



CITY HALL  
LOS ANGELES, CALIFORNIA 90012

JAMES K. HAHN  
MAYOR

March 25, 2003

The Honorable Ed Reyes, 1<sup>st</sup> District  
Chair, Planning and Land Use Management Committee  
Room 410, City Hall  
Los Angeles, CA 90012

Dear Councilmember Reyes:

I am pleased that the Council will be reviewing the Inclusionary Zoning Study conducted by David Rosen and Associates. The study examines whether incentives can be used to offset the costs of the inclusion of affordable units in a market rate development. The study concludes that, using various assumptions, the cost to include affordable units can be compensated through incentives such as density bonuses or fee deferrals. The study provides useful information and will stimulate an important discussion. At the same time, we must still develop a final blue print of a viable incentive package that encourages the inclusion of affordable units in market rate projects. Moreover, I believe it is important that all stakeholders have an opportunity to study and provide input on this important issue and help to design the final blueprint.

We are making progress to address the housing crisis. Through the Los Angeles Housing Trust Fund, we recently funded developments that will amount to over \$110 million in investment in Los Angeles. This unprecedented investment is just the beginning. We know that we can do more. We can do it by creating incentives to build housing in Los Angeles and to make a portion of that housing affordable for low-income tenants.

The concept of inclusionary zoning is not new to Los Angeles. We already have several zoning ordinances that provide incentives to include affordable units. However, few developers are taking advantage of these incentives. We have to find out why. Some hurdles are obvious, such as the need for height variances or parking waivers, and some may be neighborhood specific and difficult to identify. Also, we must take into account the unique physical and economic characteristics of our neighborhoods. A program that works for Sylmar may not work for San Pedro. These questions must be swiftly answered before we can develop a package of incentives to build more housing.

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In some cities the concept of inclusionary zoning means a mandatory inclusion of affordable units in all development with a potential opt-out provision for a fee – an in-lieu fee. These often substantial fees are poor substitutes for a unit of housing, and a fee is yet another obstacle to building housing in Los Angeles. I am concerned about crippling the only leg on which our economy is standing -- housing. Inclusionary Zoning can be a simple, cost-effective means of getting affordable housing built in the City, however it is ineffective without incentives to make it work in the economic realities of the housing market.

A failure to build sufficient housing for all income ranges led us to this housing crisis. That failure is due to a variety of factors such as tax policy, zoning regulations and the need for development reform. My office has been working with you and City Departments to work on all fronts to untangle this web. Now is the time to create a tailored package of incentives that will make it so attractive to include affordable units that developers will include affordable units in market rate development. This includes incentives through offsets and development reform.

I look forward to working with you to develop a proposal that will work for every neighborhood. I recommend that along with the Council and the Planning and Housing Department, we immediately set up a time line of briefing, review and report back that will lead to a proposal within the next 90 days.

Very truly yours,



JAMES K. HAHN

JKH:sd

Cc: The Honorable Dennis Zine, Councilmember  
The Honorable Tom LaBonge, Councilmember  
The Honorable Jack Weiss, Councilmember  
The Honorable Ruth Galanter, Councilmember  
The Honorable Alex Padilla, Councilmember  
The Honorable Bernard Parks, Councilmember  
The Honorable Jan Perry, Councilmember  
The Honorable Nate Holden, Councilmember  
The Honorable Cindy Miscikowski, Councilmember  
The Honorable Eric Garcetti, Councilmember  
The Honorable Nick Pacheco, Councilmember  
The Honorable Janice Hahn, Councilmember  
Rita Robinson, Interim General Manger, Los Angeles Housing Department  
Con Howe, General Manager, Los Angeles Planning Department