

# REGULATORY POLICY RECOMMENDATIONS

This section proposes a series of City policy changes that would provide developers with the economic incentive to build desirable infill development projects that meet the City’s goals for the station areas. These policy changes are designed to improve the financial feasibility of the prototype infill developments analyzed in this study, such as townhomes, small mixed-use, and large mixed-use projects. These allow developers to create a variety of product types designed to appeal to future residents, companies, and retailers that would locate in close proximity to light rail. For example, a range of unit sizes was modeled in the residential portion of the projects in order to suggest potential urban housing alternatives.

## Create a TOD Overlay Zone for the Exposition Line

We recommend that the City create a Transit-Oriented Development (TOD) overlay zone to create different densities and parking standards within ½-mile of the Exposition Line stops. However, given that there are different development opportunities in each station area, we would suggest that the recommendations below be viewed as a mix-and-match menu of possible policy changes. The City should consider creating a different overlay district for each Exposition Line station area by using the most promising tools for each situation.

Table 1 illustrates the City’s current zoning classifications and the respective infill prototypes that would “fit” within the constraints of the zoning classes, such as density, setbacks, and height limits. The results of the economic feasibility analysis for these prototypes helped to generate the ensuing policy recommendations.

Generally speaking, the City’s higher density commercial zones – with allowable densities of 108 units per acre - would be more accommodating of larger infill projects that might include as many as 100 units. Sites selected for the larger infill projects with these densities should be at least 1 acre or larger. In contrast, the commercial zones that allow medium densities – 54 units per acre – are best suited to small infill projects with up to 30 units. These projects work best on sites that are at least 13,000 square feet but generally under one acre. The medium density residential zones with density ranges between 17 and 29 units per acre are likely to support townhome development projects with about ten units. The average lot size for these sites are generally 7,500 square feet. Finally, the industrial zones (M1, MR1) present opportunities for various mixed-use and live-work infill projects.

**Table 1– Prototypes that fit with existing zoning classifications**

Zone Class	Description	Prototype
C1.5 C2 C4 CR	Commercial High Density	Large Mixed Use
C1 CM	Commercial Medium Density	Small Mixed Use
M1 MR1	Manufacturing	Mixed Use
R2 RD1.5 RD2 RD3	Residential - Medium Density	Townhouse

## 1. LAND USE AND HOUSING DENSITY POLICIES

One of the main challenges to project feasibility in the station areas is getting enough units on each site to make the development sufficiently profitable to spur development. Adding additional units greatly increases a project's feasibility; a sensitivity analysis indicates that increasing allowable residential densities would not only make for more financially feasible projects, but would also put more residents within a short distance of the light rail stations and provide customers for the commercial uses in the mixed-use projects.

In crafting a housing density policy for station areas, the City has two alternatives. The first would be to provide a significant blanket density increase within the station areas. A density increase varying between 20% and 60% depending upon zoning would probably be required. (The recent experience of Los Angeles County, which passed a 10-15% density bonus around stations, suggests that this lower range is not enough.)

The second would be a more "surgical" approach that would entail creating a series of density options for different situations. This option would permit the city to custom-craft a density policy around each station appropriate to the situation.

### Land Use Policies

#### 1a. Allow Mixed-Use Options in Industrial Zones.

Some station areas currently have considerable expanses of under utilized industrially zoned land in close proximity. Clearly, the City must engage in a proactive effort to retain industrial zoning where appropriate so that its base of industrial land is not eroded by housing demand.

However, the City should consider allowing housing or mixed-use development on some industrial land in the immediate vicinity of the stations, where a pedestrian, mixed-use orientation is more appropriate. To this end, the City currently has an ordinance that encourages joint live-work developments in all its commercial and industrial zones (MR1, MR2, M1, M2, M3). However, there is currently a City Council Moratorium on the conversion of industrial land as

the council considers how best to move forward with redevelopment under these zoning classes. We recommend the City strongly consider championing the existing live-work policy for industrial land within the 1/2-mile station area.

#### 1b. Allow Some High-Density Mixed-Use Projects By Rezoning TOD areas to a RAS Designation

The RAS4 zoning option allows mixed-use projects in commercial zones with higher densities (including floor-area ratio and height). However, in some areas with a strong potential for mixed use development and not currently zoned RAS, the existing zoning can be cumbersome to developers as they have to "seek out" the RAS zoning and maneuver through an approval process. The City should consider encouraging mixed-use development around transit stations through designation of RAS zoning in appropriate surrounding areas.



Allowing mixed uses on under utilized industrially zoned land can help to revitalize La Cienega and La Brea station areas.

## Housing Density Policies

### 1c. Increase Densities and Height Limits on Land in C1 and CM Zones in TOD zones

C1 and CM zones currently allow mixed-use development and all-residential projects with a housing component of 54 units per acre. (Other Commercial zones permit 108 units per acre.) The City should consider increasing allowable densities on C1 and CM land in the station areas from 54 to 85 units per acre (a 60% density increase). In so doing, the City would need to adjust the language in the “height districts” for these zones in the Expo areas to allow for a fourth floor of residential development. In essence, this creates the opportunity to build 30 units on a smaller lot as compared to 20 units under existing regulations, thus ensuring financial feasibility. Correspondingly, in these height districts, the City could also consider allowing flexibility in encouraging additional commercial space, as supported by the market. The intention of these recommendations is to create a balanced mix of housing and jobs in proximity to the stations. In addition to ensuring financial feasibility, these higher residential and commercial densities would increase the number of potential transit riders within short walking distance of the stations.

### 1d. Increase Height Limits in C1.5, C2, C4, and CR Zoning in the Station Areas.

Underlying zoning in the C1.5, C2, C4, and CR zoning classes allows for 108 units per acre – an amount that is adequate on larger sites to allow financial

feasibility. However, the City needs to ensure that the height districts regulating these commercial zones (or at least on small parcels in the station areas with this zoning) would allow a fifth floor of residential development (or additional commercial space in some areas). A fifth floor enables developers to provide the few extra units or commercial square footage that may be critical to a project’s bottom line.

### 1e. Increase Densities in R2 and RD2 Zones in TODs.

Current densities in R2 and RD2 are 17 to 21 units per acre. This means that in a typical situation – combining two 7,500-square-foot lots – these zones will accommodate only 6 units, which is not sufficient to encourage actual development. By increasing these densities by 66% (to between 28 and 35 units per acre), up to 10 units would be permitted on this same two-parcel assembly.

### 1f. Provide Lot Assembly Bonuses in TOD zones.

As an alternative to or augmentation of the increased density policies listed above, the City could also consider providing a density bonus for lot assembly. As stated above, a typical development pattern, especially for townhome development, involves merging two lots, but current densities do not provide developers with the yield required to make such an effort worthwhile. Current TOD assembly density bonus allowances in the County are only 10% - 15%, and have been largely ineffective. The City should consider assembly bonuses that are significantly higher than this.



An example of mixed use with ground floor retail and condominiums surrounding a light rail stop in Beaverton, OR.

## 2. PARKING POLICIES

Our economic analysis showed that, even more so than density, parking requirements are the most substantial obstacle to feasible infill projects. This is largely because abundant parking is required and each property owner is expected to provide all required parking on-site – not a realistic requirement in an infill setting, especially one with many small lots.

Therefore, the City should develop a “park once” strategy for each station area. This “park once” strategy would have two components – first, reducing the overall amount of parking required; and second, reducing the amount of parking required on-site by providing other alternatives in the neighborhood.

The Urban Land Institute (ULI) defines shared parking as “the use of a parking space to serve two or more individual land uses without conflict or encroachment.” This strategy is based on the principle that the demand for parking associated with different land uses varies over the course of a day. For example, the peak demand for office falls in the middle of the day, while demand for restaurant parking is typically highest in the evening. When an appropriate mix of uses is present, station areas can take advantage of these varying levels of demand to make more efficient use of existing parking and to reduce the amount of parking required for new projects. Instituted properly, shared parking can facilitate new development or redevelopment that might otherwise not occur with more rigid minimum parking requirements.

### **2a. Reduce Minimum Parking Standards in Commercial Zones**

Parking is expensive to provide, uses valuable land area, and also challenges the goal of encouraging transit usage. While completely eliminating parking is not desirable, reducing parking requirements to levels that work successfully in other transit-oriented districts would be beneficial. We recommend the following reduction for commercial parking:

- *Reduce parking standards on infill retail and office components of mixed-use buildings from 4 spaces per 1000 square feet to 2 spaces per 1000 square feet, consistent with standards in other successful Southern California mixed-use districts, like Pasadena.*

### **2b. Reduce Minimum Parking Standards in Residential Zones**

In addition to strategies for reducing commercial parking supply, there are opportunities to decrease residential parking requirements, which would include a significant number of spaces in the district. Encouraging retail and office uses near residences will provide opportunities to reduce car dependence by making alternative commutes convenient. A reduction in residential standards is feasible when residents have other transportation options, including light rail, bus, car sharing, bicycle facilities, and services within easy walking distance. Many of the future residents of the area may also be those attracted to living near transit and services – and are most willing to embrace lower parking standards, reduced automobile use and alternative transportation options.

- *Reduce residential parking standards for mixed-use buildings to 1.25 spaces per unit regardless of the number of bedrooms in each unit. Current policy is 1.5 spaces for a one-bedroom unit and 2 spaces for a two-bedroom unit.*

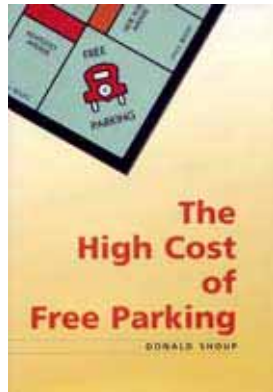
Greater reductions are possible if alternative strategies are implemented. For example, the City could reduce the parking requirement to 1 space per unit and then allow residents to rent or buy parking for a second car somewhere else in the neighborhood if they need to. This strategy is called “unbundling” the parking, and it is often credited with reducing development costs and maximizing the efficient usage of land. In order to work, however, a menu of automobile alternatives in the neighborhood should be encouraged by the City. These alternatives may include a shared car system, taxi or shuttle services, and additional bicycle and pedestrian infrastructure.

Simply reducing required parking will not be sufficient to create a successful transit-oriented district. Developers, new residents, and current neighbors all must be convinced that there is enough parking in the vicinity of the station to meet everyone’s needs.

## 2c. Make Better Use of the On-Street Parking Supply

Many sections of Los Angeles have neighborhood preferential parking policies. Although this helps to reserve on-street parking for residents of the neighborhood, it often means that on-street parking near transit stations and commercial districts – parking that is extremely expensive to duplicate in a similar location – lies unused most of the time.

We propose that in and around station areas, the City adopt a policy suggested by UCLA Professor Donald Shoup in his book *The High Cost of Free Parking*: allow residents of the units in the mixed-use projects to buy parking permits in the surrounding residential neighborhood and then earmark that money for street and streetscape improvements in the neighborhood.



- *Owners of the mixed-use units would pay for additional on-street parking permits in the surrounding neighborhood; surrounding single family homes would be granted two on-street permits.*
- *Unbundle parking from the residential unit purchases as a way to reduce required parking and facilitate greater use of on-street parking using the above-described permit system.*

## 2d. Create or reinforce shared parking facilities.

The City should facilitate the creation of shared parking facilities available to non-residential users and possibly to some residential users. In terms of capacity, efficiency of land use, and urban design, above-ground structured parking would be preferable to surface parking lots. Although this would entail higher construction and operating costs, the city could use in-lieu fees, parking fees from users, assessment districts, or (if in a redevelopment area) tax-increment revenues to construct and maintain the garage.

In addition, the City should use the opportunity created by the new SCAG-funded study of city parking facilities to pursue this option as well. This study of 117 city-owned parking facilities will identify which ones are most suitable for mixed-use development. But it may also suggest which ones are best suited to serve as parking support facilities for emerging TOD and mixed-use areas.

Land use and parking policies will probably have to be augmented by strategies dealing with both financing and project implementation. Many projects may require public sector funding mechanisms.



Parking garages can also be innovative like the mixed use parking structure above.

### 3. FINANCING AND PROJECT IMPLEMENTATION TOOLS

#### **3a. Take Maximum Advantage of Redevelopment Areas**

Some portions of the ½-mile radius around some Exposition Line stations are already located inside Redevelopment Project Areas. The City should consider expanding these Project Areas to include the entire area surrounding stations where a blight finding can be made and where such expansions are politically feasible.

However, even where these conditions do not exist, it might be possible to take advantage of the redevelopment designation – and the tax-increment financing system it creates – where the redevelopment project area overlaps with the station areas. There is a partial overlap between a redevelopment project area and the station area at Vermont (Exposition/University Park Redevelopment Project Area) and at Crenshaw (Mid-City Recovery Redevelopment Area).

#### **3b. Target Redevelopment Housing Funds to TOD Areas**

Under California law, 20% of all redevelopment tax-increment funds must be set aside for low- and moderate-income housing. The Los Angeles Community Redevelopment Agency (CRA) typically sets aside 5% more than this for the City's Affordable Trust Fund. These funds need not be used in the project areas but can be used anywhere, as long as the City and CRA adopt a "finding of benefit," resolution. This means that when these funds are spent outside the project area that generated them, it must be shown that there is some benefit accruing to the generating project area for the expenditure.

The City should consider targeting redevelopment housing funds for station areas, especially for moderate-income ownership projects and low- and moderate-income rental projects. A household with approximately \$62,000 a year in annual income qualifies as "moderate income" in Los Angeles, and therefore a condominium in a TOD mixed-use project

with a price of \$250,000 to \$300,000 (possibly achievable with redevelopment housing subsidies) would be within this group's price range. These households would hold great potential to be transit riders, at least for commuting, and would otherwise be shut out of the ownership market.

#### **3c. Pursue Non-Redevelopment Tax Increment Financing**

Tax Increment Financing (TIF) is a common method of financing both urban infrastructure and affordable housing throughout California. TIF in California is typically carried out through the creation of a redevelopment project area, which involves a complicated and often controversial process of finding an area to be "blighted."

However, state law also permits the creation of Infrastructure Finance Districts (IFD) that use tax-increment financing without requiring a blight finding. The IFD law is designed to finance regional-scale public works projects such as highways, transit, water systems, sewers, flood control, child care facilities, libraries, parks, and solid waste facilities. Creation of an IFD can be cumbersome and requires landowner consent. However, it could be a tool to assist in the creation of parking facilities and public amenities in a TOD district.

Some legislative proposals were put forward in the last legislative session specifically designed to permit TIF programs outside redevelopment area but in TOD areas. These bills did not pass but there is some discussion about introducing a similar bill in the next legislative session.

The City should consider working with the League of California Cities and with Supervisor Burke to seek passage of a pilot "TOD TIF" bill for the Exposition Line area, possibly including some aspects of the IFD concept but expanding to include financing of private development projects as well.

#### **3d. Take Advantage of Low Income Housing Tax Credit "Smart Growth" Policies**

The Low Income Housing Tax Credit (LIHTC) is one of the most active and competitive programs for building affordable housing in the United States

and, especially, in California. Tax credits are awarded to developers of “qualified projects” which generally include a specific number of affordable housing units and a provision that the units will remain “affordable” for at least 30 years or more. Developers can sell the tax credits to investors to raise capital for the project. This enables the developer to charge lower, affordable rents because the cost of development is reduced. Many non-profit and for-profit developers in Los Angeles are actively pursuing LIHTC for their affordable projects.

Within California, the scoring system for the LIHTC competition includes a number of “smart growth” criteria, including proximity to transit stations. The City should assist developers in identifying station area sites that will qualify for a high score in this measurement system.

### **3e. Use Public Agency Land as Equity**

The cost of land can often make or break a project. Most of the Exposition Line station areas are characterized by small lots, but in some cases large parcels of land are held by the City or some other public agency. The City should work cooperatively with other agencies on a policy that would make key parcels available at below-market cost for mixed-use development or other key projects required to make the TOD district work.

### **3f. Focus CDC Efforts on Station Areas**

In the last 20 years, community development corporations (CDCs) have become powerful players in community revitalization and particularly in the development of affordable housing throughout Los Angeles, especially southern Los Angeles. CDCs are essentially non-profit developers, but they can also play a role in community advocacy and they often work together with private developers, public agencies, financiers and intermediaries to develop real estate within their community. The City of Los Angeles can develop a strategy to engage CDC activity within the transit station areas to help facilitate new development.

## **4. PROJECT REVIEW POLICIES**

In a sensitivity analysis, we found that one of the key factors in making projects financially feasible was reducing the overall development time. Policy changes that could facilitate faster project completion include strategies to expedite the permitting and entitlement processes, all while ensuring high-quality products that meet and exceed the City’s goals for the areas.

### **4a. Create Station Area Specific Plans**

A Specific Plan is a combination policy and code document for a specific geographical area that can be an especially effective tool to encourage development. Properly used in the station areas, Specific Plans can delineate the land-use policy changes (regarding density, heights, parking ratios etc), neighborhood parking strategies, and financial plans for infrastructure improvements such as parking garages. Specific Plans are subject to California Environmental Quality Act (CEQA) analysis, usually in the form of an Environmental Impact Report. This means that they can take a long time to adopt (an overlay zone may be a better short-term solution), but it also permits truncated CEQA review at the project level.

### **4b. Use the CEQA Infill Exemption Where Possible**

The CEQA Guidelines permit an exemption for certain infill projects of up to five acres. Such projects are generally required to have minimal impact on traffic and related concerns. However, while the City currently uses this exemption when possible, the City could also encourage the State to redefine the types of projects that could utilize this exemption. One strategy would be to focus on allowing projects requiring only a “minor adjustment to the Los Angeles Municipal Code (LAMC)” to use this exemption.