5% due to new luxury buildings coming online that have higher rents and take longer to lease up, which contributes to higher vacancy rates with these units (4 and 5 star buildings). When comparing the vacancy rate for one and two-star buildings in these cities, which would be the naturally occurring affordable housing units, all of the cities are below a 5-6% vacancy rate (Table 4).

Table 4. Vacancy Rates in the WSCCOG Subregion

City	Multi-Family Vacancy Rate (All Class Types) Overall	Multi-Family Vacancy Rates (1 + 2 Star Buildings)	Multi-Family Vacancy Rates (3 Star Buildings)	Multi-Family Vacancy Rates (4 + 5 Star Buildings)
Beverly Hills	6.0%	5.9%	6.1%	9.8%
Culver City	3.9%	3.9%	3.3%	4.4%
Santa Monica	7.1%	4.8%	6.9%	9.9%*
West Hollywood	3.0%	3.0%	2.5%	3.6%
CD11 - Venice, Del Rey, Westchester	3.3%	4.2%	2.2%	4.2%
LA County	3.4%	2.7%	3.0%	8.2%

Source: CoStar, Q1 2022

**There are four properties that opened between 2019-2022 that have vacancy rates between 37% - 53%, which are skewing the results. Without these properties, the vacancy rate for 4+5 star buildings in Santa Monica would be 5.3%.*

[1] https://www.costar.com/docs/default-source/brs-lib/costar_buildingratingsystem-definition.pdf

2. The Predevelopment Process

During the predevelopment phase, developers need to obtain entitlements for the legal right to develop their property for a certain use, intensity, and building type, and the entitlements are a major determinant in the value of a property. The entitlements process can change at the local level and the regulations can affect a developer's appetite for working in a specific jurisdiction. While the entitlements and permitting process is similar across cities, there can be different hurdles to the process that can add costs, time, and uncertainty to proposed developments. These differences make the timing for approvals vary significantly between cities. Time costs a developer money, so the longer a process takes the more expensive it becomes. A concise and clear process benefits developers and allows the jurisdiction to provide oversight and review of the project.

2.1 Key Elements for Developers

The advantage of restructuring and streamlining the process is to create a clear, straightforward entitlement process that enables construction to break ground faster to bring the housing units to the market faster. The region is facing a significant housing shortage and the cities have low vacancy rates, so cities should try and move projects through entitlements to be "shovel ready" as quickly as possible to accelerate new housing units coming online to increase the housing supply and to hopefully provide rent relief and options for residents.

It is typically estimated that the construction process takes about two years, which is a metric affordable housing projects that receive tax credits are held to, as they are required to complete the construction phase within two years of breaking ground. Two years is already a significant amount of time to wait when there is currently a housing shortage, so any additional months and years for the predevelopment phase adds a significant amount of time for this region to wait for new housing. An efficient entitlements and permitting process can ensure new housing is delivered within the foreseeable future, while allowing cities to retain control over the development standards and ensuring the projects fit the vision laid out in the general plan. For a developer, the most valuable elements of the entitlements process are certainty and speed.

In order to determine the most impactful changes to the entitlements and permitting process, interviews were conducted with five individuals working with multi-family residential development in the Westside Cities to understand the specific development and administrative constraints on proposed multi-family residential projects. Each of the interviewees has worked in at least two of the cities involved in the study and the full geography was covered by at least one interviewee. The interviewees included:

- Two Market Rate Housing Developers
- Affordable Housing Developer
- Land Use Attorney
- Land Use and Entitlements Consultant

The interviewees shared ideas about how cities can provide them with clarity and reduce their risk during the predevelopment phase. The comments have been anonymized and aggregated to encourage candor from the interviewees, and the results are discussed by topic area in the following sections.

2.1.1 Entitlements & Building Permits Process

Most developers have highlighted the length of the entitlement process as one of the main barriers to building more housing in the WSCCOG subregion. The entitlements process involves the developers meeting the requirements of the jurisdiction they are developing in, and a long entitlements process can increase costs for the developer and further delay the development of housing. Along with the lengthy process, developers do not always receive a level of certainty or clarity that the projects will be approved and within what time frame, which further complicates this phase. While some recent changes to state law have helped to accelerate the entitlements process for affordable housing developments, developers still face the following challenges that create barriers for housing development.

Length of Time

- **Lengthy time for a by-right project** – Even by-right multi-family residential projects face additional requirements that prevent the developers from moving directly to the permitting stage. These requirements include project application reviews, design/architectural reviews, and community meetings, and one developer estimated that, on average, it takes a by-right project about 18 months to two years to even reach the permitting process. The developer then estimated that the permitting process takes one additional year. If a project is not by-right and involves any discretionary review, the project will take even longer to move to the permitting stage. The developer noted that a lengthy entitlements process drives up the cost of the project, and the only control the developer has over making the pro forma pencil with these additional costs is by increasing the rents; the interviewee stated that with expedited processes they could reduce the rents on the units because the time savings upfront will offset the reduction in rents over the 10-year analysis. Expediting the upfront processes would create a cost savings to the developer (including time savings and consultant fees), which could incentivize the developer to provide other benefits to the rental market, such as an expansion of units at different price points beyond luxury (5 star) units, including affordable and middle-income housing, while still meeting the minimum profit threshold.
- **In-depth details for the project application** – Some cities require in-depth details for the initial application for entitlements, when typically at this phase, the developer would expect to be providing a concept plan that specifies the site plan, building envelope, floor area ratio (FAR), height, number of units, and other high-level details. Asking developers to provide in depth design details at the application stage adds significant time to the process as developers are then required to hire additional consultants that typically they do not hire until later in the process. This requires them to spend more money upfront without any initial acceptance or approval by the Planning Staff. Interviewees thought cities are asking for very detailed designs too early in the process, which adds time for them to address all these comments. They think that this level of detail and review is appropriate during plan check and should happen during the permitting process. For example, developers are asked about trash cans, irrigation, or

landscaping details during the entitlements process, which are questions more suited for consultants once a project has been approved.

- **Architectural Review Board (ARB) / Architectural Commission -** Developers must also satisfy a list of requirements from architectural committees that approve project designs, and typically have to have a few meetings with the committee to resolve the comments. One developer mentioned that the ARB process adds about 3-6 months to the entitlements process.

- **Streamlined processes still delayed** – Despite efforts by the State to streamline the housing development process, projects that qualify for certain streamlining techniques may still have to receive approval by the city's legislative body in addition to the planning commission. For example, projects that want to qualify for the Sustainable Communities Project CEQA exemption require approval by the City's legislative body in some cities, when without the exemption the project could have been approved at the planning commission level. Some cities also add layers of review to projects that add time despite the State's effort to expediate housing; for instance, the City of Los Angeles requires Site Plan Review for any housing project, even if it is by-right, that creates more than 50 units, despite the State Housing Accountability Act that limits a local government's ability to deny or reduce the density of housing projects.

- **Community Meetings** – While neighborhood meetings are an important part of the planning process, community opposition or hostility can slow down new multi-family residential projects, even by-right projects, and delay a developer from starting the permitting process. Some developers have noted that virtual meetings have been a helpful format in engaging more of the community and reducing the level of hostility at meetings.

- **California Environmental Quality Act (CEQA)** – Interviewees commented on how CEQA can cause delays in approving the project and requires extra time to meet the process requirements, and occasionally, legally defend the project against CEQA litigation. Also, they mentioned that there are some CEQA streamlining policies in place that new housing developments in infill areas can qualify for; however, if a project needs a zone change or general plan amendment, then the project does not qualify for CEQA streamlining and a full CEQA review may need to be completed.

Lack of Certainty

- **Time constraints for Affordable Housing Projects** – After receiving tax credits, affordable housing developers have 180 days to secure their permits, and then must finish construction within two years. Affordable housing developers do not have a preferential process for building permits and have to wait to work with various departments and have their plans approved the same as market rate developers, even though affordable housing projects have tax credit requirements to satisfy. They do not receive certainty or confirmation that they will receive their building permits within 180 days, and some developers have had to reach out to city leaders and even the Mayor's Office to push affordable housing projects along to make sure they comply with the timeline set out in the tax credit requirements.

- **Electronic submissions and project tracking** – The pandemic and increase in digital city services have helped simplify the application process in cities that allow for virtual submissions because it provides developers with the certainty that the application or the plans were received. Interviewees commented that it would also be helpful to have more services available electronically, including receiving information about the status of the application and plans, in those cities where it is not currently offered.

- **Unclear case manager** – Interviewees mentioned they do not always know who to contact at the cities about the status of their projects, which may also be a result of the departments being understaffed. The lack of staff to review applications also increases the processing times for all projects.

- **Unclear processes and expectations** – While recent state policy has been very supportive of more housing production, state requirements are often very difficult to meet. Due to the scarcity of vacant land for new housing, some existing structures will inevitably have to be demolished in order to build more housing. If demolition of rent-controlled units occurs, developers have to replace those missing units with restricted affordable units, and developers need clearer processes and expectations around this.

- **Total Costs** – When reviewed individually, the fees charged to a new development may not seem significant; however, all in, the cumulative impact of the Planning fees, Building & Safety fees and developer impact fees, can add a significant cost to a pro forma, and many of the fees are paid before the project has received approval or certainty that it will be approved. Task 1.2 includes a review of entitlements and permitting fees for each city.

2.2 Overview of Development Process in the Cities

As part of the analysis, a desktop review was conducted of the publicly available information regarding policies and procedures for multi-family developers receiving entitlements and building permits in the five WSCCOG member jurisdictions. The websites for these cities were reviewed to see what information the cities readily share with developers, and some cities provide more accessible information on their websites than others. In addition, analysis from the State of California's Housing and Community Development (HCD) Department is included as part of the review, highlighting the constraints and barriers that the state identified in the cities' processes. The key elements and potential areas for delays have been highlighted for the cities and the summaries are provided in the following individual sections by city.

2.2.1 Beverly Hills

In Beverly Hills, development is managed by the Community Development Department, which includes the Development Services Program. The City assigns a Plan Checker and Planner to each project, and an applicant is directed to contact the specific assignee to their case if the applicant needs to check the status of the plan. Applicants can submit their plans electronically for plan check. To initiate the process, the applicant submits a plan review application through the City's website, and Beverly Hills anticipates a 2–3-day turnaround to provide the applicant the link to upload the project plans. For new multi-family residential projects, which would fall under the City's "Complex & Large Projects", they estimate that regular processing will take 7 weeks (re-submittals will take 3 weeks) and that an expedited plan check review process will take 4 weeks (re-submittals will take 3 weeks). The City's Electronic Plan Review system is called ProjectDox and allows an applicant to upload plans and review corrections from the City. Any new multi-family building is required to submit their plans to the Planning Commission and Architectural Commission for review and approval. The Commissions can approve, approve with conditions, or disapprove the issuance of a building permit if the project design does not conform with the Commission's standards. Beverly Hills has launched their own CitySmart Portal, which allows users to access and pay for permits and fees, view progress, and schedule inspections.

HCD highlighted some concerns about the development process in Beverly Hills in the response letter to the City's Housing Element. HCD stated that the cumulative development fees are approximately $100,000 per multi-family unit, which is a significant burden to a development and affects the financial feasibility of developing new housing units in the City. If a developer has to carry a $100,000 fee to each proposed housing unit, then the developer would have to increase the rents to offset the high costs of development.

The Architectural Commission reviews can impact the costs and feasibility of a project, and HCD commented that the City described the architectural review decision-making standards in arbitrary and ambiguous ways about "good taste" and "good design", without providing clear, definable standards for "good designs". The architectural review process should consider fixed and objective standards, so they are not causing undue burden on developers and to ensure that all projects receive the same review.

Also, HCD stated that Beverly Hills needs to clearly identify the written procedures for the SB 35 Streamlined Ministerial Approval Process and provide transparency by posting all zoning, development standards and fees on the City's website. While the website identifies the turnaround times for reviewing plans, HCD noted that they wanted to see the length of time between receiving approval for housing development and the submittal of the application for building permits. Providing more transparency to developers will help to improve the development process.

2.2.2 Culver City

Development in Culver City is managed by the Community Development Department, which includes the Building Safety Division, Current Planning Division, and Code Enforcement. There are currently seven planning staff available to issue and manage the entitlements process. Culver City does not assign a case manager to a project. The City does not require design review, but there are neighborhood design guidelines for multi-family residential buildings in the Gateway Neighborhood and in the Gateway Adjacent Neighborhood. The City also does not offer a pre-submittal meeting but does have a Preliminary Project Review (PPR) Request form that applicants can submit to receive department comments before the official application is submitted. There is no expedited processing offered. For building permits, the City does not offer a pre-submittal meeting and does not have a case manager assigned to the project but there is a unified permitting center. The City does not accept online submissions or have online project tracking technology; the only online permit technology is for accepting electronic payments.

HCD identified some constraints in Culver City's development processes. First, HCD noted that some of the requirements of the site plan review, such as the design guidelines, require compatibility with the character of surrounding development and is not explicit with objective standards of the design guidelines. Subjective design guidelines can affect housing cost, timing, and approval certainty. HCD noted that the City needs to provide more transparency around zoning and fees, and to ensure the zoning and development standards are clearly and readily available on the City's website. Also, while Culver City listed out the approval times, HCD noted the times need to be evaluated in accordance with the Permit Streamlining Act.

2.2.3 Los Angeles

Development in the City of Los Angeles is managed by the Planning Department and the Department of Building and Safety (LADBS). There are about 400 planning staff available to facilitate the entitlement process and expedited processing is available. Any new multi-family residential project that proposes 50 units or more requires a site plan review, making the project subject to discretionary review, even if it was a by-right project. There is a Major Projects Office to review large projects and design review is required for high visibility projects, such as large high-rise developments. The City also has a parallel design-permitting process, which allows for the simultaneous review of the design process and checking of building plans. For building permits, the City of Los Angeles has over 270 full-time staff members for plan checks and permits, and almost 400 inspectors. The City offers a pre-submittal meeting for permitting and assigns a case manager to this process. There is an expedited processing for permits as well; the turnaround time for a regular plan check is 6-8 weeks and 3-4 weeks for an expedited plan check review process. The City launched BuildLA to allow for electronic project tracking and allows for online services, including the application submittal and plan review, and makes services more accessible and consolidates the approval processes. Builders and developers have access to real-time information for project statuses and timelines. Building and Safety, Bureau of Engineering, City Planning, and the Fire Department all provide services for BuildLA.

HCD's feedback for Los Angeles included directing the City to identify actual site improvement standards and analyze the standards to confirm they do not cause any constraints to development. Also, HCD stated that the site plan review process for multifamily projects proposing 50 or more new residential units can be a barrier to housing development as it adds additional discretionary review to projects and impacts approval certainty.

2.2.4 Santa Monica

The Planning and Community Development Department oversees development in Santa Monica, which includes the Building and Safety, City Planning, and Code Enforcement divisions. The City has an Electronic Plan Review (EPR) system so that developers can submit their applications and plans for review entirely online, in addition to paying the fees and checking the project status online. A planner will review and deem the application complete before the payment is collected; after that, a project planner is assigned to the case. After receiving project approval, the project must undergo design review through the Architectural Review Board (ARB) that reviews all new construction in all zones (except R1), including all multi-family projects. A project must receive ARB approval prior to the issuance of building permits. The ARB considers elements of the design concept with the main priorities and objectives of the ARB being the site and landscape design (streetscape, landscaping, and lighting), mass and scale, and design and detailing. ARB uses these standards to confirm that new developments complement the existing community and maintain the unique character of the surrounding blocks and preserve the distinctive design and craftmanship of the neighborhood. Projects that are subject to ARB review are typically approved on the first or second round of review which can take approximately six weeks to three months. The City does not prohibit applicants from submitting an application for a building permit prior to obtaining ARB approval, but there is risk that the ARB process may result in changes to the building permit application. Once the site plan has been reviewed and approved, a developer can get the issued building permit at Permit Services Center or online via City's Virtual Permit Issuance. For building permits, the City does not provide a case manager, expedited processing, or project tracking technology.

HCD identified steps and barriers in Santa Monica's development process that may be inhibiting new residential development. One area of concern for HCD was the development costs, specifically the total fees for a typical multifamily development, as the cumulative impact of development fees drive up development costs and impact the financial feasibility of new projects. There were also some concerns about the costs for the on-/off-site improvements required by the City.

HCD also highlighted some concerns about the Development Review Permit (DRP). In order to approve housing projects faster, HCD wanted to see clarification on the allowance of by-right developments for sites identified in previous housing element cycles with projects that include at least 20% affordable housing. In August 2020, an Interim Zoning Ordinance (IZO) was adopted that temporarily revised the processing thresholds for most housing projects. The intent behind the IZO was to streamline and incentivize housing projects, especially those that are subject to the protections of the Housing Accountability Act (HAA), by making projects that were once discretionary now ministerial. This has had the effect of shortening project approval time as well as allowing for housing projects to be exempt from the environmental review process mandated by the California Environmental Quality Act (CEQA). The City intends to make this by-right administrative process permanent, and has included a program to this effect in the Housing Element. In addition, HCD was concerned about the ARB discretionary processes, stating that the subjective design standards could have impacts on housing cost, supply, and approval certainty. HCD wanted to see specific commitments from Santa Monica to address the constraints in the design review process. The City recently received a SCAG grant to create objective design standards for the Bergamot Area Plan. With the creation of these objective design standards for the Bergamot Area, the City intends to use these standards and modify/tailor them for the rest of the City. Also, the City needs to identify the length of time between receiving approval for a housing development and the submittal of an application for building permits; Santa Monica revised Appendix E to clarify that the typical time to process a DRP takes between six to nine months not including building permit or ARB review and approval. Given the discretionary process of DRPs, the lack of predictably and timing can be a constraint on housing production.

2.2.5 West Hollywood

Development in the City of West Hollywood is managed by the Planning and Development Services Department, which includes the Building and Safety and Current Planning divisions. There are currently 12 planning staff available to issue and manage entitlements, design review, and historic preservation and the City offers pre-application meetings. The City provides online plan check submittals, and once an applicant submits the application and pays the online fee, the applicant is assigned a case planner. There is a design review subcommittee that delivers opinions and thoughts on new projects, but the committee does not vote or need to approve the project. After the project receives planning approval, a project can submit the permit application and payment electronically. The City uses the eTRAKIT permit system so that applicants can electronically track their projects.

HCD commented that the City should review the type of permit, level of review, approval findings and any discretionary approval procedures, and consider the processing and approval time for typical multifamily developments. Also, because West Hollywood relies on many small site parcels to achieve the housing targets, HCD noted this would require lot consolidation so the City should explore deferring fees for consolidation and expediting permit processing to help with the efforts of lot consolidation.

2.3 Policy Recommendations for the WSCCOG Subregion

After reviewing the policies and procedures of the jurisdictions and reconciling the ideas shared in the interviews, the following key policy actions and recommendations should be explored for the Westside Cities. The actions and recommendations that are recommended for each individual city is included in Section 4: Feasibility Scorecard. Cities should consider the following policy actions and recommendations to improve the entitlements and permitting process to provide clarity and efficiency for developers. These recommendations will help to accelerate the entitlements and permitting process, so that projects are shovel-ready sooner and projects can come online to the market faster. In addition, having a straightforward and clear entitlements and permitting process will leave a positive impact on a developer and may incentivize the developer to build additional projects in that city because of the previous easy experience working there.

Entitlements

- **Pre-submittal/pre-application meetings** – Establish an official pre-submittal meeting offering for developers so they can have a meeting with the city to collect feedback and test feasibility of their project before completing the application and submitting plans. While some interviewees acknowledged that they were able to set up these meetings with cities based on their pre-existing relationships with staff, having a formal policy of pre-submittal meetings will help developers who are new to this market have an avenue to speak with the development department before getting too far along in the process.
- **Expedited Processing** – Developers will pay an additional fee to receive expedited processing for their applications. Because developers are trying to avoid risk, they are motivated to have certainty and will pay for expedited processing that accelerates the review time and identifies a timeline for feedback and approvals. The additional fee charged for the expedited processing could cover hiring new city staff or outside consultants to review the plans and project.
    - **Criteria for which projects can apply –** If it is not feasible to allow any project to pay for and receive expedited processing, then residential projects and/or residential projects that include on-site affordable housing, should be eligible for expedited processing. In the City of Los Angeles, an interviewee stated that there is no clear criteria and expectations for how projects can qualify for expedited processing. Cities should clearly state which projects are eligible for expedited processing and prioritize residential projects for expedited processing.
    - **Engage third-party vendors to expand plan review capacity for residential projects** – Projects that are interested in expedited processing could pay an additional fee for this service, which could cover the costs of third-party plan reviewers.
- **Development fee waiver or deferral of fees** – Cities could explore a development fee waiver or deferral of fees for new residential housing projects that include affordable housing, as an incentive to build residential units and affordable units on-site.
- **Improve technology** – While the COVID pandemic has fast-lined the online capabilities of many cities, the cities should continue to expand the functionality of online systems for submission of the applications for entitlements and permits, the comment review period, and the overall project tracking.
- **Develop specific standards to measure turnaround times and performance** – While some cities identify anticipated turnaround times, developing clear and accurate standards for receiving approvals will benefit developers and provide the needed justification to HCD. Due to the lack of a specific timeline for approval or a letter of determination after filing an application, developers are often left in the dark about the status of their application. Having a limit to the number of days for approval after submission can help keep projects moving and ensure these time frames are enforced.

- **Assign accountability of results to a specific case manager** – If an applicant does not hear back within the specified turnaround times, the applicant should know who specifically to contact at the city about the status of the application.

- **Objective Architectural/Design Review Board standards** – Projects are often delayed due to multiple meetings related to the design review. Having objective and clearly defined design standards can simplify the process and reduce the number of meetings and corrections needed.

- **Clear processes and expectations provided on the City's website** – Cities should make sure that the development standards, impact fees, and zoning are all clearly stated online and readily accessible to the public. If the information is clear, specifically around density bonuses, then proposed projects can anticipate a density bonus from project inception and projects might be more likely to use these tools. Also, if the design and development standards are clearly stated, then developers can incorporate these ideas in their original applications and minimize future comments and multiple submissions. The city will receive a thorough application the first time, which can reduce the burden on city staff of providing multiple reviews and comments per project. Also, the cities should have a clear timeline denoting when an applicant will hear back on different steps, specifically confirming the application is complete and then when the applicant can expect a response. While fees are an expected part of development, it is important for cities to define applicable fees clearly and consistently in advance so that a developer can include all applicable fees when determining a project's feasibility and financing structure.

Permitting

- **Explore the implementation of parallel permitting** – Cities could identify concurrent processing or a similar process to the City of Los Angeles' process of parallel permitting, which allows site plan review and building permit review to happen concurrently. The cities should provide a pre-submittal review meeting to provide early feedback on the project before starting the parallel permitting process.

- **Improve permitting technology** – While the COVID pandemic has fast-lined the online capabilities of many cities, the cities should continue to expand the functionality of online systems permit submissions and tracking of permit status. Also, using the same technology for all departments will help to simplify the process for developers.

- **Expedited Permitting for 100% Affordable Housing Projects -** Housing laws have made it easier for affordable housing developers to receive preferential review for the entitlements process and exemptions from CEQA. However, these developers do not receive the same preferential review for building permits and are subjected to the regular wait times. Affordable housing developments that receive tax credits are required to break ground within 180 days of receiving the tax credit funding (typically once they receive entitlements), so they have a requirement to get through the permitting in under 180 days. Providing these developers with a preferential process will help them secure tax credit funding in the future and provide priority to affordable housing units.

CEQA

- **Ensure more projects are ministerial to avoid CEQA litigations** – Since the state has passed new laws to prioritize the development of housing, it has allowed some housing projects to be exempt from CEQA review in order to address the housing shortage. However, if the cities add too many requirements, such as strict design standards, then an otherwise by-right project may become a discretionary project, which may require the project to complete a full CEQA review. If cities can ensure that more housing projects are ministerial, by providing objective standards and increasing density, then it will prevent projects from additional environmental reviews, which significantly delays project and makes them susceptible to lawsuits.

- **Capitalize on CEQA Streamlining techniques –** The state has passed laws to expediate housing development, so cities should work with developers to see if they qualify for any of the CEQA streamlining techniques. To qualify, projects need to be approved ministerially, so it is important that the zoning is updated so that developers can qualify for these fast-tracking techniques, or else it will add years and a significant cost to a project for a full CEQA review. Projects that are 100% affordable housing projects have state exemptions from CEQA and do not require technical studies to be completed; other legislation provides CEQA streamlining processes for mixed-income housing that require technical studies, but the studies are not distributed publicly and subjected to community feedback and legal challenges.

- **SB 375**
  - Sustainable Communities Environmental Assessment (SCEA) – requires technical studies similar to a mitigated negative declaration (MND) but is legally stronger and less susceptible to lawsuits.
  - Transit Priority Project – Projects that are at least 50% residential, a minimum net density of at least 20 dwelling units per acre, and within one-half mile of transit qualify for this exemption.
- **Class 32 "Infill" Categorical Exemption** – all the cities in the WSCCOG subregion would qualify for this category, and projects could benefit from this exemption because they would only need provide technical reports for environmental review, including Greenhouse Gas Emissions/air quality, traffic, and noise impact reports.
- **15183 Exemption** - allows a streamlined environmental review process for projects that are consistent with the densities established by existing zoning, community plan or general plan policies for which an Environmental Impact Report (EIR) was certified.

3. Zoning, Codes, and Land Use Regulations

Zoning and land use regulations affect what an owner can do with a property and is a huge determinant in the ultimate use, viability, and value of that property. What, and how much, a developer can build on the land directly impacts the financial feasibility of development. It is important to ensure that the zoning, building codes, and land development regulations are promoting the development of multi-family residential. As vacancy rates remain extremely low and as new transit lines are built, the zoning should keep up with the projected growth in the community and ensure that the developments are rightsized for the corridor to maximize the number of units that comfortably fit the neighborhood.

3.1 Key Elements for Developers

Developers will only build their projects if it is financially feasible, so it is critical to ensure that the zoning code promotes development. Since the WSCCOG subregion has extremely high land costs, a project will only pencil if it is able to bring in a high income off the project, which is achieved by having high rents and sufficient units in the project. To ensure that projects are built with units that are not all luxury units, the project will need to be able to have enough rental units to ensure the developer can make enough income off the project for development to be financially feasible.

The residual land value is a calculation that developers use to assess high-level project feasibility; it calculates the most that a developer would pay for the land by subtracting the expected costs of the project from the expected income from the project. Density affects the residual land value and if a developer can build more units on the same size parcel of land, then the value of the project increases and the residual land value increases.

Project Value (based on rental income from the project)

– Production costs (hard and soft costs)

– Developer Profit

= Residual Land Value

Therefore, by increasing density on selected parcels, the value of the land will increase, and this increase can help to fund other community benefits the city might be interested in, including asking for the project to include more affordable housing units on-site. Maximizing the density on identified parcels will help to increase the number of units in the project but also provide additional value as cities could request more affordable housing units due to the higher value of the parcel.

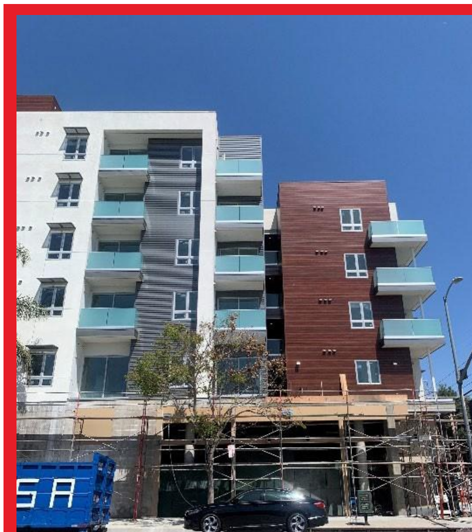


Photo Source: Arup

A new 42-unit building arises on a .34-acre site that formerly held a one-story market. The development will provide 1,800 square feet of retail and four affordable units in exchange for zoning reliefs. Before the sale of the land to the developer, the land was assessed at $1.7M; once the developer announced the redevelopment plan the land was assessed at $3.6 M. The building opens summer 2022, and the 2021 assessed land value was $5.1M. The same parcel of land has had a significant increase in value based on the change in zoning and land use.

Source: CoStar

3.1.1 Zoning, Codes, and Development Standards

During the interviews, respondents commented on how zoning, development standards, and development policies affect what they can build and provided feedback on how cities could adjust these policies to promote more housing and increase the housing pipeline in this region.

Density

- **Allowable density and floor area ratio** – Interviewees stated that the zoning needs to allow multi-family residential development, in order for developers to build it. They thought that the zoning in commercial corridors was still too low for the neighborhoods and that the cities should up-zone these commercial corridors. Specifically, a developer noted how the same commercial corridor that runs through two cities has a drop in density by half when the corridor changes jurisdiction.

- **Density Bonus** – Some interviewees noted that the density bonus menu can be confusing, and it is not always easy for them to calculate the benefits or to clearly understand what will be approved.

Design Expectations

- **Design Standards*** – Some interviewees stated that the cities have many design standards for projects, and it can impact their ability to deliver residential projects as they would like and how they have delivered successful projects in the past.

    - **Specific Plans** – While some projects might benefit from the programmatic EIR of specific plans, some of the design elements and expectations from the specific plan constrict a developer's vision. For example, a developer noted that the Downtown LA Specific Plan does not allow for balconies in the Arts District to maintain the "warehouse" look and feel of the community, so if a developer wants to respond to the market demand for private outdoor space, then the developer would have to apply for a variance each time due the restrictive design requirements of the specific plan. The developer felt that it was important for the company to be able to provide balconies and private open space based on the interests of potential residents. Interviewees commented that planning documents should allow for flexibility, since a specific plan is supposed to allow for projects that may not be allowed under the General Plan, so the specific plan should provide more relief from zoning and development standards.

    - **State Requirements** – An affordable housing developer commented that the state adds design requirements to the projects that they need to comply with for tax credits, even if the developer's on the ground experience suggests otherwise. For instance, the affordable housing developer stated that the garbage disposals were removed from the project because garbage disposals cause an increase in maintenance costs and issues, however the state told the company that the project had to include disposals. Therefore, the interviewee thought that they were not able to incorporate "lessons learned" into future projects because of design requirements.

- **Unit Size Requirement*** – Some interviewees commented that the minimum required unit sizes are too large, and therefore they cannot fit sufficient units into the project (based on allowable FAR and setback requirements), so a proposed project becomes infeasible.

- **Open Space Requirement** – It was mentioned that some of the open space requirements can be hard to meet based on the FAR requirements and the costs of the open space.

- **Historic Properties** – Interviewees mentioned that projects with a potentially historic element add a significant time element to development, and cities should clearly identify historic properties in advance.

- **Parking Requirements** – It as mentioned that some of the parking requirements are too high. However, a developer also mentioned that projects should not be penalized for providing some parking, and that the new Downtown Los Angeles Specific Plan counts parking as part of FAR, which is too restrictive.

**Santa Monica has also conducted outreach with developers and have heard that minimum/maximum ground floor heights, active ground floor use requirements, daylight plane, maximum building footprint, and unit mix requirements are also barriers to new development.*

3.2 Overview of Zoning in the Cities

A review of the zoning code and development standards in the five cities in the WSCCOG subregion was conducted to understand how the existing zoning may be affecting housing development. Comparison tables of the zoning codes, parking requirements, and affordable housing programs are provided to show how each city and the subregion is addressing zoning and development standards. It is critical that a housing solution involves a COG-wide approach since all the cities border one another and many of the same corridors run through multiple cities. If the cities take a similar approach to zoning and the development standards for these corridors are appropriate for high density, then the WSCCOG subregion can ensure they are maximizing the units in areas where higher density makes sense, regardless of the jurisdiction the corridor runs through. Standardizing some of the zoning can help to increase overall development. This section includes an individual analysis of each city to add some additional details on zoning and a summary of feedback from HCD about zoning.

3.2.1 Zoning & Development Standards Comparison

The following tables summarize and compare parking, zoning, and affordable housing requirements for each of the five cities in the subregion. While there are a few similarities between cities, there is not a lot of uniformity across the subregion. Table 1 shows the standard multi-family residential parking requirements. Parking requirements for projects with a density bonus may be lower than the standard parking requirements.

Table 5. Multi-Family Parking Requirements

Multi-Family Parking Requirements	Beverly Hills	Culver City	Los Angeles	Santa Monica	West Hollywood
Studio	1 space	.5 space (micro-unit)	1 space	1 space (citywide or Parking Overlay)	1 space
		1 space (up to 900 sq. ft.)		.5 spaces (affordable unit)	1.5 spaces (units > 500 sq. ft.)
1-bedroom	2 spaces	1 space (up to 900 sq. ft.)	1 space	1.5 spaces	1.5 spaces
				1 space (Parking Overlay)	
		2 spaces (over 900 sq. ft.)		0.75 space (affordable unit)	1 space (w/ density bonus)
				0.5 spaces (Parking Overlay + affordable unit)	
2 bedrooms	2.5 spaces	2 spaces	1.5 spaces+	2 spaces	2 spaces
				1.5 space (Parking Overlay)	
				1 space (affordable unit – citywide or Parking Overlay)	
3 bedrooms	3 spaces	2 spaces	2 spaces+	2 spaces	2 spaces
				1.5 space	

				(Parking Overlay) 1 space (affordable unit)	
4+ bedrooms	4 spaces	3 spaces	2 spaces+	2 spaces 1.5 space (Parking Overlay) 1 space (affordable unit)	3 spaces 2.5 spaces (w/ density bonus)
Guest Parking	1 space / 4 units	1 space / 4 units	N/A	1 space/ 5 units 1 space / 10 units (Parking Overlay)	1 space/ 4 units

* Santa Monica has no minimum parking requirements in the downtown. However, projects in the coastal zone must adhere to coastal commission parking requirements.
+City of Los Angeles assigns parking requirements based on habitable rooms instead of bedrooms

Table 6 compares the zoning and development standards in the five cities, while Table 7 shows the affordable housing programs that cities have implemented. The Density Bonus row refers to local city-wide density bonuses, above and beyond the state density bonus; the state density bonus starts at a 20% bonus if either 5% of the units are reserved for very low-income housing or 10% are reserved for lower-income households, or if a property is 100% senior housing. For very low-income housing, an additional 2.5% bonus is accrued for every 1% increase in number of units, up to 50%. For low-income housing, an additional 1.5% bonus is accrued for every 1% increase in number of units, up to 50%. A developer working in any jurisdiction in the state who meets the requirements of the state law is entitled to receive the density bonus and other benefits of the program.

Table 6. Medium Density Residential Zoning Comparison

Zoning		Beverly Hills	Culver City	Los Angeles			Santa Monica		West Hollywood	
High Density Zones		R-3, R-4, R-4X1, R-4X2	RHD	R3	R4	R5	R3	R4	R3	R4
Minimum Lot Area (sq. ft.)		1,700	5,000	5,000			5,000		5,000	
Minimum Unit Size (sq. ft.)	0 bedrooms (studio)	600	350 micro-unit 500 studio	800	400	200				
	1 bedroom	1,000	700	500 (per guest room)	200 (per guest room)		*No minimum unit sizes*		*No minimum unit sizes*	
	2 bedrooms	1,300	900							
	3+ bedrooms	1,500	1,100							
Density (Dwelling Unit =DU)		*Based on location and street width.*	1 DU / 1,500 sq. ft.	30-55 DU/Acre	56-109 DU/Acre	110-218 DU/Acre	1 DU/1,500 sq. ft. or 5 units for R3 1 DU/1.250 sq. ft or 6 units for R4		1 DU /1,210 sq. ft.	1 DU/ 872 sq. ft.
Floor Area Ratio (FAR)		*Not defined for high density zones*	*Not defined for RHD*	3:1	3:1	3:1	Not defined		1	0.5
Maximum Building Height	A	33 ft (3-story)	40 ft (3 stories)	45 ft	30 ft (2+ stories)		30 ft (2 stories)	30 ft (3 stories)	25 ft (2 stories)	35ft (3 stories)
	B	45 ft (4-story)			45 ft (3+ stories)		40 ft (3 stories) w/ community benefits	45 ft (4 stories) w/ community benefits	35 ft (3 stories)	45 ft (4 stories)
	C	55 ft (5-story)			75 ft (6+ stories)		40 ft (No limit on stories) Affordable Housing	45ft (No limit on stories) Affordable Housing	45 ft (4 stories)	48 ft (4 stories)
Open Space Requirements	Private	200 sq. ft. / unit	100 sq. ft. /unit	*Not provided online*			50 sq. ft.		120 sq. ft. per dwelling unit	
	Common		30% of net lot area				150 sq. ft.	100 sq. ft.	2000 sq. ft. for 31+ units	

Table 7. Affordable Housing Requirements

Affordable Housing Requirements		Beverly Hills	Culver City	Los Angeles	Santa Monica	West Hollywood
Linkage Fee (per sq. ft.)	Residential	No current requirement	No current requirement	$1.04 - 18.69*	No current requirement	No current requirement
	Non-residential	No current requirement	$5 per net leasable square foot	$3.11 - $5.19*	Office: $11.21 Hospital: $6.15 Hotel: $3.07 Retail: $9.75 Industrial: $7.53 Institutional: $10.23 Creative Office: $9.59 Medical Office: $6.89	No current requirement
Inclusionary Housing (%)		10%	15%	5-20%	20% moderate or 20% low or 10% very low income units (project of 4-15 units) 25% moderate or 25% low or 15% very low income units (project of 16+ units)	20% (projects over 10 units) 1 unit (projects with 10 or less units)
In lieu fee (price per sq. ft. or unit)		5-unit: $58 per SF 6-unit: $70 per SF 7-unit: $82 per SF 8-unit: $93 per SF 9-unit: $105 per SF	*Not available online*	Studio: $53,233 - $76,735 1 Bedroom: $56,684- $81,653 2 Bedroom: $62,891- $90,583 3 Bedroom: $69,927-$100,717	$35.50 per sq. ft. for apartments** $41.47 for condos**	Projects with 10 or less units have the in-lieu fee option: 2-unit: $129,148 per unit 3-unit: $193,721 per unit 4-unit: $258,295 per unit 5-unit: $322,869 per unit 6-unit: $387,443 per unit 7-unit: $452,016 per unit 8-unit: $516,590 per unit 9-unit: $581,164 per unit 10-unit: $645,738 per unit
Density Bonus		No city density bonus	Community Benefit Density Bonus Studio Micro-Unit Community Benefit Density Bonus	No city density bonus	No city density bonus	Allows for up to a 50% density bonus

*Depends on whether the project is in a low, medium, or high market area

**Effective 11/01/21; updated annually

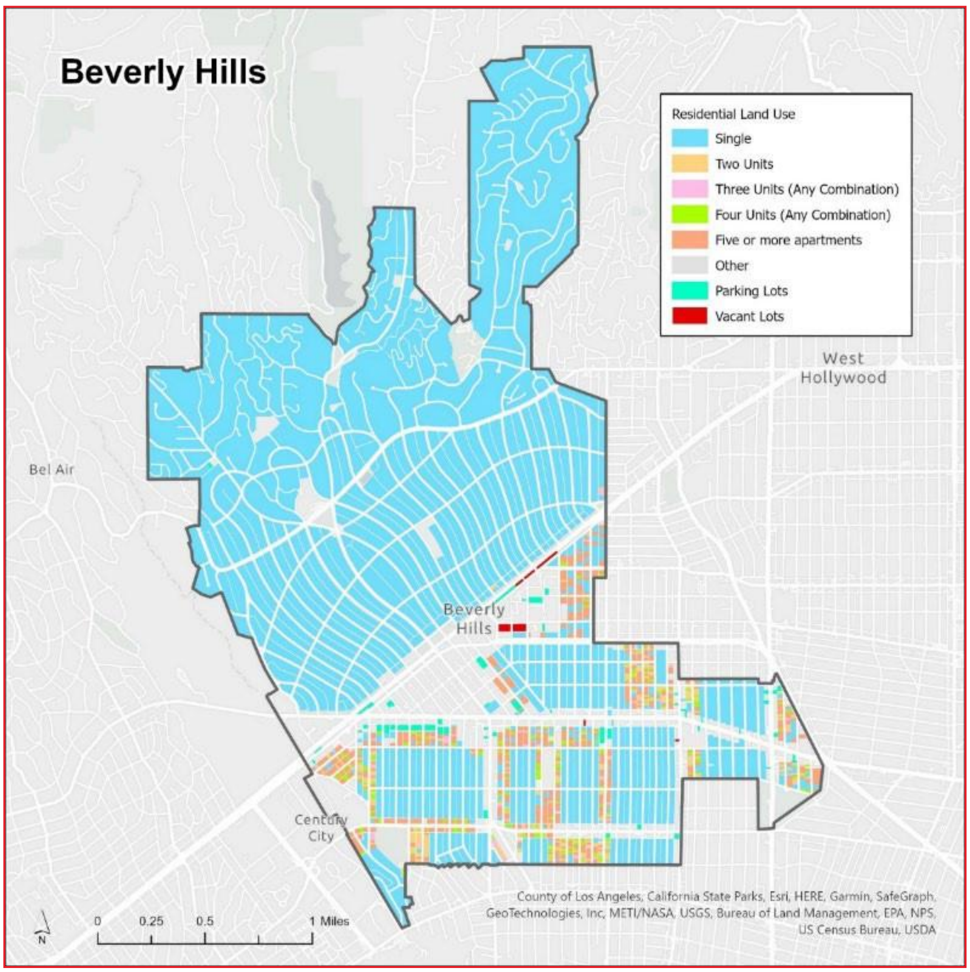
3.2.2 Beverly Hills

Beverly Hills passed a Mixed-Use Overlay zone in 2020 that allows for mixed-use development in certain commercial areas, so now both residential and commercial uses are allowed. Buildings in the Overlay Zone are required to have commercial uses on the ground floor of the building.

The City has a few programs to promote affordable housing. In October 2021, the City Council approved a permanent inclusionary housing requirement that 10% of total units in a new residential development with 10 or more units are required to be affordable units. If a development has between 5 and 9 units, the requirement is 1 unit or developers can pay an in-lieu fee in place of the unit requirement. These fees are calculated per square foot of development and vary by the number of units: $58 for a five-unit building; $70 for a six-unit building; $82 for a seven-unit building; $93 for an eight-unit building; and $105 for a nine-unit building.

As part of the Housing Element, HCD identified several potential constraints including the unit sizes, setback requirements, parking requirements, and heights, as barriers to new multi-family residential. If these development standards are too restrictive, then it can make new development infeasible and it will be important to see how other cities are defining these standards.

Figure 3. Beverly Hills residential land use, parking lots, and vacant lots



3.2.3 Culver City

Culver City is currently in the process of updating the City's General Plan, which is in the policy and plan development phase and due for review and adoption by Fall 2022. The goal for the General Plan 2045 is to create a new vision and guiding principles for the City's future. The City is currently exploring density bonuses to offset developer costs for affordable housing units and reviewing the feasibility of creating 100% affordable housing on City-owned property.

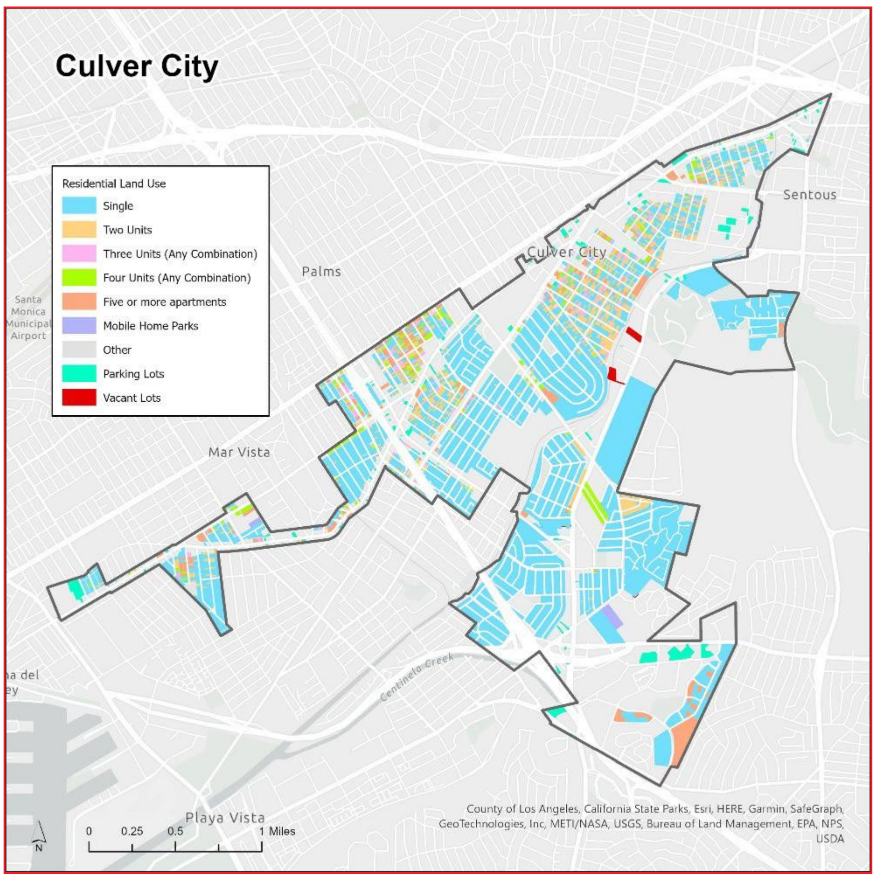
For new mixed-use developments, the City requires commercial uses on the ground floor adjacent to major arterial streets; the commercial floor area shall be a minimum of 10% of the total gross floor area of the project.

The City has recently passed more affordable housing requirements. On January 25, 2021, City Council approved an ordinance to require 15% of the units in new mixed-use developments to be set-aside as affordable units. Other measures the City has taken to provide affordable housing include a rent control and tenant protections ordinance, both of which went into effect on October 30, 2020. Additionally, the City conducted a study on affordable housing linkage fees and starting in January 2022, new non-residential developments will pay $5 per net leasable square feet to the affordable housing trust fund to create new affordable housing units in the City.

HCD had comments for Culver City about the zoning code, including the minimum unit size requirements and parking requirements, which could affect the potential for new residential development. If these requirements are too onerous on a developer, then it could inhibit new multi-family development, so the City should ensure the requirements are feasible.

For the accessory dwelling unit (ADU) program, HCD stated that the City needs to address additional ADU actions, address the future ADU growth assumptions, and include completion dates. HCD also had concerns about the impact of fees, specifically the conditional use permit fees and the mobility improvement fee, on ADU development.

Figure 4. Culver City residential land use, parking lots, and vacant lots



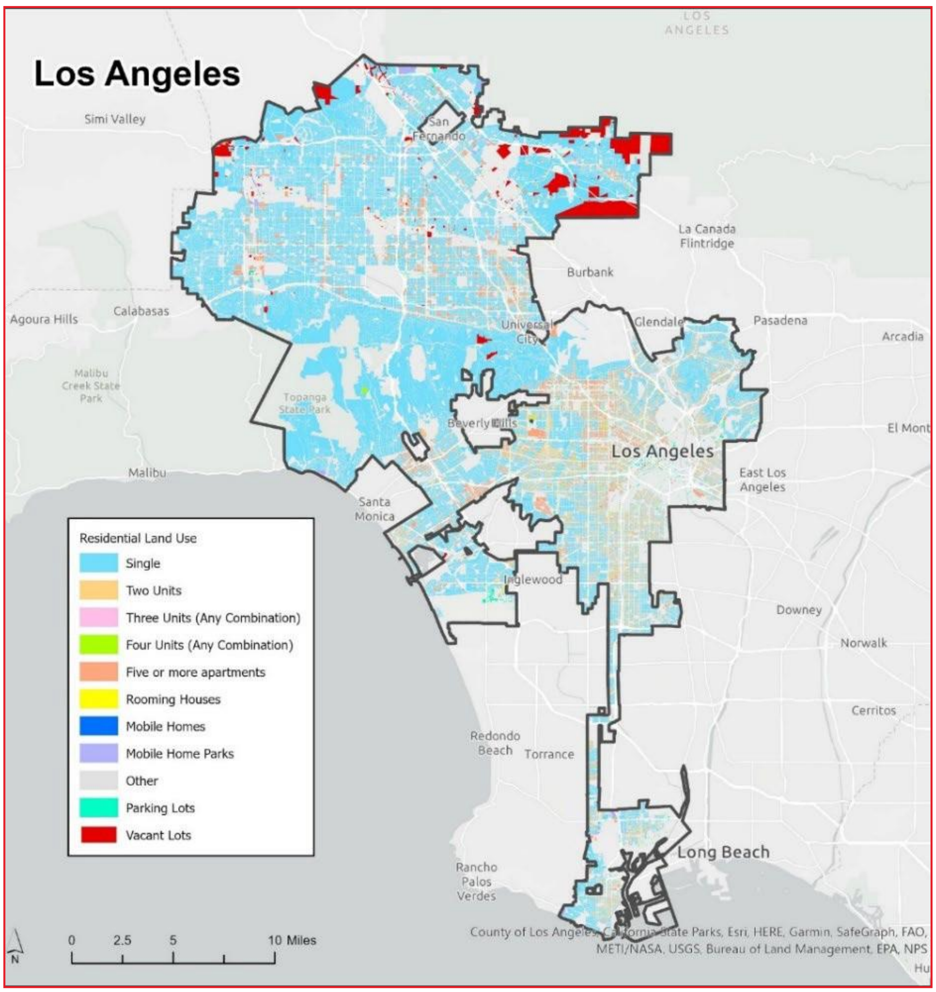
3.2.4 Los Angeles

The City of Los Angeles updated their general plan in the fall of 2021 and is in the process of updating the neighborhood plans. There are three different zoning types in Los Angeles for multi-family residential buildings: R3, R4, and R5. Developments in R5 (typically high-rise buildings) are required to include ground floor retail.

To promote affordable housing, the City of Los Angeles has a few programs. There is a tiered fee schedule for linkage fees: $8-15 per square foot (dependent on market areas), $1 per square foot if the development has less than 5 units, and $3-5 per square foot for commercial projects. In addition, the inclusionary housing requirements for rental housing range from 5 to 20%, depending on affordability level and development size. The density bonus percentage is calculated by the percentage of moderate-income, low-income, or very low-income units provided, and ranges from 20 to 35%. Barring exceptions, rental units built before October 1, 1978, are subject to the City's Rent Stabilization Ordinance (RSO) and increases are tied to the Consumer Price Index (CPI) and ranges from 3 to 8%.

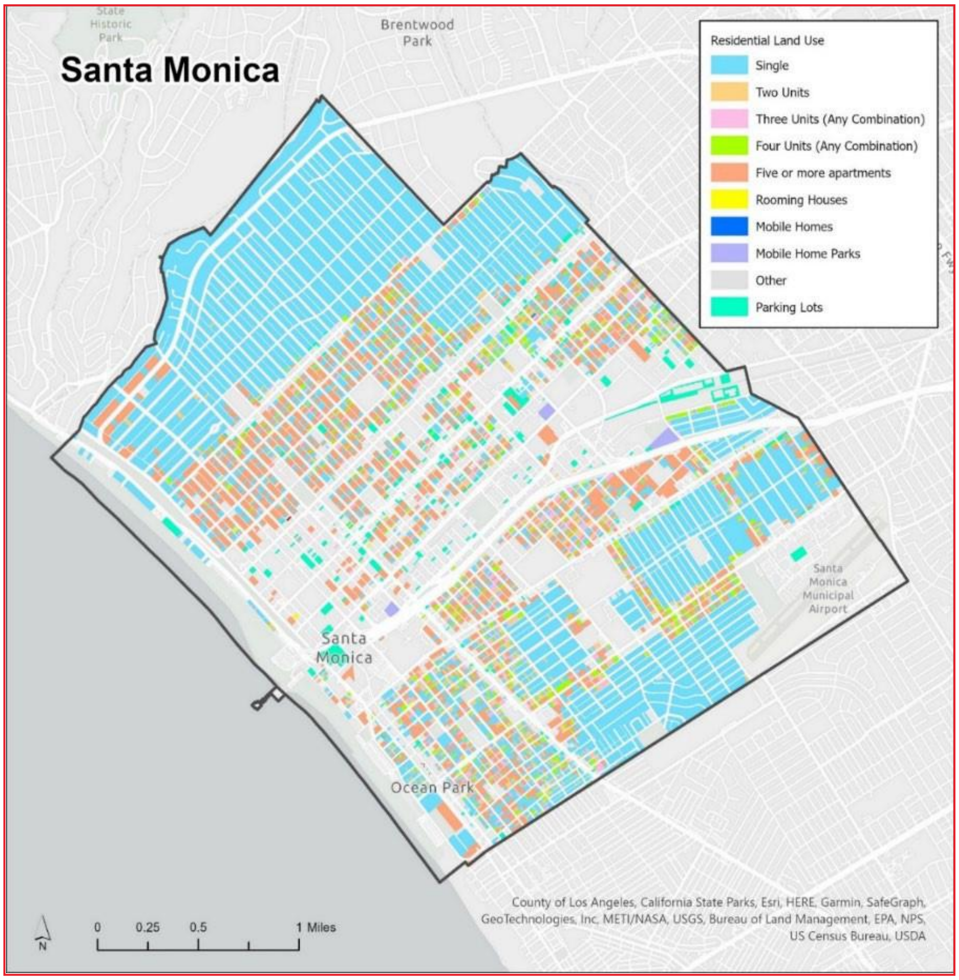
While Los Angeles does allow for significant density in the R3, R4, and R5 zones, which should allow many residential projects to receive by-right approval, HCD provided feedback about how multi-family projects proposing 50 or more new residential units require discretionary approval. This requirement can counteract the benefits of up-zoning corridors to allow high density by-right.

Figure 5. Los Angeles residential land use, parking lots, and vacant lots



3.2.5 Santa Monica

Figure 6. Santa Monica residential land use, parking lots, and vacant lots



The City of Santa Monica updated the general plan and land use element in 2010 (subsequently updated in 2015 with the Zoning Ordinance update, 2017 with the adoption of the Downtown Community Plan, and 2020 with the revisions to housing process thresholds) which substantially revised the City's land use policies, goals, and standards in non-residential zones but generally maintained the status quo in the city's traditional residential neighborhoods. In 2015, the City completed a comprehensive update of its Zoning Ordinance to ensure consistency with the new policies, goals, and standards set forth in the LUCE and specified implementation mechanisms for achieving these policy standards. Through the Zoning Ordinance, land use regulations regarding where types of housing can be developed within the City and various development standards such as parcel size, density (for residential zones), number of stories, building height, parcel coverage/FAR, setbacks, and open space are provided for each of the City's 21 zone district classifications governed by the Zoning Ordinance. For new mixed-use buildings on commercial boulevards, the ground-floor needs to accommodate commercial uses and activities. In addition, the City adopted two specific plans: the Bergamot Area Plan and the Downtown Community Plan which establishes specific development standards for these areas that surround the Metro E light rail stations. In general, density is increased in these areas to promote multifamily and mixed-use housing near transit.

The City has implemented a number of policies to meet affordable housing goals such as linkage fees, inclusionary housing requirements, and rent control programs. The City's Affordable Housing Commercial Linkage Fee is based on development types; for instance, the fee for retail is $9.75 per square foot, office is $11.21 per square foot, and institutional is $10.23 per square foot. The fees contribute to the affordable housing trust fund that will be used to fund future affordable housing developments in the City. Additionally, the City implemented an inclusionary housing ordinance, Affordable Housing Production Program (AHPP), that requires multi-family housing developers to satisfy the City's affordable housing requirements either on-site or off-site. AHPP provides developers with several options to satisfy affordable housing needs through a current income and rent limit methodology.

HCD's feedback for the City included modifications of the parking requirements, as parking drives up the cost of new development. The City has different parking rates depending on which area of the City a project is in. A project in Parking Overlay district has reduced parking requirements as compared to the rest of the City. Furthermore, the City does not require minimum parking in the Downtown. The City's Housing Element includes a program to reduce parking requirements for housing projects to the Parking Overlay requirements. Additionally, HCD had concerns about the Santa Monica's forecasted number of ADUs and indicated the City's ADU ordinance was not in compliance with state law. The City received a SCAG grant in 2021 to accelerate the production of ADUs. Work for this grant is already underway.

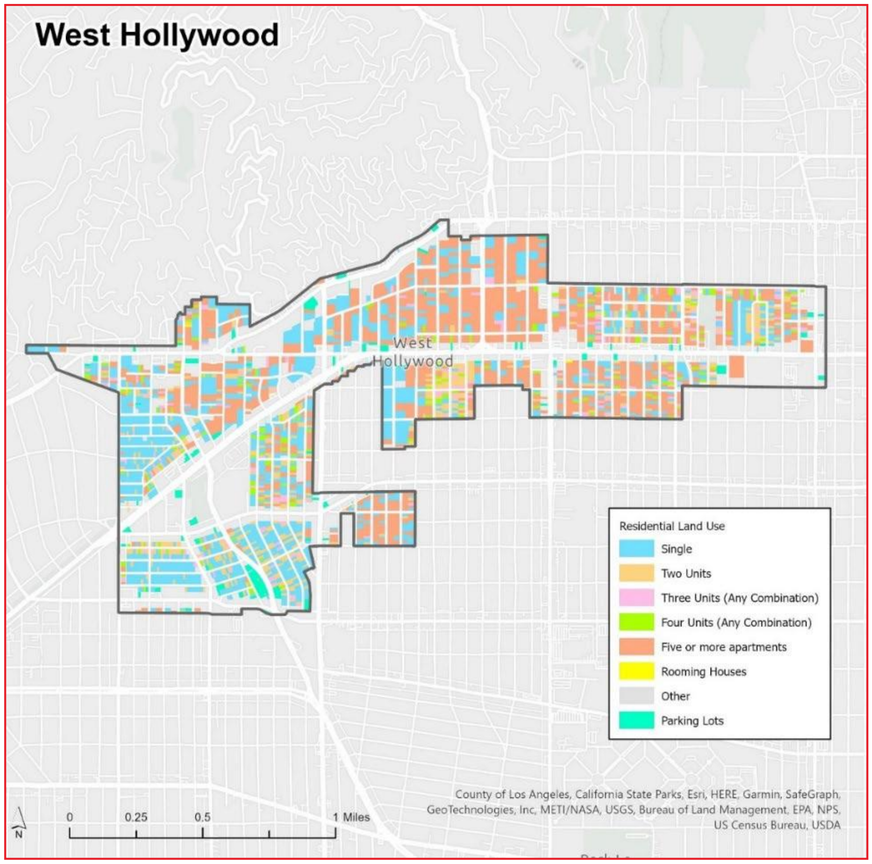
3.2.6 West Hollywood

The City of West Hollywood updated the general plan in September 2011, which approved various zone changes and included an affordable housing density bonus. Mixed-use projects that are within Residential Zoning Districts and the Sunset Specific Plan Zoning Districts have the following specific standards:

- Maximum Height: each R4 residential parcel shall have a maximum height limit of 45 feet/ four stories.
- Maximum Average Unit Size: no average unit size shall be required for each R3 or R4 residential parcel.
- Required Density: no minimum density shall be required for each R3 or R4 residential parcel.

The City also has specific land use designations that encourage the development of more housing. Projects within the Sunset Specific Plan area are eligible to receive increases in Floor Area Ratio (FAR) allowances and height limits. There is also a Mixed-Use Incentive Overlay area and the Transit Overly Zone, which allow for residential uses to be built in these commercial zones.

Figure 7. West Hollywood residential land use, parking lots, and vacant lots



The City has several policy tools for increasing affordable housing. The City allows for a density bonus of up to 50%, based on the number of units permanently dedicated for housing for low- and moderate-income residents. There is an inclusionary housing requirement in the City; projects with more than 10 units must set aside 20% of the units as affordable units, or projects of under 10 units must set aside 1 unit for affordable housing. There is an in-lieu fee option for residential projects with 10 units or fewer, and the fee is calculated based on project size, with the revenue funding the Affordable Housing Trust Fund to develop projects with at least 60% of units for moderate to low-income households. The City waives the art, park, and transportation fees for non-profit-sponsored housing, and waives the park and transportation fees for residential developments with more than 25% affordable housing units. The City Council has waived all City-imposed plan check and other fees for projects that are 100% affordable housing units. The City has a Rent Stabilization program for properties with more than one dwelling unit that received a Certificate of Occupancy before July 1, 1979, or one-unit properties on a whole parcel in which tenants moved in before January 1, 1996.

HCD had comments related to density; specifically, the Housing Element assumes a density of 80 units per acre in the CC1 and CC2 zones but does not provide supporting analysis to support this assumption. Also, the CC1 and CC2 zones allow for multi-family residential, but only as part of a mixed-use development, and HCD indicates that this is a constraint to the development of 100% affordable housing projects. HCD also identified that modifying development standards could help increase housing development.

3.3 Policy Recommendations for the WSCCOG Subregion

Based on the interviews and the review of zoning and development standards in the cities, the following policy actions and recommendations could support an increase in housing development and a growth in the project pipeline for this subregion.

Increase Density

- **Increase density in targeted areas of the city** – By increasing density in targeted areas of a city, developers will be able to afford the higher land values in this subregion and while also maximizing the number of units coming to the market.
    - An additional benefit is that by providing developers with extra value for their properties, cities could also increase the inclusionary housing or in lieu fee to ensure that the most possible affordable housing units are created. By increasing the density, jurisdictions are increasing the value of the parcel of land, which may enable them to increase these requirements, as the additional density will help to offset the reduction in rental income.

- **Provide a density target and penalty** – By setting a density target for neighborhoods, a city could penalize a project for failing to meet the targeted density and allocate the financial penalties to the affordable housing trust fund for the city. This would not prevent a developer from building the project as planned, but the developer would have to contribute to support future affordable housing units.

- **Offer ministerial density bonuses above the state bonus**– Cities should ensure there is a sufficient density bonus menu and options for developers and make it a ministerial process to use the bonus (assuming the rest of the project would be ministerial). Having a clear density bonus menu that is transparent to developers will help developers to conceptualize the added density from the inception of the project, instead of an unclear process that is not straightforward about what can be built.

- **Create a regional approach to busier corridors that cross jurisdictions** – Create a corridor-wide policy for an average and/or range of densities across cities to make sure that density is not left on the table for a commercial corridor that runs through a few cities. Develop land use policies that consider density/FAR and give special consideration for transition between communities, so that density does not change dramatically by city, and all cities in this subregion are committing to increasing density.

Objective Design Standards

- **Strategic Specific Plans** – Ensure the strategic plans align the density fit for the corridor and promote the desired feel of the community, but do not require or overburden developers with many design requirements.

- **Objective Design Standards/Design Guidelines** – Provide objective design standards to developers that influence the projects but still allow for developers to deliver residential projects as they need to in order to be successful. Developers conduct their own market analysis and rely on data from brokers and architects when designing the buildings, so having too many regulations in these plans can limit the private market’s innovation and success strategies. Since developers solicit feedback and intel about what residential tenants are looking for in new developments, they are more nimble to adapt to changing trends in residential, whereas city zoning codes may take years to adapt. It is in the developer’s best interest to build a project that tenants want to lease up, or else a developer loses money if the project sits empty, so design standards should not significantly restrict a developer’s ability to create a project. For instance, small residential projects that require common open space that are not substantial enough to be usable open space create additional costs for developers while providing minimal benefits to residents.
    - Also, cities should implement objective on and off-site improvements standards, so a developer is clear on all the costs and requirements for the project.

- **Eliminate minimum parking requirements –** While many developers will continue to build parking for residents even if it is not required by code, eliminating parking minimums will help developers to right-size the amount of parking provided, and respond faster to trends and changes in the market related to parking and mobility.
  - At a minimum, cities should implement the parking requirements stipulated in the State's Density Bonus program: Studio (1 space), 1 Bedroom (1 space), 2 Bedroom (1.5 spaces), 3 Bedroom (1.5 spaces), 4 Bedroom (2.5 spaces).
  - Cities should reduce or remove the parking requirements for the affordable housing units within a market-rate housing development; state law already allows a reduction for 100% affordable housing projects.
- **Reduce the minimum unit size requirements** – The minimum unit sizes for multi-family apartments are large, while the trend with newer developments is to sacrifice some private space for shared amenity space, such as common areas, rooftops, and grill areas. Developers conduct detailed market analysis about what tenants are looking for from new units and have up to date information about market comparable projects for unit sizes. Cities could lower the minimum unit sizes so that developers are able to build more units in the same sized project, while knowing that the developers have a financial interest in ensuring the units are large enough to attract new tenants.
- **Increase height requirements** – In order achieve a critical density, projects will need to be built higher. This subregion has very little vacant land and cities are relying on infill development on smaller parcels and need to achieve a density level that contributes sufficient units to make a project pencil. Therefore, projects in select corridors should have higher height limits.
- **Clear historic process -** If a site is identified as having an impact to a historic resource, it could require a complete EIR process, which significantly lengthens the entitlements process. Also, projects that face strong community opposition may receive historic claims from the public as a way to slow or stop the new project. Cities should clearly define which properties are historic and have objective standards for declaring a property as historic.

Support Affordable Housing Pipeline

- **Regional Inclusionary Housing Requirement** – If all cities implemented an inclusionary housing requirement, developers would see it as a standard cost and assumption that would not impact them choosing to develop in one jurisdiction versus another and it will increase the amount of affordable units provided.
- **Regional Affordable Housing Trust Fund -** Likewise, a regional affordable housing trust fund for the WSCCOG subregion could collect the in-lieu fees for this subregion, so that developers have more affordable housing funding to work with. One interviewee mentioned that the company was developing a few residential buildings in a jurisdiction and was able to combine the affordable units needed for all 3 residential projects into one affordable project, which was easier to do then building the units separately. If the WSCCOG subregion wants to address affordable housing from the subregional level, this strategy could help bring affordable housing to the region.
- **Incentives for developing residential development in nonresidential zones** – While many uses may be interested in developing in nonresidential zones, cities could implement expedited processing for residential projects in these zones or ensure the project would be processed by-right, up to a certain density, to incentivize residential development over other uses.
- **Remove the commercial/active ground floor requirement -** Remove the requirement for the retail component for new multi-family residential developments that include onsite affordable housing. Developers do not typically make a significant income off the retail tenants in a mixed-use building with ground floor retail, so reducing this burden allows the developer to focus on building more housing onsite that helps to cover the reduced income from the affordable units. Also, this will allow for more 100% affordable housing projects to be built in the cities.

4. Feasibility Scorecard

The Feasibility Scorecard takes the policy actions and recommendations from Sections 2.3 and 3.3 and recommends the strategies for each individual WSCCOG member jurisdiction and for the WSCCOG subregion as a whole. A yellow circle in the city's column indicates that the city should implement the policy/ recommendation and a half circle indicates that the city partially has a similar policy in place, while a blank cell indicates a city has already implemented that policy and/or has a similar policy in place. There are a few recommendations that the WSCCOG subregion should tackle together.

The policy actions and recommendations are also categorized by their impact to development, including the following categories:

- Increase Affordable Housing Units
- Increase Affordable Housing Funding
- Increase Total Units
- Reduce Rental Rates
- Accelerate Housing Development