SUBJECT: EVALUATION AND CONSIDERATION OF VARIOUS HOUSING DIRECTIVES AND CITY POLICIES TO ADDRESS UNDERUTILIZED LOTS, MISSING MIDDLE INCOME HOUSING, AND MICROUNITS/CO-LIVING HOUSING

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STATEMENT ON THE SUBJECT:
City Council will consider directing staff to coordinate the study of various housing incentive directives and return to City Council with recommendations.

RECOMMENDATIONS:
1. Direct staff to continue the development of an incentive system that targets housing development on underutilized commercial lots.
2. Direct staff to evaluate existing development bonus systems, including the City's mixed-use incentive, to assess their efficacy in realizing quantity and types of most needed housing, and potential relationship with any new incentives.
3. Direct staff to evaluate and potentially incorporate other housing programs previously directed by the City Council including middle-income housing, microunit housing, and co-living housing.
4. Direct staff to conduct preliminary market analyses of development, process, or other incentives to ensure effective measures for the production of needed units are advanced.
5. Direct staff to return to the City Council with a recommended approach based on study of the various housing directives and existing incentives within six months.
BACKGROUND / ANALYSIS:

Housing availability, access, lack of typological and lifestyle diversity, exclusivity, and affordability have become an increasing concern at the local, regional, and state levels. On February 19, 2019, the West Hollywood City Council directed staff to explore options for incentivizing housing development on underutilized commercial parcels, such as surface parking lots. In addition to increasing much needed housing types, infilling of underutilized lots can have multiple environmental and urban design benefits including the reduction of heat island effect, improved stormwater quality, and an improved experience for pedestrians.

Following this direction staff began an investigation to respond to the City Council. Investigation began with research on best practices and examples from other cities around the country. Staff also evaluated all of the City’s commercial parcels using parcel and building data to develop a recommended definition of an “underutilized lot” for consideration. In addition, West Hollywood already offers incentives for projects that include a certain number of affordable housing units and within mixed-use development and staff conducted an evaluation of the City’s incentive systems including the Mixed Use Incentive and Density Bonus. Any incentive offered would need to provide an incentive beyond what is already offered by the City by either being more substantial or offering a benefit currently not available. Finally, staff also conducted a series of interviews with many property owners, developers, architects, and other relevant stakeholders to gain a perspective about the opportunities, constraints, and relevant circumstances related to incentives, underutilized parcels, and development.

During the time that staff was developing an approach to respond to the directive, the City Council provided direction to staff for other housing related items. On October 21, 2019 the City Council directed staff to examine requirements for microunits in commercial development as a substitute motion for an item that explored maximum average housing unit sizes in commercial zones (Attachment B). In addition, the Rent Stabilization and Housing Division studied a potential pilot program related to microunits and co-living housing, this pilot program would encourage the development of micro/co-living units by reviewing and updating the zoning code to remove barriers which constrain development, potentially including limits on the number of residential units possible and minimum parking spaces required. Microunits are considered a market-based solution for improving affordability in highly competitive rental markets, such as West Hollywood. Property owners are essentially able to charge less per-unit due to lower per unit construction cost.

On February 22, 2020 the City Council directed a coordinated effort between the Long Range Planning Division, Urban Design Studio, and Rent Stabilization and Housing Division to explore possible incentives that could be offered to create housing affordable to middle-income households (Attachment C).

During the research phase staff found examples of incentive programs that target and
support microunit development and housing available for middle-income households. This was also a theme that many of the interviewees suggested and have evaluated as an incentive to spur development on underutilized parcels.

Combined Study

Long Range Planning staff, in close coordination with the Urban Design & Architecture Studio, Rent Stabilization and Housing Division, and the Current & Historic Preservation Planning Division will study and explore a novel development incentives program that will target both the intended effect of offering incentives (urban heat island reduction, housing production, positive environmental outcomes, improved walkability) as well as the circumstances that would likely create incentives to develop housing projects (reduced timelines, increased certainty, reduced development cost). Additionally, the study will consider the incorporation of the related programs directed by the City Council that would generate middle-income housing, micro-unit/co-living housing, as well as expanded housing typologies to ensure that West Hollywood continues to create housing available to the widest swath of incomes, lifestyles, ages, family-configurations, abilities, and others. Staff will conduct an examination of the other development bonuses offered in the Zoning Code, including the Mixed-Use Incentive and State and local Density Bonuses, Incentives, and Concessions and determine whether any modifications should be made to reduce the potential for conflicting goals with any new incentives that are established. A brief market analysis of the factors above will be conducted to evaluate potential development incentives that can create the desired outcomes of developing underutilized lots and generating missing middle-income housing.

Finally, given the limited number of potential sites in the City available and competing incentive programs, considering these programs in conjunction can lead to a more predictable and effective approach while minimizing potential competing goals.

After study and market analysis, staff will return to City Council with:

- A report on opportunities, barriers, and limitations to housing development based on the market analysis and interviews with property owners, developers, and other relevant stakeholders
- Recommendations on the types of incentives that could be offered and the potential of inclusion of microunits/co-living housing and middle-income housing types in a single system
- Examination of General Plan Policy LU2.4 – *Development of a Transit Overlay Zone* - for potential opportunities and conflicts
- Analysis of other methods to provide incentives to develop underutilized lots, create microunit/co-living housing, and middle-income housing including a limited or expiring term, priority processing
• Examination of existing incentives in the WHMC, including the mixed-use incentives with any recommended modifications
• A recommendation on further study opportunities and engagement with the West Hollywood Community
• Consideration of tree planting, stormwater treatment, and other environmental/urban heat island reduction standards in conjunction any incentives
• After evaluation and analyses, staff will return to the City Council with a recommendation on which, if any, directives might be combined in a coordinated Zone Text Amendment

Related Items on the City Council Agenda & Other Related Efforts
There are several related efforts that the City is pursuing that relates to the expansion of housing supply, affordability, and typologies:

**Housing Element Update & Regional Housing Needs Assessment** – State law requires the City to update and submit its Housing Element to the State Department of Housing and Community Development (HCD) for state certification by October 15, 2021. This requires the City to first review and evaluate current housing programs and assess housing needs for the community, and then identify the existing and new programs that will continue meeting the community’s housing needs for the next eight years. This also includes demonstrating that existing residential zoning in West Hollywood has an adequate capacity to accommodate the City’s Regional Housing Needs Assessment (RHNA) allocation, and if not, that residential zoning can be adjusted to meet RHNA to the satisfaction of HCD. For the sixth cycle, the City’s draft final RHNA allocation is estimated at 3,923 units. The allocation is not yet finalized and still subject to appeal. In the Housing Element Update the City must demonstrate adequate availability of sites for housing to accommodate the City’s RHNA number. A potential incentive program could demonstrate a greater ability to accommodate the allocated units. Work is already underway with the Housing Element which will be presented to the City Council in the Fall of 2021. Updates on both of these items are included in the City Council agenda.

**R2-R4 Multi-Family Development Policies & Standards - R2-R4 Zoning Districts** – The City Council directed the Urban Design & Architecture Studio to lead development of alternatives to existing policy with respect to heightened performance-based and environmentally-driven requirements and best practices for the design of new residential development projects. Depending the availability of staff resources, it is anticipated that this item will come to the Planning Commission in Q4 of 2020 and to the City Council in Q1 of 2021.
Commercial & Mixed Use Building Development Standards - On June 05, 2017, the City Council directed Staff to evaluate zoning code standards and policies related to measuring height in commercial and mixed use projects and ensuring well-scaled development. Depending the availability of staff resources, it is anticipated that this item will come to the Planning Commission and City Council in Q3/Q4 of 2021.

Billboards Not on Sunset – Non-conforming billboards are a contributing factor as to why underutilized lots remain. Targeted incentives could be offered for underutilized lots that also contain billboards. This is an item that was directed to staff by the City Council. Analysis is ongoing as staff develops the recommendation. It is anticipated that this item will be brought to the Planning Commission and City Council in the first quarter of 2021.

ALTERNATIVE
As an alternative to Recommendation #5 above, the City Council could consider directing staff to bring the recommendations directly to the Planning Commission with the substitute language:

Direct staff to conduct the above analyses, conduct outreach, and bring the studies along with a recommendation directly to the Long Range Subcommittee of the Planning Commission, Planning Commission, before returning to the City Council with a potential ordinance.

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:

- PSG-2: Affordable Housing.
- OSP-10: East Side Revitalization.

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

- LU-1: Maintain an urban form and land use pattern that enhances quality of life and meets the community’s vision for its future.
- H-4: Provide for adequate opportunities for new construction of housing.

EVALUATION PROCESSES:
ENVIRONMENTAL SUSTAINABILITY AND HEALTH:
The intent of this item is to explore ways in which underutilized lots can be redeveloped in a manner that reduces urban heat island, improves stormwater, and generally improves environmental outcomes.

COMMUNITY ENGAGEMENT:
Understanding of development incentives has been supported through engagement with stakeholders. Through development of any proposal, engagement with the West Hollywood community will continue.

OFFICE OF PRIMARY RESPONSIBILITY:
PLANNING & DEVELOPMENT SERVICES DEPARTMENT / LONG RANGE PLANNING DIVISION

FISCAL IMPACT:
None. The proposed expenditure amount for this item, $25,000, is budgeted in fiscal year 2021 in account 100-3-07-83-533009 (Long Range Planning Studies and Specific Plans).

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<td>$25,000</td>
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ATTACHMENTS:
A. February 19, 2019 City Council Staff Report – Underutilized Parcels
B. October 21, 2019 Excerpt of Council Meeting Minutes - Microunits
C. February 18, 2020 City Council Staff Report – Missing Middle-Income Housing