

REQUEST FOR PROPOSALS
City of West Hollywood – May 18, 2018

Study of Various Approaches for Promoting Housing Affordability

Issued by: City of West Hollywood
8300 Santa Monica Boulevard
West Hollywood, CA 90069

Submittals due: May 25, 2018, no later than 5:00 pm

Submit: City of West Hollywood
Rent Stabilization and Housing Manager
8300 Santa Monica Boulevard
West Hollywood, CA 90069

Project Manager: Peter Noonan, Manager
Rent Stabilization and Housing Division
323-848-6596
pnoonan@weho.org

Introduction and Schedule

The City of West Hollywood is seeking a consultant to evaluate and develop pilot programs for additional affordability in the local housing market. Eight approaches were studied in 2017 (Attachment A). Based on the study recommendations, the City would like to explore the feasibility and potential benefits of establishing pilot programs.

RFP Schedule and Deadlines	Date
Announcement	May 18, 2018
Submittals due	May 25, 2018 (5pm)
Screening process	May 28-29, 2018
Finalist selected	May 29, 2018
Contract signing	May 29, 2018
	Start date June 19, 2018

The City reserves the right to adjust this schedule as necessary.

Project

- 1. Assess the feasibility and public benefit of pilot programs focused on providing additional affordability in the local housing market:**

- **Reducing Costs**, including development costs and other costs paid either by the developer or end consumer (the renter or homeowner)
 - Community Land Trusts
 - Modular Construction
 - Micro-Units
 - Limited Equity Co-ops

- **Rehabilitating Older Housing Stock**, assisting landlords improve residential rental properties
 - Energy Efficient Rehabilitation

- **Providing Housing for Specific Segments of the Community**, housing forms and tools serving different segments of the population
 - Scattered Site Senior Housing with Services
 - Intergenerational Co-housing
 - Artist Housing

Housing Financing/Forms Studied, by Tenure

	Renters	Homeowners
Cost Reduction		
Community Land Trusts	X	X
Modular Construction	X	X
Micro-Units	X	X
Limited Equity Co-Ops		X
Aging in Place/Special Populations		
Scattered Site Senior Services	X	
Intergenerational Co-Housing	X	X
Artist Housing	X	
Rehabilitation		
Energy Savers	X	

The approaches to consider for pilot programs are intended to provide affordability at differing income levels. While some programs target households earning less than 60 percent of AMI (usually due to Low-Income Housing Tax Credit funding requirements), other solutions target the ‘missing middle,’ referring to workforce housing for those earning between 80 and 120 percent of Area Median Income. Still, other approaches are more flexible and can be designed to meet the community’s goals for housing and affordability.

Housing Financing/Forms Studied, by Affordability Level



Importantly, each approaches studied requires a level of tenant or homeowner education and this should be taken into consideration when designing a possible pilot program. Interviews conducted during the study reinforced the importance of providing sufficient tenant education to empower decision-making and successfully transitioning to be homeowners. This was especially true for solutions requiring collective input and pooling of resources, including limited equity cooperatives, co-housing, and community land trusts. The table below presents the approaches studied by level of educational need.

Community Education and Coaching Needed for Program Success



Additionally, the need for local subsidies to support each approach varies considerably and should be considered. Projects leveraging federal and state sources, such as the Low-Income Housing Tax Credits, HUD, and state funds, allow for the most efficient use of local resources (see Appendix A for Funding Opportunities). However, there are some product types for which

there is little funding from federal or state sources. This is the case for limited equity cooperatives, acquisition funds to acquire at-risk buildings, and scattered site senior housing.

Summary of Approaches Studied (Case Studies)

The following provides information on the eight approaches studied (Attachment A). A summary of each approach follows. The approaches have been organized based on the overall approach taken: cost reductions, rehabilitation of existing housing, providing housing for specific populations.

Reducing Costs

Community land trust (CLTs) are community-controlled non-profits that hold title to land, and ground lease the improvements (e.g. the housing) at affordable income prices. CLTs operating in high-cost markets with a lack of vacant land often use an acquisition-based strategy. The study profiles the San Francisco Community Land Trust, which uses a local funding source, the Small Sites Program, to acquire and rehabilitate properties for tenants at risk of displacement. In exchange for its funding, the City places a covenant that runs with title requiring affordability in perpetuity. Small Sites has permanently converted 36 buildings and 269 units for affordable housing, with local subsidies averaging \$330,000 per unit. This is an example of an anti-displacement strategy that has directly kept San Francisco residents in place who would have otherwise lost their housing.

Modular housing is a construction method where sections are built in a factory, and finished modules are transported to the site, where they are lifted by cranes and stacked to create a complete building. This technology has the power to significantly reduce the time it takes to build a housing project. However, the technology is still relatively new, and time and cost savings have yet to be realized, especially as development teams adapt to new techniques and processes.

Microunits are small studio apartment units of no more than 350 square feet that have gained traction in recent years in high-cost housing markets. Microunits are built in dense, urban environments and targeted to those willing to compromise space for proximity to urban amenities. This prototype is considered a market-based solution to the affordability crisis. Developers build with no public subsidies, and simply charge less rent because the units are smaller. At the Panoramic, a microunit project in San Francisco built in 2013 for example, rents average \$1,800 for a 290-square foot unit, which is 40 percent less than the average studio rent in San Francisco (\$2,555 for 550 square feet). Drawing from lessons in Seattle, this case study describes the prototype, household incomes served, and zoning regulations that impact development.

Limited equity cooperatives are a type of cooperative that facilitate a form of homeownership in which residents own shares in a property, entitling them to occupy a unit in the building. Limited equity housing cooperatives (LEHCs) provide low and moderate income households a

path to homeownership by using public subsidies to offset development costs, so households can buy into an LEHC with a small equity contribution. Upon sale, the appreciation is limited to ensure affordability for the next buyer. Although LEHCs were popular in the 1960s and 1970s, federal funding has since disappeared, and few new LEHCs have been built recently. Numerous challenges exist, including a perception of risk by lenders and a lack of interest by non-profit developers. LEHCs also require a significant level of tenant training to empower sound housing decisions. LEHCs are a challenging product to develop, and require significant subsidies and collaboration with tenant groups to be successful.

Rehabilitating Older Housing Stock

Energy Savers. According to the *West Hollywood Apartment Rehabilitation Study*, one reason landlords do not undertake improvements is complexity of work and/or because they lack access to capital to pay for improvements. Elevate Energy and CIC, two non-profits based in Chicago, however have joined forces to make it easier for landlords to undertake energy efficiency upgrades by providing technical assistance and financing in a one stop shop.

Existing Rent Stabilized Housing Re-investment/Rehabilitation The City of West Hollywood's housing stock is aging. About 89% of the structures in the City were built more than 40 years ago.¹ According to the City's Housing Element, estimates show that between 20 – 25% of the City's rental housing stock has deferred maintenance work and could need some form of major rehabilitation. In addition, because of the age of buildings in West Hollywood, many were built prior to current accessibility requirements and prior to current seismic codes.

Providing Housing for Specific Populations

Scattered Site Senior Housing and Services. RiseBoro, a senior service non-profit based in the Bushwick neighborhood of Brooklyn, has embraced a scattered-site delivery model, leveraging sites as they become available to expand its mission. In addition to providing affordable senior housing, RiseBoro provides services that allow seniors to age in place, including senior centers, adult day care, homecare for independent living, home-delivered meals, and assisted living facilities. This program is possible because of funding provided by New York City and New York State.

Intergenerational Co-housing is an intentional clustering of homes around a shared space. Co-housing forms when a group of people pool resources together to acquire or build a new neighborhood. Projects typically consist of 25-35 units, which are physically clustered around common spaces to encourage community interaction. It is common for residents to share responsibilities, including cooking meals in the common house, which encourages collaborative living. More importantly, co-housing encourages a participatory process that aims to achieve consensus in decision making.

Artist live/work housing is unique because it provides both residential accommodations and artist workspace, along with communal or gallery spaces to encourage collaboration. There is a

¹ ACS 2013 5-year study

high concentration of artists living in and around West Hollywood, representing strong demand for artist live/work space. This case study profiles the Tannery, a development in Santa Cruz built with tax-credit financing and operated by ArtSpace, an artist advocacy organization with experience developing artist housing. The case study highlights unique features of this prototype, and provides suggestions for how West Hollywood can support artist live/work arrangements.

2. Explore feasibility, criteria, approach and provide framework for an affordable housing Accessory Dwelling Unit program.

- a. The program could provide funds for development of ADUs in exchange for a period of affordability or access to housing formerly homeless households.

3. Explore feasibility, criteria, approach and provide framework for a first right to purchase program for rent stabilized apartment buildings.

- a. The potential program would offer residents in rent stabilized apartment buildings first right to submit an offer and purchase their building if the property owner wishes to sell. This program is related to the limited equity cooperatives option discussed above.

To be Considered Please Submit the Following

Deadline: May 25, 2018 by 5:00 pm

A complete packet includes:

- Project proposal
- Costs, with method of calculation
- Timeline

The Project Proposal must include:

1. Cover Letter
2. Executive Summary
3. Company Background
4. Understanding of Scope
5. Firm's Professional Service and Fee Schedule
6. Project Team
7. References: Please provide three references for projects with similar process and work product
8. Examples: Please provide between one and three examples of previous or current work product

Please note:

- a. All costs of proposal preparation shall be borne by the Proposer.
- b. The proposal should always include the Proposer's best terms and conditions, though the City reserves the right to negotiate.
- c. All proposals become the property of the City, which reserves the right to use any or all of the ideas in these proposals, without limitation. Selection or rejection of a proposal does not affect these rights.
- d. The City reserves the right to extend the RFP submission deadline if, in the City's sole judgment, such action is in its interests. If the deadline is extended, all applicants will have the right to revise their proposals.
- e. The City reserves the right to reject all, or any, of the proposals it receives.
- f. The City reserves the right to withdraw or modify this RFP, and to refrain from awarding contracts altogether.
- g. The City reserves the right to request additional information, including agency support documents, during the RFP evaluation process.
- h. Prior to award of the contract, the City reserves the right to request additional information about the history of operations of the Proposer and its principals.
- i. Proposals deemed non-responsive will be returned.
- j. Unacceptable conditions, limitations, provisos, or failure to respond to specific instructions or information requested may result in rejection of the proposal.
- k. No proposal shall be withdrawn after the date and time set for opening thereof, and all proposals shall remain in effect for one hundred eighty (180) days after the final proposal submission date.
- l. Upon request, all proposals will be available for public review (except financial statements, submitted under a separate cover with a request for confidentiality, which shall be disclosed only upon order of a court with competent jurisdiction) once negotiations are complete and contract award is ready to be made to the successful Proposer.
- m. Any changes to the RFP requirements will be made by addendum. Addenda will be mailed to Proposers at the address provided by Proposers. All addenda shall be signed and attached to the proposal form. Failure to attach any addenda may cause the proposal to be considered non-responsive. Such proposals may be rejected.
- n. No prior, current or post award verbal conversations or agreements with any officer, agent, or employee of the City shall affect or modify any terms or obligations of this RFP, or any contract resulting from this procurement.
- o. Non-acceptance of any proposal will not imply any criticism of the proposal or convey any indication that the proposal or proposed system or equipment was deficient.
- p. Non-acceptance of any proposal will mean that another proposal was deemed to be more advantageous to the City or that no proposal was deemed acceptable.

Sample Basic Contract

It is important for Consultants to review Exhibit B (Sample Basic Contract) in this RFP. The contract is the City's standards contract for these goods and services and will be used as a result of this selection process. Any deviations from this contract should be clearly identified in the Proposal. Please note the City's mandatory Living Wage and Equal Benefits clauses.

Submittal Review

The City will evaluate Proposals based on the criteria above. Proposals will be ranked on total score.

Questions

All communications must be submitted in email to the Project Manager identified below. The project manager is the sole point of contact.

Peter Noonan
Rent Stabilization and Housing
City of West Hollywood
8300 Santa Monica Boulevard
West Hollywood, CA 90069
pnoonan@weho.org

Please title communications: "Pilot Programs for Promoting Housing Affordability."

West Hollywood

West Hollywood is well-known for being a creative and progressive city, including when it comes to housing and zoning policies. In California and the Los Angeles metropolitan area in particular, there exists a severe lack of housing that is affordable. There is also limited availability of state and federal funding for new affordable housing programs. In this context, West Hollywood can be a leader in implementing creative models of affordable housing that keep the community stable and provide housing options that are affordable to all socioeconomic segments of the community.

Developing innovative approaches to affordable housing has been a priority for the City since it was founded more than 30 years ago. In 1985, rent stabilization was an innovative approach to maintaining housing that is affordable and was one of the central reasons community advocates organized to form the City of West Hollywood. The Rent Stabilization Ordinance was one of the first laws passed by the first City Council and remains a powerful tool to balance tenants' rights to fair rent increases and eviction protections with landlords' rights to a fair return on their property. In 1986, the City established its Inclusionary Housing Program, which requires a percentage of new residential housing units to be reserved for moderate and low income households, as well as the Affordable Housing Trust Fund, which is used to generate additional resources to meet the increasing need for affordable housing and off-set development impacts.

The Los Angeles region, like other parts of the State, is facing an affordable housing crisis. Rents have increased at a quicker rate than incomes, creating rent-burdened households that pay a disproportionate amount of their income on housing and transportation costs.² As a result, the area has become one of the most unaffordable places to live in the country. Concurrently, state and federal funding for affordable housing programs have been severely cut in recent years. With the dissolution of redevelopment agencies in California and reduced federal funding for key programs such as Section 8 and HOME Investment Partnerships Program, there remains a lack of funding for affordable housing programs. In light of the affordable housing crisis, the City should continue to identify, analyze, explore, and implement, where appropriate, innovative housing policies.

...

² <http://www.anderson.ucla.edu/Documents/areas/ctr/ziman/2014-08WPrev.pdf>

Study of Various Approaches for Promoting Housing Affordability

bae urban economics

Prepared for City of West Hollywood
February 2018

bae urban economics

February 26, 2018

Mr. Peter Noonan
Rent Stabilization and Housing Manager
City of West Hollywood
8300 Santa Monica Boulevard
West Hollywood, CA 90069

Dear Peter:

We are pleased to submit this Study of Various Approaches for Promoting Housing Affordability in West Hollywood.

We enjoyed completing this work on behalf of the City of West Hollywood, and it has been a pleasure working with you.

Sincerely,



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Managing Principal



Jessica Hitchcock, MCP
Vice President

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Introduction

Study Purpose

Since its founding, the City of West Hollywood has been known for its proactive approach to addressing housing needs for its residents. West Hollywood was among the first cities in California to implement rent stabilization and inclusionary housing ordinances in the 1980s. Since then, the City has been at the forefront of championing equitable housing through a suite of progressive policies and programs.

In recent years, along with the entire Los Angeles region, West Hollywood's residents have faced rising housing costs, and for many households, declining ability to afford adequate housing. The causes of this crisis are numerous, including strong demand outpacing production of new supply. These trends have led to significant spikes in rents and housing prices. In 2016, the City's median home sale price was \$861,000, and the average market rate rent for an un-regulated two-bedroom apartment was \$3,422 per month. Although much of the City's housing inventory is rent stabilized and protected from excessive rent increases, the need for additional innovative housing solutions is acute.

Given West Hollywood's deep-seated commitment to ensuring that housing is attainable, the City commissioned this study to explore ways to deal with this crisis, with an emphasis on creating new housing units that would be affordable to low- and moderate-income households. This study is focused on different approaches intended to create affordability within the housing market.

Approach

The key component of this report is a series of illustrative case studies of housing types and tools which have been implemented elsewhere, to address housing issues like those faced in West Hollywood. Looking beyond traditional models of affordable housing development, the case studies feature innovative housing typologies, policies, and other mechanisms. In particular, this report focuses on solutions in the design, construction, or financing of housing units. The report identifies key housing challenges facing West Hollywood, profiles possible solutions, provides a case study example of each approach, and identifies challenges/additional considerations for adapting each policy to West Hollywood.

Report Organization

The approaches and analysis presented in the study has been organized based on addressing the following desired goals:

- **Cost Reduction**, which includes ways to reduce development costs and costs paid by consumers
- **Rehabilitation of Aging Housing Stock**, which profiles a program to assist owners in improving residential properties
- **Aging in Place and Other Special Services**, which provides examples of housing formats and tools used to serve different segments of the population

Within each grouping, the analysis provides background information establishing context, and presents case studies aimed at addressing each of the issues.

The appendices to this study include information on funding opportunities for housing (Appendix A), and a summary of West Hollywood's demographic and residential market conditions and trends (Appendix B) that affect housing needs and challenges.

Summary of West Hollywood Housing Needs

This report provides a review of updated demographic and market trends (see Appendix B). In summary, trends and conditions affecting the West Hollywood housing market include the following:

- **Slow Population and Household Growth.** Because the City is largely built-out and physically constrained, West Hollywood's has had relative slow population and household growth in the since 2010.
- **High Proportion of Renter Households.** Almost 80 percent of the City's households rent their housing unit. Approximately 93 percent of the City's 18,135 rental housing units are subject to rent stabilization, which limits rent increases for existing tenants, but these units go to market rate rents when vacated.
- **High Market Rate Rents and Sale Prices.** Market-rate rents are extremely high; the average market rate rent in West Hollywood for a two-bedroom unit in 2016 was \$3,422 per month. Market rate sale prices are also at all-time high levels, with the median sale price for ownership units (combination of condos and single-family homes) at over \$860,000 in 2016.
- **No Affordable Sales:** Virtually no condominiums or single-family homes sold in 2016 were affordable to one- and three-person households earning less than 120 percent of Area Median Income.
- **Few Workers Can Afford to Live in West Hollywood.** The majority of West Hollywood workers (61.7 percent) do not live in West Hollywood or in surrounding areas (the Westside or Central Los Angeles), and commute in from elsewhere. In total, this represents 15,179 workers who live outside of a reasonable driving distance from West Hollywood.
- **Large Proportion of Seniors.** The City has a relatively high number of seniors (15 percent of population), and a relatively small proportion of children.
- **Large Proportion of Millennials.** Interestingly, the City also has a relatively large proportion of millennials (age 25 to 34) compared to the Westside or the State of California.
- **Very Large Proportion of Single-Person Households.** Sixty percent of all households in West Hollywood are single person households, a substantially higher rate than for the Westside overall.

- **High Housing Cost Burden:** Half of the City’s renter households are cost-burdened and pay more than 30 percent of their gross income to rent. Among senior renters residing in West Hollywood, two-thirds are cost-burdened.
- **Home-Based Employment:** A substantial proportion of West Hollywood residents work at home, including a high concentration of residents working in creative/arts industries. Over 11,000 artists live in West Hollywood and surrounding areas.

Community and stakeholder input for the West Hollywood Housing Element Update 2013 – 2021 also identified a range of housing needs in West Hollywood, as follows:

- **Need for More Diverse Affordable Housing Types:** A common theme, stemming from comments made both by residents and stakeholders such as developers and service organizations, was the need for more diverse types of affordable housing. Community input highlighted the need for housing affordable to West Hollywood’s households, including housing for artists, seniors to age in place, disabled residents, returning veterans, and workers commuting in to the city.
- **Need to Preserve and Renovate Existing Affordable Housing Stock:** A related theme was concern for preservation and the need to renovate the existing housing stock, particularly units subject to the City’s rent stabilization ordinance.
- **Need to Remove Barriers to Encourage Production (e.g., high land costs and high construction costs):** The Housing Element identifies numerous barriers to housing production, but two in particular can be addressed through these approaches. These include reducing the cost of land through land banking, and reducing high construction costs through streamlining approvals for modular units and micro-units.

Taken together, these trends and community concerns resulted in the commissioning of this report, to study models of affordable housing innovation being implemented elsewhere that may be adaptable to West Hollywood. This study groups the solutions into broad categories:

- **Cost reduction**, including ways to reduce development costs and costs paid by consumers
- **Housing for seniors and special populations**
- **Incentives for Multifamily Rehabilitation**

Specifically, these approaches to housing affordability and the needs they would address can be “mapped” as follows:

Table 1: Matrix of Innovative Housing Solutions by Tenure

	Renters	Homeowners
Cost Reduction		
Community Land Trusts	X	X
Modular Construction	X	X
Micro-Units	X	X
Limited Equity Co-Ops		X
Aging in Place/Special Populations		
Scattered Site Senior Services	X	
Intergenerational Co-Housing	X	X
Artist Housing	X	
Rehabilitation		
Energy Savers	X	

Each of the housing solutions presented in this report address housing needs at different affordability levels. While some programs target households earning less than 60 percent of AMI (usually due to Low-Income Housing Tax Credit funding requirements), other solutions target the ‘missing middle,’ which refers to workforce housing for those earning between 80 and 120 percent of Area Median Income. Still, other policy mechanisms are more flexible and can be designed to meet other City goals. Below is a summary of the case studies presented in this report, arrayed by their impact at different affordability levels.

Figure 1: Summary of Housing Solutions by Affordability Level



Source: BAE, 2017.

These housing solutions also require varying degrees of tenant and homeowner involvement. Interviews conducted for this study reinforced the importance of providing sufficient tenant education to empower decision-making. This was especially true for solutions requiring collective input and pooling of resources, including limited equity cooperatives, co-housing, and community land trusts. The table on the following page presents the housing solutions by need for tenant education. Given West Hollywood’s strong existing network of housing resources and its sophisticated housing community, the City is in a unique position to leverage its existing network to support these collaborative housing types.

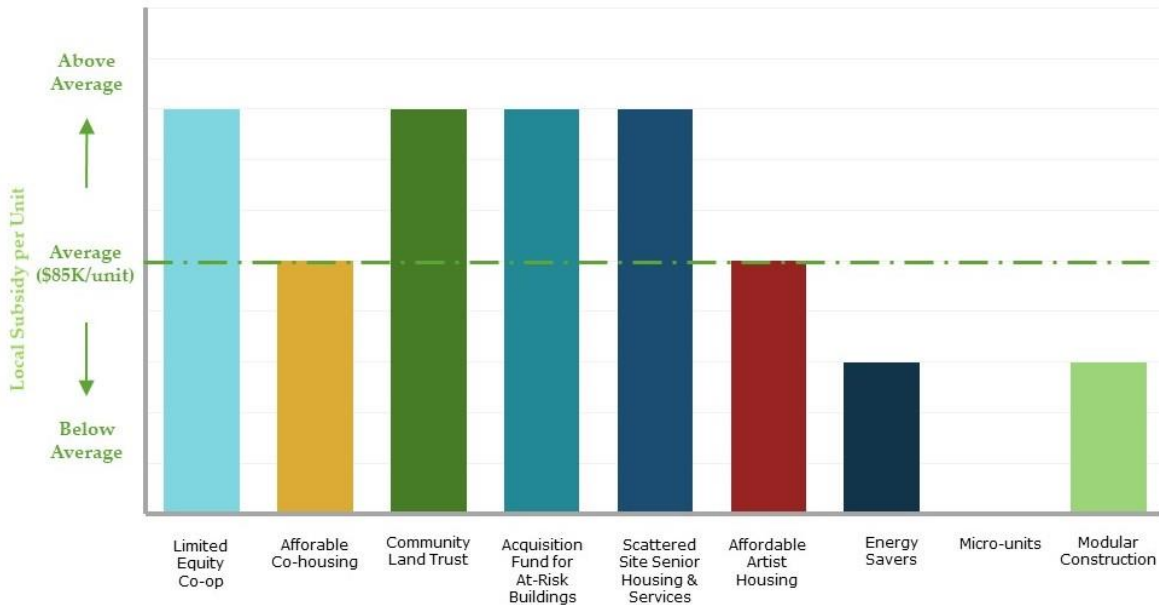
Figure 2: Tenant Education and Training Needed for Housing Solutions



Source: BAE, 2017.

Finally, the level of local subsidy needed to support each housing strategy varies considerably. Projects that leverage federal and state sources, such as the Low-Income Housing Tax Credits, HUD, and state funds, allow for the most efficient use of local resources, because City funds can leverage other available resources (see Appendix A for Funding Opportunities). However, there are some product types for which there is little funding from federal or state sources, which necessitates greater local contributions. This is true for limited equity cooperatives, acquisition funds to acquire at-risk buildings, and scattered site senior housing.

Figure 3: Local Subsidy for Housing Solutions



Note: the average per unit local subsidy is based on projects in Los Angeles County that applied for Low-Income Housing Tax Credits in the second round of 2017.

Sources: California Tax Credit Allocation Committee; BAE, 2017.

The figure above compares the average local per unit subsidy needed to construct one affordable housing unit to the likely per unit subsidy needed for other housing solutions. The average is based on a review of all affordable projects in Los Angeles County that applied for Low-Income Housing Tax Credits from the California Tax Credit Allocation Committee in 2017. The average local contribution, which includes county funding, amounted to approximately \$85,000 per unit. As noted earlier, housing prototypes for which there are limited sources of state or federal funding will require a higher per unit local contribution. Due to potential variations in actual project design and costs, this representation does not show the actual magnitude of the local subsidy required. For anecdotal data on those costs, please refer to the individual case studies.

Executive Summary of Case Studies

The following provides a summary of the case studies presented in this report:

A **community land trust (CLT)** is a community-controlled non-profit that holds title to land, and ground leases the improvements above for affordable housing. CLTs operating in high-cost markets with a lack of vacant land often use an acquisition-based strategy. This case study profiles the San Francisco Community Land Trust, which uses a local funding source, the Small Sites Program, to acquire and rehabilitate properties for tenants at risk of displacement. In exchange for its funding, the City places a covenant that runs with title requiring affordability in perpetuity. Small Sites has permanently converted 36 buildings and 269 units for affordable housing, with local subsidies averaging \$330,000 per unit. This is an example of an anti-displacement strategy that has directly kept San Francisco residents in place who would have otherwise lost their housing.

Modular housing is a construction method where sections are built in a factory, and finished modules are transported to the site, where they are lifted by cranes and stacked to create a complete building. This technology has the power to significantly reduce the time it takes to build a housing project. However, the technology is still relatively new, and time and cost savings have yet to be realized, especially as development teams adapt to new techniques and processes. This case study profiles this new delivery system, its benefits and challenges, and presents ideas for how the City can prepare for projects proposing modular construction.

Microunits are small studio apartment units, no more than 350 square feet, that have gained traction in recent years in high-cost housing markets. Microunits are built in dense, urban environments and targeted to those willing to compromise space for proximity to urban amenities. This prototype is considered a market-based solution to the affordability crisis. Developers build with no public subsidies, and simply charge less rent because the units are smaller. At the Panoramic, a microunit project in San Francisco built in 2013, rents average \$1,800 for a 290-square foot unit, which is 40 percent less than the average studio rent in San Francisco (\$2,555 for 550 square feet). Drawing from lessons in Seattle, this case study describes the prototype, household incomes served, and zoning regulations that impact development.

Limited equity cooperatives are a type of cooperative that facilitate a form of homeownership in which residents own shares in a property, entitling them to occupy a unit in the building. Limited equity housing cooperatives (LEHCs) provide low- and moderate-income households a path to homeownership by using public subsidies to offset development costs, so households can buy into an LEHC with a small equity contribution. Upon sale, the appreciation is limited to ensure affordability for the next buyer. Although LEHCs were popular in the 1960s and 1970s, federal funding has since disappeared, and few new LEHCs have been built recently. Numerous challenges exist, including a perception of risk by lenders and a lack of interest by

non-profit developers. LEHCS also require a significant level of tenant training to empower sound housing decisions. LEHCS are a challenging product to develop, and require significant City subsidies and collaboration with tenant groups to be successful. This case study profiles the unique features of LEHCs, success factors and challenges to development, and policies the City can encourage to foster development.

Energy Savers. According to the *West Hollywood Apartment Rehabilitation Study*, one reason landlords do not undertake improvements is complexity of work and/or because they lack access to capital to pay for improvements. This case study presents a potential solution, and profiles two non-profits, Elevate Energy and CIC, based in Chicago, who have joined forces to make it easier for landlords to undertake energy efficiency upgrades by providing technical assistance and financing in a one-shop stop. The case study provides guidance for how West Hollywood could replicate a similar program to encourage apartment rehabilitation.

Co-housing is an intentional clustering of homes around a shared space. Co-housing forms when a group of people pool resources together to acquire or build a new neighborhood. Projects typically consist of 25-35 units, which are physically clustered around common spaces to encourage community interaction. It is common for residents to share responsibilities, including cooking meals in the Common House, which encourage collaborative living. More importantly, co-housing encourages a participatory process that aims to achieve consensus in decision making. This case study profiles Berkeley Cohousing, and offers suggestions for how co-housing can be made affordable to lower income households.

Scattered Site Senior Housing and Services. This case study profiles RiseBoro, a senior service non-profit based in the Bushwick neighborhood of Brooklyn, which is dense and fairly built-out. The organization has embraced a scattered-site delivery model, leveraging sites as they become available to expand its mission. In addition to providing affordable senior housing, RiseBoro provides services that allow seniors to age in place, including senior centers, adult day care, homecare for independent living, home-delivered meals, and assisted living facilities. This program is possible because of funding provided by New York City and State. The case study profiles the organization, trends in senior care, and ideas for how to replicate a non-profit with a similar mission.

Artist live/work housing is unique because it provides both residential accommodations and artist workspace, along with communal or gallery spaces to encourage collaboration. There is a high concentration of artists living in and around West Hollywood, representing strong demand for artist live/work space. This case study profiles the Tannery, a development in Santa Cruz built with tax-credit financing and operated by ArtSpace, an artist advocacy organization with experience developing artist housing. The case study highlights unique features of this prototype, and provides suggestions for how West Hollywood can support artist live/work arrangements.

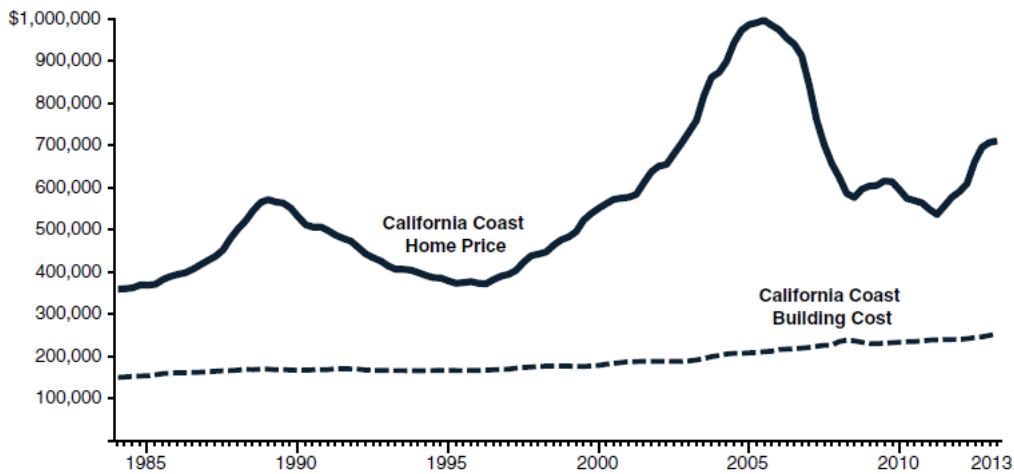
Case Studies: Cost Reduction

Context

Constructing new housing in California is expensive. In 2015, the Legislative Analyst’s Office (LAO) issued a report, *California’s High Housing Costs: Causes and Consequences*, which found that building costs were higher in California than the rest of the country. Four factors contributed to this: land, labor, materials, and government fees. The report estimated that the last three factors led to a \$50,000 to \$75,000 increase in costs for a single-family home compared to the rest of the country.

However, the incremental difference in costs alone do not explain the high price of housing in California. As shown in the figure below, between 1985 and 2013, the cost of building housing in California increased steadily, on par with expected inflation. However, home prices in major metropolitan areas consistently surpassed construction costs, even in downcycles.

Figure 4: Home Prices and Building Costs of Median Homes in Major California Metros, 2014 dollars, 1985-2013



Source: Reproduced from *California’s High Housing Costs: Causes and Consequences*, California Legislative Analyst Office, March 17, 2015

The LAO found the primary cause of California’s high housing prices is an imbalance between supply and demand. California is not producing sufficient housing, especially in metropolitan coastal regions. In areas with lower housing demand, such as parts of inland California, building costs accounted for over 80 percent of home prices. However, in coastal areas, renters and home buyers compete for a limited supply of apartments and homes, driving up prices in excess of building costs. In California’s coastal communities, building costs accounted for approximately one-third of home prices. The policy implication is that even if

there are ways to lower the cost of constructing housing, there is a need for commensurate mechanisms to cap the prices and rents at or near the cost of developing units.

This chapter profiles several innovative housing strategies to reduce housing costs. The first two solutions focus on lowering the cost to build housing, through land controls (community land trusts) and reducing construction costs (modular housing). The second set of solutions profiles prototypes that allow for consumers to pay less for housing, either through smaller units (micro-units) or by offering public subsidies for homeownership (limited-equity cooperatives).

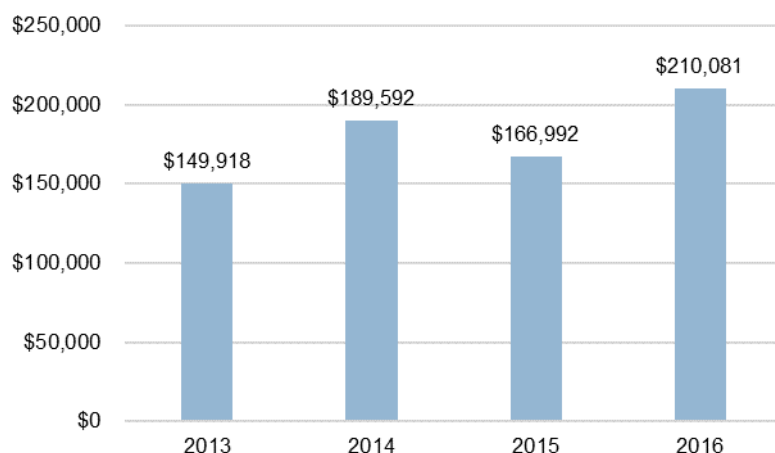
Community Land Trusts

One the largest and most rapidly rising cost components for new housing development in the Los Angeles region is land. Due to concerns over zoned density, as well as the built-out character of communities like West Hollywood, most land that can be developed for new housing is scarce, and as a result, commands high prices.

Some communities across the US, responding to land scarcity and/or concerns about displacement, have organized community land trusts (CLTs), which are non-profit organizations that purchase land (or receive donated land), and hold this land in trust for the community. As housing activists look for effective tools to prevent displacement from gentrifying neighborhoods and create inclusive communities, many are turning to community land trusts to create permanently affordable housing.

In 2016, the City of West Hollywood considered a policy that would grant tenants the right of first refusal to purchase their buildings before the owner could offer the property for sale in the open market. According to assessor's data, between 2013 and 2016, an average of 90 buildings were sold in West Hollywood annually, equivalent to 1,133 units. The average acquisition price per unit has incrementally increased, averaging \$150,000 in 2013 and rising to \$210,000 in 2016. Compared to new construction, which averaged \$423,000 per unit in Los Angeles County in 2017 (data in Modular Construction section), preserving affordable housing through an acquisition-based model with a community land trust structure may be an affordable alternative to preserving housing units.

Figure 5: Average Sales Price per Unit, Multifamily Building Sales in West Hollywood, 2013-2016



Sources: Los Angeles County of the Assessor; BAE, 2017.

This case study analyzes whether a community land trust can be used to acquire and hold properties for long-term affordable housing. The case study highlights the San Francisco Community Land Trust (SFCLT), which is an acquisitions-based CLT operating in a high-cost housing market similar to West Hollywood. In addition, this case study profiles San Francisco's Small Sites Program, which is the primary acquisition fund used by SFCLT to obtain properties.

Case Study: San Francisco Community Land Trust (SFCLT)

A community land trust is a community-controlled organization that retains ownership of land, and offers the housing above the land for homeownership or rental. What makes CLTs unique is a legal structure that separates ownership of the land and the housing above it. By vesting land ownership in a non-profit entity, a CLT enforces its mission through provisions that run with the land.

CLTs can dedicate housing atop the land for ownership or rental. In a homeownership setting, in exchange for below-market prices, purchasers agree to resale restrictions that keep the homes affordable to subsequent buyers while allowing owners to build equity (see section on Limited Equity Cooperatives for more information).¹ When properties are held for rental, the community land trust offers units for below-market rents, often by leveraging public subsidies to maintain affordability.

¹ Axel-Lute, M., & Hawkins-Simons, D., *Community Land Trusts Grown from Grassroots*, July 2015, Accessed on 11/3/2017 https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/paper-axel_lute-hawkins_simons.pdf

The mechanism that governs the relationship between the CLT and the above housing is a ground lease, which runs for 99 years. Generally, the ground lease provides the homeowner or renter the exclusive use of the property, the right to privacy, and the ability to bequeath the lease. The CLT maintains certain rights, mostly centered around ensuring long-term stability, can force repairs, or enforce targets for income eligibility.

Target Group

The San Francisco Community Land Trust, formed in 2003, is a membership-based, non-profit whose mission is “to create permanently affordable, resident-controlled housing” for those earning up to 120 percent of Area Median Income (AMI). According to Keith Cooley, the Asset Manager at SFCLT, the non-profit maintains a strong anti-displacement, eviction prevention goal, which is important in a high-cost housing market like San Francisco.

SFCLT fills a market niche by targeting smaller buildings that other affordable housing developers have deemed not financially feasible to manage due to their small size or scattered-site location. SFCLT’s portfolio consists of properties ranging in size from four to 21 units. While SFCLT was originally founded to promote homeownership, their recent projects have mostly been rentals. This shift has been driven by funding availability and challenges in creating and managing homeownership products.

Process: San Francisco’s Small Sites Program

Many of SFCLT’s recent acquisitions have been financed by the Small Sites Program (SSP), an initiative launched in 2014 by the Mayor’s Office of Housing and Community Development (MOHCD). Unlike measures aimed at increasing housing supply (e.g. inclusionary housing), Small Sites combats displacement using an acquisition strategy to stabilize tenants.

The following is an example of how this program works:

- (1) An owner of a five-plex in San Francisco may invoke the Ellis Act with the intent of selling the property for conversion into a tenancy-in-common (TIC) for homeownership.
- (2) Tenants can commission a non-profit to acquire the building at full market price using money available from SSP and a mortgage from a private bank.
- (3) SFCLT conducts a building assessment to determine if it qualifies for SSP. SFCLT completes income certifications, and assesses social cohesion among tenants.
- (4) To qualify for SSP, the average household income for the building must not exceed 80 percent of AMI. This provides latitude for a range of incomes, with some tenants who may be very low-income and others who may be above-moderate.
- (5) Some buildings may have substantial deferred maintenance, so if rehabilitation work is necessary, SFCLT will commission a cost estimate.
- (6) SFCLT runs a preliminary analysis to determine if the acquisition and improvement costs fall within the maximum subsidy caps and supportable mortgage before agreeing to purchase a building.
- (7) The deal is backed by an appraisal, so the seller cannot artificially inflate the price above market.

Funding

The building's rental income is used to support a first mortgage, which covers between 20 to 30 percent of the sales price. SSP partners with nine banks and community development financial institutions (CDFIs). The banks must agree to subordinate their loans to the City's affordability covenant, which means that even in default, banks are not allowed to raise rents.

The City provides the remaining gap financing. The per unit subsidy ranges from \$300,000 to \$375,000 depending on building size. In exchange for its funds, San Francisco records a covenant against the property that runs with title, requiring the building to remain affordable in perpetuity. Interestingly, recording affordability covenants in exchange for city funding approximates a community land trust because the provision runs with title, ensuring permanent affordability.

Funding for SSP has increased over time. San Francisco has witnessed unprecedented development in recent years. SSP funding comes from impact fees, community benefit agreements, and revenue from the City's general obligation bonds for housing. Funds available for SSP increased from \$3 million in 2014 to \$84 million in 2017.

Terms

SSP contains the following unique terms:

- **Rehabilitation:** SSP funding can be used for improvements. The purpose is to capitalize the building upfront and provide improvements to ensure long-term viability. Most financial institutions are unwilling to lend for improvements, so this fills a market need. Although the City exposes itself to greater risk (City funds are subordinate to the first mortgage), the program so far has a zero percent delinquency rate.
- **Means-tested rents:** rents paid by tenants can fluctuate from what they are currently paying. Tenants who are already paying 30 percent of gross income in rent will not see changes. Those who are overburdened may see rents decrease. Tenants paying less than 30 percent of their gross income will see rents rise to a minimum of 20 percent and up to 30 percent if required for financial feasibility.
- **Cash-out refinances** are used by investors to extract cash out of a building as rents rise. This is permitted by SPP, so long as cash is used for rehabilitating the building.
- **Forgivable interest:** SSP is "soft" debt, so that if there is insufficient cash flow after paying the primary mortgage, unpaid interest due to SSP is forgiven.
- **Developer fee:** to encourage small-scale CDCs to participate, SSP offers a flat \$80,000 developer fee, which allows smaller players to build capacity and staff.
- **Capitalized reserves:** SSP requires the building to capitalize operating and replacement reserves upon closing, and for reserve deposits to be made annually. This ensures the building has sufficient capital to cover future replacement costs.

Outcomes

According to Ruby Harris, the SSP Manager, the Small Sites Program is an anti-displacement strategy that has had a direct impact in keeping San Francisco residents in place who would

have otherwise lost their housing. Since the program launched in 2014, SSP has supported the purchase of 24 buildings covering 150 units and eight commercial spaces. There are an additional 12 buildings and 119 units in the pipeline, which will bring the total number to 36 buildings with 19 commercial spaces and 269 residential units permanently converted for affordable housing in the last three years. The average subsidy is \$330,000 per unit.

An interesting byproduct of this program is how SSP works in mixed-use buildings with a commercial space. Given San Francisco's historic development pattern, which often includes ground-floor retail, San Francisco allows residential buildings with commercial space to qualify for SSP funding. If a space is currently leased to an ethnic market at below-market rents, non-profits that use SSP to acquire buildings can continue to maintain these rents. In effect, this creates an informal version of commercial rent control, so long as non-profits continue to lease with a mission-driven purpose.

Replicability and Success Factors

This section describes key elements that make both the San Francisco Community Land Trust and the Small Sites Program successful.

Community Land Trust: Most community land trusts in the United States have been formed in areas with access to vacant land or underutilized parcels, which is a very different environment than SFCLT. According to Keith Cooley, factors vital to the success of a community land trust operating in a high-cost market include:

- **Access to adequate financial resources**
- **Development expertise** to acquire buildings, rehabilitate, and/or new construction
- **Partnerships with tenant organizations** or internal capacity dedicated to tenant education and housing issues

Small Sites Program: Following are factors that have led to the program's success:

- **Strong partnerships:** According to Ruby Harris, the Small Sites Program Manager, collaborating with non-profits, tenant advocacy groups, and financial institutions has been pivotal in crafting a workable program.
- **Flexible terms:** The concept of using an average household income not exceeding 80 percent AMI is inventive because it provides flexibility for buildings where some rents may have been reset due to vacancy, but the overall building mix is still low-income.
- **Due diligence:** According to Keith Cooley, the Asset Manager of SFCLT, completing due diligence is vital in determining whether a building qualifies for SPP.

Challenges

Small Sites Program: According to Keith Cooley, some tenants do not like the Small Sites Program because their rents increase.² This occurs for tenants in rent-stabilized buildings who have historically paid low rents, despite earning moderate to higher incomes. The City's rationale for means-testing tenants and setting rents commensurate with ability to pay was to ensure fairness and to leverage what tenants could afford to pay to maximize the supportable mortgage, thereby reducing the City subsidy. From a policy perspective, this allows the City to stretch its resources and fund more units.

Another challenge is the program is costly, requiring a high city subsidy on a per-unit basis. According to Ruby Harris, the average acquisition cost is \$330,000 per unit, which is expensive compared to new construction, where city funds leverage other subsidies, such as federal tax-credit equity and state sources.

Finally, the City has difficulty attracting non-profits to develop in certain neighborhoods where there are no existing community organizations. SFCLT is one of the few non-profits willing work across all neighborhoods in San Francisco.

Community Land Trust: According to the SFCLT, its primary challenge is land scarcity. SFCLT must compete in the open market to acquire buildings, and it is proactive in neighborhoods with gentrification pressure. However, speculation in these markets make acquiring properties difficult because listings are often overpriced. One way to give organizations like SFCLT access to more properties is to implement a right of first refusal requirement, where sellers are required to first offer to sell the property to the tenants prior to listing it for sale. This would give an opportunity for SFCLT to organize and have access to more properties, so long as funding was available from SSP.

SFCLT also faces capacity issues, such as fundraising, misinformation, and social services. Unlike non-profits that earn developer fees on large projects, SFCLT operates on a smaller scale and must fundraise to support its mission. In addition, sellers do not believe they can get a fair acquisition price from a community land trust, incorrectly assuming the CLT offers below-market prices. Moreover, although SSP provides funding for acquisition, there is no money available for ongoing supportive services. Tenants in SFCLT's portfolio include formerly homeless, veterans, and other populations who need supportive services.

Recommendations for West Hollywood

West Hollywood has policies in place aimed at mitigating displacement risk. However, the City does not have a program where non-profits can compete directly with investors to purchase

² Utilizing funding from the Small Sites Program removes buildings from the City's rent stabilization ordinance (RSO). Future permissible rent increases are controlled by the SSP guidelines, which historically have been on par with increase allowed by the City's RSO.

properties and keep them permanently affordable. Given the success of San Francisco's Small Sites Program, West Hollywood may want to consider crafting a similar acquisition fund. The City could roll this out in tandem with a right of first refusal requirement, which would give tenants the opportunity to collectively purchase their building. The combination of available financing and collective ownership has the potential to convert a portion of the existing inventory permanently for affordable housing.

Modular Construction

According to the Legislative Analyst Office's 2015 report, *California's High Housing Costs: Causes and Consequences*, California has some of the highest building costs in the country. In 2017, the average cost to construct an affordable housing unit in Los Angeles County was \$423,500, based on recent development costs for projects that applied for tax-credit financing (see table below). Of this, hard construction costs averaged \$198 per square foot, accounting for approximately 57 percent of total development costs.

Table 2: Development Costs for Affordable Housing Projects, Los Angeles County, 2017

	<u>Average</u>	<u>% of Total</u>
Development Costs per SF		
Acquisition Cost	\$ 47	13.6%
Hard Cost	\$ 198	57.4%
Soft Cost	\$ 62	17.9%
Contingency	\$ 11	3.3%
Reserves	\$ 4	1.1%
Developer Fee	\$ 23	6.7%
Total Development Cost	\$ 345	100.0%

Evaluation Metrics

Acquisition Cost per Unit	\$ 57,432
Total Development Cost per Unit	\$ 423,492

Note:

Includes all projects in Los Angeles County (N=12) that applied for tax credit financing from the California Tax Credit Allocation Committee in the second round of 2017.

Sources: California Tax Credit Allocation Committee; BAE, 2017.

Lowering the cost of construction through greater efficiencies, changes in materials, or other innovations, has long been a goal of housing advocates and architects. As construction costs continue to rise, these innovative approaches will become critically important to communities like West Hollywood.

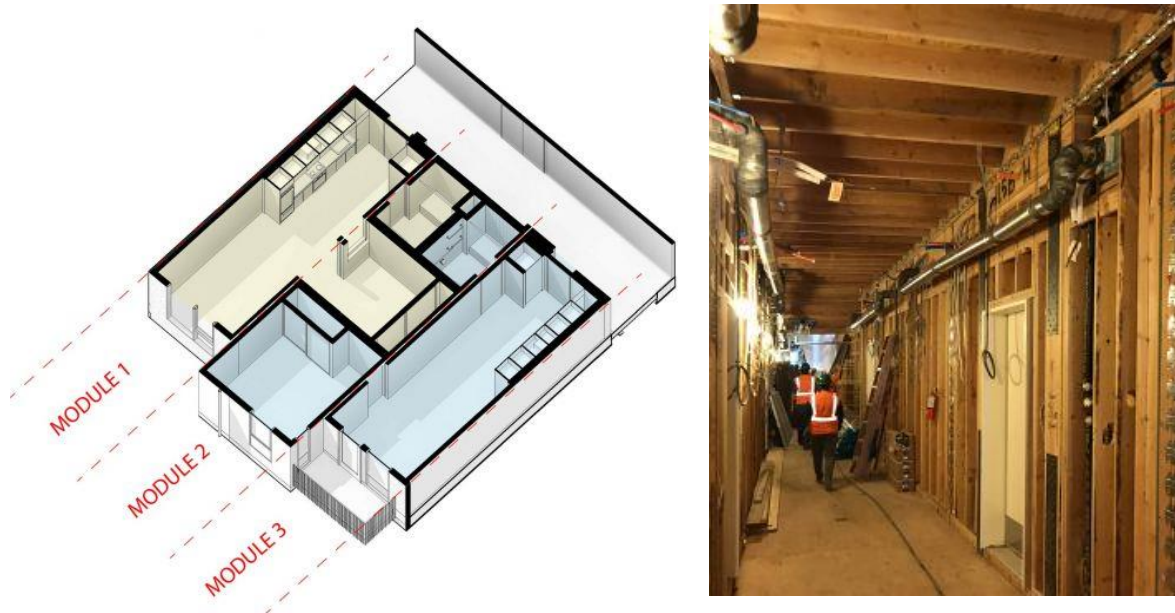
Modular construction is a method that affordable and market-rate developers have been experimenting with to lower costs and reduce the time it takes to complete projects. Although the technology has been in existence for some time, it has never been adopted on a broad scale in the United States for multifamily housing. David Baker Architects, a leading architecture firm with expertise in modular construction, was interviewed to provide insights into the prototype, discuss benefits and challenges, and explain whether modular construction actually results in cost savings. The case study also presents ways that cities can prepare for and encourage modular construction in their zoning code.

Case Study: Difference Between Modular and Traditional Stick-Built Construction

Modular construction differs from traditional stick-built housing in that they are partially built in a factory, which allows 24-hour production in a climate-controlled environment. Modular units

are delivered to the job site, where components are assembled and tied into the foundation and building systems. While there are multiple ways to design the modules, David Baker Architects aims to maximize factory-based work and minimize costly onsite work by limiting on-site construction to corridors and exterior walls. The figure below compares work built in a factory to construction completed at the job site. As shown below, the modules produced in the factory include finished interiors, including cabinetry, closets, flooring, and appliances already intact.

Figure 6: Comparison Between Modules and On-Site Construction



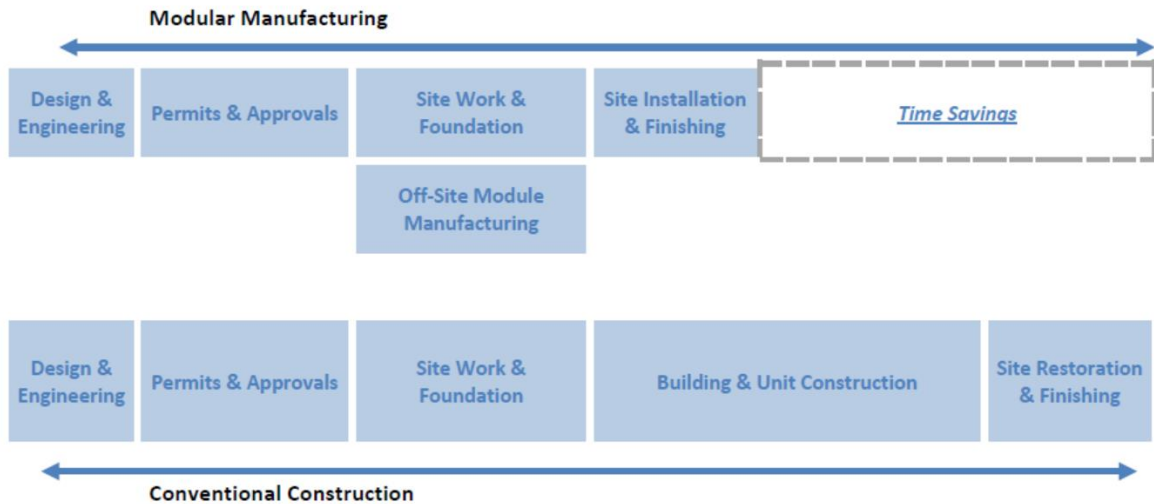
Source: David Baker Architects

Modular construction has the potential to significantly reduce the time it takes to complete a project because construction occurs simultaneously in the factory and on-site. The figure on the next page compares the timeline for a project constructed using modular and stick-built construction. Using traditional stick-built methods, construction is more sequential, requiring trades to follow others consecutively. The foundation is poured first, followed by framing, plumbing and electrical systems, and exterior sheathing before work can begin on individual units. In modular construction, site work and unit construction occur simultaneously. The factory is producing modular units at the same time as work is being performed to prepare the site. Industry professionals claim that modular construction can reduce multifamily construction time by as much as 50 percent.³ According to the Modular Building Institute,

³ Stein, A. (2016), *Disruptive Development: Modular Manufacturing in Multifamily Housing*, (Master's Thesis), University of California, Berkeley.

modular projects take an average of 9.29 months to build, compared to 16.86 months for conventional construction.⁴

Figure 7: Comparing Time Duration for Modular and Stick-Built Construction



Source: Galante, C., *Building Affordability by Building Affordably: Exploring the Benefits, Barriers, and Breakthroughs Needed to Scale Off-Site Multifamily Construction*, Turner Center for Housing Innovation, UC Berkeley, March 2017.

Modular construction is subject to the same or higher building standards as stick-built homes, despite some notions that modular production results in substandard products. In fact, the modular construction process is even more involved, from a design and inspection standpoint. Because there are two tracks, with construction happening in a factory and onsite, this creates the need for two sets of drawings and separate approvals process. Drawings for the factory-produced modules are sent to the California Department of Housing and Community Development (HCD) for review and approval. A separate set of drawings for onsite work are sent to the City. The state sends inspectors to the factory to inspect manufactured components for code compliance, while the City inspects the major systems built onsite and connections to the modules. For cities undertaking this process for the first time, it is important for the City to understand which signoffs are under the state’s jurisdiction, and those for which the City is responsible.

Benefits

The benefits of modular housing include the following:

- **Time savings** is the most significant benefit of modular construction. Projects built through modular methods can be brought to market faster than traditional stick build. Factories can operate 24-hours a day, 7 days a week, while on-site construction is limited by weather, scheduling, and neighborhood considerations.

⁴ Smith, R.E., & Rice, T. (2015, April). Off-Site Studies – Permanent Modular Construction – Process Practice Performance [Editorial]. *Modular Building Institute*. Retrieved October 30, 2017, from http://www.modular.org/HtmlPage.aspx?name=foundation_offsite_PMC_report

- **Cost savings:** Time is money. By reducing the average construction period from 17 to 9 months, this lowers the carrying costs for construction interest, insurance, and other soft costs. However, according to David Baker Architects, although cost savings are possible, they have not yet been realized because there is a learning curve with any new delivery method. Although DBA has been involved in multiple modular projects, unanticipated issues have offset gains from factory production, especially for projects where the design team is still “learning”. Still, DBA believes that there is enormous potential, and with more experience, cost savings are possible.
- **Affordable housing potential:** according to a 2017 report by the UC Berkeley Turner Center, *Building Affordability by Building Affordably*, reducing development costs can translate into the possibility of affordably-built housing with lower rents or prices.
- **Additional benefits** include reduced site impacts, less waste, and increased labor safety. Construction sites that use modular methods are quieter, with fewer heavy machines on-site, which translates into improved air quality and less noise for the surrounding community.

Challenges

With these potential benefits, it would seem modular construction should be eclipsing traditional construction, but this is not the case. In fact, there are significant hurdles before modular construction can be deployed at scale:

- **Financing Mismatch:** modular manufacturers need as much as 50 percent of the total project budget upfront to finance procurement and production.⁵ However, construction lenders are often unwilling to provide upfront capital needed, because they are accustomed to paying monthly draws related to construction completed on-site, which acts as collateral for their loan. Lenders need to develop standards for financing modular construction, so manufacturers have access to sufficient capital to pay suppliers and deliver modules on-schedule.
- **Design Commitment:** modular construction requires advanced planning, so the modules can be produced in the factory. Changes made once production has begun can lead to delays and higher costs.
- **Manufacturing Capacity:** there are significant fixed costs in staffing and operating a factory, which needs a steady stream of projects to remain viable. Modular manufacturers are vulnerable in down cycles, especially if costs fall for traditional stick-build construction, and developers switch to traditional methods.
- **Site constraints:** certain site characteristics may make modular construction difficult. The site needs to be large enough or have access to nearby parcels within crane’s distance for staging. Transportation access is important too. DBA assesses the road network and topography to determine whether sites are suitable for modular delivery.

⁵ Stein, A. (2016), *Disruptive Development: Modular Manufacturing in Multifamily Housing*, (Master’s Thesis), University of California, Berkeley.

Funding

Funding for modular construction projects is similar to standard market-rate or affordable housing developments.

Replicability and Success Factors

Modular construction for multifamily residential buildings is still relatively new, and it will take time for the industry to develop the necessary expertise to master the method. According to David Baker Architects, developers, contractors, architects, and engineers develop experience and capacity with each project. The first project can be challenging, and it is important to have players who can solve problems and who are not risk averse.

This sentiment was echoed by the Turner Center for Housing Innovation, which found development teams “need to forge a new hybrid development process that includes elements of both conventional construction and traditional manufacturing, and...a willingness to break with traditional methods.”

The need to develop familiarity and expertise in modular construction extends to City officials who must review and approve plans, conduct building inspections, and provide final sign-off on the construction.

Recommendations for West Hollywood

In high cost areas where housing construction is not keeping pace with demand, modular housing offers a way to increase supply faster than traditional methods. There have been a few projects in the Los Angeles region that have used modular construction. The most notable is the 73-story Wilshire Grand Hotel by Turner Construction in downtown Los Angeles. West Hollywood can prepare for modular construction projects in the following ways:

- **Compatible Zoning:** Review zoning codes to ensure compatibility with modular construction. DBA Architects noted it has encountered issues with height limits. While a typical building has 10' floor-to-floor heights, with the ceiling for a unit equivalent to the floor of the unit above, each stacked module has a ceiling and floor, resulting in an additional 1' thickness at each level. Zoning codes with hard height limits may encounter challenges. DBA suggested providing some flexibility for height limits in the zoning code (e.g. range of permitted maximum heights).
- **Education:** Inform and educate building department officials on the process for reviewing and inspecting modular projects. City staff who have worked on one modular construction project should be assigned to work with future modular construction projects, so that the learning curve does not have to be repeated, and subsequent modular developers can benefit from staff's prior experience.

Micro-Units

Micro-units have gained traction in recent years in high-cost housing markets. Unlike community land trusts and modular construction, which aim to lower input costs related to development, micro-units convey affordability because renters and homeowners are simply paying for less space, which translates into lower rents.

Micro-units are smaller than studio apartments, usually 350 square feet or less, and fully contain kitchens and bathrooms in-unit. There are alternative products, referred to as congregate micro-units, that are smaller and exclude in-unit kitchens. These product types are attractive to smaller households who are willing to downsize in exchange for lower monthly rents. Usually developed without public subsidies, rents are approximately 20 to 30 percent lower than a conventionally-sized unit.⁶

Case Study: The Panoramic (San Francisco, CA)

The Panoramic is located at 1321 Mission Street in San Francisco's SoMa neighborhood. It was completed in 2013 by the Berkeley-based developer Panoramic Interests. The eleven-story building has a total of 160 units, which include 120 studio micro-units, and 40 two- and three-bedroom suites.

Each unit comes with built-in storage, oversized windows, and stainless-steel Energy Star appliances. Nine-foot ceilings and protruding bay windows make units seem larger. Each micro-unit has its own full kitchen and bathroom, a hideaway bed queen-sized bed, and a kitchen table that can be folded away and stored while the bed is in use. Suites share a full-sized kitchen and a bathroom.

Project amenities include a rooftop garden, public lounges on every floor, a bike storage room, and a ground floor cafe/lobby. The Panoramic does not provide parking, but on-site City CarShare vehicles are available to residents.

Target Group

Microunits are typically built in dense, urban environments and are often targeted to single millennials. Members of this demographic are open to unconventional living arrangements and are often more willing to compromise space for proximity to urban amenities. However, microunit development could also be well-suited to markets with large populations of older single adults.

The monthly rent for a 290-square-foot unit at the Panoramic is \$1,800, which is approximately what would be affordable to a one-person household earning 90 percent of AMI

⁶ Urban Land Institute. *The Macro View on Micro Units*, Washington D.C., Urban Land Institute, 2014, Accessed on September 22, 2017 http://uli.org/wp-content/uploads/ULI-Documents/MicroUnit_full_rev_2015.pdf

in San Francisco.⁷ (The average rent for a studio apartment in San Francisco built in 1980 or later is \$2,555, which requires an income above 120 percent of AMI).⁸ It is important to note that while the gross rent for a micro-unit is lower than the comparable rent for a studio, the micro-unit's rent per square foot is much higher. In the example above, the micro-unit's average rent per square foot is \$6.20 per square foot per month, higher than the average studio rent of \$4.65 per square foot.

Figure 8: The Panoramic



A micro-unit with the bed folded up and down. Source: Panoramic Interests.



The exterior.

Source: Panoramic Interests.



A suite.

⁷ http://sfmohcd.org/sites/default/files/Documents/MOH/Asset%20Management/2017%20AMI-IncomeLimits-HMFA_04-21-17.pdf

⁸ CoStar, Q3 2017

Financing

The Panoramic was financed entirely by private investors and lenders with no public subsidy. This is typical for many microunit projects, which is why this product type is often touted as a market-based solution to housing affordability issues.

Total development cost at the Panoramic was \$59 million, equivalent to \$368,750 per unit. The project is compliant with San Francisco's inclusionary housing policies, and 12 percent of units are rented to households earning less than 50 percent of AMI.

Table 3: The Panoramic Financing (a)

Land Acquisition Costs	\$2,300,000
Construction and Other Costs	\$56,700,000
Total Development Cost	\$59,000,000

Cost per Unit (160 units) **\$368,750**

Note:

(a) Financing sources for the Panoramic are entirely from private investors and lenders and are confidential.

Sources: Panoramic Interests; BAE, 2017.

Case Study: Seattle Microunit Policy

In addition to profiling an example of a microunit project, this report also reviewed Seattle's experience with micro-unit policy. The purpose was to extract lessons for how to encourage microunit production through the City's zoning code.

2009: Seattle's Microunit Boom Begins

Seattle's first microunit developments appeared in 2009. aPodment Suites at Avenida and aPodment Suites at Videré were both congregate micro-units with dormlike sleeping rooms (averaging 140 square feet) with common kitchens.⁹ The developer found a loophole in Seattle's building regulations, which allowed up to eight unrelated people to live in one "dwelling" with a shared kitchen. The developer created rentable "sleeping rooms" as small as 100 square feet with private baths and a shared with up to seven others renters.¹⁰

Construction surged for this product type, giving Seattle more congregate micounits than any other city in the country. In 2013 alone, 1,800 micro-units were built (nearly one-quarter of all new dwellings built that year).¹¹ The vast majority were congregate micro-units.

⁹ <https://apodment.com/capitol-hill-apodments/videre/>

¹⁰ <http://www.seattletimes.com/pacific-nw-magazine/seattles-micro-housing-boom-offers-an-affordable-alternative/>

¹¹ <http://www.sightline.org/2016/09/06/how-seattle-killed-micro-housing/>

2013: Microunit Opposition Gains Steam

Publicity surrounding these microunit developments began to spur public reaction. In 2013, Seattle City Council Members expressed concern that microunit buildings were able to bypass the design review. Citizens at public hearings voiced concerns about micro-units threatening the character of Seattle's neighborhoods and expressed fears about the developments attracting transient, non-family populations.¹²

2014 – 2016: New Regulations Curb Microunit Production

From 2014 to 2016, in an effort to increase oversight of microunit production and mollify public concern, city and county agencies implemented the following policies:¹³

- Zoning limits on congregate housing developments: The development of congregate housing is now prohibited in places zoned for neighborhood commercial centers and for low-rise multi-family buildings. This restriction has caused congregate micro-units to virtually disappear from the development pipeline. In its place, the City has encouraged small efficiency dwelling units (SEDUs) (with a required minimum of 220 square feet) as a replacement for congregate micro-units.
- Mandatory design review processes: Projects are now required to go through a design review process that involves meetings with community members and a citizen panel.
- Parking requirements: Some sites that had been exempt from minimum parking requirements are no longer exempt. The City narrowed its definition of "frequent transit network," which exempts developers from waiving parking when building near transit.
- Affordable housing subsidy changes: The City Council also changed the multi-family tax exemption (MFTE) on new multifamily buildings given to developers in exchange for setting aside a portion of the homes as income- and rent-restricted. Under the new rules, 25 percent of units in a microunit development must be set aside for individuals earning 40 percent of AMI in order to qualify for the exemption (in the past, microunit developers had obtained MFTE benefits for setting aside only 20 percent of units for individuals earning 65 - 90 percent of AMI).¹⁴
- Minimum floor space requirements: The City adopted the "70-7" rule, which requires that each dwelling unit has at least 70 square feet of clear floor space.¹⁵

The effects of these policies can be observed in the figure on the following page. Restrictions on congregate micro-units have greatly reduced their popularity. However, developers have

¹² <https://www.seattlemet.com/articles/2013/4/18/the-pitchforks-come-out-at-apodment-hearing-april-2013>

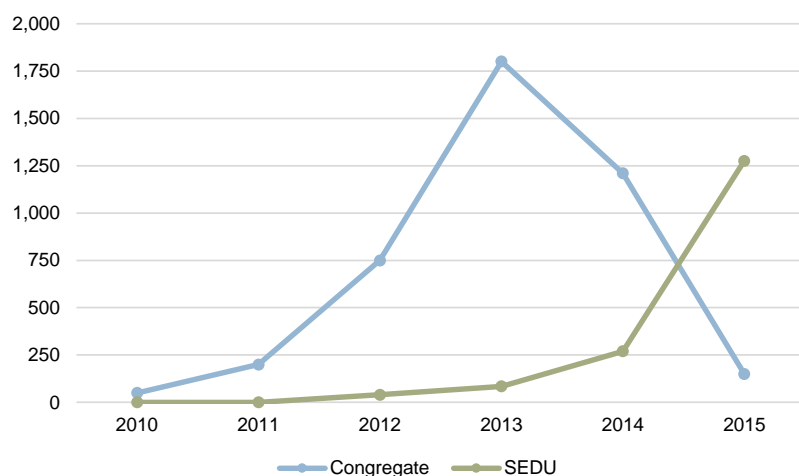
¹³ <http://www.sightline.org/2016/09/06/how-seattle-killed-micro-housing/>

¹⁴ <https://www.seattle.gov/housing/housing-developers/multifamily-tax-exemption>

¹⁵ http://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/p3273530.pdf

been switching to SEDUs. While congregate micro-units were all but eliminated after the new rule changes, SEDU production increased rapidly, from 250 units in 2014 to over 1,250 in 2015. This shows that public policy is instrumental in shaping outcomes. Today, demand for micro-units in Seattle persists, and the City is on pace to add more micounits to the City's housing stock.

Figure 9: Seattle Microunit Production, 2010 - 2015



Sources: Sightline Institute; City of Seattle Office of Planning and Community Development; BAE, 2017

Target Group

Table 4 compares the average rents of congregate micro-units, SEDUs, and studios in Seattle in 2017. Congregate units have the lowest gross rent, averaging \$998 per unit, and are generally affordable to individuals earning 60 percent of AMI. They also are the smallest at 186 square feet. SEDUs are larger and slightly more expensive, with rents averaging \$1,275 for 266 square feet. This serves households at 75 percent of AMI. Standard studios are more expensive, with gross rents averaging \$1,546 for 455 square feet, making them affordable to those at 95 percent of AMI.

Table 4: Average Rents in Seattle by Unit Type, 2017

	Average Total Rent	Average Unit Size	Average Rent PSF	Approximate AMI Level (a)
Congregate Microunit (b)	\$998	186	\$5.38	60%
SEDU (c)	\$1,275	266	\$4.80	75%
Studio (d)	\$1,546	455	\$3.40	95%

Note:

(a) Reflects the minimum AMI level required for a 1-person household

(b) A congregate micro-unit is a small room with an in-unit bathroom. The kitchen is located in a shared space outside the unit.

(c) A small-efficiency dwelling unit (SEDU) includes an in-unit bathroom and kitchen

(d) Data reflects studios built in 2010 or later.

Sources: Colliers International 2017 Efficiency Unit Report; BAE, 2017.

The above table highlights the trade-off between unit size and gross rent. Permitting congregating living arrangements with shared spaces reduces the per unit gross rent, and enhances access to individuals at lower incomes. However, the tradeoff is a small living space at less than 200 square feet with no kitchen. More traditional micro-units are somewhat larger, at 266 square feet, with in-unit kitchens and bathrooms, which provides more autonomy. However, the tradeoff is a higher gross rent and less accessibility for individuals at lower incomes.

There are also public policy considerations, for example, related to the difference between traditional single-room occupancy (SRO) hotels and studios, which mirrors the debate between congregate micro-units and traditional micro-units. Both product types are typically regulated by the zoning code. The Seattle case study suggests jurisdictions should carefully craft appropriate policies to encourage the type of micro-unit development they want to occur.

Recommendations for West Hollywood

Micro-unit projects fit well with West Hollywood's population, which features a high proportion of single person households. Interviews with developers of micro-units indicated the following policy considerations for West Hollywood if it chooses to encourage this type of project:

- **Parking.** Requiring a 1:1 parking ratio may impact project feasibility, according to a developer interviewed in Seattle. In crafting a policy, the City should conduct a study to determine what level of parking results in project feasibility. Options like car-sharing provide an alternative to parking ratios.
- **Use as Airbnb or Second Home.** Some micro-unit projects reportedly have attracted tenants who use the units as a second home, or as an Airbnb venture. If the goal is to expand the supply of inexpensive yet unsubsidized rental units, the City may want to require full time occupancy in exchange for permitting this type of project.

Limited Equity Cooperatives

Housing cooperatives facilitate a form of homeownership in which residents own shares in a property, entitling them to occupy a unit in the building. Limited equity housing cooperatives (LEHCs) are housing co-ops designed to be affordable to low- and moderate-income households, with the equity portion of ownership contributed by the individual households kept at a low (“limited”) amount. In exchange, when an owner leaves the cooperative and sells his/her shares, the appreciation realized on the share price is also limited, to perpetuate the affordable ownership opportunity for the next buyer.¹⁶ By doing so, LEHCs maintain the cost of housing at affordable levels by taking property off the speculative real estate market.¹⁷

While LEHCs can be created through new construction, they can also be formed through the conversion of tenant-occupied buildings. The following list describes some scenarios in which tenant-occupied buildings have been converted into LEHCs:

- **Publicly subsidized buildings phasing out of their benefits.** Affordable rental developments facing the expiration of LIHTC and Section 8 benefits can preserve long-term affordability by converting to LEHCs.
- **Public housing.** In 1985, the U.S. Department of Housing and Urban Development (HUD) selected seventeen public housing agencies to participate in the Public Housing Homeownership Demonstration (PHHD), which facilitated the conversion of public housing into resident-owned housing.
- **Foreclosed-upon housing:** In the early 1980s, New York City began selling buildings acquired through tax foreclosure to tenants with the objective of reconstituting the buildings as LEHCs. Today, New York City has more than 25,000 LEHC units.
- **Privately-owned buildings involved in litigation:** Rental buildings in which legal action has been taken against landlords (e.g. for failing to improve substandard living conditions or neglecting to fulfill other legal responsibilities) have been converted.
- **First right of refusal policies:** Some cities have “right of first refusal” policies that grant tenants the right to purchase their building before that option is given to a private developer. A large proportion of LEHCs in Washington, D.C. have been formed through the Tenant Opportunity to Purchase Act (TOPA).

LEHCs sometimes occupy land held by a community land trust. In these cases, the land trust typically provides a long-term ground lease to the cooperative and assumes the role of providing technical assistance to the LEHC. This arrangement helps to lower the land cost component of the project, enhancing affordability.

¹⁶ Barry Mallin, Esq. Limited Equity Coops: A Legal Handbook (New York: New York State Division of Housing and Community Renewal), accessed April 17, 2017, http://uhab.org/sites/default/files/doc_library/Limited_Equity_Cooperatives_A_Legal_Handbook_0.pdf

¹⁷ <http://www.kintera.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/LIMITED%20EQUITY%20HOUSING%20CO-OP.PDF>

Benefits of LEHCs

The benefits of LEHCs include:

- **Homeownership opportunity:** LEHCs provide a vehicle to homeownership to residents that would otherwise be out of reach for lower-income shareholders.
- **Protection from displacement:** Because LEHC shareholders are homeowners, they have more secure tenure than renters.
- **Ability to accrue equity:** While LEHC shareholders face restrictions that limit the amount of equity they can amass, modest amounts of equity accrual are permitted in some cases. To the extent that an LEHC offers occupancy at below market rates, the savings on housing costs can also provide residents an opportunity to build assets through savings. Nevertheless, the principal argument for LEHCs is not the prospect of equity generation, but the increased security of ownership tenure and autonomy.¹⁸
- **Community:** Similar to co-housing, LEHC shareholders jointly own their property and make decisions together. This creates a sense of community, which has social and emotional benefits.
- **Autonomy:** Unlike most other forms of affordable housing, LEHCs are self-governed. Through yearly elections, shareholders select board members to lead tasks related to property management, operations, and bookkeeping. Capital improvements, maintenance fee increases, and other choices are made as a group. It is important; however, that residents receive training that builds their capacity to carry out these responsibilities.
- **Reduced housing costs:** LEHC members may also realize significant savings on their housing costs versus renting comparable market rate housing.

Target Group

LEHCs can target households at various income ranges, depending on the project financing structure and affordability covenants associated with funding sources. Because some are converted from existing rental buildings on a one-off basis, shareholder income levels can also vary depending on who the existing tenants are prior to the conversion.

An LEHC will likely be most attractive to households without sufficient resources to become homeowners, but who have a level of income sufficient to afford their pro-rata share of the project debt service and operating costs. For the former, the attraction will be the opportunity to climb onto the homeownership ladder, without needing to accumulate the same level of up-front cash for a down payment or the income needed to pay the associated mortgage. For households with higher incomes, who can afford traditional homeownership, the limited equity appreciation will likely be unattractive. As a practical matter, the lower end of the targeted income group will be dictated by their ability to pay their share of the project's monthly debt service and operating costs. Generally, these considerations may translate to a targeted income group that falls in the upper end of the low-income range to moderate-income.

¹⁸ <http://community-wealth.org/sites/clone.community-wealth.org/files/downloads/Ehlenz-report.pdf>

However, in some expensive markets where some above moderate-income households cannot afford to purchase market rate housing, an LEHC may be attractive to these higher income households for whom homeownership is financially unobtainable.

One of the most important factors in ensuring the success of an LEHC is that members have the time and capacity to commit to managing a building, and strong relationships with one another that enable effective collaboration and self-governance. Effective group dynamics are critical to the success of an LEHC, as well as skill sets like financial management and bookkeeping. Some cities provide LEHC shareholders with skills training through third-party nonprofit organizations.

Affordability Mechanisms

LEHCs are unique because there are mechanisms to ensure units remain affordable for subsequent buyers. Rules and restrictions can be enforced by the municipality administering the LEHC program, by the co-op's bylaws, or by financing sources. Below is a list of features used to ensure affordability:

- Sales caps: Sales caps limit the resale value of shares. The maximum resale value is predetermined by a formula or a sales price schedule. In California, an LEHC unit cannot be resold for more than the sum of the acquisition cost, value of improvements, and an increment based on an inflation factor, not to exceed ten percent per year.¹⁹ However, most LEHCs employ stricter formulas in their bylaws.
- Income restrictions: Upon establishment of a LEHC, the cooperative association's bylaws can limit the incomes of incoming shareholders, depending on project objectives and circumstances, in addition to rules related to public funding sources.
- Asset caps: Asset caps limits the assets of incoming shareholders to prevent "income poor, cash rich" households who may not necessarily need affordable housing (e.g. retirees with healthy pension funds and individuals with trust funds or equity from sale of a previous home). In high-cost, competitive real estate markets like New York and California, asset caps have proven an effective way to ensure that limited equity units are effectively targeted toward households with the greatest need.
- Tax benefits: LEHC shareholders are entitled to deduct their pro-rata share of property tax and mortgage interest paid as part of their monthly maintenance fees. Similar to traditional homeownership benefits, this reduces state and federal income taxes due, allowing households to retain more of their earnings for other expenses or savings.

Financing

An LEHC is typically financed through a combination of equity and a blanket mortgage taken out by the cooperative association on the whole property. The mortgage debt service is repaid

¹⁹ <https://www.davis-stirling.com/Main-Index/Statutes/Civil-Code-817>

collectively by the LEHC shareholders through payment of their monthly maintenance fees; a portion of which covers debt service.

LEHCs are similar to other affordable homeownership projects in that they rely mostly on public subsidies to lower the buy-in cost for residents. Public financial assistance comes from low-interest loans from cities, or federal funds from the Community Development Block Grant (CDBG) program²⁰. Additionally, Community Development Financial Institutions (CDFIs), foundations, and other philanthropic organizations may provide grants. As the value of public or charitable contributions towards development costs increases, this will enable the LEHC to become affordable to households with lower incomes.

Homeowners who do not have the cash on hand to buy into an LEHC will take out a “share loan” for the initial share purchase required to join the cooperative. Credit unions, community-based non-profits, and banks seeking Community Reinvestment Act (CRA) credits are examples of institutions that may provide share loans with favorable interest rates and lower required down-payments. However, few commercial banks offer share loans, as detailed in the “Challenges” section, which can make it difficult for shareholders to secure self-financing.

Homeowners are also responsible for paying ongoing costs related to the upkeep and operations of the building. Similar to a condominium project with HOA fees, shareholders must cover their share of building insurance, utilities, and any needed capital improvements. Ensuring that shareholders’ monthly maintenance fees (which also include any blanket mortgage payments) can be a challenging aspect of structuring the financing of an LEHC.

Case Study: Columbus United Cooperative (San Francisco, CA)

Located in San Francisco’s Chinatown, Columbus United Cooperative is the first LEHC to be created in the San Francisco Bay Area – and possibly the State of California – in at least ten years. Like many LEHCs, it began as a rental building.

²⁰ In some LEHC projects, qualifying households have used Section 8 to cover maintenance payments.

Figure 10: Columbus United Cooperative



Source: coopnetwork.net



Source: sfclt.org

In 1998, the City College of San Francisco purchased the 21-unit building to use for a new Chinatown North Beach Campus.²¹ When the building was slated for demolition, City College reached an agreement with residents guaranteeing their relocation. By 2003, City College had not followed through on its relocation commitments, and the tenants sued. The College abandoned its initial plans and sold the property in 2006 to the San Francisco Community Land Trust (SFCLT) for \$1.4 million.²² A SFCLT representative noted that they were able to negotiate this below-market price because the case was heavily litigated and had attracted a significant amount of public attention. Low acquisition costs are a common element shared across many LEHC projects.

SFCLT completed a major renovation of the building, which included a seismic retrofit. Each household was given the opportunity to purchase shares for \$10,000, allowing them to become cooperative homeowners with control of their building's finances, maintenance, and membership, and the ability to pass on their homes to their children.²³

The majority of shareholders at Columbus United Cooperative earn less than 50 percent of AMI.²⁴ Residents pay monthly fees to cover expenses such as maintenance and insurance (the monthly fee is \$703 for a one-bedroom unit and \$783 for a two-bedroom unit).²⁵ The Asian Law Caucus occupies the ground floor of the building.²⁶

²¹ <http://www.sfgate.com/bayarea/article/Chinatown-land-trust-helps-low-income-housing-3294145.php>

²² <http://www.sfgate.com/bayarea/article/Chinatown-land-trust-helps-low-income-housing-3294145.php>

²³ <http://sfbayview.com/2011/10/housing-co-op-a-long-term-solution-to-displacement-of-families-and-seniors-from-san-francisco/>

²⁴ <http://sfbayview.com/2011/10/housing-co-op-a-long-term-solution-to-displacement-of-families-and-seniors-from-san-francisco/>

²⁵ <https://shelterforce.org/2017/04/25/will-limited-equity-co-ops-make-comeback/>

²⁶ http://coopnetwork.net/home/columbus_united_cooperative

To maintain continued affordability, the bylaws of Columbus United Cooperative state that a member's shares cannot be resold for more than the increase in value as determined by the Consumer Price Index (CPI)²⁷.

Project Financing

Table 5 summarizes how the Columbus United Cooperative project was financed. The total development cost was \$7.6 million. Most of the project's financing came from City funds, which accounted for 62.4 percent of the total cost. The total development cost per unit was \$361,697, with City funds accounting for \$225,744 per unit. According to SFCLT, shareholders did not take out share loans, but some of them did initially have trouble paying the \$10,000 in equity, which delayed the LEHC formation process.

Table 5: Columbus United Cooperative Financing

Sources		
		<i>% of Total</i>
Columbus United Cooperative Shares	\$210,000	
Asian Law Caucus Equity	\$300,000	
Total Equity	\$510,000	6.7%
Permanent Loan (LIIF)	\$2,135,000	
Federal Home Loan Bank Affordable Housing Program	\$210,000	
Total Loans	\$2,345,000	30.9%
Seismic Safety Loan Program (SSLP)	\$3,893,228	
Real Ownership Opportunities for Tenants Program (ROOTS)	\$750,000	
Community Development Block Grant (CDBG)	\$97,399	
Total City Funds	\$4,740,627	62.4%
Total, Sources	\$7,595,627	100.0%
Uses		
Acquisition & Predevelopment	\$1,435,802	
Hard Costs	\$4,309,397	
Soft Costs	\$1,124,298	
Financing Costs	\$471,130	
Reserves	\$255,000	
Total, Uses	\$7,595,627	
Cost per Unit (21 Units)	\$361,697	

Source: San Francisco Community Land Trust; BAE, 2017.

Replicability and Success Factors

The LEHC model is well-established in California and other states, and has proven to be an effective mechanism to provide long-term housing affordability.

²⁷ Not to exceed 10%, should the CPI increase more than 10% annually.

The self-governance feature of LEHCs means that a critical success factor will be the capacity of the residents to effectively manage the property. Training and technical support is necessary, which may require a partnership with a third party to provide these resources.

In addition, newly formed LEHCs have lower start-up costs and higher chances of success when they are formed by existing communities. Rather than creating LEHCs through new construction, one option is to target (1) existing rental buildings in which tenants are at risk of Ellis Act evictions, and (2) existing affordable projects with expiring subsidies that risk losing their affordability protections. Forming LEHCs from existing developments also lowers overall costs as compared to new construction.

Challenges

Perceived Risk

Especially in California, LEHCs are not as common as other forms of housing. Developers and lenders alike are not as familiar with the legal structure, financing mechanisms, and risks associated with LEHC formation. For this reason, more conventional forms of affordable housing (LIHTC-funded rental buildings, for example) continue to be the “tried and true” models pursued by nonprofit housing developers.

Building Financing

The creation of limited housing equity co-ops was more common in the U.S. during the second half of the twentieth century than it is today. In the 1950s, LEHCs became more prevalent, and through the 1960s and 1970s LEHC formation continued to grow with the help of federal government subsidy programs.²⁸ In 1974, the Nixon administration ordered a moratorium on federal housing subsidy programs, including those aimed at facilitating homeownership and cooperative housing,²⁹ substantially curbing LEHC creation.³⁰

Today, there is far less public funding available for LEHCs. While some forms of HUD financing may in some cases be applied to LEHC projects, there are no large federal funding pools dedicated specifically to subsidizing LEHCs, although the Federal Housing Administration offers the Section 213 mortgage insurance program for loans made by private lending institutions to a housing cooperative, or to a housing developer who will sell the completed project to a cooperative association. Additionally, the National Cooperative Bank, a federally chartered financial institution, also provides mortgage financing.

²⁸ <http://www.uwcc.wisc.edu/pdf/Coop%20Housing%20USA.pdf>

²⁹ <https://library.cqpress.com/cqalmanac/document.php?id=cqal73-1228677>

³⁰ In New York City, LEHC creation continued at a rapid pace through the 1990s thanks to city programs aimed at fighting distressed property (the City converted rental buildings that had been abandoned by landlords and/or foreclosed upon into tenant-owned LEHCs).

According to David Thompson of Neighborhood Partners, a developer with extensive experience in the financing, development, and operation of LEHCs, the number of LEHCs in California has not increased substantially since the mid-1980s. This is largely due to the fact that non-profits involved with affordable housing in California are largely focused on developing housing using low-income housing tax credits (LIHTC), which require that the developer hold the project for at least 15 years prior to transferring ownership of the property, which creates a barrier to a cooperative association taking over ownership and management of the property.³¹ This suggests that formation of new LEHCs will need to target funding sources other than LIHTC.

Share Financing

Share loans enable shareholders to contribute more equity to an LEHC project. Especially in high-cost housing markets, share loans may be a necessary source of financing. Many mainstream lenders do not provide share loans because they do not fully understand the LEHC model and perceive LEHC share loans to be high-risk. Fannie Mae considers LEHC share loans to be “non-conforming.” Because most lending institutions follow Fannie Mae’s guidelines for co-ops, LEHC share loans generally cannot be sold on the secondary market; therefore, any institution that provides share loans must carry the entire risk of the investment. Finally, loan officers in institutions that do provide share loans are less likely to spend time underwriting them due to their relatively small size. One bank in New York has addressed this by partnering with mission-based nonprofit organizations: Capital One, which provides LEHC share loans in New York City through its CRA program, has its share loans administered by community-based organizations focused on providing affordable homeownership opportunities.

Keeping Maintenance Costs Aligned with Resident Incomes

There is an inextricable link between resident incomes, maintenance payments (which include utility costs, property taxes, and resident contributions to blanket mortgage payments), resident share loan payments, resident equity contributions, and overall development costs. Making sure that all these amounts align while also ensuring that monthly costs remain affordable to shareholders can make structuring the financing of an LEHC challenging.

Resident Education and Commitment

There is a steep learning curve associated with becoming an LEHC shareholder. Managing a collectively-owned property is complex and can involve tax filings, regulatory filings, nonprofit status filings, income reporting (for certain types of funding), financial management and bookkeeping, procurement, and hiring. Additionally, members must be able to maintain positive working relationships with one another.

³¹ David Thompson, Neighborhood Partners. Personal communication, 11/8/2017.

If members cannot adapt to this learning curve, these challenges can prove insurmountable. In New York City, many LEHCs have become financially distressed (and some have even faced foreclosure) due to shareholder refusal to increase maintenance fees.

Resident Leadership

Effective leadership is critical to the success of an LEHC. In smaller co-ops, boards that were once effective can become defunct if members age out and are not replaced. As Columbus United Cooperative reaches its tenth year, older members have found that they are no longer able to be as engaged as they once were, which has created a leadership vacuum.

Preservation of Affordability

In high-cost housing markets, preserving share affordability can be challenging. Shareholders who once agreed to a limited equity model may – upon seeing rising property prices around them – later decide that they would prefer to have a market-rate unit that would allow them to amass equity as dictated by the market. In some municipalities, LEHCs have later converted into market-rate buildings, as there were not sufficient policy or regulatory mechanisms in place preventing them from doing so.

Recommendations for West Hollywood

Limited equity cooperatives are challenging to execute, and few have been created in the State in recent decades. However, West Hollywood's sophisticated renter community, and its extensive housing network could help with LEHC formation. If the City wants to encourage this type of homeownership, the following is a list of actions to encourage this product type.

- **Partner with a local community development corporation (CDC) and an LEHC expert to deliver resident training.** Resident capacity to manage property, reach consensus on decisions that affect the community, and responsibly maintain a co-op's finances are crucial to success.
- **Increase available funding.** Because financing remains a significant challenge, West Hollywood could create a competitive local funding, leveraging CDBG funds, grants as well as low-interest city loans. In exchange for city subsidies, the City should impose resale restrictions that keep shares permanently affordable. Also, any public land contributed to the formation of an LEHC can be structured as a long-term ground lease, with terms requiring ongoing affordability.
- **Facilitate lender training.** A principal reason for the lack of funding available for LEHC projects is lenders' lack of familiarity with the LEHC model. West Hollywood can provide training to CDFIs, credit unions, and banks that fund affordable housing projects. This can include providing banks with information on the FHA Section 213 mortgage insurance program, which may encourage institutions to consider making loans to cooperative housing associations.

- **Encourage partnerships between banks and CDFIs.** To address the lack of available share financing for LEHCs, the City can launch a campaign to promote share loans by encouraging banks interested in pursuing CRA credit to partner with community-based nonprofits. For example, a bank could invest money to capitalize a cooperative member share loan program established by a nonprofit. The nonprofit would be responsible to market to program, underwrite the loans, and administer the loans.

- **Consider Alternative Models.** While LEHCs can be an effective way to facilitate homeownership, there are other permutations of the LEHC model that may also be effective. The San Francisco Community Land Trust (SFCLT) has also supported the creation of “resident-owned non-profit cooperatives.” To form these co-ops, SFCLT establishes a 501(c)3 non-profit, which assumes ownership of the land. Through a 99-year master lease, SFCLT allows this nonprofit to occupy the building. Residents are members of the non-profit, and through this membership, they are granted the right to occupy a unit in the building. However, residents are not owners of the building. The key distinction between an LEHC and a resident-owned nonprofit cooperative is that the nonprofit (and/or the community land trust) managing the property and/or providing the technical assistance has increased power to make executive decisions concerning the property.

Case Study: Rehabilitation of Aging Housing Stock

Context

The City of West Hollywood's housing stock is aging, with buildings needing varying degrees of rehabilitation and capital investments. In 2013, when the City assembled focus groups to update the City's Housing Element, owners, landlords, tenants, and non-profits agreed that while West Hollywood is a popular place to live, the quality of the housing stock is poor. Housing issues were divided into two categories: major systems and cosmetic issues. Property owners felt the City's pass-through program discouraged investment because they were unable to recoup their investments through rent increases.³²

In 2015, the City commissioned the *Apartment Rehabilitation Study* to analyze the City's capital improvement pass-through formula. The study explored alternatives to adjust the pass-through program to incentivize the rehabilitation of properties subject to the City's Rent Stabilization Ordinance.

The study found that the reasons owners did not undertake major investments were not solely financial. In fact, buildings that experienced multiple vacancies where owners re-rented at market rates generated sufficient revenue to justify major capital improvements *without additional financial incentives*. Other factors were at play, including the complexity of work, managing tenant relocation, lack of experience with construction, and ability to secure financing for improvements.

The City is seeking additional incentives beyond the capital pass-through formula to encourage investments by property owners. This presents a case study of the Energy Savers Program in Chicago, a "one-stop shop" that packages financing with logistical assistance. Although the program is tailored for energy efficiency improvements, a similar program could be created for apartment rehabilitation.

³² Owners that make improvements to rental buildings subject to the Rent Stabilization Ordinance can request a rent increase through the Capital Improvement Pass-Through Program. The current formula permits NOI to increase by 60 percent of the Consumer Price Index (CPI) between the base year and current year. According to the *Apartment Rehabilitation Study*, there are few instances where the current formula makes a rent increase to recover capital improvement costs workable, especially if some units have turned over, and owners have re-rented units at market rents. The cases where it may be workable are typically observed in smaller buildings, such as duplexes and triplexes, with low turnover (leading to low NOI's) and substantial improvement costs.

Energy Efficient Rehabilitation

Case Study: Energy Savers (Chicago, IL)

Energy Savers is program to assist residential property owners make energy efficiency improvements to multifamily buildings in the greater Chicago area. One of the biggest hurdles to renovating buildings is a lack of knowledge about how to manage the design and construction process and securing financing to pay for improvements. Property owners, especially small-scale mom and pop owners, have limited technical expertise and access to capital. Energy Savers provides a “one-shop stop” to guide owners through the entire retrofit process. Property owners receive free energy assessments, technical assistance during construction, financing, access to rebates, and post-retrofit follow-ups.

Launched in 2008, Energy Savers is a collaboration between two non-profits: Elevate Energy and the Community Investment Corporation (CIC), a non-profit community development financial institution (CDFI).

Process: A One-Shop Stop

The Energy Savers partnership takes owners through the retrofit process from beginning to end. Owners start the conversation either with Elevate Energy or CIC by applying for a free building energy assessment.

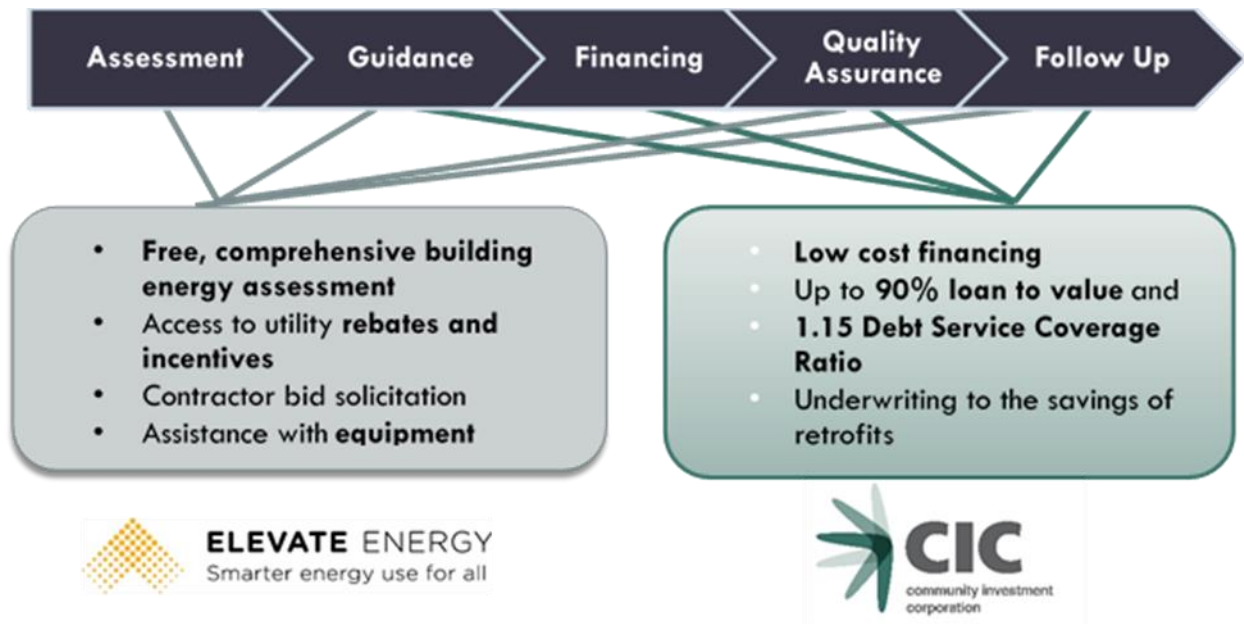
An energy specialist at Elevate Energy conducts an assessment, which includes an inspection of the building along with a review of utility bills. Based on this information, Elevate Energy develops a tailored list of recommendations, along with estimates of potential savings. Owners can select from this list which improvements to undertake.

What sets Elevate Energy apart is its technical assistance during the design and construction process. Elevate Energy maintains a list of trusted, carefully vetted, licensed and insured contractors that they trust to complete the improvements. Building owners receive assistance from Elevate in soliciting and reviewing bids, and selecting a contractor. Elevate and CIC also provide construction oversight throughout construction. Finally, they assist with the application for incentives and rebates from utility companies.

Access to financing is another unique feature of the Energy Savers. When the program launched in 2008, using projected energy savings to support a second mortgage was untested, and potential investors perceived the strategy to be too risky. In response, CIC started a loan pool, with \$14.5 million of seed capital from the MacArthur Foundation and Bank of America, along with \$3.75 million from the Chicago Metropolitan Agency for Planning and the City of Chicago as a loan loss reserve. Between 2010 and 2016, the pilot loan pool funded 98 projects totaling \$13.6 million in loans. The average loan size was \$139,000.

Since 2016, CIC has begun using its multifamily loan pool to provide financing, which offers more favorable terms, including a 25-year amortization period compared to the 7-year term in the pilot program.

Figure 11: Elevate Energy and CIC Partnership



Source: CIC, 2017.

Success Factors

Based on interviews with CIC and Elevate Energy, the following themes emerged as factors contributing to the program’s success:

- **Tapping existing infrastructure:** both CIC and Elevate Energy were organizations that existed prior to this collaboration, and leveraged their core competencies to create Energy Savers. CIC has been underwriting loans for multifamily apartment buildings for over 30 years, so creating a distinct loan product was an extension their expertise.
- **Technical support:** Elevate Energy’s hands-on approach to guiding building owners through the design and construction process is paramount to the program’s success.
- **Favorable loan terms:** Underwriting energy savings is challenging because the savings are projections. Depending on how conservative or aggressive the estimates are, this will impact the loan amount a bank is willing to provide, which may not be sufficient to cover improvement costs. CIC takes a different approach and simply provides up to 90% loan-to-value (LTV). Their loan officers are experienced, understand the efficiency measures, and underwrite a reasonable loan. The onus is on loan officers to ensure that projects are not carrying excessive debt. According to CIC, loans issued under this program have been performing, with low delinquency rates.

Outcomes

According to CIC, the Energy Savers partnership has retrofitted over 32,000 units in 750 buildings with CIC loans and grants financing over 10,000 units totaling \$25 million. A study by Navigant, a global consulting firm, reviewed post retrofit data and found that program participants reduced energy consumption by 25 to 30 percent, resulting in \$10,000 in annual savings for a typical 24-unit building. Other benefits include higher rents and lower vacancy rates in retrofitted buildings, improved tenant comfort, and higher net operating income.

Challenges

Despite the expertise and financing available, CIC cited that one of the challenges is getting building owners to sign up and undertake improvements. Most of its customers either hear about the program through word of mouth, or add energy efficiency improvements to a larger rehabilitation project to qualify for 90% LTV, which is only available for projects with efficiency upgrades. This echoes one of the findings in the *West Hollywood Apartment Rehabilitation Study*, which found that there is usually an event that precipitates improvements, either a change in ownership or a building system failure. Unless required by law, building owners often do not take the initiative to improve their buildings on their own. Still, despite this challenge, the program has demonstrated strong participation, which highlights what can be done when technical assistance and financing are readily available.

Another challenge related to the pilot financing program was restrictions placed by the City related to the loan loss reserve, which is a pool of money set-aside to cover non-performing loans. Usually, city funds are used to establish a loan loss reserve to attract other foundation and philanthropic money to expand the financing pool. In this case, the City required the loan loss reserve had to cover 90 percent of originated loans in the first few deals, falling to 30 percent thereafter. This limited the amount of debt and number of deals that CIC could underwrite. This highlights the importance of securing underlying funding sources that align with the program's objectives.

Moreover, very few projects involve tenant relocation, which is a challenge faced in West Hollywood. Many of the program's beneficiaries are new building owners buying vacant buildings or ones with high vacancy rates. Chicago does not have tenant relocation requirements during construction, so often these projects end up as gut rehabilitation projects with no tenants in place.

Recommendations for West Hollywood

Although Energy Savers is geared towards energy efficient improvements, it provides a model for how West Hollywood can structure supplemental program to support its apartment rehabilitation initiative. The *Apartment Rehabilitation Study* found that West Hollywood property owners often do not undertake improvements due to lack of technical expertise and access to financing. Replicating a similar, vertically-integrated program for major rehabilitation projects is conceivable, especially through partnerships with existing CDFIs such as Enterprise Community Partners or LISC, and an apartment rehabilitation specialist.

Case Studies: Aging in Place & Other Special Services

Context

One of the goals identified in the City's Housing Element is to create housing to meet the City's diverse resident needs, including those of special populations. This section profiles two special groups of residents within West Hollywood, seniors and artists, and presents case studies for how to expand housing opportunities catered to these populations.

Senior Housing Needs

Senior housing and supportive social services are an important priority in West Hollywood. In 2015, the City published the *Aging in Place, Aging in Community Five Year Strategic Plan 2016-2020*, which laid out a series of policies and programs that embraces aging. The plan aims to create an age-friendly community for West Hollywood residents to remain in their housing of choice for as long as possible.

There is strong need for senior housing in West Hollywood. In 2015, approximately one out of every seven residents in West Hollywood was a senior over the age of 65, totaling 5,215 residents. Of this, 1,732 were over the age of 80. Data from the *Aging in Place Aging in Community Strategic Plan* shows that West Hollywood older adults were twice as likely to be renters (80 percent) compared to Los Angeles County seniors. Moreover, over half (51 percent) of West Hollywood residents over the age of 65 reported having a disability, compared to 39 percent in Los Angeles County.

In 2015, there were 2,680 renter householders over the age of 65, and another 1,971 between the ages of 55 and 64. Because renters often do not have control over physical improvements in their homes, programs that encourage landlords to invest in accessibility improvements are important to allowing seniors to age in place.

AGING IN PLACE

AGING IN COMMUNITY

Five Year Strategic Plan 2016 - 2020



Table 6: Householders by Age, 2015

Renter Households						
Age of Householder	West Hollywood		Westside Area (a)		California	
	Number	Percent	Number	Percent	Number	Percent
15 to 24 years	842	4.8%	11,936	7.4%	384,335	6.6%
25 to 34 years	5,362	30.4%	49,512	30.5%	1,485,189	25.6%
35 to 44 years	3,204	18.2%	35,208	21.7%	1,358,294	23.4%
45 to 54 years	3,584	20.3%	25,605	15.8%	1,095,563	18.9%
55 to 64 years	1,971	11.2%	18,275	11.3%	747,548	12.9%
65 to 74 years	1,209	6.9%	11,512	7.1%	395,774	6.8%
75 years and over	1,471	8.3%	10,238	6.3%	341,922	5.9%
Total	17,643	100.0%	162,286	100.0%	5,808,625	100.0%

Owner Households						
Age of Householder	West Hollywood		Westside Area (a)		California	
	Number	Percent	Number	Percent	Number	Percent
15 to 24 years	17	0.4%	624	0.6%	38,617	0.6%
25 to 34 years	626	14.1%	6,300	6.4%	522,350	7.6%
35 to 44 years	758	17.1%	15,821	16.1%	1,118,670	16.2%
45 to 54 years	1,124	25.3%	18,839	19.2%	1,609,408	23.3%
55 to 64 years	762	17.2%	21,331	21.8%	1,614,471	23.4%
65 to 74 years	612	13.8%	18,309	18.7%	1,118,344	16.2%
75 years and over	535	12.1%	16,825	17.2%	887,316	12.8%
Total	4,434	100.0%	98,049	100.0%	6,909,176	100.0%

Notes:

(a) The Westside Area is defined as the area shown in Figure 2.

(b) 2011-2015 American Community Survey 5-Year Estimates.

(c) Totals may not match totals in other tables due to independent rounding.

Sources: American Community Survey, 2011 - 2015; BAE, 2017.

Scattered Site Senior Housing with Services

This case study profiles the non-profit organization, RiseBoro, which was founded in 1973 to provide senior housing and social services in an urban community in Brooklyn, New York. Since its founding, the organization has expanded its services to address other community needs, but has continued to build on its capacity to support seniors. The Brooklyn neighborhood in which the organization operates, Bushwick, is dense and fairly built-out, similar to West Hollywood. RiseBoro embraced a scattered-site service delivery model so that instead of aggregating all services in one large building or complex, it leveraged sites as they became available to expand its mission. Given the neighborhood’s similarities to West Hollywood, RiseBoro was profiled to provide an example of how a non-profit could develop senior services and housing using scattered sites dispersed throughout the community.

Case Study: RiseBoro’s Mission and Services

RiseBoro was founded in 1973 as a social club for senior citizens offering day activities with intergenerational programming. A seminal moment for the organization was the 1977 New York City blackout, and the subsequent arson and looting that led to widespread community disinvestment. An organization that initially began with a narrow focus was suddenly faced with significant community needs. RiseBoro expanded its mission to respond to this, working

with leaders and elected officials to develop new initiatives. At the same time, the organization continued its emphasis on senior services, expanding from one senior center to a total of nine in 2017. Today, RiseBoro provides the following senior services:

- **Senior centers** that provide senior programming and meals. Each center offers a variety of culturally-rich activities, including yoga, Zumba, ballroom dancing, stretching, Tai Chi, aerobics, fall prevention classes, and health education workshops
- **Meals on Wheels.** RiseBoro prepares and delivers hot meals to 1,300 seniors six days a week. In partnership with United Jewish Organizations (UJO) and the Polish Slavic Center, the center prepares ethnically appropriate meals for its culturally diverse base.
- **Social Adult Daycare.** Adult daycare services are provided at the Palmetto Gardens Senior Club, where clients participate in small group activities tailored to their cognitive and physical abilities. The adult daycare program provides cooked meals and assists with personal care tasks, including bathing, grooming, and toileting as needed. Transportation is provided to clients living within a reasonable distance to the program.
- **Homecare.** To advance independent living, RiseBoro offers homecare services to assist seniors with daily activities they are no longer able to perform for themselves. Activities include light housekeeping, meal preparation, home management and health services. The Homecare division is the RiseBoro's largest department, and consists of trained registered nurses and social workers. An interdisciplinary team develops individualized care plans with client and family members intended to empower seniors to remain independent. Home visits are made by licensed workers to assure the appropriate level of care and continual service quality.
- **Senior housing.** RiseBoro also operates eight HUD Section 202 senior housing developments in addition to several family buildings, many of which house veterans and the formerly homeless. According to Scott Short, the CEO of RiseBoro, providing senior housing is an essential pillar of its model because without it, "it is impossible to build a successful end of life model, especially in high-cost places like New York City and California." Each senior building in RiseBoro's portfolio has a bilingual service coordinator that provides home-visits and encourages participation in social programming. Services include escorts to medical appointments, benefit entitlement assistance, and referrals to outside providers.
- **Skilled nursing facility.** For seniors with more advanced needs, RiseBoro operates a state-of-the-art facility for long-term and rehabilitative care. Opened in 2001, the Buena Vida Continuing Care and Rehabilitative Center is a 240-bed healthcare center with on-site physicians and specialists skilled in internal medicine, geriatrics, and family practice. Registered nurses are on duty around the clock to provide rehabilitative therapy for seniors recovering from strokes, trauma, and fractures.

- **Respite Center.** RiseBoro operates the only non-medical caregiver model in New York City. This program is designed to provide family caregivers temporary relief from the responsibilities of caring for frail elderly with cognitive impairments. The Respite Center offers daytime coverage through the Social Adult Day Program and overnight respite care. A client can stay up to 100 nights per year in a community apartment, providing caregivers a reprieve from the demands of taking care of frail elderly seniors. All staff are certified home health aides and trained in caring for those with dementia. Services are offered in an apartment building adapted for seniors.

Key Trends and Opportunities in Senior Care

RiseBoro is at the forefront of implementing innovative approaches to senior care, most recently capturing funding available through the Affordable Care Act. In April 2014, New York State finalized terms for a groundbreaking agreement to allow the state to reinvest \$8 billion in federal savings towards the Delivery System Reform Incentive Payment (DSRIP) program. The program aims to reduce hospital readmissions by 25 percent over five years, using a combination of incentive payments to hospitals and direct funding for partnerships. Hospitals and home care agencies are joining forces to create networks of nurses, caregivers, and homecare providers aimed at preventative care, sometimes via remote communication. This collaborative in-home healthcare model redirects money from high-cost, fee-for-service hospital visits to cost-effective preventative care solutions. By leveraging its existing senior service model, RiseBoro is in a unique position to expand its services and collaborate at the forefront of senior healthcare delivery.

Funding

RiseBoro's senior services arm supports 1,750 full-time- equivalent (FTE) employees, and has an annual budget of \$125 million. Homecare, the largest division, accounts for a significant proportion of the non-profit's total employees and budget. Its senior services reach over 6,000 seniors annually. Funding comes from a variety of sources, including New York City Department for the Aging and New York State Office for the Aging. A smaller, but significant source is HUD Section 4, which allows RiseBoro to pursue innovative health initiatives that are not covered by standard programmatic contracts.

Replicability and Success Factors

The organization has been delivering senior services for over 40 years, building its capacity over time by adding new programs and staff. Given the breadth of its programs, replicating this program elsewhere is challenging. When asked about what other organizations can do, RiseBoro's CEO, Scott Short, offered the following suggestions:

- **Start small:** start with an anchor and build around this. Find a place to stake your claim. It can be an affordable housing project or multi-service center with a senior program. Over time, add services as funding becomes available, and be responsive to the needs of the community.

- **Cost-effective programs:** senior centers and day care programs are relatively affordable to operate and provide important benefits to active seniors. Programming that is fun and keeps seniors active and engaged is vital to long-term participation. RiseBoro also offers fall prevention education. Falls often precipitate bigger health challenges, so working with seniors to evaluate their abilities, introduce exercises, and educate to prevent falls results in long-term health benefits.
- **Homecare services** fill an important need, especially for seniors who want to live independently but need assistance with basic household tasks. Partnering with health providers and diverting healthcare resources is more cost effective than hospitalization or institutionalization. Homecare visits are often the only time seniors have contact with others. RiseBoro has experimented with video-conferencing with healthy seniors, spending up to an hour a day to provide social interaction for their mental well-being.
- **Cultural competence:** many seniors in Brooklyn come from different immigrant communities. They are often tied to their home immigrant cultures, so being culturally sensitive and competent in the food and programming offered has been critical to the organization's success.

Challenges

RiseBoro noted that senior services do not receive the same kind of national attention as poverty reduction, economic development, and affordable housing. It is easier to describe the outcomes of these programs compared to the incremental quality of life boost that seniors get through RiseBoro's "soft-touch" programs. The challenge lies in quantifying how much better end of life care is for populations that receive these services, and convincing the funding community (philanthropic and government) to provide resources for these programs.

In California, the "Balkanization" of disparate jurisdictions poses a challenge because unlike New York City, which can draw from a larger regional pool of resources, cities often have limited funding to dedicate to expansive senior care. An executive director from a holistic senior agency near San Diego cited that its biggest challenge was private fundraising because it receives limited government funds. Collaborating with multiple jurisdictions to pool funding may prove effective in California.

Moreover, diminishing public funding for senior housing is another challenge RiseBoro faces. Its senior housing developments previously used HUD Section 202 funding, but the program expired. In its place, New York City rolled out a new funding source, the Senior Affordable Rental Apartments (SARA) Program, which provides gap financing up to \$75,000 per unit. The program was launched in conjunction with zoning tools ("Affordable Independent Residences for Seniors") that relaxed height restrictions, offered density bonuses, and reduced parking requirements for senior projects.

Recommendations for West Hollywood

Based on this case study, West Hollywood can pursue the following policies to support senior care and housing:

- Prioritize senior housing development on publicly available land
- Collaborate with other jurisdictions and dedicate City funding to expand senior services: create a competitive RFP process to solicit innovative approaches to senior care
- Create a dedicated funding source for senior housing to replace HUD's 202 program
- Develop a zoning bonus program for senior projects
- Encourage existing senior service providers to partner with local hospitals and/or health care systems to create a pilot program for preventative senior care

Intergenerational Co-housing

Co-housing is a collaborative form of housing designed to foster resident interaction, the development of meaningful relationships, and the pooling of resources. In intergenerational co-housing, people of all ages and household compositions live side-by-side, including seniors, couples, and families with children.

Co-housing is an intentional clustering of private homes around a shared space. It can take many forms, including a cluster of single-family or attached homes or a condominium building. While each home is wholly contained with its own amenities, including a kitchen and bathrooms, what makes co-housing unique are the shared spaces. These include outdoor recreational spaces (e.g., community gardens) and the common house, which typically has a large kitchen and dining area, laundry facilities, guest quarters, and recreational rooms, providing space for both planned and spontaneous get-togethers. Cars are parked at a distance, often around the perimeter of the property, to facilitate a pedestrian-friendly atmosphere.³³ The physical layout of co-housing is meant to encourage resident engagement without sacrificing private individual space.³⁴

Generally, co-housing developments form when a group purchases land (with or without the help of a developer), and plans the development of the facility at every stage, from design to construction to financing to defining the rules that will govern the community.³⁵ The planning and development process takes five to seven years on average. Cohousing communities can also form through acquisition and assemblage of individual parcels, but this is challenging to replicate on a large-scale.

Although some co-housing communities are organized as limited equity cooperatives, most new co-housing projects are structured as condominiums or planned unit developments. Cohousing participants typically own their lot, and jointly own the common property and facilities.

Decisions in co-housing communities are typically made via consensus rather than majority voting.³⁶ Consensus decision-making seeks the agreement of all or most participants, and aims to resolve or lessen objections from opposing residents. Similar to cooperative housing, the most critical element of co-housing is the residents' commitment to a collaborative lifestyle and the ability to get along with each other.

³³ <http://www.aarp.org/home-garden/housing/info-03-2011/intergenerational-co-housing-for-all-ages.html>

³⁴ Affordable Cohousing: Challenges and Opportunities for Supportive Relational Networks in Mixed-Income Housing. Jerome L. Garciano. Vol. 20, No. 2 (Winter 2011), pp. 169-192.

³⁵ <http://www.aarp.org/home-garden/housing/info-03-2011/intergenerational-cohousing-for-all-ages.html>

³⁶ <http://www.cohousing.org/cm/article/whyconsensus>

It is common for co-housing developments to have committees that are responsible for community financial management, marketing, common house events, and supplies/procurement. Committees discuss relevant issues with residents at routine resident meetings.

Benefits of Cohousing

- Community. Cohousing communities have a “village-like” atmosphere. Because of families’ close proximity to one another, they are more apt to be informed about each other’s lives and are more likely to offer support during times of hardship.
- Well-being of elderly residents. Intergenerational co-housing can be an effective way to avoid the isolation and depression for seniors. Studies have linked social interaction with delayed mental decline and improved health.³⁷ Spending time with children helps seniors remain physically active. Co-housing supports aging in place, since the built-in community enables residents to live independently and avoid institutional care for longer than in traditional single-family neighborhoods.
- Resource sharing. Co-housing is economical. Residents pool their resources for occasional shared meals, errands, carpooling, childcare, and eldercare. When residents share and exchange, they eliminate duplication of assets and effort.³⁸
- Environmental sustainability. Co-housing communities are often designed to be environmentally-conscious as a way of lowering future operating costs. Renewable energy, photovoltaic panels, passive house design, geothermal wells, and car sharing, reduce ecological footprints.³⁹

Target Group

Most co-housing developments are market-rate, and do not serve restricted AMI levels. Co-housing is typically developed only after a group of individuals gets together and commits their resources to a project. Because of this, co-housing generally requires relatively large amounts of equity up front, making it difficult for households with limited assets to participate. Nevertheless, as will be discussed in a later section, there are ways to make co-housing affordable to low- and moderate-income households.

Case Study: Berkeley Cohousing (Berkeley, CA)

Berkeley Cohousing is an example of a community that formed through acquisition of existing buildings in 1997. Located in West Berkeley, the fourteen-unit co-housing community

³⁷ <https://www.theatlantic.com/education/archive/2016/01/the-preschool-inside-a-nursing-home/424827/>

³⁸ <http://www.affordablecohousing.org/home/affordable-cohousing>

³⁹ Affordable Cohousing: Challenges and Opportunities for Supportive Relational Networks in Mixed-Income Housing. Jerome L. Garciano. Vol. 20, No. 2 (Winter 2011), pp. 169-192.

contains a mix of individual cottages and duplexes scattered around a common greenspace. The community currently has 32 residents.

Figure 12: Berkeley Cohousing



Aerial View. Google Earth Pro; BAE, 2017



The common house and central greenspace. BAE, 2017



The common kitchen. BAE, 2017



Inside the common house. BAE, 2017

Berkeley Cohousing was formed under a 30-year limited equity condominium agreement with the City of Berkeley (the group also considered forming a limited equity housing co-op, but found that they would have access to more competitive financing sources with lower interest rates as a condominium). Under the agreement, the property is monitored by the City's Below Market Rate (BMR) program, although it is considered a customized project and is not officially part of the City's BMR inventory. Through deed restrictions, the price appreciation of each home is tied to the growth of the area median income, plus capital improvements. New buyers must earn less than 120 percent or 150 percent of AMI. The seller selects the buyer, subject to the above restrictions.

Resident leaders estimate that unit prices remain significantly below market rate housing. At current prices, a unit would sell for approximately \$300,000, and the median home sale price

in Berkeley in August 2017 was \$1,150,000.⁴⁰ Unit turnover is very low; after two decades, half of the original founders still live in the community. One unit resells approximately every eight to ten years.

Residents range in age from two to 86 years. Ten of the 32 residents are over the age of 60. Table 7 illustrates the age distribution within the community.

Table 7: Berkeley Cohousing Residents by Age

Age	# Residents
Under 18	7
18 - 24	3
25 - 34	1
35 - 44	1
45 - 54	7
55 - 64	7
65 - 74	3
75+	3
Total	32

Sources: Berkeley Cohousing;
BAE, 2017

Berkeley Cohousing makes lifestyle accommodations for seniors in the community. For example, seniors may be required to do fewer strenuous chores. One of the residents is a geriatric care specialist who provides basic levels of support to elderly residents free of charge, and is available to provide more advanced services if residents elect to pay for them.

Residents described situations in which community members facing hardship were (and continue to be) supported by their neighbors. After one resident was diagnosed with cancer, neighbors took turns transporting her to her appointments for treatment. Another resident facing chronic depression is monitored by neighbors who contact her son if they feel that she needs outside or professional support.

The community’s 30-year limited equity agreement with the City of Berkeley is scheduled to end in 2027, which will likely present a challenge. While some residents would like for the homes to become market-rate, others would like to explore options such as a community land trusts that would enable the units to remain affordable.

Project Financing

Table 8 illustrates how Berkeley Cohousing was initially financed. The group purchased the site from a private owner in 1993 for the market price of \$914,000. At the time, there were twelve homes on the property. Site improvements, renovation of existing units, adaptation of

⁴⁰ CoreLogic, August 2017

the common house structure, and the construction of two additional units cost \$822,544. Soft costs, financing, and legal fees brought the total development to \$2,324,000.

Residents put forth \$600,000 in equity (approximately \$42,900 per household), representing 26 percent of the total project cost. With this equity committed, the group was able to obtain a \$1,724,000 loan from a private bank. The financing was structured as a single loan, with multiple group members listed on the title (this would not be possible today due to increased restrictions on real estate lending). Over time, each household was able to take out an FHA-backed mortgage for their unit, eventually replacing the \$1.7 million loan with 14 individual condominium mortgages.

Table 8: Berkeley Cohousing Financing

Sources	
Resident Equity	\$600,000
Loan - Private Bank	\$1,724,000
Total, Sources	\$2,324,000
Uses	
Property Acquisition	\$914,000
Acquisition Fees	\$60,900
Soft Costs	\$148,806
Construction	\$822,544
Legal Fees	\$238,000
Financing Costs	\$139,750
Total, Uses	\$2,324,000
Cost per Unit (14 Units)	\$166,000

Sources: Berkeley Cohousing; BAE, 2017.

Challenges

Access to Financing

Lack of financing options for the development of co-housing is perhaps the most significant obstacle to affordability. Most co-housing developments are “resident-driven” – that is, residents form a group, plan the project, commit their funds, and then bring a developer on board. Developers generally do not build co-housing first and then market it later; the perceived risk is too great, since it’s a relatively new and unconventional form of housing in the United States. Therefore, a significant amount of resident equity is required up front, making participation infeasible to households that do not already have the required assets.

Public subsidies can be difficult for co-housing projects to secure. Most co-housing developments have fewer than 40 units. While this small scale is important (as it facilitates a “neighborhood atmosphere”), it prevents developments from achieving the kinds of economies of scale that attract traditional forms of affordable housing financing.

While some projects have utilized LIHTC equity, there are inherent challenges with using federal funds for co-housing. Due to rules meant to prevent discrimination, it is illegal to deny someone a co-housing unit simply because they are unwilling or unable to participate in the collaborative co-housing lifestyle (for example, sharing resources, attending meetings, and completing chores). Petaluma Avenue Homes in Sebastopol is an affordable LIHTC-funded rental community in Sebastopol that was originally conceived as a co-housing project. When only half of residents participated in the collaborative aspects of their new home, the co-housing element of the community fell away. Petaluma Avenue Homes remains in operation today as a standard affordable rental facility with extensive common facilities

Zoning

Cohousing communities feature dense clusters of homes centered around a common greenspace. Many municipal zoning laws and development standards require a certain amount of green space per single-family home, direct street access, dedicated parking, etc., making it difficult or even impossible to create a co-housing community that occupies as little land as possible while also facilitating the right combination of privacy and interaction.

Making Co-housing Affordable

As mentioned above, there are inherent challenges with achieving affordability in co-housing. According to Betsy Morris, co-housing resident and owner of the Building Sustainable Communities consulting practice, there are two categories of strategies to make co-housing more affordable: internal tactics (controlling costs and providing internal subsidies) and external tactics (public subsidies and sale price restrictions).

Internal Tactics

- Downsize units: Smaller unit sizes require fewer materials and occupy less land.
- Build “at scale”: Create the number of units sufficient to get better prices on labor and materials.
- Energy efficiency: When energy efficient materials cut costs overall, use them; situate homes for passive solar gain.
- Increase density: Cluster homes to use less land.
- Build fewer “big ticket items”: Include only one bathroom per unit.
- Create revenue-generating opportunities: Create space for future in-law studios/rental units in private homes.
- Leave some spaces unfinished: As allowed by building code, leave a room over a garage, a basement, or a common space unfinished so homeowners can improve these spaces as their incomes and assets rise.
- Shared utilities: Rather than creating 20 or more gas lines, create one main line. Create one laundry room with one hookup.
- Community system of loans or gifts: Establish a system of giving or lending among members of the co-housing community before construction, to either lower housing prices or help families to be able to afford the sale prices needed to cover costs.

- Cross-subsidize units: Some members may be willing to raise their own unit costs to lower price of other units.
- Sweat equity: During construction or rehabilitation, allow residents to contribute “sweat equity” by performing some construction tasks (as regulations permit, under the supervision of a construction manager), thereby lowering their required buy-in amount.

External Tactics

- Limited equity models: Through deed restrictions or and/or restrictions tied to public financing sources, restrict the resale value of units.
- Community land trust (CLT): When land is held by a CLT, it is removed from the speculative market in perpetuity, enabling the real estate built on top of it to remain affordable. A CLT can issue a long-term ground lease to a co-housing community.
- Non-profit housing developers: Non-profit housing developers build many different kinds of affordable housing. Effective non-profits are familiar with the real estate development process, public and private financing sources, and have strong relationships with the communities that they serve. A non-profit housing developer may be in a good position to piece together the funding for a co-housing project and organize and train prospective residents.
- Down-payment assistance: Many cities offer down-payment assistance for first-time homebuyers as well as low- and moderate-income homebuyers. Additionally, through the Mortgage Credit Certificate program (MCC), first-time homebuyers can qualify for a federal tax credit that reduces their federal income tax liability, resulting in increased disposable income that can be used toward monthly mortgage payments.⁴¹
- Homeownership/rental combination: A homeowner co-housing community may elect to include some rental units, which are owned and managed by a local nonprofit. While not homeowners, the rental tenants can still benefit from the collaborative atmosphere and the close-knit community.
- Inclusionary units: Affordable units can be used to satisfy inclusionary housing requirements set forth by jurisdictions, as was the case with Sand River Cohousing Community in Santa Fe, New Mexico.⁴²

Recommendations for West Hollywood

With its relatively large population of aging single people – many of whom may wish to age in place – co-housing could be an effective housing format to meet this housing need. Many of West Hollywood’s residents are long-time residents with strong community ties. This could increase the likelihood of success for any future co-housing projects, as projects are most likely to be successful when members are able to collaborate and work together.

⁴¹ <http://www.calhfa.ca.gov/homebuyer/programs/mcc.htm>

⁴² <http://www.sandriver.org/>

West Hollywood can do the following things to facilitate the development of co-housing communities and ensure their success:

Zoning

BAE recommends that West Hollywood review its zoning laws, development standards, and building codes for instances in which existing policies would prevent the creation of co-housing. The City should consider creating a new zoning category explicitly for co-housing that allows for the clustering of small homes around a common greenspace with a common house, one point of street access, and parking on the periphery.

Financing

Because it is difficult to obtain financing for co-housing projects, and because it is difficult to utilize LIHTC, the City of West Hollywood should seek to make City financing available. Low-interest loans for acquisition, construction, and/or permanent financing would make it easier for a prospective co-housing community to get their project off the ground. Making down-payment assistance available to buyers could significantly lower the entry hurdle for prospective residents.

Community Engagement and Training

The development process, and subsequently, the collaborative style of co-housing life can be challenging. To ensure the success of a co-housing project, West Hollywood should put together a committee that includes a co-housing consultant, an experienced local affordable housing developer or perhaps a community development corporation paired with an established private real estate developer with affordable housing experience. The committee would work together with the City to put together a group of people interested and able to commit to the co-housing lifestyle and able to invest small amounts of personal equity. The committee would help group members apply for any other necessary assistance (e.g., down-payment assistance), structure the financing of the co-housing project, guide them through the development process, and train them on the co-housing model.

Artist Housing

Many artists – with their relatively low and often unpredictable wages – struggle to find affordable housing and studio space. Skyrocketing urban rents have compounded this problem, threatening to displace artistic communities in many cities. Historically, urban artists have addressed the shortage of affordable space by squatting in abandoned warehouses, where long-term affordability is not protected, living conditions are substandard, and safety is compromised. This trend has sometimes had disastrous consequences, as was most recently illustrated by the deadly fire that took place in December 2016 at Ghost Ship, a warehouse in Oakland that had been illegally converted into an artist collective.

Artist communities generally lack the capacity to successfully develop real estate, and until recently, the need for affordable artist housing did not have a place in local or national policy discussions.⁴³ The Minneapolis-based organization Artspace has been an exception to this rule. Established in 1979, it began as an advocacy organization aimed at drawing attention to the need for affordable artist space. By the late 1980s, the organization had expanded its activities to include real estate development. To date, Artspace has completed more than 35 major projects across the U.S., with more than ten additional projects currently under construction or in development.

Affordable live/work space for artists meets the following criteria:

- It provides both residential accommodations and workspace, including moveable walls, slick floors that can be easily wiped clean, high ceilings, doors that roll up, and large spaces for performances
- It is income-restricted
- Preference is given to artists

There is strong demand for affordable artist housing in and around West Hollywood. Based on a review of Public Use Microdata Sample data, which tracks West Hollywood and other neighboring geographies, there were 11,480 full-time professional artists residing in and around West Hollywood.⁴⁴ Of these individuals, 3,090 are members of low, very low, or extremely low-income households.

Given this strong contingent of local artists, West Hollywood expressed an interest in profiling affordable artist housing, which consists of live/work units that can be used as studios, with additional communal or gallery spaces to encourage collaboration. The case study highlights the Tannery Arts Center, an affordable live/work development for artists in Santa Cruz, CA.

⁴³ <https://www.urban.org/sites/default/files/publication/31226/1001176-Artist-Space-Development-Making-the-Case.PDF>

⁴⁴ The PUMA geography that contains West Hollywood also includes Beverly Hills, Culver City, Santa Monica, and Marina del Rey.

Table 9: West Hollywood Artists by Income Level, 2011 - 2015

Occupation	Artist Population by Household Income Level (a)					Total
	Extremely	Very			Above	
	Low	Low	Low	Moderate	Moderate	
Actors	342	107	203	249	1,007	1,908
Artists and related workers	28	77	41	49	508	703
Cabinetmakers and bench carpenters	0	0	0	0	21	21
Chefs and head cooks	0	0	19	0	34	53
Dancers and choreographers	0	39	50	0	29	118
Designers	244	121	259	339	1,547	2,510
Entertainers and performers, other	130	44	11	0	95	280
Etchers and engravers	0	0	0	0	19	19
Jewelers and precious stone and metal workers	0	0	0	0	12	12
Miscellaneous media and communication workers	24	0	0	0	60	84
Musicians, singers, and related workers	35	154	128	0	548	865
Photographers	18	78	24	0	182	302
Producers and directors	188	144	296	19	2,109	2,756
Writers and authors	127	95	64	88	1,475	1,849
Total	1,136	859	1,095	744	7,646	11,480

Notes:

(a) HCD Income levels of households containing individuals with the artist occupations.

Sources: American Community Survey Public Use Microdata (2011 - 2015); BAE, 2017.

Case Study: The Tannery Arts Center (Santa Cruz, CA)

The Tannery Arts Center (“The Tannery”) is an affordable live/work development for artists in Santa Cruz, California. It consists of six structures occupying eight acres along the San Lorenzo River, approximately one mile from Downtown Santa Cruz. Formerly a leather tannery, it was acquired by the Santa Cruz Redevelopment Agency. Artspace began transforming it into an arts campus in 2007, in collaboration with the City and the John Stewart Company,

Today, the Tannery contains 100 affordable live/work units and 28 studios for artists to create, display and sell their art, and a professional theater for dance, drama, film, and musical performances. It also houses the Santa Cruz County Arts Council headquarters.

The land is owned by the City of Santa Cruz and is leased to Artspace via two long-term ground leases (one for the housing portion of the project and one for the commercial portion). The John Stewart Company manages the property.

The Tannery Arts Center project was completed in three phases:

- Phase 1: Tannery Lofts - 100 affordable live/work units completed in 2009
- Phase 2: Tannery Working Studios - 28 market-rate work spaces completed in 2012
- Phase 3: Colligan Theater, completed in 2015

Figure 13: The Tannery Arts Center



The exterior. Source: W+Noordijk, Inc.



Inside a live/work unit. Source: W+Noordijk, Inc.



Inside a working studio. Source: Tannery Arts Center



Colligan Theater. Source: Tannery Arts Center

Target Group

The Tannery's 100 affordable live/work units are income restricted to households earning 50 percent of AMI. The remaining 28 studio spaces are market-rate units.

Project Financing

Table 10 shows the sources used to finance the one-hundred affordable live/work units. The total development cost was \$35.4 million, or \$354,000 per unit. Tax credit equity accounted for the largest source of funding, followed by state and local financing.

Table 10: The Tannery Financing (Phase 1)

Sources		
		<i>% of Total</i>
4% LIHTC Equity	\$16,298,653	
General Partner Equity	\$1,121,426	
Deferred Fee/Other	\$443,159	
Total Equity	\$17,863,238	50.4%
First Mortgage (JPMorgan Chase)	\$4,195,000	
Federal Home Loan Bank Affordable Housing Program	\$1,000,000	
Total Loans	\$5,195,000	14.7%
City of Santa Cruz Redevelopment Agency	\$1,981,000	
City of Santa Cruz Housing Trust Fund	\$1,200,000	
County of Santa Cruz Housing Trust Fund	\$500,000	
Total Local Funds	\$3,681,000	10.4%
California HCD - Multihousing Program	\$8,681,201	
Total State Funds	\$8,681,201	24.5%
Total, Sources	\$35,420,439	
Cost per Unit (100 Units)	\$354,204	

Note:

The City of Santa Cruz acquired the 8-acre site, completed brownfield remediation and conveyed the parcel by ground lease for \$1. Acquisition and remediation costs are not included above.

Sources: Artspace; BAE, 2017.

Success Factors and Replicability

Successfully developing affordable live/work space for artists requires special expertise: arts facility design and knowledge of affordable housing finance. Artist live/work spaces require special adaptations to artists' needs, such as large door openings for bulky art pieces, or, in the case of an adaptive re-use project, retention of industrial building characteristics such as freight elevators and loading docks.⁴⁵ Experience working with artists and understanding of their facility needs are key to delivering functional spaces.

Challenges

Defining "Artist"

An artist can be a painter who spends 60 hours a week creating new pieces for sale, or a full-time telemarketer who writes short stories on weekends. Because U.S. tax credit law leaves the term "artist" relatively open to interpretation (one simply needs to be involved in "artistic or literary activities"),⁴⁶ a developer soliciting applications for artist units must decide in advance how the term artist will be defined. In its housing application, Working Artists Ventura ("WAV"), an affordable housing project in Ventura, CA, requires submission of the artist's resume, a

⁴⁵ <https://www.urban.org/sites/default/files/publication/31221/1001175-Artist-Space-Development-Financing.PDF>

⁴⁶ <http://www.artspace.org/ideas-insights/artist-preference-affordable-housing>

statement of intent, and three written letters of reference from people knowledgeable with the artist's work.

Complex Property Maintenance

Many live/work projects for artists involve more than just apartments and working studios. For example, the Tannery also has a professional theater, a café, public greenspace, and a walk/bike trail. This makes the management and upkeep of the property more involved than a traditional affordable project. Spaces that are open to the public face more wear-and-tear and may need improvements more frequently.

Unit Sizes

According to the Jon Stewart Company, there has strong demand for single-person units but not larger family units. However, because some public financing sources required a certain proportion of larger-units, this created a mismatch in the local market between supply and demand. In fact, many of the larger units wound up being occupied by unrelated single artists living together as roommates, which has created some management issues.

Recommendations for West Hollywood

Examples of affordable artist communities have been built in Los Angeles, which has spurred interest in this cross-collaborative prototype. West Hollywood is centrally located in the region's entertainment and arts district, and is home to a strong contingent of artists. Moreover, supporting the "creative class" has been shown to have an impact on economic development.

The City is in the process of reviewing the City's Zoning Code to ensure it allows for artist live/work housing developments. Besides this zoning review, the City can support future affordable artist housing projects and encourage collaboration between art organizations and non-profit housing developers.

Designating a cultural arts district can also attract funding and provide technical assistance. The California Arts Council launched a "Cultural District Pilot Program" aimed at growing grassroots arts and cultural opportunities. Fourteen California neighborhoods were selected for the pilot program and will receive benefits such as grants, technical assistance, peer-to-peer exchanges, and branding materials and promotional strategy.⁴⁷ The program will be expanded in 2019 to include a wider array of communities.

⁴⁷ <https://ww2.kqed.org/arts/2017/07/13/california-announces-recipients-of-new-creative-district-program/>

Appendix A: Funding Opportunities

There are myriad approaches to fund new and rehabilitated affordable housing units through both federal and State of California resources. Since the typical affordable housing project must piece together multiple funding sources in high-cost urban areas such as West Hollywood, the process has grown even more difficult in recent years, due to the termination of Redevelopment Agencies in California, which provided a substantial amount of both funding and subsidized land for affordable housing development purposes. In addition, the federal government has been reducing the amount of federal funds for affordable housing development in the past decade, with future allocations slated for further reductions.

It is important to note that for most urban, high-cost cities like West Hollywood, the availability or lack of funding new affordable housing, while challenging, is not typically the primary reason for limited production. Affordable housing production is limited for a host of reasons, due to challenges in obtaining sites (limited developable land), entitling land for sufficient development density, limited capacity of non-profit housing developers (the primary organizational type producing these projects), and variable application timetables/lack of certainty related to each funding source (requiring piecing sources together). Moreover, for those projects utilizing Low Income Housing Tax Credits, external factors such as tax credit purchaser demand for credits (which can vary with macro-economic conditions), and general uncertainty related to continuing the program under current Congressional tax legislation discussions, can also impact construction levels.

In general, BAE recommends that small cities such as West Hollywood identify sites and target populations to serve, as the driver of new affordable housing production, rather than any particular funding source. In other words, identify the unmet housing need; the project location, design, and developer; and the funding can then be pieced together as needed.

Federal and State Low Income Housing Tax Credits (LIHTC)

In urban California, the federal and state Low Income Housing Tax Credit programs provide the most substantial source of funding for affordable housing, generally serving households from the 35 to 60 percent of Area Median Income (AMI) categories.

Federal Low Income Housing Tax Credits

The Federal Low Income Housing Tax Credit (LIHTC) program, established in 1986, creates an indirect subsidy to finance the construction and rehabilitation of affordable rental housing. This mechanism is limited to serving households earning up to 60 percent of Area Median Income (AMI), although in California, most LIHTC-funded projects serve lower incomes.

The basic concept of LIHTC is that an investor purchases the tax credit, providing cash in the form of equity to an affordable housing project. In return, the investor receives a tax credit to offset other tax liability on a dollar-for-dollar basis. The tax credit is provided on a pro-rata

share over a 10-year period. LIHTC-funded projects must meet eligibility requirements for at least 30 years after project completion (i.e., owners must keep the units rent restricted and available to low-income tenants).

Much like market-rate projects, LIHTC projects obtain equity funds using this tax credit mechanism, along with loans supported by lower-than-market-rate rents paid by tenants. In high cost areas, multiple other subsidies are also usually needed to make the affordable rental project feasible (e.g., cover construction and operating costs to break even). In California, most affordable projects using this mechanism are developed by non-profit housing development organizations, but for-profit developers can also use this mechanism and/or partner with non-profits.

Federal LIHTCs are capped on a per-capita basis for each state per year, with the dollar limit increased most years by Congress to reflect inflation. The recently-announced 2018 per-capita limit will be \$2.40 per resident of the state. However, it should be noted that federal LIHTCs may be under threat of reduction or elimination by current Congressional tax reform actions.

State Low Income Housing Tax Credits

California has an additional state tax credit program, to augment the federal program, allowing investors to invest additional funds in exchange of tax credits against California corporate or income taxes.

State of California Loan and Grant Funding Sources

The State of California funds a broad range of affordable housing loan and grant programs, targeting particular categories of geography (e.g., urban or rural, or near transit), income categories (homeless to extremely low to moderate income), and/or special needs (e.g., mental health, supportive housing, veterans, etc.). The following text for State funding sources is excerpted directly from the California Housing and Community Development website.⁴⁸

Active (with funding for the next 12 months)

⁴⁸ See <http://www.hcd.ca.gov/grants-funding/active-funding/index.shtml> and see <http://www.hcd.ca.gov/grants-funding/active-no-funding/index.shtml>. Accessed 10-27-17.

- **Affordable Housing and Sustainable Communities Program (AHSC).** The AHSC funds land use, housing, transportation, and land preservation projects that support infill and compact development and reduce greenhouse gas (GHG) emissions. Funds are available in the form of loans and/or grants in two kinds of project areas: Transit Oriented Development (TOD) Project Areas and Integrated Connectivity (ICP) Project Areas. There is an annual competitive funding cycle.
- **Infill Infrastructure Grant Program (IIG)⁴⁹.** IIG provides grant funding for infrastructure improvements for new infill housing in residential and/or mixed-use projects. Funds are made available through a competitive application process.
- **Emergency Solutions Grant Program (ESG).** ESG makes grant funds available for projects serving homeless individuals and families through eligible non-profit organizations or local governments. ESG funds can be used for supportive services, emergency shelter/transitional housing, homelessness prevention assistance, and providing permanent housing. Funds are available in California communities that do not receive ESG funding directly from the U.S. Department of Housing and Urban Development. Funding is announced annually through a Notice of Funding Availability.
- **Golden State Acquisition Fund (GSAF).** GSAF was seeded with \$23 million from the Department's Affordable Housing Innovation Fund. Combined with matching funds, GSAF makes up to five-year loans to developers for acquisition or preservation of affordable housing. Loans are a maximum of \$13,950,000. Funds are made available over the counter.
- **No Place Like Home.** The No Place Like Home Program will have \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness.
- **Predevelopment Loan Program (PDLP).** PDLP makes short-term loans for activities and expenses necessary for the continued preservation, construction, rehabilitation or conversion of assisted housing primarily for low-income households. Availability of funding is announced through a periodic Notice of Funding Availability. Eligible applicants include local government agencies, non-profit corporations, cooperative housing corporations, and limited partnerships or limited liability companies where all the general partners are non-profit mutual or public benefit corporations.
- **Home Investment Partnerships Program (HOME).** HOME assists cities, counties, and non-profit community housing development organizations (CHDOs) to create and retain affordable housing for lower-income renters or owners. HOME funds are available as loans for housing rehabilitation, new construction, and acquisition and rehabilitation of single- and multifamily projects and as grants for tenant-based rental assistance. At least 50 percent of the amount is awarded to rural applicants and 15 percent is set aside for CHDOs. Funds are available in California communities that do not receive

⁴⁹ Stated for additional funding if the 2018 General Obligation Bond statewide election is successful for SB3 (requires 2/3rds voter approval).

HOME funding directly from the U.S. Department of Housing and Urban Development. Funding is announced annually through a Notice of Funding Availability.

- **Housing-Related Parks Program.** The [Housing-Related Parks Program](#) funds the creation of new park and recreation facilities or improvement of existing park and recreation facilities that are associated with rental and ownership projects that are affordable to very low- and low-income households. Grant funds are made available to local jurisdictions.
- **Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP).** [MPRROP](#) makes short- and long-term low interest rate loans for the preservation of affordable mobilehome parks for ownership or control by resident organizations, nonprofit housing sponsors, or local public agencies. MPRROP also makes long-term loans to individuals to ensure continued affordability. Funds are made available through a competitive process in response to a periodic [Notice of Funding Availability](#). NOTE: Currently, MPRROP is accepting applications on an over-the-counter basis.
- **Community Development Block Grant (CDBG).** [CDBG](#) makes funds available in four categories: Community Development (CD), Economic Development (ED), Community Services and Housing Activities, and Disaster Recovery Initiative (DRI). CDBG grants can be used broadly but are primarily used to provide a suitable living environment by expanding economic opportunities and providing decent housing to low-income households. Funds are available in California communities that do not receive CDBG funding directly from the U.S. Department of Housing and Urban Development (HUD). There is an annual competitive funding cycle for all except Economic Development, which has an over-the-counter [Notice of Funding Availability](#) process.
- **National Housing Trust Fund.** [National Housing Trust Fund](#) is a permanent federal program with dedicated source(s) of funding not subject to the annual appropriations. The funds can be used to increase and preserve the supply of affordable housing, with an emphasis on rental housing for extremely low-income households (ELI households, with incomes of 30 percent of area median or less). This year California is receiving approximately \$10.1 Million for the program. Funds will be made available through a competitive process and will be announced through a Notice of Funding Availability.
- **Section 811 Project Rental Assistance.** Section 811 Project Rental Assistance offers long-term project-based rental assistance funding from the U.S. Department of Housing and Urban Development (HUD) through a collaborative partnership among the California Housing Finance Agency (CalHFA), Department of Health Care Services (DHCS), Department of Housing and Community Development (HCD), Department of Developmental Services (DDS) and California Tax Credit Allocation Committee (TCAC). Opportunities to apply for this project-based assistance are through a Notice of Funding Availability published by [CalHFA](#). Currently funds are available on an over-the-counter basis.

- **Supportive Housing Multifamily Housing Program (SHMHP).** [SHMHP](#) provides low-interest loans to developers of permanent affordable rental housing that contain supportive housing units.
- **Veterans Housing and Homelessness Prevention Program (VHHP).** [VHHP](#) makes long-term loans for development or preservation of rental housing for very low- and low-income veterans and their families. Funds are made available to sponsors who are for-profit or nonprofit corporations and public agencies. Availability of funds is announced annually through a Notice of Funding Availability. In July 2017, the third round of funding for this program awarded \$62 million to projects throughout the state.

Active (with no current funding)

While these programs are not currently funded, they are considered “active” by the State of California. These programs will receive a large, one-time injection of funding if the November 2018 General Obligation Bond is approved by 2/3rds of the state’s voters (SB3). Most of these programs may be applicable to West Hollywood.

- **Multifamily Housing Program (MHP)**⁵⁰. [MHP](#) makes low-interest, long-term deferred-payment permanent loans for new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower-income households.
- **CalHome**⁵¹, [CalHome](#) makes grants to local public agencies and nonprofit corporations to assist first-time homebuyers become or remain homeowners through deferred-payment loans. Funds can also be used to assist in the development of multiple-unit ownership projects.
- **California Self-Help Housing Program (CSHHP)**⁵². [CSHHP](#) makes grants to local government agencies and nonprofit housing corporations to provide technical assistance to low- and moderate-income families building their own homes.
- **Local Housing Trust Fund Program (LHTF)**⁵³. [Affordable Housing Innovation's LHTF](#) lends money for construction of rental housing projects with units restricted for at least 55 years to households earning less than 60 percent of area median income. State funds matches local housing trust funds as downpayment assistance to first-time homebuyers.

⁵⁰ Will receive new funding if GO Bond is approved by California voters in November 2018. See next section for further information.

⁵¹ IBID

⁵² IBID

⁵³ IBID

- **Transit Oriented Development Housing Program (TOD)**⁵⁴. The [TOD](#) program makes low-interest loans and grants for rental housing that includes affordable units that are located within one-quarter mile of a transit station. Eligible applicants include cities, cities and counties, transit agencies, developers, and redevelopment agencies. Applications are accepted in response to a periodic Notice of Funding Availability.

Additional Active (no funding, and likely not applicable to West Hollywood)

- **Joe Serna, Jr., Farmworker Housing Grant (JSJFWHG)**⁵⁵
- **Community Development Block Grant Program (CDBG) - Disaster Recovery Initiative (DRI)**
- **Community Development Block Grant Program (CDBG) - Neighborhood Stabilization Program (NSP)**
- **Emergency Housing and Assistance Program Capital Development (EHAPCD)**
- **Homeless Youth Multifamily Housing Program (HYMHP)**
- **Loan Portfolio Restructuring (LPR)**
- **Office of Migrant Services (OMS)**
- **2015 Drought Relocation Assistance Program (DHRA)**

New Affordable Housing Legislation’s Additional Funding Sources

In late September 2017, the Governor of California signed into law a series of 15 pieces of legislation which will serve to streamline housing approvals in some circumstances, fund and encourage housing planning activities, and fund specific new affordable housing production throughout the state. The following profiles the five new initiatives which include potential new funding opportunities for West Hollywood. The following text is based on edited excerpts of California Senate or Assembly analysis published during the last consideration of each piece of legislation, provided here for informational purposes, and is footnoted as such. It should be noted that further regulatory or legal clarification may have occurred since this text was published, meaning that each funding opportunity for West Hollywood will require further research to ascertain its applicability and the steps needed to implement policy actions.

Building Homes and Jobs Act (SB2 Doc Recording Fee)⁵⁶

SB2 creates a permanent and ongoing source of funding for affordable housing by imposing a \$75 fee on every real estate instrument, paper, or notice, per parcel of real property, excluding real estate instruments recorded in connection with a transfer of real property that is a residential dwelling to an owner- occupier. Estimated annual revenues range from \$200 to \$300 million annually.

⁵⁴ IBID

⁵⁵ IBID

⁵⁶ This text based on 9-15-17 Senate Analysis. See http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180SB2,

The Act sets up an interesting dynamic to spur one year of local planning activity in its first year of implementation (2018). During that calendar year, 50 percent of the money will be granted to local governments to update planning documents and zoning ordinances in order to streamline housing production. Eligible planning activities include general plans, community plans, specific plans, sustainable community strategies, and local coastal programs. In addition, funds may be used for environmental analysis that eliminates the need for project-specific review, or for process updates that expedite local permitting.

Beginning in 2019, funds will be allocated to subsidize housing production, including both affordable rental and owner-occupied housing. Interestingly, this Act allows some funds to subsidize units serving up to 150 percent of Area Median Income (AMI), which reaches above the usual limit of 120 percent AMI. Allowable uses include:

- Predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing affordable to extremely low-, very low, low and moderate-income households including necessary operating subsidies;
- Affordable rental and ownership housing that meets the needs of a growing workforce up to 120% of AMI, or 150% of AMI in high- cost areas.
- Matching portions of funds placed into local or regional housing trust funds;
- Matching portions of funds placed in the Low- and Moderate- Income Housing Asset Funds of former redevelopment agencies retained by successor agencies;
- Capitalized reserves for services connected to the creation of new permanent supportive housing
- Assisting persons who are experiencing or at risk of homelessness
- Accessibility modifications;
- Efforts to acquire and rehabilitate foreclosed, vacant, or blighted homes;
- Homeownership opportunities
- Fiscal incentives or matching funds to local agencies that approve new housing for extremely-low, very-low, low- and moderate- income households

Most of the funds in 2019 and beyond will be allocated per a formula, but a portion will be allocated through competitive grants.

For West Hollywood, this new Act enables both 2018 planning activities and 2019 and beyond housing project subsidies, including competitive grants for a range of affordable rental and owner-occupied housing. Specific amounts available will be better defined as the program ramps up in 2018. It is likely that any of the housing product types profiled in this report will be eligible for these funds.

Veterans and Affordable Housing Bond Act of 2018 (SB3)⁵⁷

This bill enacts the Veterans and Affordable Housing Bond Act of 2018 and authorizes the issuance of \$4 billion in general obligation (GO) bonds for affordable housing programs and a veteran's home ownership program, subject to approval by the voters in the November 6, 2018 election, for the following affordable housing purposes:

1. **Multifamily Housing Program (\$1.5 billion).** The Multifamily Housing Program assists the new construction, rehabilitation, and preservation of permanent and transitional rental housing for lower income households through loans to local governments and non- and for-profit developers. Funds are for incomes up to 60% of area median income.
2. **Transit-Oriented Development Implementation Program (\$0.15 billion).** Provides low-interest loans as gap financing for rental housing developments that include affordable units, and as mortgage assistance for homeownership developments. Grants to cities, counties, and transit agencies are for the provision of the infrastructure necessary for the development of higher density uses within close proximity to a transit station and loans for the planning and development of affordable housing within one-quarter mile of a transit station.
3. **Infill Infrastructure Financing Grants (\$0.3 billion).** Assists in the new construction and rehabilitation of infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill, such as water and sewer extensions.
4. **Joe Serna, Jr. Farmworker Housing Grant Program (\$0.3 billion).** Finances the new construction, rehabilitation, and acquisition of owner- occupied and rental units for agricultural workers, with a priority for lower income households.
5. **Local Housing Trust Matching Grant Program (\$0.3 billion).** Provides matching grants to local governments and non-profits that raise money for affordable housing.
6. **CalHome (\$0.3 billion).** Provides grants to local public agencies and nonprofit developers to assist individual households through deferred- payment loans. The funds would provide direct, forgivable loans to assist development projects involving multiple ownership units, including single- family subdivisions. This money would also be available to self-help mortgage assistance programs and manufactured homes.
7. **Self-Help Housing Fund (\$0.15 billion).** Provides down payment assistance for first-time low- and moderate-income homebuyers where project affordability has been improved through regulatory incentives.
8. **CalVet Home Loan Program (\$1.0 billion).** Assists veterans in purchasing homes and farms.

Housing Sustainability Districts (AB73)⁵⁸

This bill provides local governments the option of creating "Housing Sustainability Districts," which operate as overlay districts to streamline the residential development process in areas

⁵⁷This section excerpted from 9-15-17 Senate Floor Analysis for SB3. See http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180SB3 .

⁵⁸ This text based on Assembly Floor Analysis for AB73. See http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180AB73

with existing infrastructure and transit. These districts would be zoned at higher densities, near public transit, and an EIR on the district would be completed at the front end. Additionally, 20 percent of the housing in the district must be zoned at affordable levels. Any development affordable to persons and families whose income exceeds moderate-income shall contain no less than 10 percent units for lower-income households. Once zoning is complete, the housing sites within the district would be subject to ministerial approval and subject to prevailing wage.

In exchange for creating HSDs, localities receive incentive payments from HCD to encourage their establishment of these districts, at two stages: at creation of the HSD (and approval by HCD), and upon permitting of housing units within the District. The incentive payment amounts are unspecified in the legislation.

In addition, a key benefit of this law is that it will exempt a housing project in an HSD from being required to conduct an EIR if all the following conditions are met:

1. Requires a lead agency to prepare an EIR when designating an HSD to identify and mitigate, to the extent feasible, environmental impacts resulting from the designation. The EIR shall identify mitigation measures that may be undertaken by housing projects in the HSD to mitigate the environmental impacts identified in the EIR.
2. The lead agency has certified an EIR for the HSD and HCD has approved the HSD within 10 years of the lead agency's review of the housing project.
3. The housing project meets the conditions specified in the designation for the HSD.
4. The housing project is required to implement appropriate mitigation measures identified in the EIR to mitigation environmental impacts identified by the EIR.

The legislation requires numerous criteria for eligibility, and outlines the steps necessary to comply with the initiative. In summary, the key aspects of the Housing Sustainability District are requiring 20 percent affordability in the District, at least 10 percent affordable housing in each market rate project, and payment of prevailing wage to construct the projects. In exchange, the local government will be able to receive an unspecified "incentive payment" in two stages, and projects will be exempt from environmental review provided the initial EIR's mitigation measures are followed. This new initiative would likely fit well within the policy framework of West Hollywood.

Workforce Housing Opportunity Zone (SB540)⁵⁹

This bill authorizes a city or county to establish a Workforce Housing Opportunity Zone (WHOZ) by preparing an environmental impact report (EIR) to identify and mitigate impacts from establishing a WHOZ and adopting a specific plan. Under this bill, because the local government has fully conducted the necessary environmental reviews, no project-specific additional environmental reviews would be needed, allowing for housing developments within these planned

⁵⁹ This text based on 9-15-17 Senate Floor Analysis. See http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180SB540

areas to proceed in an expedited manner. A project must be approved or rejected within 90 days of a submitted application.

This bill permits a locality to establish a WHOZ by preparing an EIR pursuant to CEQA and adopting a specific plan that is required to include specified information. For the next five years, absent unforeseen environmental conditions, a locality may not deny a development that meets the mitigation requirements under this bill, and is located within the WHOZ. In effect, this bill eliminates project-specific environmental review, which could allow for housing developments within the WHOZ to proceed in an expedited manner. It also requires payment of prevailing wages for all projects approved.

There are a number size and affordability-level requirements to be met and certified in the creation of a WHOZ, including:

- **Maximum/minimum housing units' requirements.** This bill requires that within a WHOZ, the locality shall identify the distribution and location of a minimum of 100 units to a maximum of 1,500 residential dwelling units. No more than 50 percent of the RHNA shall be within the zone. However, this bill allows for multiple zones within a city, therefore it is likely that streamlined units will be in several locations. Also, this bill doesn't alter how a city identifies where to locate affordable housing.
- **Affordable housing requirements.** Within a WHOZ, at least 30 percent of the total units constructed or substantially rehabilitated in the zone must be sold or rented to moderate- or middle-income persons or families; at least 15 percent must be sold or rented to lower-income persons or families; and at least 5% must be restricted to very-low income persons or families. No more than 50 percent of the total units constructed or substantially rehabilitated may be sold or rented to persons or families of above moderate- income (e.g., market rate). Additionally, a development within the WHOZ that is affordable to persons above moderate income shall have no less than 10% of the units available for lower-income households, unless the locality has adopted a local ordinance is greater than 10%, in which case the local ordinance applies.

This bill permits local jurisdictions to apply for a no-interest loan or grant from HCD to support efforts to develop the specific plan and EIR within a WHOZ. The application to HCD must state the repayment source. The local government may impose fees, such as developer fees, to recover costs.

Neighborhood Infill Finance and Transit Improvements Act (NIFTI, AB1568)⁶⁰

This bill expands the funding sources that can be used in an Enhanced Infrastructure Finance District (EIFD, authorized previously), to utilize local sales and use tax revenue for affordable

⁶⁰ Text based on excerpts from 9-9-17 Senate Floor Analysis. See http://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180AB1568

housing on infill sites, provided the affordable housing built using this tool remains affordable for 55 years for rental units and 45 years for owner-occupied units.

As described in the bill's published analysis, until 2011, the Community Redevelopment Law allowed local officials to set up RDAs, prepare and adopt redevelopment plans, and finance redevelopment activities. RDAs used property tax revenues generated by growth in the assessed value of properties in a project area – commonly known as tax increment revenues – to finance their redevelopment activities. RDAs' dissolution deprived many local governments of the primary tool they used to eliminate physical and economic blight, finance new construction, improve public infrastructure, rehabilitate existing buildings, and increase the supply of affordable housing. In 2011, several pieces of legislation effectively eliminated RDAs.

Separately from the RDA elimination process, other legislation allowed cities and counties can create enhanced infrastructure financing districts (EIFDs) and issue bonds to allow using property tax increment revenues to repay the bonds. City or county officials can create an EIFD, which is governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community (including affordable housing).

With the passage of NIFTI, the use of sales tax revenues in addition to property tax increments, expands the opportunities to finance affordable housing production.

The eligible sites must meet "infill" criteria (which generally require an urban location and use). Further, the NIFTI, as part of the already-required EIFD financing plan, must use 20% of funds to finance affordable housing (similar to the prior 20% affordable housing "set aside" in RDAs), and at least 20% of any new housing units constructed in the NIFTI must be affordable to low-and-moderate income households as follows: 6% of the new units must be affordable to very income households, 9% to low income households, and 5% to moderate income households. The EIFD financing plan must ensure that these requirements are met every 10 years.

It should be noted that similar legislation was also signed in October 2017 establishing Affordable Housing Authorities similar to Community Revitalization and Investment Authority (CRIA). The Affordable Housing Authority can also issue bonds, and utilize both property and sales and use taxes to fund activities for low- and moderate-income housing up to 120% AMI.

Summary of New Legislation for West Hollywood

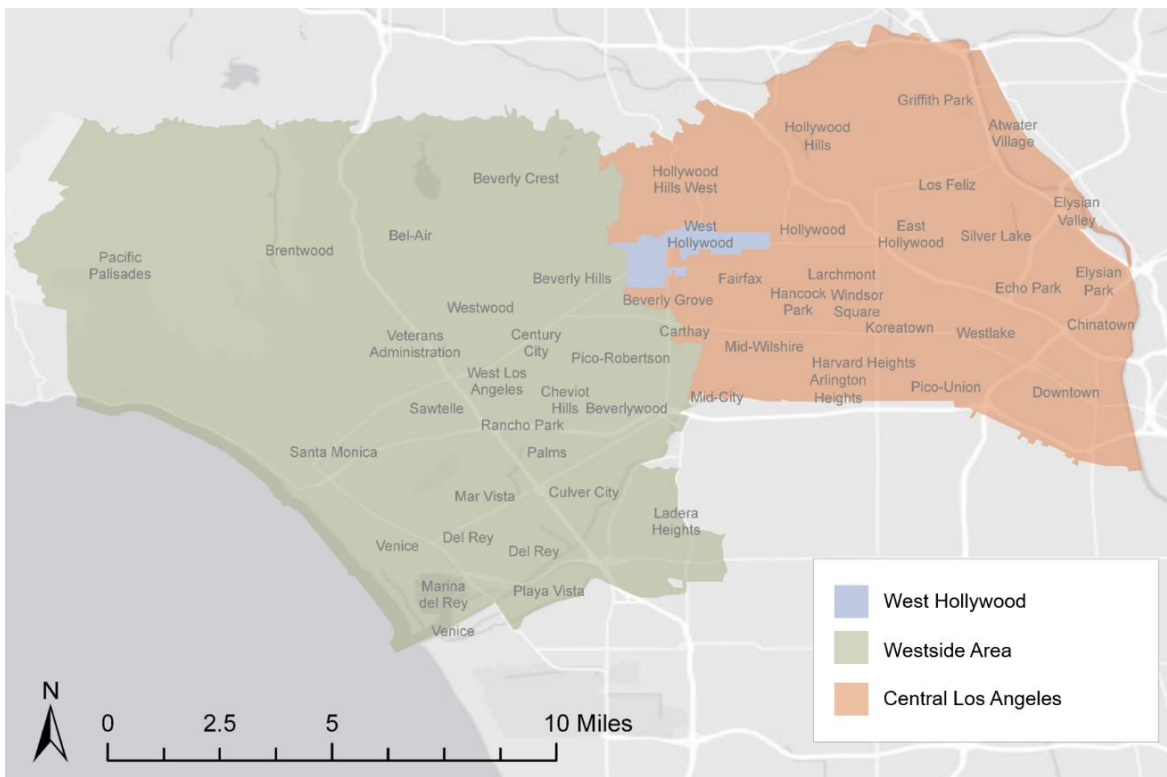
As a leading progressive local government focused on providing affordable housing to its residents, and also facing a slowly aging, large rental housing stock subject to rent stabilization, new affordable housing production (and substantial rehabilitation) will be key to improving housing affordability for West Hollywood's residents. The legislative options outlined above, including one year of housing planning funds, potential establishment of a NIFTI using

property tax and sales taxes, and/or the potential establishment of Housing Sustainability Districts and Workforce Housing Opportunity Zones, offer new ways to replace lost funding streams for the City. Evaluating the applicability and best fit of these options is beyond the scope of this report, but could be combined with a goal of developing one or more of the innovative housing strategies outlined in this report.

Appendix B: Summary of Housing Trends

This Appendix summarizes demographic and housing market trends for West Hollywood, along with comparison data for the Westside (i.e., the sub-region including several neighborhoods on the west side of the City of Los Angeles, along with West Hollywood, Beverly Hills, Culver City, and Santa Monica), and California. A map showing West Hollywood and the Westside’s geographic boundaries is shown below. The Central Los Angeles area, which includes areas extending east of West Hollywood towards Downtown and Atwater Village, is also shown on the map and is discussed as part of the commute analysis.

Figure 14: West Hollywood, Westside Area (a), and Central Los Angeles (b)



Notes:

(a) The Westside Area boundaries are determined by the Zip Code Tabulation Areas (ZCTAs) that most closely align with this geography as defined by the Los Angeles Times Mapping L.A. project.

(b) The Central Los Angeles boundaries are determined by the ZCTAs that most closely align with this geography as defined by the Los Angeles Times Mapping L.A. project and then subtracting West Hollywood.

Sources: U.S. Census Bureau; Los Angeles Times; ArcGIS Pro; BAE, 2017.

Population and Household Growth

In 2017, West Hollywood had 36,405 residents living in 23,581 households. West Hollywood experienced limited population growth since 2000, with an overall population growth of just 1.9 percent, compared to a more robust 9.3 percent population increase in the Westside. Average household size in West Hollywood, currently at 1.54 persons per household, is distinctly smaller than the Westside (2.13 persons per household) and California (2.92 persons per households).

Table 11: Population and Household Trends, 2000-2017

Population	2000	2010	2017	% Change 2000-2017
West Hollywood	35,712	34,399	36,405	1.9%
Westside Area (a)	550,416	570,585	601,624	9.3%
California	33,871,648	37,253,956	39,611,295	16.9%
Households				
West Hollywood	23,116	22,511	23,581	2.0%
Westside Area (a)	254,264	261,734	273,464	7.6%
California	11,502,870	12,577,498	13,264,119	15.3%

Note:

(a) The Westside Area is defined as the area shown in Figure B-1.

Sources: Esri; BAE, 2017.

Table 12: Average Household Size, 2010-2017

Average Household Size	2010	2017	% Change 2010-2017
West Hollywood	1.52	1.54	1.3%
Westside Area (a)	2.11	2.13	0.9%
California	2.90	2.92	0.7%

Note:

(a) The Westside Area is defined as the area shown in Figure E

Sources: Esri; BAE, 2017.

Age Distribution

West Hollywood has a somewhat older population than the surrounding Westside. In 2015, the median age in West Hollywood was 41.1 years, compared to 37.6 years for the Westside, and 35.8 years for California. Other notable features of West Hollywood's age distribution include:

- **Small and declining proportion of children.** In 2015, just four percent of West Hollywood's residents were children under age 18 (compared to almost 24 percent statewide). This low proportion of children has also declined since 2000.
- **Large proportion of Millennials.** In 2015, nearly 30 percent of West Hollywood's residents between the ages of 25 to 34.
- **Significant proportion of seniors.** In 2015, there were more than 5,200 seniors age 65 and older living in West Hollywood, comprising nearly 15 percent of the population (same as 15 percent in the Westside, but just 13 percent statewide). In addition, another 3,700 residents fell in the 55 to 64 age category in 2015. As these residents age in place, it will be important for the City to address their housing and social welfare needs.

Table 13: Age Distribution, 2000-2015

Age Cohort	West Hollywood		Westside Area (a)		California	
	2000	2015 (b)	2000	2015 (b)	2000	2015 (b)
Under 18	2,034	1,430	90,210	92,489	9,249,829	9,174,343
18-24	2,244	2,033	59,037	66,422	3,366,030	3,989,263
25-34	9,444	10,472	110,779	113,174	5,229,062	5,614,338
35-44	7,930	6,137	92,949	88,965	5,485,341	5,177,929
45-54	4,943	6,317	76,437	76,109	4,331,635	5,246,215
55-64	3,033	3,728	48,791	65,463	2,614,093	4,422,056
65-74	2,865	2,596	35,047	47,631	1,887,823	2,688,470
75-84	2,308	1,624	27,789	25,525	1,282,178	1,446,913
85 or older	915	995	10,646	15,304	425,657	661,937
Total	35,716	35,332	551,685	591,082	33,871,648	38,421,464
Under 18	5.7%	4.0%	16.4%	15.6%	27.3%	23.9%
18-24	6.3%	5.8%	10.7%	11.2%	9.9%	10.4%
25-34	26.4%	29.6%	20.1%	19.1%	15.4%	14.6%
35-44	22.2%	17.4%	16.8%	15.1%	16.2%	13.5%
45-54	13.8%	17.9%	13.9%	12.9%	12.8%	13.7%
55-64	8.5%	10.6%	8.8%	11.1%	7.7%	11.5%
65-74	8.0%	7.3%	6.4%	8.1%	5.6%	7.0%
75-84	6.5%	4.6%	5.0%	4.3%	3.8%	3.8%
85 or older	2.6%	2.8%	1.9%	2.6%	1.3%	1.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Median Age	40.2	41.1	36.7	37.6	33.3	35.8

Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

(b) 2011-2015 American Community Survey 5-Year Estimates.

Sources: U.S. Census Bureau, 2000; American Community Survey, 2011 - 2015; BAE, 2017.

Household Composition

The table below shows a breakdown of the types of households in West Hollywood and comparison geographies. West Hollywood has a large concentration of “non-family” households, with almost 80 percent of all households categorized this way (defined by US Census as unrelated individuals), likely reflecting the City’s long history as a progressive center for the LGBTQIA community. Among the large number of non-family households, West Hollywood has a sizable proportion of single person households, constituting 60 percent of all households in the City. Notable for the senior housing sections of this report, these non-family households include 2,557 persons living alone at age 65 or over, along with another 307 non-family households with a household member aged 65 or more. An additional 1,278 family households had a member age 65 or more. In total, these data indicate that West Hollywood has more than 4,100 households with one or more members categorized as seniors.

Table 14: Household Composition, 2015

Household Type	West Hollywood		Westside Area (a)		California	
	Number	Percent	Number	Percent	Number	Percent
Non-Family Households	17,594	79.7%	138,943	53.4%	3,985,067	31.3%
Single Person	13,280	60.2%	103,434	39.7%	3,062,512	24.1%
Single Person Aged 65+	2,557	11.6%	27,282	10.5%	1,117,647	8.8%
2+ Persons (b)	4,314	19.5%	35,509	13.6%	922,555	7.3%
With a Child under 18	-	0.0%	301	0.1%	34,764	0.3%
With a Person Aged 65+	307	1.4%	2,843	1.1%	128,847	1.0%
Family Households	4,483	20.3%	121,392	46.6%	8,732,734	68.7%
Married Couple	3,382	15.3%	92,394	35.5%	6,245,351	49.1%
Other Family	1,101	5.0%	28,998	11.1%	2,487,383	19.6%
With Children under 18	916	4.1%	51,880	19.9%	4,551,511	35.8%
With a Person Aged 65+	1,278	5.8%	33,825	13.0%	2,097,367	16.5%
Total	22,077	100.0%	260,335	100.0%	12,717,801	100.0%

Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

Sources: American Community Survey, 2011 - 2015; BAE, 2017.

Housing Tenure

Nearly 80 percent of households in West Hollywood rent their housing unit, and just 20 percent own their unit. This predominant renter household characteristic is markedly higher than in the Westside (with 62 percent renter households), and the state (with 46 percent renter households). The high proportion of renter households highlights the importance of West Hollywood's rent stabilization ordinance.

Table 15: Household Tenure, 2000-2015

Tenure	West Hollywood		Westside Area (a)		California	
	2000	2015 (b)	2000	2015 (b)	2000	2015 (b)
Renters	78.4%	79.9%	61.0%	62.3%	43.1%	45.7%
Owners	21.6%	20.1%	39.0%	37.7%	56.9%	54.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

(b) 2011-2015 American Community Survey 5-Year Estimates.

Sources: U.S. Census Bureau, 2000; American Community Survey, 2011 - 2015; BAE, 2017.

Household Income

West Hollywood's 2015 median household income was \$56,317, which was lower than the 2015 median household incomes of the Westside (\$79,993) and California (\$61,818). It should be noted that due to West Hollywood's particularly small household sizes, its median income will also be commensurately lower. For example, on a median income per capita basis (e.g., median income divided by average household size), West Hollywood had \$36,569 per person, compared to \$34,185 per person for the Westside and \$21,170 per person for California.

Table 16: Household Income, 2015

Income Category	West	Westside	California
	Hollywood	Area (a)	
Less than \$15,000	16.2%	10.7%	10.9%
\$15,000-\$24,999	9.2%	6.9%	9.5%
\$25,000-\$34,999	7.8%	6.4%	8.9%
\$35,000-\$49,999	11.1%	9.2%	12.0%
\$50,000-\$74,999	14.5%	14.5%	16.7%
\$75,000-\$99,999	13.3%	11.2%	12.1%
\$100,000-\$149,999	12.3%	16.2%	15.0%
\$150,000-\$199,999	6.1%	8.2%	7.0%
\$200,000 or more	9.5%	16.6%	7.9%
Total	100.0%	100.0%	100.0%
Median HH Income	\$56,317	\$79,993	\$61,818

Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

Sources: American Community Survey, 2011 - 2015; BAE, 2017.

Median Household Income by Tenure

West Hollywood's large concentration of renter households also impacts household income. As shown below, in 2015, the median renter household income was \$50,722, less than half of the owner household income of \$107,885. Similar disparities exist between renter and homeowner households in the Westside Area (where the median income was \$62,148 for renter households and \$131,998 for owner households) and in California (where the median income was \$41,788 for renter households and \$84,199 for owner households).

Table 17: Median Household Income, 2000-2015

	Renter-Occupied Housing			Owner-Occupied Housing			Total Occupied Housing Units		
	2000	2015 (b)	Percent	2000	2015 (b)	Percent	2000	2015 (b)	Percent
			Change			Change			Change
West Hollywood	\$34,345	\$50,722	47.7%	\$64,554	\$107,885	67.1%	\$38,848	\$56,317	45.0%
Westside Area (a)	\$41,222	\$62,148	50.8%	\$91,959	\$131,998	43.5%	\$54,846	\$79,993	45.9%
California	\$31,912	\$41,788	30.9%	\$62,155	\$84,199	35.5%	\$47,288	\$61,818	30.7%

Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

(b) 2011-2015 American Community Survey 5-Year Estimates.

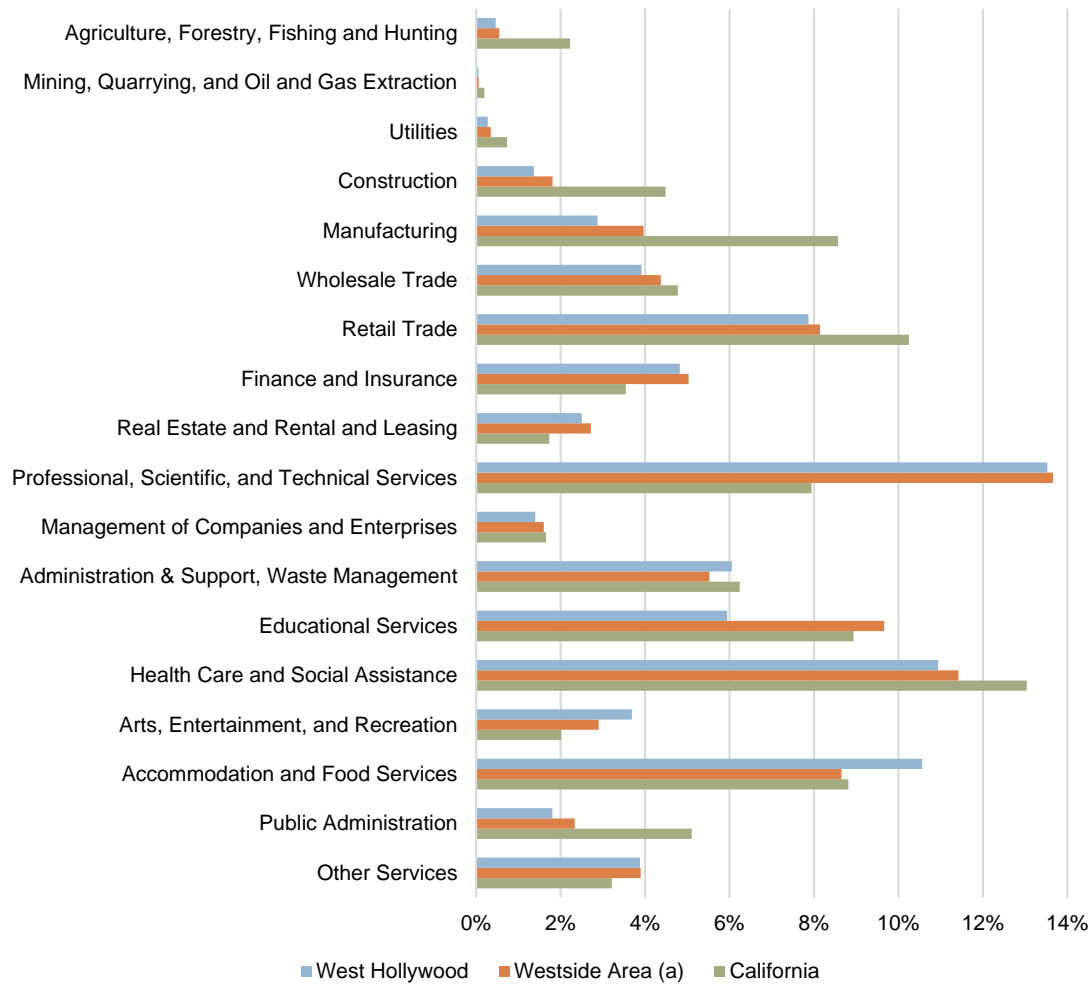
Sources: U.S. Census Bureau, 2000; American Community Survey, 2011 - 2015; BAE, 2017.

Resident Employment by Industry

Figure 15 shows the industries of employment of West Hollywood residents according to 2014 U.S. Census Bureau Longitudinal Employer-Household Dynamics data. The most common industries of employment were Professional, Scientific, and Technical Services (13.5 percent of employed residents), Health Care and Social Assistance (10.9 percent of employed residents), and Accommodation and Food Services (10.6 percent of employed residents). West Hollywood's resident employment industry trends are generally comparable to those of

the Westside Area, with some exceptions: West Hollywood had a lower proportion of employed residents working in the educational services sector (5.9 percent in West Hollywood as compared to 9.7 percent in the Westside Area) and a higher proportion of residents working in the accommodation and food services sector (10.6 percent in West Hollywood versus 8.7 percent in the Westside Area).

Figure 15: Resident Employment by Industry, 2014



Notes:

(a) The Westside Area is defined as the area shown in Figure B-1.

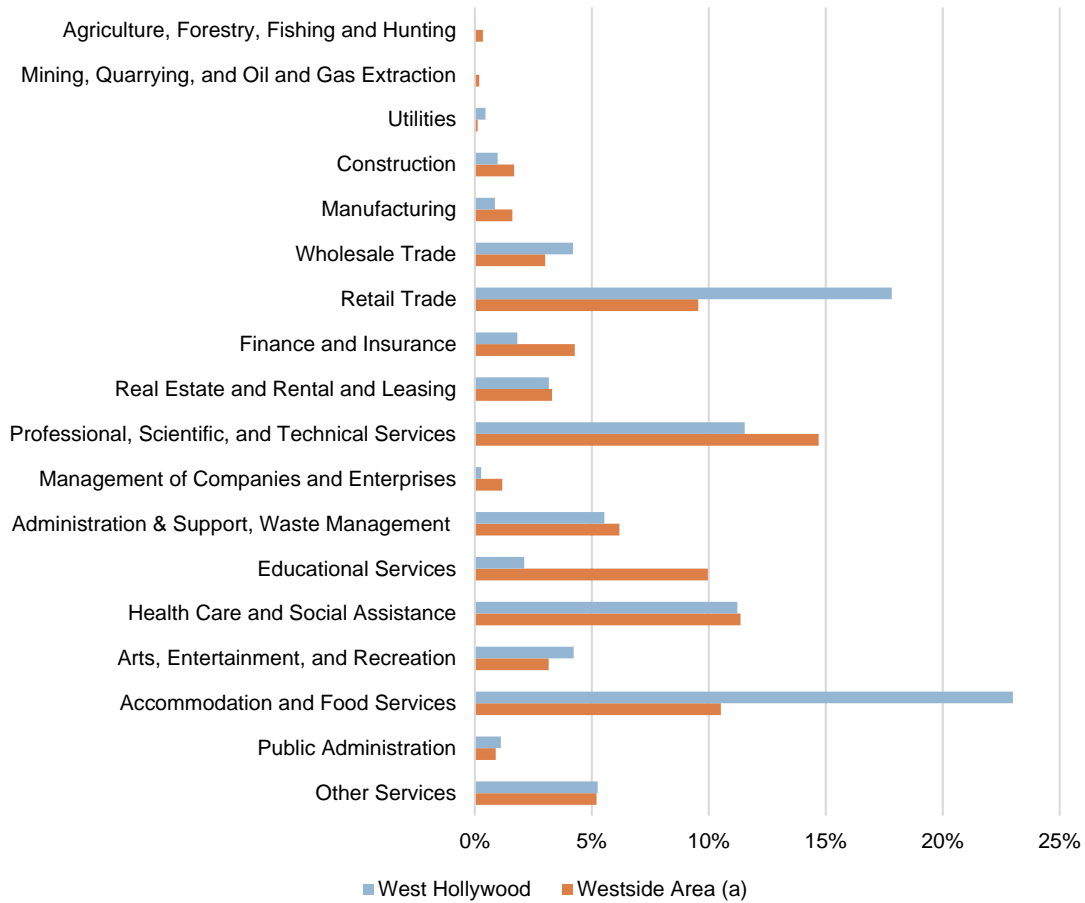
Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics via OnTheMap; BAE, 2017.

Local Jobs

For many, West Hollywood is a visitor destination city known for its restaurants and shopping opportunities. Unsurprisingly, a large proportion of jobs within the boundaries of West Hollywood are in the sectors of Accommodation and Food Services (23.0 percent of jobs in West Hollywood as compared to 10.5 percent of jobs in the Westside Area) and retail trade (17.8 percent of jobs in West Hollywood as compared to 9.6 percent of jobs in the Westside

Area). Other strong local employment industries in West Hollywood include Professional, Scientific, and Technical Services (11.5 percent of jobs) Healthcare and Social Assistance (11.2 percent of jobs).

Figure 16: Westside Jobs by Industry, 2014



Notes:

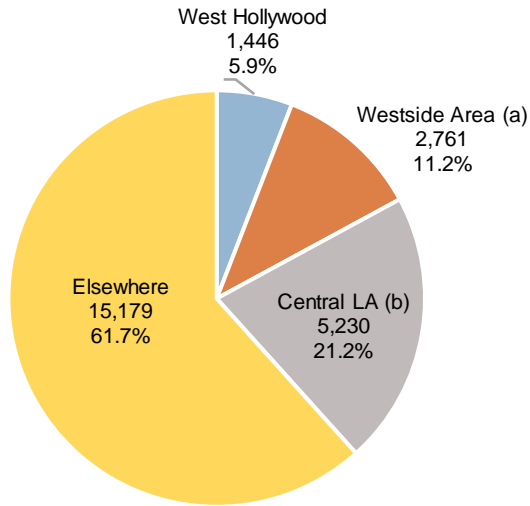
(a) The Westside Area is defined as the area shown in Figure B-1.

Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics via OnTheMap; BAE, 2017.

Commute Patterns

Error! Reference source not found. depicts the commute flows of West Hollywood workers. Approximately 5.9 percent of people who work in West Hollywood also live in West Hollywood, while 11.2 percent live in the Westside Area and 21.2 percent live in Central Los Angeles. The majority of West Hollywood workers (61.7 percent) do not live in the surrounding area (West Hollywood, the Westside Area, or Central Los Angeles), and commute from elsewhere. In total, this represents 15,179 workers who live outside of a reasonable driving distance from West Hollywood, and these workers represent a potential market for additional workforce housing.

Figure 17: West Hollywood Workers by Place of Residence, 2014



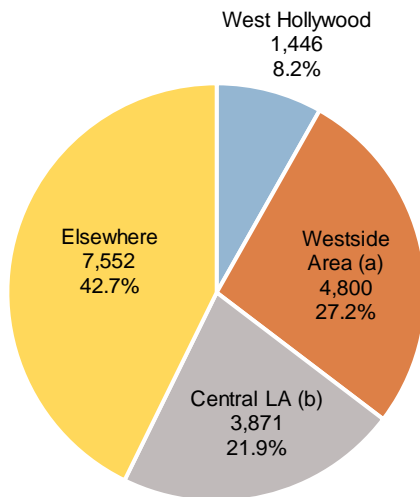
Notes:

(a) The Westside Area is defined as the area shown in Figure 2.

(b) Central LA is defined as the area shown in Figure 18.

Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics via OnTheMap; BAE, 2017.

Figure 18: West Hollywood Residents by Place of Work, 2014



Notes:

(a) The Westside Area is defined as the area shown in Figure 2.

(b) Central LA is defined as the area shown in Figure 18.

Sources: U.S. Census Bureau, Longitudinal Employer-Household Dynamics via OnTheMap; BAE, 2017.

Figure B-5 depicts the commute flows of West Hollywood’s employed residents. Compared to workers commuting into the city for work, residents who live in West Hollywood have more reasonable commutes, with a majority working in either West Hollywood, the Westside Area, or Central Los Angeles. Approximately 8.2 percent of employed West Hollywood residents work in West Hollywood, while 27.2 percent commute to jobs in the Westside Area and 21.9 percent commute to jobs in Central Los Angeles.

Housing Supply

This section provides a snapshot of housing trends in West Hollywood, including the City’s housing supply, home sales prices, and rents.

According to American Community Survey (ACS) data, there were 23,997 housing units in West Hollywood in 2015, of which approximately 90 percent were multifamily units. Households in West Hollywood were more likely to reside in medium-sized buildings (5-49 units) compared to small (2-4 units) or large buildings (50+ units). In 2015, approximately 40 percent of households lived in buildings with 5-19 units, and 39 percent lived in buildings with more than 20 units. Nine percent of households lived in small multi-family buildings with two to four units.

Table 18: Housing Stock, West Hollywood, 2015

Type of Residence	Number	Percent
Single Family Units	2,644	11.1%
Detached	2,117	8.8%
Attached	527	2.2%
Multifamily Units	21,313	88.8%
2-4 Units	2,210	9.1%
5-19 Units	9,756	40.7%
20-49 Units	6,033	25.1%
50+	3,314	13.8%
Mobile Home (a)	40	0.2%
Total	23,997	100.0%

Notes:

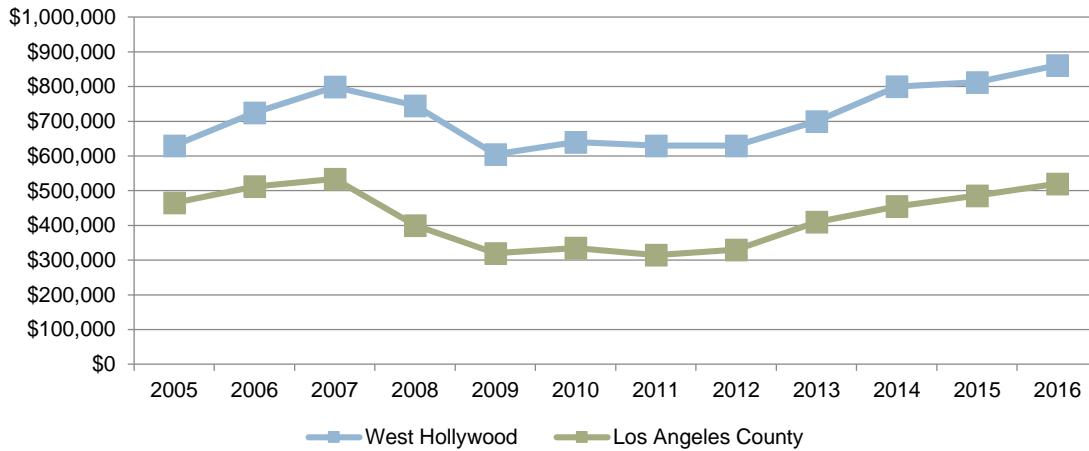
(a) Includes standard mobile homes and boats, R\ vans, and other vehicles that serve as a primary residence.

Sources: ACS, 2011-2015; BAE, 2017.

Sale Price Trends

Median home sale prices in West Hollywood have historically been higher than Los Angeles County. For example, as shown below, the 2016 median home price in West Hollywood was \$861,500, as compared to \$520,000 in Los Angeles County. As Figure 19 illustrates, while West Hollywood and Los Angeles County home prices followed a similar trajectory during and after the Great Recession, home prices in West Hollywood have since surpassed the pre-recession peak, while prices in Los Angeles County have yet to return to pre-recession levels.

Figure 19: Median Home Sale Prices, 2005-2016



Sources: DQ News; BAE, 2017.

Condominium Sale Prices

As shown in figure on the following page, the median sale price for a condominium in West Hollywood in 2016 was \$671,000. The 2016 median condominium sale prices based on number of bedrooms are as follows: \$399,000 for studio units, \$531,500 for one-bedroom units, \$780,000 for two-bedroom units, and \$1,049,000 for units with three or more bedrooms. Nearly sixty percent of condominium units sold for between \$400,000 and \$799,000, while approximately 35 percent sold for above \$800,000. Only 6.2 percent of condominiums sold for less than \$400,000.

Single Family Home Sale Prices

The 2016 median sale price for a single-family home in West Hollywood was \$1,575,000. The median single-family home price was \$895,000 for one-bedroom homes, \$1,359,000 for two-bedrooms, and \$1,935,000 for homes with three or more bedrooms. Over 70 percent of homes sold for between \$1,000,000 and \$1,999,999. Nearly a quarter (23.5 percent) sold for more than \$2,000,000, while only 5.9 percent sold for less than \$1,000,000.

Table 19: Median Home Sale Prices, 2005-2016

Single-Family Residences (a)						
Sale Price Range	Studios	1 BRs	2 BRs	3+ BRs	Total	% Total
Less than \$700,000	-	-	1	-	1	2.0%
\$700,000-\$999,999	-	1	1	-	2	3.9%
\$1,000,000-\$1,499,999	-	1	13	5	19	37.3%
\$1,500,000-\$1,999,999	-	-	10	7	17	33.3%
\$2,000,000-\$2,499,999	-	-	-	4	4	7.8%
\$2,500,000-\$2,999,999	-	-	-	6	6	11.8%
\$3,000,000 or more	-	-	-	2	2	3.9%
Total	-	2	25	24	51	100.0%
Percent Total	0.0%	3.9%	49.0%	47.1%	100.0%	
Median Sale Price	-	\$895,000	\$1,359,000	\$1,935,000	\$1,575,000	
Average Sale Price	-	\$895,000	\$1,375,960	\$2,282,417	\$1,783,667	
Average Size (sf)	-	613	1,098	2,129	1,564	
Average Price/sf	-	\$1,477	\$1,280	\$1,151	\$1,227	
Condominiums (b)						
Sale Price Range	Studios	1 BRs	2 BRs	3+ BRs	Total	% Total
Less than \$399,999	13	10	-	-	23	6.2%
\$400,000-\$599,999	12	90	18	1	121	32.6%
\$600,000-\$799,999	-	21	76	2	99	26.7%
\$800,000-\$999,999	-	11	45	5	61	16.4%
\$1,000,000-\$1,499,999	-	8	28	15	51	13.7%
\$1,500,000 or more	-	4	10	2	16	4.3%
Total	25	144	177	25	371	100.0%
Percent Total	6.7%	38.8%	47.7%	6.7%	100.0%	
Median Sale Price	\$399,000	\$531,500	\$780,000	\$1,049,000	\$671,000	
Average Sale Price	\$414,960	\$657,610	\$901,764	\$1,236,538	\$796,662	
Average Size (sf)	493	882	1,347	1,822	1,141	
Average Price/sf	\$847	\$728	\$657	\$669	\$699	

Notes:

(a) Consists of all full and verified sales of single-family residences in West Hollywood between 01/01/2016 and 12/31/2016.

(b) Consists of all full and verified sales of condominiums in West Hollywood between 01/01/2016 and 12/31/2016.

Sources: ListSource; BAE, 2017.

Affordability of Homes Sold

Table 20 illustrates the percentages of condominiums and single-family homes sold in 2016 that were affordable to households of various sizes and incomes. None of the condominiums sold in 2016 were affordable to one-person or three-person households with very-low, low, or moderate incomes. Moreover, single family homes were out of reach for households earning less than 120 percent of AMI. In other words, virtually no properties sold in West Hollywood in 2016 were affordable to low- and moderate-income households.

Table 20: Affordability of Units Sold in West Hollywood, 2016

Income Category (a)	1-Person HH, Condo			3-Person HH, Condo		
	Income	Maximum Price (b)	0-1 BRs	Income	Maximum Price (b)	2-3 BRs
			Sold in Price Range			Sold in Price Range
Very-Low Income (0-50% AMI)	\$29,616	\$45,074	0.0%	\$34,355	\$66,749	0.0%
Low-Income (50-80% AMI)	\$47,386	\$126,434	0.0%	\$54,967	\$161,145	0.0%
Moderate-Income (80-120% AMI)	\$71,078	\$234,965	0.0%	\$82,451	\$287,111	0.0%
Above Moderate (120-150% AMI)	\$88,848	\$316,325	1.2%	\$103,064	\$381,506	0.0%
Market (Above 150% AMI)	>\$88,848	>\$316,325	98.8%	>\$103,064	>\$381,506	100.0%

Income Category (a)	1-Person HH, Single Family Home			3-Person HH, Single Family Home		
	Income	Maximum Price (b)	0-1 BRs	Income	Maximum Price (b)	2-3 BRs
			Sold in Price Range			Sold in Price Range
Very-Low Income (0-50% AMI)	\$29,616	\$140,708	0.0%	\$34,355	\$163,183	0.0%
Low-Income (50-80% AMI)	\$47,386	\$225,068	0.0%	\$54,967	\$261,060	0.0%
Moderate-Income (80-120% AMI)	\$71,078	\$337,602	0.0%	\$82,451	\$391,671	0.0%
Above Moderate (120-150% AMI)	\$88,848	\$421,962	0.0%	\$103,064	\$489,548	0.0%
Market (Above 150% AMI)	>\$88,848	>\$421,962	100.0%	>\$103,064	>\$489,548	100.0%

Notes:

(a) Income limits, maximum rent, and maximum sales prices from Schedule A, City of West Hollywood, 2016-2017 Affordable Housing Schedule

(b) Maximum prices were calculated so that monthly mortgage and expense payments do not exceed 35% of a household's monthly gross income. Estimated monthly payments are based on FHA mortgage terms, current average national FHA mortgage interest rates, current average West Hollywood single family homeowner and condo insurance rates, and current average West Hollywood condominium HOA fees.

Sources: California Department of Housing and Community Development, 2016; Freddie Mac; HUD; California Department of Insurance, Homeowners Premium Survey; City of West Hollywood; Redfin.com; BAE, 2017.

Market Rents for Housing

According to residential properties tracked by Costar, the average market-rate rent in 2016 was \$2,565 for a studio, \$2,532 for a one-bedroom, \$3,422 for a two-bedroom, and \$4,704 for a three-bedroom apartment. Table B-11 on the following page compares these rents to households at various income levels. Adjusting for household size, the average rent was unaffordable to households earning below 150 percent of Area Median Income.

Table 21: Affordability of Market-Rate Rental Housing in West Hollywood, 2016

	Household (Unit) Size			
	1 Person Studio	2 Person 1-Bedroom	3 Person 2-Bedroom	4 Person 3-Bedroom
Average Market-Rate Rent (a)	\$2,565	\$2,532	\$3,422	\$4,704
Utility Costs (b)	\$24	\$31	\$40	\$50
Maximum Affordable Monthly Rent				
Very Low Income (0-50% AMI)				
Household Income (c)	\$29,616	\$31,985	\$34,355	\$36,724
Max. Affordable Monthly Rent (d)	\$716	\$769	\$819	\$868
Amount Above (Below) Market Rate Rent	(\$1,849)	(\$1,763)	(\$2,603)	(\$3,836)
Low Income (51-80% AMI)				
Household Income (c)	\$47,386	\$51,176	\$54,967	\$58,758
Max. Affordable Monthly Rent (d)	\$1,161	\$1,248	\$1,334	\$1,419
Amount Above (Below) Market Rate Rent	(\$1,404)	(\$1,284)	(\$2,088)	(\$3,285)
Moderate Income (81-120% AMI)				
Household Income (c)	\$71,078	\$76,765	\$82,451	\$88,137
Max. Affordable Monthly Rent (d)	\$1,753	\$1,888	\$2,021	\$2,153
Amount Above (Below) Market Rate Rent	(\$812)	(\$644)	(\$1,401)	(\$2,551)
Above Moderate Income (120-150% AMI)				
Household Income (c)	\$88,848	\$62,200	\$103,064	\$77,750
Max. Affordable Monthly Rent (d)	\$2,197	\$1,524	\$2,537	\$1,894
Amount Above (Below) Market Rate Rent	(\$368)	(\$1,008)	(\$885)	(\$2,810)

Notes:

(a) Data are for multifamily properties constructed in West Hollywood that were constructed after 1980 and consist of more than 3 units.

(b) Utility costs based on utility allowance for multifamily dwellings established by the Los Angeles County Housing Authority in 2016. Utility cost estimates assume that tenant pays for electricity and gas.

(c) Household income limits published by the California Department of Housing and Community Development Los Angeles County, 2016.

(d) Assumes 30 percent of income spent on rent and utilities.

Sources: California Department of Housing and Community Development, 2016; Costart; BAE, 2017.

Rent Stabilized Housing

According to the American Community Survey, there were a total of 24,039 housing units in the City of West Hollywood. Of these, 16,874 units fell under the City's Rent Stabilization Program, according to the 2016 Annual Housing Report provided by the West Hollywood Rent Stabilization and Housing Division.

West Hollywood's rental stabilized inventory consists mostly of studios and one-bedrooms. As shown on the table on the following page, studios and one-bedroom apartments comprised 68.1 percent of the City's rent stabilized housing stock. This echoes the findings shown in the household composition analysis, which showed small average household sizes compared to the Westside Area and the state.

Table 22: Rent Stabilized Inventory by Bedroom Size, West Hollywood, 2016

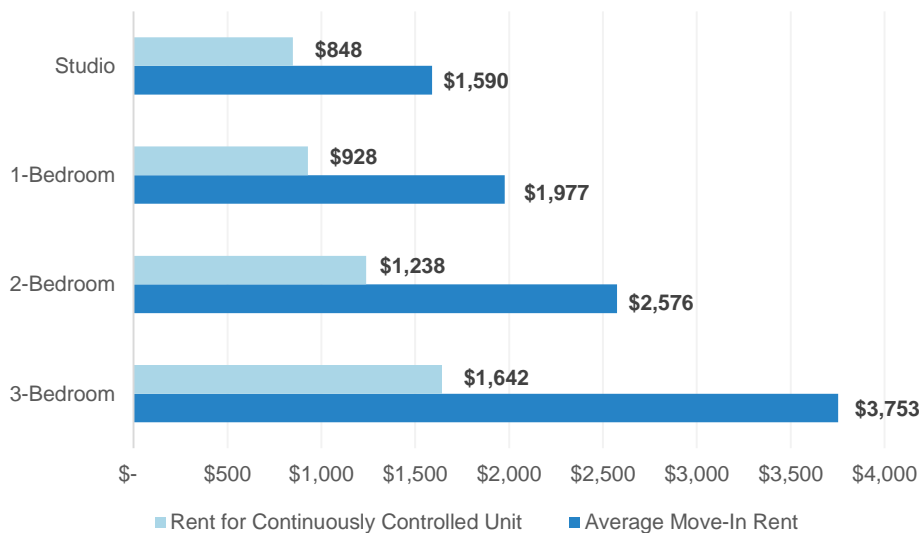
Size	Units	Percent
Studio	2,430	14.5%
1-Bedroom	8,999	53.6%
2-Bedroom	4,862	29.0%
3-Bedroom	473	2.8%
4+ Bedroom	20	0.1%
Total	16,784	100.0%

Sources: Annual Housing Report, City of West Hollywood, 2016; BAE, 2017.

Figure B-7 shows the average rent paid by long-term, pre-1996 tenants who are still residing in their units by bedroom-size. This was calculated by taking the maximum allowable rent in 1995, and imputing the Annual General Adjustment (AGA) allowed each year through 2016. The figure compares these continuously controlled rents to the average move-in rents paid by new tenants moving into rent stabilized buildings in 2016.

The figure demonstrates a wide discrepancy in rents paid between tenants who have remained in place and new tenants who moved into their units in 2016. Across almost all unit types (excluding studios), the average new move-in rent paid in 2016 was more than double the rent paid by tenant who has remained in place since 1995. This highlights the impact that the Costa-Hawkins Rental Housing Act has had on the City’s Rent Stabilization Ordinance. Although the City’s RSO provides important protections from excessive annual rent increases, new, incoming tenants who are being charged market rents are facing increasing rent burdens upon initial move-in.

Figure 20: Rent Comparison between Continuously Controlled RSO Rent and Average New Move-in Rent, RSO Inventory in West Hollywood, 2016



Housing Cost Burden

This report reviewed HUD 2011-2014 Comprehensive Housing Affordability Strategy (CHAS) data, which estimates cost-burdened households, or those paying more than 30 percent of their gross incomes for housing costs. The benefit of this dataset is that it breaks out cost-burden at varying income levels, and can identify at what income level housing need is the greatest.

Renter Cost Burden

According to standards set by the US Department of Housing and Urban Development (HUD), approximately 8,425 households, equivalent to 49.6 percent of the City's renters households, were cost-burdened at the time of survey. Of this group, 4,515 renter households were severely cost-burdened, paying more than 50 percent of their incomes for housing costs.

The renter households most affected by housing cost burdens are in the categories of extremely low-income (those earning less than or equal to 30 percent of HUD Area Median Family Income), very low-income (those earning from above 30 percent of AMI to 50 percent of AMI), and low-income (those earning from above 50 percent of AMI to 80 percent of AMI). Approximately 6,755 West Hollywood households, or over 70 percent in each of these income categories, were considered cost-burdened at the time of survey. Additionally, almost half of moderate-income renter households (1,375 households) were considered cost-burdened at the time of survey.

Based on this data, there is a significant demand for affordable housing particularly at the lower income brackets. However, moderate-income households earning up to 120 percent of Area Median income also need more affordable housing.

Table B-13: Housing Cost Burden, West Hollywood, 2014

	All Income Levels		Income Category (a)									
	Number	Percent	Extremely Low-Income (≤ 30% HAMFI)		Very Low-Income (> 30% ≤ 50% HAMFI)		Low-Income (> 50% ≤ 80% HAMFI)		Moderate-Income (> 80% ≤ 120% HAMFI)		Above Moderate-Income (> 120% HAMFI)	
			Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Owner Households												
With ≤ 30% Housing Cost Burden	2,725	56.7%	-	0.0%	55	14.5%	140	23.5%	180	38.7%	2,350	77.3%
With > 30%, but ≤ 50% Housing Cost Burden	735	15.3%	-	0.0%	25	6.6%	85	14.3%	140	30.1%	485	16.0%
With > 50% Housing Cost Burden	1,320	27.4%	285	87.7%	300	78.9%	375	63.0%	150	32.3%	210	6.9%
Not Computed (No or Negative Income)	40	0.8%	40	12.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Subtotal, Owner Households (c)	4,810	100.0%	325	100.0%	380	100.0%	595	100.0%	465	100.0%	3,040	100.0%
	All Income Levels		Income Category (b)									
	Number	Percent	Extremely Low-Income (≤ 30% HAMFI)		Very Low-Income (> 30% ≤ 50% HAMFI)		Low-Income (> 50% ≤ 80% HAMFI)		Moderate-Income (> 80% ≤ 120% HAMFI)		Above Moderate-Income (> 120% HAMFI)	
			Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Rental Households												
With ≤ 30% Housing Cost Burden	8,270	48.6%	505	13.4%	300	13.9%	690	26.2%	1,435	51.2%	5,340	94.6%
With > 30%, but ≤ 50% Housing Cost Burden	3,910	23.0%	510	13.6%	560	25.9%	1,265	48.1%	1,295	46.2%	280	5.0%
With > 50% Housing Cost Burden	4,515	26.6%	2,450	65.2%	1,300	60.2%	670	25.5%	80	2.9%	15	0.3%
Not Computed (No or Negative Income)	295	1.7%	295	7.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Subtotal, Rental Households (c)	17,000	100.0%	3,760	100.0%	2,160	100.0%	2,630	100.0%	2,805	100.0%	5,645	100.0%

Notes:

(a) CHAS data reflect HUD-defined household income limits.

(b) Figures may not sum to totals due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2011-2014 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2017.

Homeowner Cost Burden

Across all income levels, an estimated 2,055 households were cost burdened, representing 42.7 percent of all owner households in West Hollywood. Like renter households, the owner households most affected by housing cost burdens are in the categories of extremely low-

income, very low-income, and low-income. However, owner households differ from renter households in that higher proportions of every income group experienced severe cost burdens. Additionally, homeowners with moderate incomes (from above 80 percent of AMI to 120 percent of AMI) and above moderate incomes (above 120 percent of AMI) experienced significantly higher rates of housing cost burdens than renters in these same income groups: 62.4 percent of moderate-income homeowners and 22.9 percent of above moderate-income homeowners were considered cost-burdened at the time of survey.

Ellis Act Removals

California’s Ellis Act allows property owners to remove apartment buildings from the rental market, and “go out of business”. According to the *2015 Rent Stabilization and Housing Annual Report*, between 1986 and October 2016, 203 properties covering 764 rental units were removed from the market using the Ellis Act. Owners had many different reasons for invoking the Ellis Act. Not surprisingly, some used the Ellis Act to demolish buildings and build new projects (66 properties containing 281 units were removed for this purpose). Interestingly, redeveloping these properties resulted in a net increase in housing, with 769 newly built units replacing the 281 housing units that were lost. For every unit removed using the Ellis Act, 1.6 net units were created in its place.

Table B-14: Properties Removed from the Rental Market Using the Ellis Act and Current Uses as of October 12, 2016

Current Status of Properties Removed Using Ellis	Removed Properties	Removed Units	Current Units	**Proposed Units
Converted to Single Family Residence	37	96	45	
Off Market (No Changes to Property)	68	186	186	
New Construction	45	187	391	
New Construction Pending	21	94	80	298
Returned to Market	16	75	72	
*Change of Use	16	126	128	22
Total	203	764	902	320

*The “Change of Use” category includes properties converted to uses such as bed and breakfast lodging, non-profit affordable housing, and commercial or hotel uses.

**The “Proposed Units” category includes projects currently under construction, approved for construction, and currently under review by the City.

Although the net increase may seem advantageous, from an equity standpoint, what matters is not only the change in total units but the net change in *affordable* units. Unfortunately, the Annual Report does not contain data comparing the affordability levels of units lost to those built. Berkeley, for example, has a “no net loss” requirement in its demolition ordinance, which mandates a one for one replacement of units with no change in affordability levels.

West Hollywood has measures in place to protect tenants from Ellis evictions. Seniors over the age of 62 and disabled tenants have one-year to relocate. Landlords who invoke the Ellis Act are required to pay relocation fees, which range from \$6,455 for a tenant in a studio apartment to \$21,517 for a low-income household. The City places deed restrictions on properties that invoke the Ellis Act, such that units that are returned to the market in less than five years must be rented at the previous rent plus allowances for annual adjustments. In addition to these measures, the City supports legislation aimed at reforming or eliminating the Ellis Act, and other legislation to limit land speculation.

Tenant Right to Purchase Program

In 2016, the City Council considered a measure to give existing tenants the right of first refusal to purchase properties before property owners could list properties for sale on the open market. This means that in the event a landlord opts to sell his or her building, the tenants must be given the opportunity to purchase the property first before the property is listed for sale. This measure, in combination with community land trusts and limited equity co-ops, could expand the ability for tenants to become homeowners and avoid displacement.

CoreLogic data was pulled for the number of multi-family buildings sold in West Hollywood between 2013 and 2016. Table 95 shows the building sales of multifamily residential buildings in West Hollywood from 2013 through 2016. Over these four years, a total of 358 buildings were sold comprising 4,531 units. On an annual basis, an average of 90 multifamily buildings comprising 1,133 units were sold each year during this timeframe.

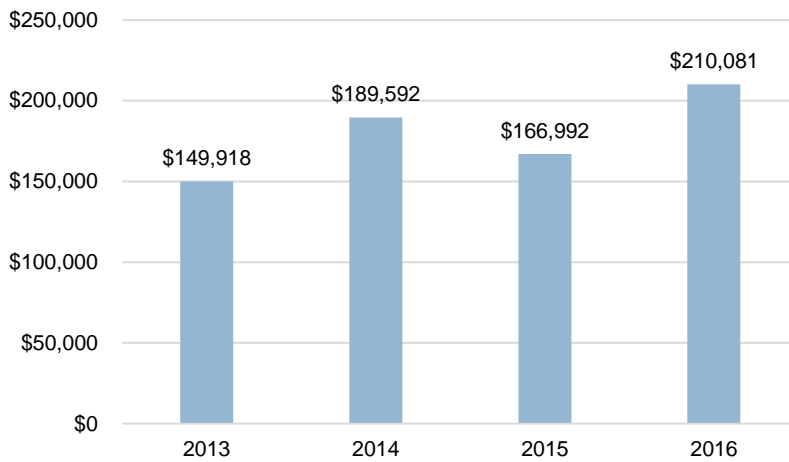
Table B-15: Sales of Multifamily Buildings, West Hollywood, 2013-2016

	2013		2014		2015		2016		Annual Avg. (2013-2016)	
	# of Bldgs	# of Units	# of Bldgs	# of Units	# of Bldgs	# of Units	# of Bldgs	# of Units	# of Bldgs	# of Units
Building Size										
5-19 Units	76	691	74	738	73	717	76	744	75	723
20-49 Units	16	405	17	469	14	323	9	250	14	362
50+	-	-	2	117	-	-	1	77	1	49
Total	92	1,096	93	1,324	87	1,040	86	1,071	90	1,133
Avg. Price per Unit		\$149,918		\$189,592		\$166,992		\$210,081		\$179,651

Sources: Los Angeles County Office of the Assessor; BAE, 2017.

Figure B-8B-8 illustrates the average price paid per unit when these buildings were sold. In 2016, the average price per unit was \$210,081, which is significantly lower than the average condo sale price in 2016 (\$671,000). This price difference can be explained by the economies of scale that occur when real estate investors and landlords are able to pool together the capital to purchase entire buildings.

Figure B-8: Average Price per Unit, Multifamily Building Sales in West Hollywood (2013 - 2016)



Sources: Los Angeles County Office of the Assessor; BAE, 2017.

Under a First Right of Refusal policy, the tenants in these building would have legally had the option of purchasing their buildings before a third party (normally in these cases, if a third party has already made an offer, tenants are given the opportunity to match that offer). It can be difficult for a group of low-income, low-asset households to piece together the funds for such a large purchase. However, with the right kinds of public support, right of first refusal policies can facilitate the creation and preservation of long-term affordable housing through the creation of community land trusts and/or limited equity cooperatives. Especially considering the relatively low price per unit, supporting tenants whose buildings are for sale could be an efficient use of public resources earmarked for affordable housing.

CITY OF WEST HOLLYWOOD
AGREEMENT FOR SERVICES

This Agreement is made on this [REDACTED]th day of [REDACTED], 2016, at West Hollywood, California, by and between the City of West Hollywood, a municipal corporation, 8300 Santa Monica Boulevard, West Hollywood, California 90069 (hereinafter referred to as the "CITY") and XYZ Company, 1500 Main Street, City, CA 90000 (hereinafter referred to as the "CONTRACTOR").

RECITALS

- A. The CITY proposes to contract for services as outlined below;
- B. The CONTRACTOR is willing to perform such services and has the necessary qualifications by reason of experience, preparation, and organization to provide such services;
- C. NOW, THEREFORE, the CITY and the CONTRACTOR, mutually agree as follows:
1. **SERVICES.** The CONTRACTOR shall perform those services set forth in "Exhibit A," which is attached hereto and incorporated herein by reference.
 2. **TERM OF AGREEMENT.** The term of this contract shall commence upon execution by both parties and shall expire on June 30, 20[REDACTED] unless extended in writing in advance by both parties.
 3. **TIME OF PERFORMANCE.** The services of the CONTRACTOR are to commence upon receipt of a notice to proceed from the CITY and shall continue until all authorized work is completed to the CITY's satisfaction, in accordance with the schedule incorporated in "Exhibit A," unless extended in writing by the CITY.
 4. **PAYMENT FOR SERVICES.** The CONTRACTOR shall be compensated in an amount not to exceed \$[REDACTED] for services provided pursuant to this Agreement as described in "Exhibit A." Compensation shall under no circumstances be increased except by written amendment of this Agreement. The CONTRACTOR shall be paid within forty-five (45) days of presentation of an invoice to the CITY for services performed to the CITY's satisfaction. The CONTRACTOR shall submit invoices monthly describing the services performed, the date services were performed, a description of reimbursable costs, and any other information requested by the CITY.
 5. **CONTRACT ADMINISTRATION.**
 - 5.1. **The CITY's Representative.** Unless otherwise designated in writing, [REDACTED], shall serve as the CITY's representative for the administration of the project. All activities performed by the CONTRACTOR shall be coordinated with this person.
 - 5.2. **Manager-in-Charge.** For the CONTRACTOR, [REDACTED], shall be in charge of the project on all matters relating to this Agreement and any agreement or approval made by her/him shall be binding on the CONTRACTOR. The Manager-in-Charge shall not be replaced without the written consent of the CITY.

- 5.3. **Responsibilities of the CITY.** The CITY shall provide all relevant documentation in its possession to the CONTRACTOR upon request in order to minimize duplication of efforts. The CITY's staff shall work with the CONTRACTOR as necessary to facilitate performance of the services.
- 5.4. **Personnel.** The CONTRACTOR represents that it has or will secure at its own expense all personnel required to perform the services under this Agreement. All of the services required under this Agreement will be performed by the CONTRACTOR or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. The CONTRACTOR reserves the right to determine the assignment of its own employees to the performance of the CONTRACTOR's services under this Agreement, but the CITY reserves the right, for good cause, to require the CONTRACTOR to exclude any employee from performing services on the CITY's premises.
6. **TERMINATION.**
- 6.1. **Termination for Convenience.** Either party may terminate this Agreement without cause and in its sole discretion at any time by giving the other party thirty (30) days' written notice of such termination. In the event of such termination, the CONTRACTOR shall cease services as of the date of termination and shall be compensated for services performed to the CITY's satisfaction up to the date of termination.
- 6.2. **Termination for Cause.** All terms, provisions, and specifications of this Agreement are material and binding, and failure to perform any material portion of the work described herein shall be considered a breach of this Agreement. Should the Agreement be breached in any manner, the CITY may, at its option, terminate the Agreement not less than five (5) days after written notification is received by the CONTRACTOR to remedy the violation within the stated time or within any other time period agreed to by the parties. In the event of such termination, the CONTRACTOR shall be responsible for any additional costs incurred by the CITY in securing the services from another contractor.
7. **INDEMNIFICATION.** CONTRACTOR shall indemnify, defend with counsel approved by CITY, and hold harmless CITY, its officers, officials, employees and volunteers from and against all liability, loss, damage, expense, cost (including without limitation reasonable attorneys fees, expert fees and all other costs and fees of litigation) of every nature arising out of or in connection with CONTRACTOR's performance of work hereunder or its failure to comply with any of its obligations contained in this AGREEMENT, regardless of CITY'S passive negligence, but excepting such loss or damage which is caused by the sole active negligence or willful misconduct of the CITY. Should CITY in its sole discretion find CONTRACTOR'S legal counsel unacceptable, then CONTRACTOR shall reimburse the CITY its costs of defense, including without limitation reasonable attorneys fees, expert fees and all other costs and fees of litigation. The CONTRACTOR shall promptly pay any final judgment rendered against the CITY (and its officers, officials, employees and volunteers) covered by this indemnity obligation. It is expressly understood and agreed that the

foregoing provisions are intended to be as broad and inclusive as is permitted by the law of the State of California and will survive termination of this Agreement.

8. **INSURANCE REQUIREMENTS.**

8.1. The CONTRACTOR, at the CONTRACTOR's own cost and expense, shall procure and maintain, for the duration of the contract, the following insurance policies:

8.1.1. **Workers' Compensation Coverage.** The CONTRACTOR shall maintain Workers' Compensation Insurance and Employer's Liability Insurance for its employees in accordance with the laws of the State of California. In addition, the CONTRACTOR shall require any and every subcontractor to similarly maintain Workers' Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of California for all of the subcontractor's employees. Any notice of cancellation or non-renewal of all Workers' Compensation policies must be received by the CITY at least thirty (30) days prior to such change. The insurer shall agree to waive all rights of subrogation against the CITY, its officers, agents, employees, and volunteers for losses arising from work performed by the CONTRACTOR for City.

This provision shall not apply if the CONTRACTOR has no employees performing work under this Agreement. If the CONTRACTOR has no employees for the purposes of this Agreement, the CONTRACTOR shall sign the "Certificate of Exemption from Workers' Compensation Insurance" which is attached hereto and incorporated herein by reference as "Exhibit B."

8.1.2. **General Liability Coverage.** The CONTRACTOR shall maintain commercial general liability insurance in an amount of not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury, and property damage. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit.

8.1.3. **Automobile Liability Coverage.** The CONTRACTOR shall maintain automobile liability insurance covering bodily injury and property damage for all activities of the CONTRACTOR arising out of or in connection with the work to be performed under this Agreement, including coverage for owned, hired, and non-owned vehicles, in an amount of not less than three hundred thousand dollars (\$300,000) combined single limit for each occurrence. If CONTRACTOR or CONTRACTOR's employees will use personal autos in any way on this project, CONTRACTOR shall obtain evidence of personal auto liability coverage for each such person.

- 8.2. **Endorsements.** Each general liability and automobile liability insurance policy shall be issued by insurers possessing a Best's rating of no less than A-:VII. Each general liability insurance policy shall be endorsed with the specific language of Section 8.2.1 below. CONTRACTOR also agrees to require all contractors, and subcontractors to do likewise.
- 8.2.1. "The CITY, its elected or appointed officers, officials, employees, agents, and volunteers are to be covered as additional insureds with respect to liability arising out of work performed by or on behalf of the CONTRACTOR, including materials, parts, or equipment furnished in connection with such work or operations."
- 8.2.2. This policy shall be considered primary insurance as respects the CITY, its elected or appointed officers, officials, employees, agents, and volunteers. Any insurance maintained by the CITY, including any self-insured retention the CITY may have, shall be considered excess insurance only and shall not contribute with this policy.
- 8.2.3. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.
- 8.2.4. Notwithstanding the provisions included in any of the ISO Additional Insured Endorsement forms, CONTRACTOR acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amounts of coverage required. Any insurance proceeds available to the CITY in excess of the limits and coverage required in this agreement and which is applicable to a given loss will be available to the CITY.
- 8.2.5. The insurer waives all rights of subrogation against the CITY, its elected or appointed officers, officials, employees, or agents regardless of the applicability of any insurance proceeds, and agrees to require all subcontractors to do likewise.
- 8.2.6. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents, or volunteers.
- 8.2.7. The insurance provided by this policy shall not be suspended, voided or reduced in coverage or in limits except after thirty (30) days' written notice has been submitted to the CITY and approved of in writing, except in the case of cancellation, for which ten (10) days' written notice shall be provided.
- 8.2.8. Contractor agrees to provide immediate notice to City of any claim or loss against Contractor arising out of the work performed under this agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

- 8.3. **Self Insured Retention/Deductibles.** All policies required by this Agreement shall allow City, as additional insured, to satisfy the self-insured retention (“SIR”) and/or deductible of the policy in lieu of the Owner (as the named insured) should Owner fail to pay the SIR or deductible requirements. The amount of the SIR or deductible shall be subject to the approval of the City Attorney and the Finance Director. Owner understands and agrees that satisfaction of this requirement is an express condition precedent to the effectiveness of this Agreement. Failure by Owner as primary insured to pay its SIR or deductible constitutes a material breach of this Agreement. Should City pay the SIR or deductible on Owner’s behalf upon the Owner’s failure or refusal to do so in order to secure defense and indemnification as an additional insured under the policy, City may include such amounts as damages in any action against Owner for breach of this Agreement in addition to any other damages incurred by City due to the breach.
- 8.4. **Certificates of Insurance.** The CONTRACTOR shall provide certificates of insurance with original endorsements to the CITY as evidence of the insurance coverage required herein. Certificates of such insurance shall be filed with the CITY on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the CITY at all times during the term of this Agreement. The CONTRACTOR shall provide written evidence of current automobile coverage to comply with the automobile insurance requirement.
- 8.5. **Failure to Procure Insurance.** Failure on the part of the CONTRACTOR to procure or maintain required insurance shall constitute a material breach of contract under which the CITY may terminate this Agreement pursuant to Section 6.2 above.
9. **ASSIGNMENT AND SUBCONTRACTING.** The parties recognize that a substantial inducement to the CITY for entering into this Agreement is the professional reputation, experience, and competence of the CONTRACTOR. Assignments of any or all rights, duties, or obligations of the CONTRACTOR under this Agreement will be permitted only with the express consent of the CITY. The CONTRACTOR shall not subcontract any portion of the work to be performed under this Agreement without the written authorization of the CITY. If the CITY consents to such subcontract, the CONTRACTOR shall be fully responsible to the CITY for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between the CITY and subcontractor nor shall it create any obligation on the part of the CITY to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise is required by law.
10. **COMPLIANCE WITH LAWS, CODES, ORDINANCES, AND REGULATIONS.** The CONTRACTOR shall use the standard of care in its profession to comply with all applicable federal, state, and local laws, codes, ordinances, and regulations.
- 10.1. **Taxes.** The CONTRACTOR agrees to pay all required taxes on amounts paid to the CONTRACTOR under this Agreement, and to indemnify and hold the CITY harmless from any and all taxes, assessments, penalties, and interest asserted against the CITY by reason of the independent contractor relationship created by this Agreement. In the event that the CITY is audited

by any Federal or State agency regarding the independent contractor status of the CONTRACTOR and the audit in any way fails to sustain the validity of a wholly independent contractor relationship between the CITY and the CONTRACTOR, then the CONTRACTOR agrees to reimburse the CITY for all costs, including accounting and attorneys' fees, arising out of such audit and any appeals relating thereto.

- 10.2. **Workers' Compensation Law.** The CONTRACTOR shall fully comply with the workers' compensation law regarding the CONTRACTOR and the CONTRACTOR's employees. The CONTRACTOR further agrees to indemnify and hold the CITY harmless from any failure of the CONTRACTOR to comply with applicable workers' compensation laws. The CITY shall have the right to offset against the amount of any compensation due to the CONTRACTOR under this Agreement any amount due to the CITY from the CONTRACTOR as a result of the CONTRACTOR's failure to promptly pay to the CITY any reimbursement or indemnification arising under this Section.
- 10.3. **Licenses.** The CONTRACTOR represents and warrants to the CITY that it has all licenses, permits, qualifications, insurance, and approvals of whatsoever nature which are legally required of the CONTRACTOR to practice its profession. The CONTRACTOR represents and warrants to the CITY that the CONTRACTOR shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, insurance, and approvals which are legally required of the CONTRACTOR to practice its profession. The CONTRACTOR shall maintain a City of West Hollywood business license, if required under CITY ordinance.
11. **CONFLICT OF INTEREST.** The CONTRACTOR confirms that it has no financial, contractual, or other interest or obligation that conflicts with or is harmful to performance of its obligations under this Agreement. The CONTRACTOR shall not during the term of this Agreement knowingly obtain such an interest or incur such an obligation, nor shall it employ or subcontract with any person for performance of this Agreement who has such incompatible interest or obligation.
12. **NON-DISCRIMINATION AND EQUAL EMPLOYMENT OPPORTUNITY.** The CONTRACTOR represents and agrees that it does not and will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex, sexual orientation, gender identity, political affiliation or opinion, medical condition, or pregnancy or pregnancy-related condition. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, religion, color, national origin, sex, sexual orientation, gender identity, political affiliation or opinion, medical condition, or pregnancy or pregnancy-related condition. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoffs or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to include in all solicitations or advertisements for employment and to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

13. **LIVING WAGE ORDINANCE.** The CONTRACTOR shall abide by the provisions of the West Hollywood Living Wage Ordinance. During the term of this Agreement, the CONTRACTOR shall keep on file sufficient evidence of its employee compensation to enable verification of compliance with the West Hollywood Living Wage Ordinance.
14. **EQUAL BENEFITS ORDINANCE, No. 03-662.** The CONTRACTOR shall abide by the provisions of the West Hollywood Equal Benefits Ordinance. During the term of this Agreement, the CONTRACTOR shall keep on file sufficient evidence of its employee compensation and any applicable benefits packages, as those benefits relate to the coverage of the domestic partners of contractor's employees, which shall include; bereavement leave; family medical leave, and health insurance benefits, to enable verification of compliance with the West Hollywood Equal Benefits Ordinance.
15. **RESTRICTIONS: Arab League Boycott of Israel.** The CONTRACTOR hereby affirms it does not honor the Arab League Boycott of Israel.
16. **RECORDS AND AUDITS.** The CONTRACTOR shall maintain accounts and records, including personnel, property, and financial records, adequate to identify and account for all costs pertaining to this Agreement and such other records as may be deemed necessary by the CITY or any authorized representative. All records shall be made available at the request of the CITY, with reasonable notice, during regular business hours, and shall be retained by the CONTRACTOR for a period of three years after the expiration of this Agreement.
17. **OWNERSHIP OF DOCUMENTS.** It is understood and agreed that the CITY shall own all documents and other work product of the CONTRACTOR, except the CONTRACTOR's notes and workpapers, which pertain to the work performed under this Agreement. The CITY shall have the sole right to use such materials in its discretion and without further compensation to the CONTRACTOR, but any re-use of such documents by the CITY on any other project without prior written consent of the CONTRACTOR shall be at the sole risk of the CITY. The CONTRACTOR shall at its sole expense provide all such documents to the CITY upon request.
18. **INDEPENDENT CONTRACTOR.** The CONTRACTOR is and shall at all times remain as to the CITY a wholly independent CONTRACTOR. Neither the CITY nor any of its agents shall have control over the conduct of the CONTRACTOR or any of the CONTRACTOR's employees or agents, except as herein set forth. The CONTRACTOR shall not at any time or in any manner represent that it or any of its agents or employees are in any manner agents or employees of the CITY. The CONTRACTOR shall have no power to incur any debt, obligation, or liability on behalf of the CITY or otherwise act on behalf of the CITY as an agent.
19. **NOTICE.** All Notices permitted or required under this Agreement shall be in writing, and shall be deemed made when delivered to the applicable party's representative as provided in this Agreement. Additionally, such notices may be given to the respective parties at the following addresses, or at such other addresses as the parties may provide in writing for this purpose.

Such notices shall be deemed made when personally delivered or when mailed forty-eight (48) hours after deposit in the U.S. mail, first-class postage prepaid, and addressed to the party at its applicable address.

**CITY OF WEST HOLLYWOOD
AGREEMENT FOR SERVICES**

City of West Hollywood
8300 Santa Monica Blvd.
West Hollywood, CA 90069-6216

Attention: _____

CONTRACTOR:

Organization Name
Street Address, City State ZIP

Attention: _____

20. **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of California.
21. **ENTIRE AGREEMENT; MODIFICATION.** This Agreement supersedes any and all other agreements, either oral or written, between the parties, and contains all of the covenants and agreements between the parties. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein. Any agreement, statement, or promise not contained in the Agreement, and any modification to the Agreement, will be effective only if signed by both parties.
22. **WAIVER.** Waiver of a breach or default under this Agreement shall not constitute a continuing waiver of a subsequent breach of the same or any other provision under this agreement. Payment of any invoice by the CITY shall not constitute a waiver of the CITY's right to obtain correction or replacement of any defective or noncompliant work product.
23. **EXECUTION.** This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.
24. **AUTHORITY TO ENTER AGREEMENT.** The CONTRACTOR has all requisite power and authority to conduct its business and to execute, deliver, and perform this Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

**CITY OF WEST HOLLYWOOD
AGREEMENT FOR SERVICES**

IN WITNESS WHEREOF, the parties have executed this Agreement the ____ day of _____, 20__.

CONTRACTOR:

Name, Title

CITY OF WEST HOLLYWOOD:

Department Director

Paul Arevalo, City Manager

ATTEST:

Yvonne Quarker, City Clerk

**CITY OF WEST HOLLYWOOD
AGREEMENT FOR SERVICES
Exhibit A**

Scope of Services:

Include specific tasks, in-person meetings, interim work products (if any) and at least one final work product (e.g., a report or memo).

Time of Performance:

Include a schedule or timeline for delivering interim and final work products. May include specific dates or the number of weeks (e.g., within 30 days of project initiation).

Special Payment Terms:

NONE

(only if additional to section C.4. on page 1)

E.g., include a pricing sheet or hourly rate, if required or implied. Otherwise, state "None".

**CITY OF WEST HOLLYWOOD
AGREEMENT FOR SERVICES**

Exhibit B

**Certificate of Exemption from
Workers' Compensation Insurance**

<i>TO:</i>	City of West Hollywood
<i>SUBJECT:</i>	Sole Proprietor/Partnership/Closely Held Corporation with No Employees

Please let this memorandum notify the City of West Hollywood that I am a

- sole proprietor
- partnership
- nonprofit organization
- closely held corporation

and **do not have any employees whose employment requires me to carry workers' compensation insurance**. Therefore, I do not carry worker's compensation insurance coverage.

Contractor Signature _____

Printed Name of Contractor _____

Date _____