

# **Do Development Department Standards Deter Potential Affordable Housing in Los Angeles Areas? A Case Study**

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Development department standards for constructing new buildings are put in place for the general well being of the community and its buildings. Using a case study of a recent Santa Monica Mixed-Use project, the paper can analyze the building standards, programs, and other requirements put in place. The purpose of the case study was to highlight challenges and issues to project start-up created by the city's standards to gain insight as to how standards may deter construction containing affordable housing units in the Los Angeles Area. Qualitative research was conducted through e-mail correspondence with the VP and development partner of a construction company. Issues with Santa Monica's 2010 Land Use and Circulation Element standards were shown to be the most impactful to the project which created challenges dealing with community benefits such as public road improvements and public space incorporation. Other challenges highlighted were discrepancies regarding standard requirements between the development agreement and Architectural Review Board which created a 6-month delay. Using information gained from the case study it was determined that standards generally do not deter new construction, but if the standards are too stringent and the area's market is too low, developers will be less inclined to build.

**Key Words:** Affordable Housing, Zoning Ordinances, New Construction, Development Standards

## **Introduction**

Zoning ordinances or zoning codes are regulations that impact all persons living or trying to construct buildings with the respective cities and counties. In Los Angeles, Title 22 is the regulation that covers the planning and zoning where it states that the Board of Supervisors has considered which locations would be suitable for their respective building types. (Los Angeles, California § 22.02.020). With the zoning codes established, municipalities can rule what types of buildings can be placed in certain areas. However, building codes dictate what the building can contain, such as material types, window coverage, or even units dedicated for persons of disabilities. Title 26 is the Los Angeles Code for general building codes, and there are many more specific codes for electrical, plumbing, electrical,

etc. Building codes have been established to generally protect the wellbeing of the people by regulating design, construction, and installation. (Los Angeles, California § 101.2)

Essentially, for a building to be constructed in a certain area the building must fit the zoning requirements first of the area they wish to build in. This would be requirements such as building homes in the areas zoned for homes and office buildings in the areas zoned for business and so on. After meeting the zone requirement, the developer must then abide by all building codes for the state, county and the city which can vary from area to area (Metcalf 2018).

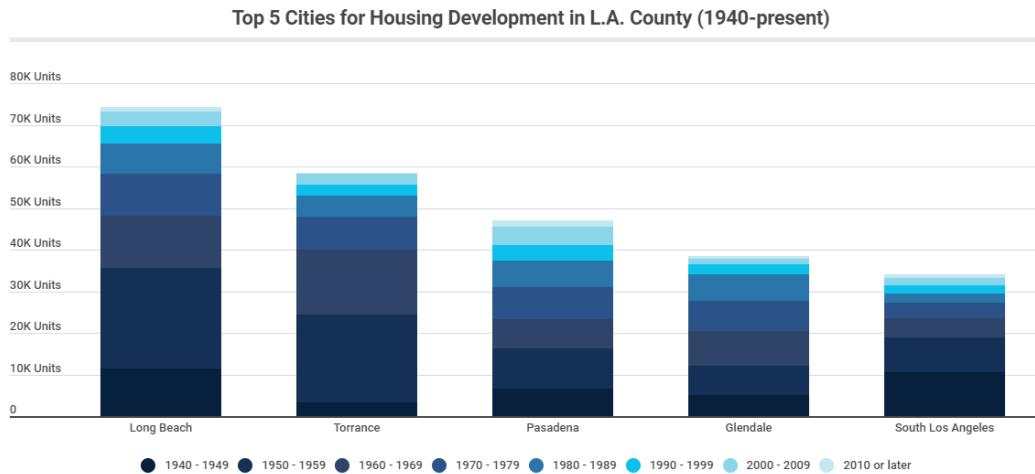
Furthermore, *affordable housing* is a broad term used by many but since the cost of living varies from city to city it is difficult to pin down. Generally, *affordable housing* can be defined “as housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities” (U.S. Department of Housing and Urban Development 2021). In Los Angeles, rent control, vouchers, and other assistance forms are what help bring down housing costs in general. In California, the voucher that is most common is the Section 8 housing choice voucher which is supplied by the U.S. Department of Housing and Urban Development; the purpose of these vouchers is to assist very low-income families, elderly, or disabled to afford housing in the private market. To be eligible for these vouchers, applicants’ income must be 50% or lower than the median income for the county or metropolitan areas, and the voucher covers at least 60% of the rent for the specific unit (U.S. Department of Housing and Urban Development 2021).

City and state building standards lay down the foundation of quality for any construction in their respective areas. The standards set out by the U.S. Housing and Urban Development also define what *affordable housing* should entail. Additionally, affordable units created in new construction abide by the same standards as the other unassisted units, which leads to the question of whether the standards are impacting the number of affordable units being created by developers. This paper will analyze the impacts by planning and development department standards on new construction that contain affordable housing units; a case study will help discover whether the standards deter developers from building in certain areas of Los Angeles. The discovery will be accomplished by analyzing the challenges or issues that the developer faced regarding the development standards as well as analyze the reaction to those standards.

## **Literature Review**

### *Brief History of Housing in Los Angeles*

The City of Angels has been known for its diverse population. This notoriety of the Los Angeles Metropolitan Area (hereafter LA Metro Area) created opportunity for many to migrate and live in the area. With a current population of approximately 12,459,000 persons, the population has practically doubled from what it was in 1960 which had a population of 6,530,000 (Macrotrends.net 2021). To meet the demand for housing, from the 1950s to Present, Los Angeles has increased the number of housing units by over 2.5 million. However, since 2010, there have only been 736 new housing units made in the South Los Angeles Area compared to over 2,500 units in areas such as Pasadena and Glendale which are 2 cities in the Northern Los Angeles Area (Sabau 2020). Figure 1 shows visually the differences in home developments since 1940 and the homes that were built in 2010 can be seen in the lightest shade of blue.



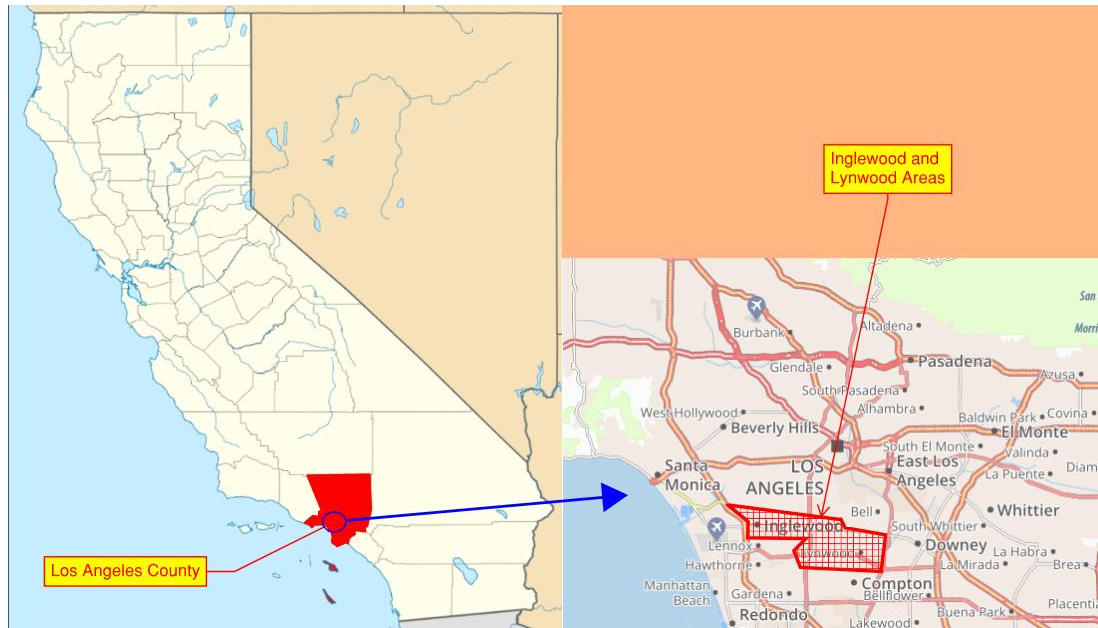
*Figure 1: Top Cities for Housing Development in LA County (Sabau 2020)*

With the increase of housing units being developed over the years, zoning ordinances and development standards were developed as well. Since the Los Angeles Area is one the larger metropolitan areas in the country, the planning and development department separated into more localized groups starting in 1972 (Whittemore 2012). As of 2021, there were 88 cities in the Los Angeles Metro Area and each city has its own standards that may differ from its neighboring city. Los Angeles is continuing to make efforts to alleviate the growing population with the American Planning Associations’ 2018 Planning Home initiative, the policy allows for reforming zoning codes to reduce minimum lot size requirements and increase allowable heights and densities for buildings (Gabbe 2019).

### *Los Angeles Planning and Development Standards-Inglewood & Lynwood*

To analyze how the various standards may deter developers from creating new construction, understanding what the standards do and why they are in place can provide some insight. To narrow the scope, this section will focus on Lynwood and Inglewood, CA; Figure 2 shows a map highlighting these areas withing Los Angeles County as well as the location of Los Angeles County. Simply, the standards are implemented to maintain and preserve the city’s mission. For example, in Inglewood, the “goal of the Economic and Community Development Department is to capitalize on the synergy and interdependence of the various division functions and to encourage through the regulatory process a balance of safe, attractive, and well-maintained residential communities, vibrant commercial centers, and varied manufacturing and employment opportunities for residents.” (Inglewood Economic & Community Development 2021). Generally, most codes and regulations are

implemented to keep the public, buildings, and the city safe. However, some codes are more geared towards complementing the beautification of said city such as acceptable tree lists.



*Figure 2: Los Angeles County within California Map/Inglewood and Lynwood Locations*

The need for affordable homes is critical, especially in areas like Lynwood and Inglewood where more than 50% of the residents are experiencing housing burdens. To supplement this, Inglewood has put in place affordable housing incentives such as increase in allowable height, reduced required private open space, reduce parking requirements, and many more. To obtain these incentives, the developers must reach certain requirements first. For example, if five percent of total units are made available for very-low-income tenants, ten percent of units are made available for low-income tenants or a child day care is made on-site will each gain one incentive. As percentages of the affordable unit available increase so do the incentives, so, if the developer were to choose to have 20% of the units be for low-income tenants, they would gain 2 incentives from the list. (Inglewood, California § 12-132.A). Although the incentives for affordable homes have been part of the municipal code since February 25, 2014, the residents of Inglewood are still facing housing burdens, with 30% facing severe housing burdens. With the prices of homes increasing as well as the limited number of new homes being built, standards similar to Inglewood's 5% of total units being made for very-low income are being put into place to alleviate the housing issues.

### *The Need for Affordable Housing in Los Angeles Areas-Inglewood & Lynwood*

Affordable housing has been a buzzword in the construction industry for many years, however, there is no one definition for it for it varies from county to county and state to state. Similar to the section above, this section will narrow the scope by focusing on the Inglewood and Lynwood areas. To investigate the possible factors for lack of affordable housing, we must first understand why affordable housing is needed in the first place. In Lynwood, CA there are approximately 69,800

residents (Census 2019). Of those 69,800, roughly 18% or 12,564 of the residents are living in impoverished conditions. To be living in poverty, the resident must be making less than the poverty threshold which is determined by family size and age, and the threshold is uniform across the United States which makes it easier for a comparison. Reference Figure 4 for a breakdown of these thresholds. To elaborate more on this idea, a family in California would be measured against the same threshold as a family in New York if they are the same size and age group. Additionally, of the 69,800 Lynwood residents, 61% are experiencing a housing burden of spending 30% or more of their household income on housing, while 30% of the total are experiencing severe burden with spending 50% or more of their income on housing (Los Angeles Public Health City and Community Health Profiles, 2018). Reference Figure 3 for a breakdown of facts and figures comparing Lynwood and Inglewood. Considering the percentages, creating an environment that allows opportunities to pass the poverty threshold and creating affordable homes is a long-term solution to achieve this.

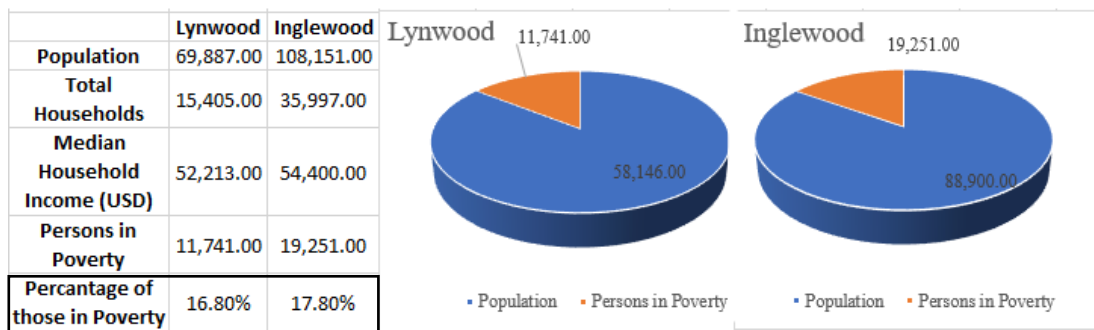


Figure 3: Household Poverty Inglewood & Lynwood Comparison based on 2019 Census.

Size of family unit	Related children under 18 years								
	None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual):									
Under age 65.....	13,465								
Aged 65 and older.....	12,413								
Two people:									
Householder under age 65.....	17,331	17,839							
Householder aged 65 and older.....	15,644	17,771							
Three people.....	20,244	20,832	20,852						
Four people.....	26,695	27,131	26,246	26,338					
Five people.....	32,193	32,661	31,661	30,887	30,414				
Six people.....	37,027	37,174	36,408	35,674	34,582	33,935			
Seven people.....	42,605	42,871	41,954	41,314	40,124	38,734	37,210		
Eight people.....	47,650	48,071	47,205	46,447	45,371	44,006	42,585	42,224	
Nine people or more.....	57,319	57,597	56,831	56,188	55,132	53,679	52,366	52,040	50,035

Source: U.S. Census Bureau.

Figure 4: Poverty Thresholds for 2020 by Size of Family

Communities have noticed that creating affordable homes is a long-term solution to assisting the rise above poverty threshold and have created incentives and requirements in their cities to create more affordable homes. As mentioned in the section previous, there are incentives created such as increased building height or lot space. These incentives do come with a price, for developers would still need to

ensure their buildings are compliant with the city's standards. For some developers, the incentive may not be enough and may choose to not construct in that area, leaving the void of affordable home necessity unfilled.

Furthermore, the prices of these homes have become more expensive. For example, in North Inglewood, the average median home price was roughly \$261,000 in 2010 but the prices increased over 100% with the average median home price being \$560,000 in 2019. Additionally, it was found that the prices of homes that increase the most were in South Los Angeles (Chandler 2019). As previously mentioned, the South Los Angeles area was the portion of Los Angeles with the least amount of new housing units developed at 736. With prices increasing and the supply of homes diminishing, the need for affordable units has become more prevalent. Discovery of why the affordable units are not being constructed more in these areas is questionable. The case study in the next section may highlight some factors as to why the supply of multi-family homes containing affordable housing units are lower than areas such as Long Beach, Pasadena, or Glendale.

## **Case Study**

### *Millennium Project Overview*

The developer of this project has varying locations throughout the United States with experience in building multi-family homes as well as mixed use. This paper will be analyzing their recent Santa Monica project for challenges, issues, or any general inconveniences related to development standards that may deter future construction that contain vital affordable housing units. Information was gained through e-mail contact with the Vice President and a Development partner. The main objective of this case study is to highlight challenges created by development standards, highlight any issues caused by standards that impacted project start, and gain insight into advantages and disadvantages of differing areas with differing standards.

Some of the project specifications are as follows.

- Project Name: Millennium Santa Monica
- Project Location: 2929 Pennsylvania Ave, Santa Monica, CA 90404
- Project Type: Mixed-Use Multifamily
- Total Units: 356
- Affordable Units: 38 (10.7%)

### *2010 Land Use and Circulation Element-Santa Monica*

The purpose of the Land Use and Circulation Element (LUCE) is to create sustainable practices that also preserve Santa Monica's natural beach beauty (Santa Monica, California § 2015 LUCE, Ch. 1.1). The LUCE has varying requirements which are broken down into Tiers 1,2, and 3. With each tier, the building height and area allowances were slightly increased. To obtain these allowance increase, community benefits must be incorporated into the new building; the community benefits were broken down into 5 categories and the more community benefits obtain meant the higher the tier the building went including, (1) affordable housing; (2) greenhouse gas (GHG) emission and future congestion reduction; (3) physical community improvements; (4) social, cultural, or educational facilities, and (5) historical preservation (Santa Monica, California § 2015 LUCE, Ch.3.2). The Millennium project fell

into the third tier which meant that the project was subject to the maximum allowance for building height and area if the community benefits were met. This required more planning for the design to consider such as the design for the public space needed to be incorporated in the design in addition to creating some road improvements on the adjacent public roads. Another requirement laid out in the development agreement per the 2010 LUCE was to construct a childcare center which will be highlighted in the next section. Another major community benefit that needed to be incorporated was a transportation infrastructure plan which laid out requirements to construct a bicycle facility that the tenants can use.

Overall, the community benefits incorporated by the 2010 LUCE in Santa Monica increases quality of life for tenants as well as incorporates benefits that may assist with rising above the poverty threshold such as bicycle facilities to encourage alternative forms of transportation, *affordable housing* units and childcare facilities to allow opportunity for multi-person household incomes.

### *Delays/Issues Created by Standards on Millennium Project*

One of the major issues for the Millennium project came through the form of contradicting requirements. As mentioned earlier, Tier 3 projects need to obtain additional community benefits, but in addition to this a Development Agreement is needed whenever a building height increase is wanted. This development agreement is required by the Downtown Community Plan which is a separate plan/standard than the 2010 LUCE. In addition to the development agreement, the plans needed to be reviewed by Santa Monica's Architectural Review Board or ARB. The ARB was found to have their own standards or requirements they would like to see in the building. In the instance for the project, it was found that the ARB required 100% of units to be furnished as single-loaded corridor to allow for more natural light and ventilation. However, the approved development agreement showed that the corridors were to be double loaded. This issue resulted in delays due to the discrepancies needing to be clarified which in turn totaled a 6-month delay in obtaining building permits.

Additionally, as mentioned in the previous section, a childcare center was to be incorporated and constructed per the development agreement for the project. The issue of this was that this is a requirement, and the developer was not able to receive a certificate of occupancy unless it was constructed, and a contribution of a certain dollar amount was made by the developer for the subsidies of the childcare facility. This produces issues for the developers and contractors of the project since these may have been unforeseen costs that have been incurred and can deter from wanting to build in the area.

### *Insight*

Moving forward, the developer saw the standards in Santa Monica as barriers to build but were worth the challenge since the area had value, but if an area were to have less value with equally stringent standards, the project would be less desirable.

To elaborate more on these barriers, the amount of multi-family unit projects Santa Monica takes on per year is limited and has a market of 3 jobs to 1 housing unit per the developer. Santa Monica also averages a median home price of \$1,732,500 and an average median income of roughly \$90,000 (Redfin 2021).

Considering the Lynwood and Inglewood areas, the average median home prices in the market are \$530,000 and \$665,000 respectively (Redfin 2021) which infers a lower than the 3 jobs to 1 housing unit rate that Santa Monica has. Furthermore, as mentioned previously in the Los Angeles Planning and Development Standards section, Inglewood has incorporated similar programs like the LUCE where allowances will increase if affordable units or on property childcare facilities are incorporated. This case study has highlighted the challenges that come with programs and standards such as the LUCE where delays of 6-months, various unforeseen costs, or modifications to designs from community benefit guidelines may occur. Similar challenges in areas such as Lynwood and Inglewood with lower market rates than Santa Monica may not entice developers to construct housing that contain affordable units.

In summary, this case study has shown that although the standards created are stringent, the standards do not necessarily deter since the area in which the building located was valued higher with greater profit potential since the median home prices are higher than in other areas. When we compare other areas such as Lynwood and Ingle, where the profitability may be lower, developers may not want to build in these areas. Instead, the developers choose to go with the higher potential profitability areas, which continues to leave voids in affordable housing in lower income areas.

### *Potential Future Research*

The way the 2010 LUCE is laid out is that the allowances are incentives and to gain these incentives it is required to include a certain amount of community benefits in the project. However, it is possible that if a developer or designer is looking to build a certain height of building, the incentives are turned into normal project specifications with requirements. For instance, for this project being in Santa Monica, which is a more luxurious beach city, the value of the project goes up. If these same situations regarding the standards were implemented in other areas, the amenability for the standards would not be as high. Looking into these situations and how society can create more standards that provide quality but also incentivizing to build in areas that are in need for quality can be worthwhile.

In general, standards vary on whether they deter developers due to strenuous limits, but in other cases the standards create incentives to build which create the opposite effect. An example brought up by developer was the recent approval of San Diego's Complete Communities. San Diego's planning department has come up with plans to promote the construction near public transit areas with incentives such as the ability to increase gross floor area for projects. In combination with affordable housing units, this standard can help people rise above the poverty threshold; a closer analysis of the impact created by this standard on housing construction or poverty can also be worthwhile.

### **Conclusion**

In conclusion, it was found that there are strenuous situations caused by requirements of cities development department standards can deter new construction creating by requirements such as having a development agreement and an ARB. To have a development agreement between the city and the developer clash with the requirements set by the same City's ARB makes it difficult to keep an efficient schedule. The Millennium Project case study has shown that these discrepancies increase the risk of delays, specifically permit delays for half a year. The case study also highlighted challenges that are created by standards, such as the tier structure by Santa Monica. The findings were that although the standards are stringent, if the area seems to be more desirable for developers, the



standards can be worked with. However, with similar standards being implemented in areas such as Inglewood and Lynwood that have lower market rates, the areas are less desirable and are less likely to entice developers which leaves a void of affordable units needing to be filled. Overall, standards do not deter developers from wanting to build, but if the areas have lower median home prices with similar standards such as the LUCE, developers are less likely to build.

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