STATEMENT ON THE SUBJECT:
The City Council will consider directing staff to study ways to incentivize the development of housing that expands local options for middle-income households in West Hollywood.

RECOMMENDATIONS:
1) Direct staff from Planning & Development Services, Rent Stabilization & Housing, and the Urban Design & Architecture Studio to collaborate on analyzing ways to incentivize the development of housing that expands options for middle-income households, including an analysis of the "missing middle" housing types.

2) Return to City Council with the results of the analysis and recommendations.

BACKGROUND / ANALYSIS:
The lack of housing options available to middle-income households is a serious concern throughout the country. High land prices, investment expectations, few options for alternative forms of housing, and consistently rising construction and labor costs push builders to target the top end of the market, where they can find stronger profit margins. The result is that new market rate housing is priced at the upper end of the economic scale and a set aside for inclusionary units at the lower end of the scale. What is missing are unsubsidized housing units within reach of individuals who earn more than those income levels currently served by the City’s housing programs. The City of West Hollywood has made development of affordable housing for lower income households a priority through programs like the inclusionary housing ordinance and the Affordable Housing Trust Fund; however, these programs are not intended to meet the needs of middle-income households in the work force.

This item gives direction to staff in the Planning and Development Services Department, Rent Stabilization and Housing Division, and the Urban Design & Architecture Studio to collaborate on evaluating ways to incentivize the development of housing that is economically accessible to middle-income households in West Hollywood. There are
many ways to define "middle-income" households. The City's inclusionary housing program defines "low income" as 80% of the area median income or below, and "moderate income" as between 80% and 100% of the area median income. Based on these parameters, one way to define middle-income housing is housing that is affordable for people earning between 100% and 150% of the area median income. The City's area median income for the inclusionary housing program is $66,198. Based on this figure, housing targeted to incomes up to 150% AMI would reach households whose earnings are up to about $99,000.

Staff's analysis will include an analysis of the "missing middle", which is a term used to describe certain types of housing products as well as the households in the middle tier of the income distribution. The analysis will focus on types of housing, price of housing, efficacy of incentives, and new models for market interventions to create more diverse types of housing targeted at a greater range of household incomes and lifestyles.

The missing middle housing types provide diverse housing options, such as guest houses and ADUs, duplexes, triplexes and fourplexes, residential subdivisions, row houses, live-work units, work-live units, compact dwelling units, and bungalow courts. These housing types fall in the middle of a spectrum between detached single-family homes and mid-rise to high-rise apartment buildings in terms of form and scale, as well as number of units and often, affordability. They are meant to fit into low-rise neighborhoods and support walkability, locally-serving retail, and public transportation options. Since the 1940s these housing types have been largely "missing" in new residential construction throughout the country for many reasons, including regulatory constraints, land use economics, local policies or standards, the complexities with obtaining approvals or difficulties in executing their construction. An expansion of these types has the potential to provide solutions along a greater spectrum of economic attainability to address the mismatch between the newly constructed housing stock and shifting demographics.

Cities throughout the country are evaluating ways to encourage developers to build more missing middle housing by removing barriers in zoning laws and building codes, rather than requiring or subsidizing the housing as is typically done for low-income affordable housing. Some cities have rezoned their single-family neighborhoods to allow duplexes, triplexes and other multi-unit structures that look like single-family homes from the outside, particularly in areas near transit lines. To allow more homes per lot, others are considering relaxing requirements on yard sizes and setbacks. Some are beginning to allow bungalows clustered around courtyards by changing long-standing requirements that front entrances face the street. Some of these types of housing were a particularly popular form of construction in West Hollywood in the 20th century and remain important to the City's architectural fabric.

Evaluating ways to increase housing for middle-income households is consistent with the housing production goals outlined in the City’s Housing Element. The Housing Element
describes that homeownership remains out of reach for more of the City's lower and moderate income households and that housing options for young families and the City's workforce are limited in the community. The Housing Element program includes exploring creating housing types such as accessory dwelling units, co-op housing, micro units, and other flexible housing types to increase opportunities.

Based on staff's analysis and recommendations, the City Council may consider holding a symposium on middle-income housing, the "missing middle", and potential market interventions for the community to engage further on this topic with experts in the field.

CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:
This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

- OSP-1: Adaptability to Future Change.
- PSG-2: Affordable Housing.

In addition, this item is compliant with the following goal(s) of the West Hollywood General Plan:

- H-2: Maintain and enhance the quality of the housing stock and residential neighborhoods.
- H-3: Encourage a diverse housing stock to address the needs of all socioeconomic segments of the community.

EVALUATION PROCESSES:
N/A

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:
N/A

COMMUNITY ENGAGEMENT:
Based on the results of staff's analysis, the City Council may consider organizing a symposium on middle-income housing to further engage the community on this topic with experts in the field.

OFFICE OF PRIMARY RESPONSIBILITY:
PLANNING & DEVELOPMENT SERVICES DEPARTMENT / LONG RANGE PLANNING
COMMUNITY SERVICES DEPARTMENT / URBAN DESIGN AND ARCHITECTURE STUDIO
FISCAL IMPACT:
None at this time. Staff will return to Council with a request for funding if needed to accomplish the proposed study on middle income housing.