The Woodland Hills Impacts and Policies Committee recommends that the Board of the Woodland Hills – Warner Center Neighborhood Council [WHWCNC] advise the Department of City Planning, Councilman Bob Blumenfield and the City Council of the following information:

This is in response to an adopted city council motion found in Council File 13-0197-S9, which was introduced by Council Member Bob Blumenfield, that directed the Department of City Planning to propose appropriate changes to the Warner Center 2035 Plan to incorporate an Affordable Housing requirement into the Warner Center 2035 Plan for the purpose of creating a mixed-income community in Warner Center. After many hours of discussion and testimony from interested stakeholders, the WHWCNC offers the following to serve as a basis for further discussion with the Department of Planning as part of Community Outreach required by the City Council.

WHWCNC offers these options to be investigated for making affordable housing financially feasible for developers and those employees who work in Warner Center. WHWCNC believes that "solutions" must be developed in a way that does not stop continued development of housing in Warner Center, whether affordable housing requirement be inside or outside of Warner Center.

Options for City Consideration from the WHIP Committee

The effort for providing mixed-income Affordable Housing for Warner Center needs to think beyond what is encompassed by AHLF. The following are options to research and discuss implementing as part of a coordinated effort:

1. Metro Property - Use available affordable housing funds to work with Metro to use Metro-owned land currently used for parking within and outside Warner Center around Orange Line Stations to develop affordable housing projects (that must include replacement and or additional public parking for the Orange Line). According to METRO's own web site there are several options to support Affordable Housing, which the City of Los Angeles could utilize, including rent subsidies, building on METRO owned land or entering into a joint development agreement with private developer(s). In Warner Center, these developments should not be low-density.
   Similar opportunities should be investigated and pursued for the LAUSD maintenance yard at 21227 Vanowen and possibly student housing at Pierce College.
2. Public/ Private Partnerships:
   a. Have the City of Los Angeles use a combination of Warner-Center-derived affordable housing linkage fees, affordable housing revenue bonds and/or Warner-Center-derived gross receipts tax to "buy down unit rents for a specified time" or "subsidize the construction of the percentage of required affordable units" mandated within Warner Center residential projects.
   b. Use gross receipts taxes collected from Warner Center to subsidize rents of Warner Center employees based on income qualifications. Acting as an incentive, this may make those taxes more palatable and justified for corporations looking to locate in Warner Center. This could increase the likelihood of getting more commercial space development in Warner Center thereby achieving an additional goal for balancing live-work in Warner Center and for the City from getting increased property taxes..
   c. Have the City of Los Angeles use city-wide linkage fees to purchase land within Warner Center and then partner with developers to build affordable housing projects.

3. Locate and mandate affordable units in the Topanga District - Establish incentives and/ or select properties and rezone in the Topanga District because of the reduced potential for density in that area as currently included in the WC 2035 Plan.
4. Redevelop existing low-density land currently used for affordable housing to affordable housing at greater density - Review areas within Warner Center having any existing affordable housing project(s) to designate them for a phased redevelopment to create more affordable housing units.
5. Conditional rezoning of adjacent areas for Affordable Housing Uses - Review the areas (within and) to the west of Warner Center area and establish properties that can be rezoned specifically for affordable housing uses at densities greater than already allowed or achieved with density bonuses.
6. Establish conditional "affordable housing renovation zones" in Warner Center. Use funds to redevelop with higher density or renovate/upgrade existing units conditionally to affordable housing units.
7. Existing Buildings within Warner Center - Create contractual agreements between the City and property owners of older, existing rent-oriented buildings in Warner Center whereby in lieu of property owners paying property taxes, that money is used to subsidize the affordable rents. Similar to Mills Act for maintenance of historic properties in Los Angeles. Obviously, there would be strict guidelines to qualify and maintain these buildings. The entire, older rental buildings, located in Warner Center, or perhaps anywhere in Los Angeles, would be designated Affordable Housing. As an additional aid to achieving affordable housing units, the linkage fees could also be contributed to this program.
8. Affordable Housing in Adjacent Areas - Locate affordable housing around Orange Line Stations outside Warner Center on more economically feasible properties. The adjacencies to the Orange Line Stations provide the connectivity to Warner Center that is in line with the goals of the WC 2035 Plan.
9. Affordable Unit Mandates - Establish a reasonable percentage of affordable housing units to be provided in each residential project along with reductions or elimination of required linkage fees. This is complicated by what size of units should be required. Should it not include family-sized units?

Upon adoption, this advisory motion and the supplemental WHIP background report shall be sent to Councilman Blumenfield of CD3, the Director of City Planning, the City Council PLUM Committee and a submittal to City Council File 13-0197-S9.

Adopted 12/12/2018 Aye(s), Naye(s0, Abstention(s)

SUPPLEMENTAL WHIP BACKGROUND REPORT

An adopted city council motion found in Council File 13-0197-S9, which was introduced by Council Member Bob Blumenfield, directed the Department of City Planning to propose a change to the Warner Center 2035 Plan to incorporate an Affordable Housing requirement to create a mixed-income community in Warner Center. The proposed changes do not affect the AHLF fees for non-residential projects.

On October 25th, the Department of City Planning responded to the City Council PLUM Committee in a report that offered four concept options for residential projects in Warner Center which would be exempt from the City-wide Affordable Housing Linkage Fee — 1) inclusionary housing, 2) tiered incentives program, 3) community benefits program and 4) a tailored in-lieu fee. All four concepts included a land-dedication exemption option to dedicate land against paying fees.

On October 30th, the PLUM Committee apparently chose concept 2, by recommending the City Council to direct the Department of City Planning in coordination with the HCIDLA and LADOT to:

1. Commence outreach to stakeholders and work with the local Neighborhood Council to help further shape this legislation.
2. Update any necessary market analysis or nexus studies required.
3. Determine any incentives for affordable housing above and beyond a mandated level equal to what is required under the Affordable Housing Linkage Fee (AHLF), however with a mix of units by affordability levels.
4. An exception to the AHLF for projects in the Warner Center.
5. If an in-lieu option is determined to be desirable, then a mechanism to ensure that those funds remain within the Warner Center.

WHWCNC finds some ambiguity as to what is meant by the directive.

Concept 2 (the one chosen by City Council PLUM) is to have a tiered "Incentive Program."

Per the directive, relevant incentives would need to be above and beyond the AHLF exemption from tiered fees based on location within city regions.

To review the other options in the October 25, 2018 Department of Planning report not chosen at this time are:

• Concept 1 was "Inclusionary Housing."
It would require from 5% to 20% of the units to be affordable.

This is another fee in a different form. From what the WHWCNC has heard, this additional cost <u>without mitigation in some form</u> would stop development of residential and possibly commercial space in Warner Center. Additional fees require higher rent on market-rate units which may make the project unfeasible if the market cannot support the higher rents.

• Concept 3 is to have a "Community Benefits Program."

This would provide developers the option of providing community benefits [which are not further defined] in exchange for a reduction in mandated inclusionary units.

This still represents unmitigated costs that may make rents unsupportable unless it can be shown that the community benefits will enable/justify higher rents at the project.

• Concept 4 is to have a "Tailored In-Lieu Fee."

This would allow developers to pay residentially related fees partially or fully equivalent to AHLF to develop affordable housing in Warner Center. It might also be in conjunction with land dedication.

The report from City Planning suggested all concepts for Warner Center include an exemption from AHLF.

The proposed City Council directive makes no mention of alternative fees similar to the AHLF ordinance. So it is unclear for what are the incentives and how are they to be used. Normally "incentives" are provided to encourage incorporation of affordable housing by mitigating the cost of providing units at affordable rental rates.

The city-wide AHLF provides exemption from required fees if the project has for 55 years at least **40%** of total units or guest rooms for <u>moderate</u> income households; or at least **20%** of total units or guest rooms for <u>low income</u> households; or at least **11%** of total units or guest rooms for <u>very low income</u> households; or at least **8%** of total units or guest rooms for <u>extremely low income</u> households.

Given the economic conditions in Warner Center, the WHIP committee assumes that all affected residential projects will very, very likely be multi-family or hotels.

The directive however calls for a "mix of units" but it is not clear how to mix these tiers. It would seem that a limited selection of mixes would be mandated, making this similar to option 1 for inclusionary housing.

The WHWCNC has not found acceptable concepts for incentives other than direct financial subsidies that would not harm the WC2035 plan. In its creation, the plan made compromises to incentivize amenities that the Plan needs for the community to develop properly.

The WHWCNC believes that reduction of Mobility Fees is out of consideration. Reduction of Publicly Accessible Open Space is out of consideration, as are reductions in requirements for Pedestrian Adapted Pathways, New Streets, Parking (which would freak the community), certain amenities, and minimums for non-residential and residential FAR. Some of these actually may need increases. Reduction or elimination of mixed-use requirements is out of the question. It would weaken the EIR for Warner Center.

The elimination of the requirement for high-rise residential in the downtown and uptown districts to reduce construction costs and thus incentivize the construction of affordable housing units is also not acceptable. The concept of the plan was to provide areas in Warner Center where higher buildings and higher quality construction materials and methods would be employed related to residential construction. The concept was to mandate an area where another kind of housing would be provided that differs from the 7-story wood-framed apartment buildings allowed in the rest of the plan.

As previously mentioned, applicable to all concepts offered by City Planning is the land dedication exemption from the AHLF ordinance whereby a developer can offer land (inside or outside of Warner Center) in lieu of the fees. This would not seem to get more affordable housing within Warner Center as the motion intends.

In an October 10, 2018 report, the Housing & Community Investment Department [HCIDLA] describes LA's deficits related to the Regional Housing Needs Allocation for the 2013-2021 period. In terms of <u>total units</u>, the deficit for Low Income and Very low income is twice that of moderate income units. However, as a <u>percentage of units required</u>, the moderate income units being built significantly lags behind as only 302 units out of 13,728 **(just 2%)** were built as cited in the report. This compares with 6,231 units out of 32,862 (19%) for the low and very low income units required.

The directive asks for a mix of income levels. However, the least activity is in the construction of the moderate income housing. We question why are we not more focused on moderate income housing in Warner Center.

It also seems logical that there is a greater feasibility for getting more moderate income units in Warner Center than those units being developed for lower income levels. Should Affordable housing requirements in Warner Center be focused on moderate income units within Warner Center to get the most overall units built? It seems that low and very low income units would be more feasible adjacent to Warner Center or on transit accessible sites along the Orange Line where development costs are probably lower and would thereby maximize the number of units built. Furthermore, corporations looking to locate in Warner Center may be most interested in the amount of moderate income housing available.

To foster job growth in Los Angeles, the city has created the Economic and Workforce Development Department and the City-wide Economic Development Strategy. To foster growth downtown, the city has provided economic assistance to developers to get the projects needed in that area and hotels and related amenities around the convention center.

California adopted bill AB562 that states: "Economic development subsidy" means any expenditure of public funds or loss of revenue to a local agency in the amount of one hundred thousand dollars ($100,000) or more, for the purpose of stimulating economic development within the jurisdiction of a local agency, including, but not limited to, bonds, grants, loans, loan guarantees, enterprise zone or empowerment zone incentives, fee waivers, land price subsidies, matching funds, tax abatements, tax exemptions, and tax credits.

What's relevant this Warner Center discussion is that it also states that <u>expenditures of public funds by, or loss of revenue to, the local agency for the purpose of providing housing affordable to persons and families of low or moderate income</u>, as defined in Section 50093 of the Health and Safety Code <u>are exempt</u> from its requirements.

Would it not seem that economic assistance is warranted for Warner Center, which is also intended to be an economic growth hub with more employment opportunities. Since affordable housing is crucial for Warner Center, would it not seem prudent for the city to provide financial assistance to developers to get the affordable housing on the premise that the city would reap benefits from the growth in Warner Center as opposed to using an equivalent to the AHLF to make it less feasible to produce housing in Warner Center and make it more expensive for above moderate income households to live in Warner Center. We question whether the Council Directive is counterproductive to economic growth in Warner Center. A coordinated program needs to be developed that provides affordable housing and non-residential growth concurrently in a complementary manner.

The WHWCNC is aware of the housing shortage in Los Angeles. It supports the efforts of the city and county to foster development of affordable housing in all communities of Los Angeles. This is easier to do in some communities and not in others.

WHWCNC notes that it has been doing its part by accepting and supporting significant numbers of new residential units in Warner Center, which represent a greater percentage of the units being built in Los Angeles when compared to what is built in many other communities. The thousands of unit approved in the last few years are helping to mitigate the housing crisis, but they also represent the higher end of the rental market.

In reviewing all those projects, the WHWCNC PLUM committee has not yet encountered a developer, who, when questioned, answered that they were willing to put in affordable housing units. They all state that they could not afford to do so under current conditions and their project would be cancelled if required to put in affordable housing units.

The stated intent of the Warner Center 2035 plan is to allow people to live, work and play there. WHWCNC knows that rental rates for apartments are too high for many people who work in Warner Center, a situation that defeats the intent of the plan.

Currently, only market-rate projects are possible in Warner Center. Property values in Warner Center have risen due to the generous density allowances of the Warner Center 2035 Plan to promote its development as a Regional Center. The WC2035 Plan requires that in many areas the project needs to have a non-residential component. This component is usually postponed to another phase because of the current poor market for non-residential buildings. Therefore the unutilized land increases the costs for the residential component.

High property costs decrease the feasibility for providing affordable housing. Additionally, Federal tax reform has lowered the "Low-income Housing Tax Credits which makes it tougher for Warner Center.

A related problem is that new commercial space is not being built due to a relatively high vacancy rate in Warner Center. As reported by stakeholders, there are insufficient residential units to attract new companies to Warner Center.

Attracting more companies would reduce the commercial vacancy rate which would then stimulate commercial construction of the type that tech companies are looking for. No new companies also defeats the intent of the WC2035 plan. Warner Center needs housing to attract new employers to Warner Center bringing well-paying jobs to support a healthy economy.

There are already many fees that affect development of housing and employment development in Warner Center. There are Mobility Fees, Art Fees and the City tax on gross receipts.

Since June, new project applications are also required to pay a linkage fee to support production of affordable housing in Los Angeles. The AHLF are applied on both residential and non-residential developments. This conceivably makes it more difficult to get projects within Warner Center with affordable commercial space and affordable residential units. There is the possibility that these fees together stop the receipt of new applications which WHWCNC does not want to occur. Construction of new residential needs to continue. Given the price of Warner Center land it is inconceivable that AHLF related fees would be sufficient for the contribution of significant pieces of land to develop a AHLF project. Conceivably, land outside of Warner Center could be workable, but that does not fit the stated intent of this effort.

In an area where the rents are already too high, it makes little sense to WHWCNC for the City to take actions that ultimately raise rents creating more unaffordability. In an area that has already and continues to provide additional housing units at a relatively rapid rate with low resistance compared to other parts of the city, it makes little sense to take actions that slow down development of residential units. What does make sense is to figure a way to make more of those new units affordable by assisting developers to offer some of their units at affordable rents using funds available to the city. It also makes sense that the city take actions that may increase the likelihood