

SUBJECT: ZONE TEXT AMENDMENT: LIVE/WORK AND HOME BUSINESS

PREPARED BY: PLANNING AND DEVELOPMENT SERVICES DEPARTMENT  
(Bianca Siegl, Long Range and Mobility Planning Manager)  
(Tara Worden, Assistant Planner)

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## STATEMENT ON THE SUBJECT

The Planning Commission will hold a public hearing to consider text changes to Zoning Ordinance to increase the number of Home Business employees, and revise the design and parking standards to incentivize live/work developments and to prioritize the reuse of existing buildings for the purpose of live/work units.

## RECOMMENDATION:

Staff recommends that the Planning Commission hold the public hearing, consider all pertinent testimony, and adopt the following:

- 1) Draft Resolution No. PC 18-1267: **“A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WEST HOLLYWOOD, RECOMMENDING TO THE CITY COUNCIL APPROVAL OF A ZONE TEXT AMENDMENT TO AMEND TITLE 19, WEST HOLLYWOOD ZONING ORDINANCE, WEST HOLLYWOOD MUNICIPAL CODE, TO INCREASE THE NUMBER OF PERMITTED HOME BUSINESS EMPLOYEES AND AMEND THE LIVE/WORK DESIGN AND PARKING STANDARDS, IN THE CITY OF WEST HOLLYWOOD, CALIFORNIA.”** (EXHIBIT A)

## BACKGROUND

The City Council has directed the Planning and Development Services Department to review the regulations regarding Live/Work Facilities and Home Businesses and determine the policy revisions needed to better cultivate and retain creative businesses in live/work or residential units within the City’s borders and encourage construction of new live/work units to support artists, entrepreneurs, creators and makers in the City. Staff has conducted research, including interviews with developers and architects, to better understand limitations of building live/work units under the current regulatory framework. Staff presented the findings to the Council on March 19, 2018 (EXHIBIT C) and received further direction to proceed as follows:

1. Increase the number of Home Business employees from 1 to 2
2. Revise the Live/Work Facilities Design Standards:

- a. Require a commercial use on the ground floor
  - b. Reduce parking requirements from commercial to a maximum of one parking space per live/work unit
  - c. Revise design standards to allow for flexibility in the amount of work space as a percentage of total floor area
3. Staff to research how to include affordable housing without hindering development of live/work units

Staff took the proposed changes reflecting Council direction, listed above as items 1 and 2, to Long Range Planning Subcommittee on May 17, 2018. The Long Range Subcommittee suggested that staff develop two separate parking standards for live/work projects that (1) reuse existing buildings and (2) are part of new development. This reflects the intent of initial Council direction, which was aimed at encouraging the redevelopment of existing commercial as live/work units.

Long Range Subcommittee also suggested that Staff research the regulations governing the Federal Housing Authority's mortgage insurance coverage policies to determine the impacts of the revised design standards as initially proposed by staff.

Staff has proceeded with the recommendations from Long Range Subcommittee, and has developed parking standards for adaptive reuse live/work projects and new construction live/work projects, and has adjusted the design standards to better sync with the FHA mortgage insurance eligibility requirements. The recommended revisions are intended to provide additional flexibility and incentivize live/work projects.

### Overview of Proposed Changes

The proposed zone text amendment would enact the following changes to the Zoning Ordinance:

1. Increase the number of Home Business employees from one to two
2. Revise the Live/Work Facilities Design Standards to:
  - a. Require a commercial use on the ground floor
  - b. Allow for flexibility in the amount of work space as a percentage of total floor area:
    - i. 20 – 50 percent of the floor area must be used as dedicated non-residential working space
3. Reduce parking requirements:
  - a. One parking space per live/work unit in new live/work developments
  - b. Zero parking spaces required live/work units in projects that reuse existing buildings

## Employees of Home Businesses

The West Hollywood Municipal Code (WHMC) allows home business activities that do not negatively impact the residential character and the peaceful enjoyment of the property by other residents. Regulations related to home business are intended to preserve the residential character of neighborhoods and preclude large businesses and/or those with numerous customer visits. Currently the WHMC limits the number of employees to one between 8:00am and 8:00pm. Staff recommends amending this regulation to provide more flexibility in the number of employees by allowing two employees (in addition to the owner) on the premises between 8:00 a.m. and 8:00 p.m. By granting one employee in addition to the already permitted employee count, the City will allow home business operators the opportunity and flexibility to scale up their business without incurring additional overhead costs associated with leasing an office space. Parking concerns may need to be addressed if residents are impacted by an increase in demand.

In addition to the changes to the Zoning Ordinance, staff recommends updating the Business Tax License Certificate to include a response category that clarifies if the business is operated from a residence. This will improve the City's data management files and expedite data requests regarding home businesses.

## Live/Work Design Standards

Staff recommends that the design standards applied to live/work units be revised to allow a range in the amount of non-residential space required, from 20 to 50 percent. The Federal Housing Authority (FHA) will not provide mortgage insurance for projects where more than 25 percent of the total space is used for non-residential purposes. In order to provide homeownership opportunities to today's entrepreneurial class of creators/artists/makers and to incentivize the reuse of existing buildings, staff recommends this policy replace the current requirement, as it prescribes inflexible standards that specify the location of non-residential space. Allowing a flexible range of non-residential use space provides developers with the ability to meet the needs of different types of potential tenants, and is a key component of a successful live/work ordinance.

## Live/Work Parking Standards

The proposed zone text amendment would require that new development projects provide one parking space per live/work unit, as opposed to the commercial parking standard that is currently applicable to live/work units (3.5 spaces per 1,000 SF). This reduction in parking requirements is intended to incentivize the inclusion of live/work units in new development projects.

To provide further incentivize for live/work projects and the reuse existing buildings, staff recommends applying different parking standards. The proposed zone text amendment does not require any parking for live/work units included in projects that reuse existing

buildings, but rather allows developers to provide parking spaces for live/work units if deemed necessary. This is intended to make it easier and more affordable to redevelop older, existing buildings that may not have any parking on-site.

### Addressing Affordability

Staff initially recommended live/work units be considered residential in nature which would require such developments to comply with the Affordable Housing requirements by providing on-site Affordable units or a fee-in-lieu. Council directed staff to maintain the commercial assignment of live/work units, which does not require the provision of affordable housing on-site. Instead, live/work units as a commercial use are required to pay a commercial linkage fee-in-lieu into the City's Affordable Housing Trust Fund. While this contributes to the provision of affordable units within the City, this does not address the affordability of the live/work units themselves.

The proposed Zone Text Amendment provides more flexible design standards and allows for expanded types of commercial uses in addition to retail. Staff suggests that the significant reduction in parking standards and the provision of flexible design standards in part will provide flexibility in the types of live/work development thus providing a wider range of live/work price points on the real estate market.

### Public Notice

The City published a legal notice in the *Beverly Press* and *West Hollywood Independent* on June 7, 2018. In addition to the noticing required by the Municipal Code, the Planning Division noticed all West Hollywood neighborhood groups on June 7, 2018.

### California Environmental Quality Act (CEQA)

The zone text changes are Categorically Exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061 of the CEQA Guidelines. Section 15061 states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Live/work units and home businesses are shown to reduce impacts on the environment as potential vehicle trips to and from home and office are eliminated, which in turns reduces vehicle miles traveled and greenhouse gas emissions associated with automobile travel.

### Planning Commission Long-Range Planning Subcommittee

The Long-Range Planning Subcommittee discussed the proposed zone text amendments on May 17, 2018. The Commissioners provided specific direction as reflected in the body of this report.

## **EXHIBITS**

- A. Draft Resolution No. PC 18-1267
- B. Appendix B: Index to Zoning Code Changes
- C. March 19, 2018 City Council Staff Report and Attachments

## RESOLUTION NO. PC 18-1267

### **A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF WEST HOLLYWOOD, RECOMMENDING TO THE CITY COUNCIL APPROVAL OF A ZONE TEXT AMENDMENT TO AMEND TITLE 19, WEST HOLLYWOOD ZONING ORDINANCE, WEST HOLLYWOOD MUNICIPAL CODE, TO INCREASE THE NUMBER OF PERMITTED HOME BUSINESS EMPLOYEES AND AMEND THE LIVE/WORK DESIGN AND PARKING STANDARDS, IN THE CITY OF WEST HOLLYWOOD, CALIFORNIA.**

The Planning Commission for the City of West Hollywood hereby finds, resolves, and orders as follows:

SECTION 1. Live/Work facilities and Home Businesses support the needs of artists, entrepreneurs, creators and makers in the City of West Hollywood.

SECTION 2. In order to implement the General Plan and direction from City Council, the City seeks to amend: the City's Home Business Ordinance in Section 19.36.140, Home Businesses, in the West Hollywood Municipal Code, to increase the number of employees permitted for Home Businesses; the City's Live/Work Ordinance in Section 19.36.160, Live/Work Facilities, to revise the design standards. The Zone Text Amendment will also amend the parking requirements for Live/Work units.

SECTION 3. A public hearing was duly noticed for the Planning Commission meeting of June 21, 2018 by publication in the Beverly Press newspaper, the West Hollywood Independent Newspaper, mailings sent to neighborhood groups, the City website, and by announcement on City Channel 6 starting June 7, 2018.

SECTION 4. The zone text changes are Categorically Exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15061 of the CEQA Guidelines. Section 15061 states that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Live/work units and home businesses are shown to reduce impacts on the environment as potential vehicle trips to and from home and office are eliminated, which in turn reduces vehicle miles traveled and curbs greenhouse gas emissions produced by automobile travel.

SECTION 5. The Planning Commission of the City of West Hollywood hereby finds that Zone Text Amendment 2018-0006 is consistent with the Goals and Policies of the General Plan, including Goal LU-2 of the Land Use Element, which states that the city should maintain a balanced mix and distribution of land uses that encourages strategic development opportunities and mobility choices within the City; Goal LU-9, which states the city should encourage multi-family

residential neighborhoods that are well maintained and landscaped, and include a diversity of housing types and architectural designs. This action implements General Plan 2035 by providing incentives for live/work units and home businesses and does not impede the City's ability to meet its other General Plan Goals and Policies.

SECTION 6. Based on the foregoing, the Planning Commission of the City of West Hollywood hereby recommends approval to the City Council of Zone Text Amendment 2018-0006, which is attached hereto as Attachment A.

DRAFT

**PASSED, APPROVED AND ADOPTED** by the Planning Commission of the City of West Hollywood at a regular meeting held this 21<sup>st</sup> day of June, 2018 by the following vote:

AYES:           Commissioner:  
NOES:           Commissioner:  
ABSENT:        Commissioner:     Bass.  
ABSTAIN:       Commissioner:

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SUE BUCKNER, CHAIRPERSON

ATTEST:

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BIANCA SIEGL, PLANNING MANAGER  
LONG RANGE AND MOBILITY PLANNING

*Decisions of the Planning Commission are subject to appeal in accordance with the procedures set forth in West Hollywood Municipal Code Chapter 19.76. Any action to challenge the final decision of the City of West Hollywood made as a result of the public hearing on this application must be filed within the time limits set forth in Code of Civil Procedure Section §1094.6.*



# Appendix A

Additional language shown in underline. Deleted language in ~~strikethrough~~.

## 19.36.160 Live/Work Facilities.

- B. *Design Standards.* Live/work units shall comply with the following standards:
1. Floor Area Requirements. The total floor area of a live/work unit shall be at least 750 square feet. ~~The first 50 feet of floor area depth at the street-level frontage shall be limited to commercial retail sale activities, with the exception of live/work projects in the R3C-C and R4B-C zoning districts.~~
    - a. ~~For live/work projects in the R3C-C and R4B-C zoning districts,~~ A minimum of 20~~30~~ percent and maximum of 50~~60~~ percent of the gross floor area of a live/work unit must be designated as non-residential space and regularly used for work activities.
  4. Street Frontage Treatment. Each live/work ~~unit~~quarters on the ground floor fronting a public street shall have a pedestrian oriented frontage that publicly displays the commercial use on the interior of the non-residential areas of the structure.

## 19.28.040 Number of Parking Spaces Required.

TABLE 3-6 PARKING REQUIREMENTS BY LAND USE

Non-Residential Land Use	Required Parking Spaces
Live/Work Units	<p><del>3.5 spaces per 1,000 sq. ft.</del> <u>As part of new development: 1 space per unit</u></p> <p><u>When an existing structure is reused as live/work: no spaces required for live/work units</u></p>

## 19.36.140 Home Businesses.

- C. *Operating Standards.* Home businesses shall comply with all of the following operating standards.
4. Limitation on Employees. The home business shall employ only the full-time residents of the housing unit; provided that ~~one~~ two additional employees may be allowed on the premises between the hours of 8:00 a.m. and 8:00 p.m. This limitation applies only to employees of the home business and does not regulate the use of housekeeping, gardening, child care, and cooking personnel which are unrelated to the home business.

## Appendix B: Index to Zoning Code Changes

Code Section	Equivalent Section in Current Code	Description of Change
Title 19 Zoning Ordinance Article 19-3 Site Planning and General Development Standards Chapter 19.36 Standards for Specific Land Uses		
19.36.160, Live/Work Facilities.	19.36.160	Edit content in B. Design Standards as follows:  Remove from B. (1), "The first 50 feet of floor area depth at the street-level frontage shall be limited to commercial retail sale activities, with the exception of live/work projects in the R3C-C and R4B-C zoning districts."  Remove from B. (1)(a), "For live/work projects in the R3C-C and R4B-C zoning districts,".  Edit B. (1)(a): Change 30 percent to 20 percent. Change 60 percent to 50 percent, and add "as non-residential space" in reference to dedicated workspace.  Edit content in B. (4): Rename "quarters" to "unit" as a singular reference; add "on the ground floor" following "quarter"; insert "commercial use on the" before "interior"; eliminate "of the non-residential areas".
Title 19 Zoning Ordinance Article 19-3 Site Planning and General Development Standards Chapter 19.28 Off-Street Parking and Loading Standards Section 19.28.040 Number of Parking Spaces Required		
Table 3-6: Parking requirements by Land Use  2. Non-residential Land Uses	Table 3-6  2. Non-residential Land Uses	Revise Required Parking Spaces for Live/Work Units to the following:  "As part of new development: 1 space per unit"  "When an existing structure is reuse as live/work: no spaces required for live/work units."
Code Section (cont'd.)	Equivalent Section in Current Code	Description of Change
Title 19 Zoning Ordinance Article 19-3 Site Planning and General Development Standards Chapter 19.36 Standards for Specific Land Uses		
19.36.3140, Home Business	19.36.140 Section C. Item 4.	Increase number of employees allowed, from one to two.

SUBJECT: **UPDATED ANALYSIS OF THE LIVE/WORK FACILITIES AND HOME BUSINESS ORDINANCE**

INITIATED BY: **PLANNING AND DEVELOPMENT SERVICES**  
(John Keho, AICP, Planning and Development Services Director)  
(Bianca Siegl, Long Range and Mobility Planning Manager)  
(Tara Worden, Assistant Planner)

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**STATEMENT ON THE SUBJECT:**

The City Council will receive updated analysis regarding the City's live/work facilities and home business regulations and consider the options to direct the Planning and Development Services Department to revise the Zoning Ordinance for both commercial and residential zones. The intent of this report is to receive direction from the Council on the recommendations from staff.

**RECOMMENDATIONS:**

Staff recommends Council direct the Planning and Development Services Department to prepare a Zone Text Amendment to update the following items:

- 1) Home Business *Limitation on Employees*
  - a. Increase number of permitted employees from 1 to 2
- 2) Live/Work Facilities *Design Standards and Land Use*
  - a. Eliminating the requirement for ground floor commercial retail sales
  - b. Reducing parking requirements from commercial to a maximum of one parking space per live/work unit
  - c. Revising design standards to allow for flexibility in the amount of work space as a percentage of total floor area
  - d. Redefine live/work as a residential use permitted only in commercial zoning districts. This change would require live/work units to be included in the application of the Inclusionary Housing Requirements.

**BACKGROUND / ANALYSIS:**

The City Council previously directed the Planning and Development Services Department to review the regulations regarding Live/Work Facilities and Home Businesses and determine the policy revisions needed to support artists, entrepreneurs, creators and makers in the City (see Attachment A). Staff presented initial research and recommendations to Council on December 4, 2017 (see Attachment B) of which the Council directed staff to provide broader context and answer the following questions:

- 1) What are home businesses and where are they currently permitted?
- 2) What are live/work units and where are they currently permitted?
- 3) Why hasn't live/work been successful in the areas where it is currently allowed?
- 4) How and where could live/work be successful?

Staff has interviewed developers, architects, and residents to determine what barriers exist in the Zoning Ordinance that impact the City's ability to cultivate and retain small, creative businesses in live/work or residential units within the City's borders and encourage construction of new live/work units.

## **HOME OCCUPATIONS**

### What are Home Businesses and where are they currently permitted?

Home businesses are business activities that are allowed as home occupations within a residential primary use that is the principal residence of the business owner. In West Hollywood, home businesses are located in residential neighborhoods. The business operation must be an accessory use to the residence. The West Hollywood Municipal Code (WHMC) permits businesses that do not negatively impact the residential character and the peaceful enjoyment of the property by other residents of the street where it is located. Regulations related to home business are intended to preserve the residential character of neighborhoods and preclude large businesses and/or those with numerous customer visits.

#### Allowed Home Businesses

- Art and craft work (ceramics, painting, photography, sculpture)
- Clothing production, sewing
- Computer and telecommunications-based services
- Individual instruction and counseling
- Office-type uses, including architect, attorney, consultant, writer
- Cottage food operations
- Director approved businesses of similar nature

#### Prohibited Home Businesses

- Adult businesses
- Animal hospitals
- Beauty shops and barber shops
- Catering
- Dance or night clubs
- Massage therapy
- Medical and dental offices
- Self-storage, or storage of construction/service materials
- Retail sales, except artist's originals

- Vehicle repair
- Welding, machining, or manufacturing
- Other uses determined by Director as incompatible

The Home Businesses ordinance is applicable only when the business is located in a residential zoning district. It does not apply to commercial zoning districts. The regulations placed on home businesses are as follows:

**Table 1. Home Business Ordinance Requirements**

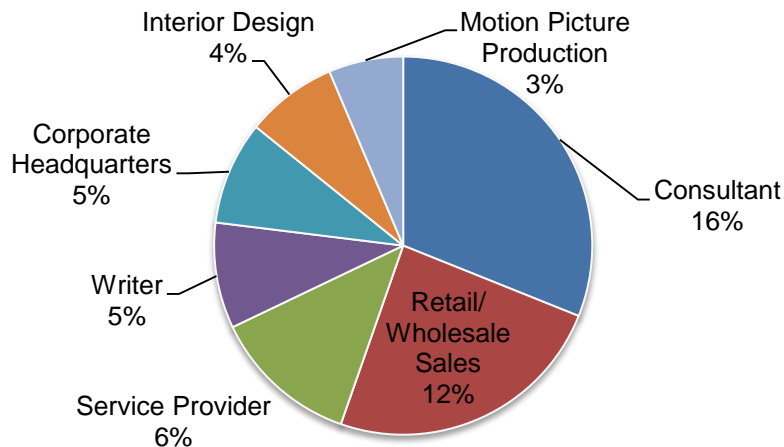
Home Businesses	Land Use Regulation
<b>Permit Requirement</b>	Business Tax Certificate required; Administrative permit approval required for businesses that involve client visits
<b>Operating Standards</b>	Employment limited to only the full-time residents; one additional employee allowed from 8:00am-8:00pm
	Client visits allowed through the approval of an administrative permit
	Home business not allowed if the same business operates from a location in a commercial zone within 300 feet of the residence

Home Businesses in the City

A total of 1,245 home businesses are located throughout the City’s residential neighborhoods (see Attachment C for map). As indicated in Table 1, a Business Tax Certificate is required for all home businesses. 299 home businesses are exempt from paying the local business tax because they do not employ or retain services of anyone. 946 home businesses are obligated to pay the local business tax because the function of the business either involves client visits, employees, or partners, like graphic designers, law practices, and pet services.

Figure 1 displays the percentage of the ten most common businesses that operate in residential units that are not exempt from the local tax.

**Figure 1. Most Common Businesses that Operate in Residential Units**



## Staff Recommendations for the Home Businesses Ordinance

Based on research and in response to the priorities expressed by City Council, staff recommends amending this regulation to provide more flexibility in the number of employees by allowing two employees (in addition to the owner) on the premises between 8:00 a.m. and 8:00 p.m. By granting one employee in addition the already permitted employee count, the City will allow home business operators the opportunity and flexibility to scale up their business without incurring additional overhead costs associated with leasing an office space.

This change would better address the demands of the current economy by allowing entrepreneurs and small business operators to grow their startup operations in the City. However, the impacts of increasing the number of employees could also result in an increase in traffic congestion and on-street parking demand in both residential and commercial zones. These impacts are offset by the benefit of keeping and growing local businesses within the City. Parking concerns may need to be addressed if residents are impacted by an increase in demand.

In addition to the changes to the Zoning Ordinance, staff recommends updating the Business Tax License Certificate to include a response category that clarifies if the business is operated from a residence. This will improve the City's data management files and expedite data requests regarding home businesses.

### **LIVE/WORK**

What are live/work units and where are they currently permitted?

Live/work facilities are defined in the WHMC as “an integrated unit and working space, occupied and utilized by a single housekeeping unit, in a nonresidential building, or commercial zoning district, or in a building specifically designed and constructed to provide live/work units.” Live/work facilities combine a living space with work space with the goal to create a more affordable option for artists, makers, designers, etc. by eliminating the need for separate rents of a home and office/studio space.

Live/work is permitted in commercial zoning districts. Live/work is not permitted in residential zoning districts. The regulations currently placed on live/work allow are as follows:

**Table 2. Live/Work Facilities Requirements**

<b>Live/Work</b>	<b>Land Use Regulation</b>
<b>Design Standards</b>	Minimum unit size 750 SF; first 50 feet of floor area depth limited to commercial retail sales.
	Each live/work unit must be separated from other units or uses; access to individual units must be from common areas or hallways.
	Living space must be contiguous with and an integral part of the work space.
	Live/work units fronting a street must have pedestrian oriented

	frontage that displays the work space interior
<b>Parking Standards</b>	3.5 spaces per 1,000 square feet
<b>Occupancy and Employees</b>	One of the full-time workers must live in the live/work unit, additional employees are not limited in number.
<b>Retail Sales</b>	Allowed in the work space
<b>Business Tax Certificate</b>	Required for business activities

West Hollywood currently has four permitted live/work units. One commercial building was renovated in 2001 to host one live/work unit located at 7494 Santa Monica Boulevard, and three live/work units were included in the newly constructed mixed-use project located at 7113 Santa Monica Boulevard (The Dylan).

Why hasn't live/work been successful in the areas where it is currently allowed?

Staff conducted research and interviewed local developers and architects to gain further insight as to why live/work developments have not flourished in the City. Based on this research, it appears that the marginal development of live/work units in the City can be attributed a combination of several factors including a lack of previously industrially zoned land, the high value of land, and the strict design standards required in the live/work ordinance. Staff further refined the issues below as affordability, design standards, financing, and feasibility.

Affordability

Criteria for live/work space vary greatly with the type of work that tenants do. There are, however, some desirable qualities which apply to most creative industries, such as large, open spaces with natural light and good ventilation.

While specific spatial needs vary between individuals, a unit that provides for both living and working areas needs to have more square footage and possibly more rooms than a simple studio or efficiency apartment which provides for living only. In West Hollywood, commercial leases average approximately \$5 a square foot per month<sup>1</sup>, well out of the price range of many entrepreneurs/creators/makers. In addition, there are no viable industrial spaces, and few commercial spaces that are vacant and could be rented for an affordable rent. Unfortunately for most entrepreneurs/creators/makers, this need for space runs counter to affordability requirements – a larger space will cost more than a smaller one.

Design Standards

From the developer's perspective, live/work projects in West Hollywood provide a host of challenges. Specifically, developers cited the parking requirements and the requirement for ground floor commercial retail sales as specific regulations that

<sup>1</sup> CoStar, Inc., "West Hollywood Retail Submarket Report," p. 17; Accessed March 8, 2018

encumber live/work development in the City. These standards, taken together, effectively eliminate the ability of developers to construct new live work units that are financially feasible.

### Financing Live/Work

All construction projects are undertaken with some degree of debt financing, and construction lenders must be able to estimate the level of risk before providing capital. Live/work projects can be problematic for the risk-averse banking community, which all too often avoids innovation and risk. While live/work projects may have the potential to be lucrative investments for developers, they are an unconventional type of new development in West Hollywood as they have not been extensively tested in the market. If a lender does decide to offer loans for this nontraditional development, the bank is likely to compensate for the project's risk with lower loan-to-value ratios than they would for a conventional product, thereby shifting more risk to the developer.<sup>2</sup>

While new live/work space remains fairly unconventional, new market-rate loft residences have been proven to be very popular in urban markets. The loft dweller has evolved from an artist renting cheap live/work space to a well-off renter/buyer seeking a curated urban existence. Provided that the project can be marketable and profitable at market rate, developers may be able to negotiate a construction loan for a live/work project on the basis of its market rate value. This negotiation process often results in diminishing the project's affordability, as developers are pressured by lenders to ensure the project's financial success.

Research indicates that regardless of policy changes to encourage live/work facilities, project financing may still prevent it from being built.

### How Could Live/Work be Successful in West Hollywood?

Ultimately, the City is limited in its ability to influence the real estate market. To make live/work units a successful building typology, the City has two regulatory frameworks to consider: mandate live/work or incentivize live/work. There is a range of policy approaches the City can pursue within each framework, which is discussed in recommendations section of this report. However, for clarity's sake, it is necessary to establish a firm understanding of how live/work is defined and regulated before proceeding to the recommendations.

#### Limitation: Lack of Subsidies and Incentives

The limited income of the average artist/maker/creator means that market-rate space for living or working is often unaffordable. If a developer were to build spaces for living and working that were affordable to most artist/maker/creator, the selling prices of these spaces would likely need to be far below the cost of developing them. In West Hollywood, an area with high land costs, it is rare that a developer of affordable live/work space will be able to make a reasonable return on investment without some sort of subsidy to fill the gap. Currently the City does not offer subsidies or incentives for

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<sup>2</sup> Krystal Ann England, *New Spaces for Living and Working in the Creative Economy* (Massachusetts Institute of Technology; 1999), p. 31-33



this type of housing. Conventional housing subsidies at the federal, state, and local level can be utilized to make a project feasible. Private funding can sometimes be found through arts-oriented foundations and organizations.

Incentives like streamlined approvals and density bonuses also provide some measure of value to the developer and can be considered important public contributions to promote live/work space.

Developers of live/work space are faced with several layers of challenges in meeting the affordability and suitability requirements of artists/makers/creators. Obtaining financing and achieving financial feasibility for live/work projects is difficult, and without those two key pieces, live/work projects will not get built.

*Limitation: Definition and Zoning of Live/Work*

Due to the nature of a live/work unit, it is problematic to narrowly define the land use category as either commercial or residential, as the unit is used for both purposes. The City currently defines live/work as a commercial land use permitted in commercial zoning districts. The reasoning for this categorization is largely due to the fact that the design standards for live/work units currently require a ground floor commercial retail component, which is a use that is only permitted in commercial zoning districts.

The fabric of the City is made up of commercial boulevards and residential blocks, each of which has a distinct and separate character, which the policies of the Zoning Ordinance and the General Plan foster and protect. Some local architects have expressed a keen interest in introducing live/work facilities to residential neighborhoods to provide a type of neighborhood serving retail operations into the residential blocks that are nestled into neighborhoods, or along the alleyways to act as a transitional zone between commercial and residential uses. Allowing live/work facilities in neighborhoods could activate nodes at intersections of residential streets, provide a transition between commercial and residential zones, and introduce retail services to the interior of residential areas.

Expanding live/work facilities in residential neighborhoods could have a negative impact on the traditional character and charm of West Hollywood's neighborhoods. Live/work regulations currently do not limit number of employees or visitors, which if left unregulated in residential areas, could increase parking demands and traffic congestion. In addition, allowing live/work facilities in residential zones could impact the availability of residential units, further constraining the capacity for West Hollywood to provide housing, as previously residentially zoned parcels would allow for commercial activities.

*Limitation: Affordable Housing Requirements and Incentives Not Applicable*

Because live/work is not defined as a residential land use, live/work units are not included in the application of the City's affordable housing requirements or the State Density Bonus law. This results in a smaller number of affordable units being produced. The logic, here, is that twenty percent of number of units (minus any live/work units) will always result in a lower number of required affordable units, when compared to twenty percent of the number of units (plus the live/work units). This also results in live/work units not being designated Affordable, as the Affordable units are assigned such designation based on the mix of unit types that are considered in the calculation of total

number of units, which currently does not include live/work units.

### Mandating vs. Incentivizing Live/Work

Mandating live/work in viable areas of the City would require establishing a new zoning district that specifies density, setbacks, and design standards. Adopting a policy that limits development to live/work facilities could result in unintended consequences that negatively impact the City and its residents including:

1. Limit potential for residential units.
2. Introduce commercial, customers, vehicles, and other impacts to residential areas.
3. Property owners pursue legal action, as a rezoning to live/work could impact the development potential of the impacted properties, and could be seen as a taking.
4. Redevelopment of affected parcels is delayed, as a result of rezoning from commercial or residential to live/work.

For the listed reasons, staff does not recommend mandating live/work through the creation of a live/work zoning district.

Incentivizing live/work in areas identified as ripe for that type of development could take many forms. Traditional incentives like parking reductions, flexible design standards, and height and density bonuses could be effective tools for the City to encourage live/work development. Implementing these live/work incentives also could result in unintended impacts including:

1. Increased demand for on-street parking, if reduced parking standards are utilized.
2. Live/work units converted to residential units, if flexible design standards are utilized.
3. Increase in height and/or mass of live/work development, if bonuses are granted.

As Council has expressed concern in the past regarding all of these impacts, staff would need to carefully identify areas where these incentives could be utilized through the creation of a live/work overlay zone. Incentives do not require the creation of an overlay zone. But it is a way to direct incentives or standards to specific parcels/areas. An overlay zone is a zoning district which is applied over one or more previously established zoning districts, establishing additional standards and criteria for covered properties in addition to those of the underlying zoning district.

### Staff Recommendations for the Live/Work Facilities

Staff recommends incentivizing live/work by making the following changes. These options are tiered and can be bundled, according to Council direction. Staff recommends Council consider bundling Tier 1 and Tier 2 as directives to pursue and return to Planning Commission with a Zone Text Amendment. Tier 3 would require significant market study and community outreach and is not recommended at this time, but could be considered by Council as a future pathway to further incentivizing

live/work.

Tier 1

1. Remove requirement for retail on the ground floor:
  - There are a myriad of different types of potential live/work tenants, and very few of them would have the capacity to conduct their work and operate a retail component out of their unit. As a response to today's entrepreneurial class of creators/artists/makers, staff recommends removing the requirement that tenants must conduct retail sales out of their work space, in exchange for a flexible standard that maintains a pedestrian oriented frontage.
2. Reducing parking standards to a maximum of 1 space/unit:
  - Commercial parking standards currently apply to the live/work land use at 3.5 parking stalls per 1,000SF. Considering the evolution of the entrepreneurial class of creators/makers/artists, and the transition of physical commerce to e-commerce, staff has determined that the commercial parking requirements placed on live/work facilities are unnecessary. These requirements place an onerous cost on the development of live/work facilities and by adjusting the requirement to match residential parking standards, the City would be removing a barrier to entry for live/work developments.
3. Revising design standards to allow for a range of work space as a percentage of total floor area:
  - Staff recommends updating the floor area regulation to a more flexible standard that does not mandate a unit size. The revised standard would require a minimum of 30% and maximum of 50% of gross floor area to be dedicated as workspace. This standard complies with the live/work definition in the California Building Code.

Tier 2

1. Redefining live/work as a residential use permitted only in commercial zoning districts:
  - This policy change would allow live/work units would be included in the total unit count that is used to determine the twenty percent required affordable unit count. And would be counted towards the City's Affordable Housing Requirements and Incentives for the State's Density Bonus law.

Tier 3

1. Developing a live/work overlay zone that incentivizes live/work in residential and commercial zoning districts:
  - This is the most involved policy recommendation, wherein staff would create a menu of incentives applicable only in the identified areas where live/work is determined a viable development typology. Staff has done preliminary site analysis to locate areas in the City that have potential for live/work development:
    - Fountain Avenue, between Fairfax Avenue and Crescent Heights

- Boulevard
- Vista/Gardner Street
  - Willoughby Avenue
  - Properties adjacent to commercial alleyways
  - Commercial Neighborhood 1 (CN1) Zones

Next Steps

Staff will return to Planning Commission with the drafted Zone Text Amendment for consideration in the second quarter of 2018. Pending the feedback from the Planning Commission, Staff could return to Council with these policy revisions as early as the third quarter of 2018.

**CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:**

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

- PSG-1: Maintain the City's Unique Urban Balance with Emphasis on Residential Neighborhood Livability.
- OSP-3: Promote Economic Development while Maintaining Business Vitality & Diversity.

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

- LU-2: Maintain a balanced mix and distribution of land uses that encourages strategic development opportunities and mobility choices within the City.
- LU-9: Encourage multi-family residential neighborhoods that are well maintained and landscaped, and include a diversity of housing types and architectural designs.

**EVALUATION PROCESSES:**

None at the time.

**ENVIRONMENTAL SUSTAINABILITY AND HEALTH:**

**COMMUNITY ENGAGEMENT:**

Staff conducted a series of stakeholder interviews with local developers, architects, and residents.

**OFFICE OF PRIMARY RESPONSIBILITY:**

PLANNING AND DEVELOPMENT SERVICES DEPARTMENT / LONG RANGE & MOBILITY PLANNING DIVISION

**FISCAL IMPACT:**

None at the time.

**ATTACHMENTS:**

Attachment A: Staff Report, November 16, 2015

Attachment B: Staff Report, December 4, 2017

Attachment C: Map of Home Businesses

PREVIOUS CITY COUNCIL STAFF REPORT

CITY COUNCIL  
NEW BUSINESS

NOVEMBER 16, 2015

SUBJECT: UPDATES TO LIVE/WORK FACILITIES AND HOME  
BUSINESSES ORDINANCES

INITIATED BY: MAYOR LINDSEY P. HORVATH  
COUNCILMEMBER JOHN D'AMICO

PREPARED BY: Janet Jimenez, Assistant to the City Manager

SB for JS

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STATEMENT ON THE SUBJECT:

The City Council will consider directing the Community Development Department to evaluate and revise the City's Live/Work Facilities and Home Businesses Ordinances for both commercial and residential zones.

RECOMMENDATION:

- 1) Direct the Community Development Department to draft a Zone Text Amendment to update the City's Live/Work and Home Businesses regulations to reflect the current economy.
- 2) Present to the Eastside Working group for review and comment
- 3) Present to the Planning Commission for review and comment
  
- 4) Return to the City Council with a draft Zone Text Amendment in 180 days with a status update in 90 days.

BACKGROUND AND ANALYSIS:

Working and living environments in a 21<sup>st</sup> century economy are evolving. Influenced by the availability of affordable work space, as well as changes in the requirement for physical space for commercial purposes due to the internet and other technologies, entrepreneurs have been creating new ways to access opportunities to start up their business ventures.

As a result, the City needs to adapt to the changing needs of its business community and resident entrepreneurs. The current Live/Work Facilities provisions in our zoning ordinance have not been widely used because the current standards lack the necessary flexibility to make such spaces realizable in the City. Parking requirements, currently the same as office use, have made difficult the retention of small, creative businesses, especially artisans or other micro business owners, within the City's borders.

**ATTACHMENT A**

In order to align with the current needs of the City's evolving business community and resident entrepreneurs, the following areas of the Live/Work Facilities in commercial zoning districts and Home Businesses regulations in residential zoning districts need to be re-evaluated:

**In Commercial Zoning Districts:**

- Expand the definition of live/work occupants to not only include artisans and artists but other professions such as accountants; architects; computer software and multimedia professionals; consultants; engineers; fashion; graphic, interior, and other designers; photographers, psychotherapists, personal services and individuals practicing similar professions as determined by the Community Development Director;
- Consider changing floor area requirements to a percentage of the live/work unit, rather than a set square footage;
- Evaluate limitations on the number of employees allowed in a live/work space;
- Evaluate limitations on retail space in live/work units. Consider revising parking standards for live/work facilities to account for owner occupants and allow for more flexible opportunities and viable spaces throughout the City

**In Residential Zoning Districts:**

Consider revising the number of employees allowed as part of a home/office occupation. Additionally as part of the City's upcoming community discussions about R2-R4 residential zones, similar changes related to home/office use, area requirements and parking standards should be considered for residential zones as the result of discussion of live/work space.

This item is intended to promote greater economic accessibility, especially for small, creative businesses throughout West Hollywood. Improving the City's Ordinances will provide opportunities for small businesses to secure a space in the City that matches their needs.

**CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:**

This item is consistent with the Primary Strategic Goals and On-going Strategic Programs 2020:

- Promote Economic Development while Maintaining Business Vitality & Diversity
- Maintain the City's Unique Urban Balance with Emphasis on Residential Neighborhood Livability

This item is consistent with these goals of the West Hollywood General Plan:

- ED-1: Maintain a diverse and resilient economy.
- LU-8: Maintain and enhance residential neighborhoods.

EVALUATION:

ENVIRONMENTAL SUSTAINABILITY AND HEALTH:

N/A

OFFICE OF PRIMARY RESPONSIBILITY:

Community Development Department

FISCAL IMPACT:

None at this time. Staff will incorporate activities related to this Zone Text Amendment into currently budgeted work plans.



SUBJECT: **ANALYSIS OF THE LIVE/WORK FACILITIES AND HOME  
BUSINESS ORDINANCES**

INITIATED BY: **COMMUNITY DEVELOPMENT DEPARTMENT**  
(John Keho, Interim Community Development Director)  
(Bianca Siegl, Long Range and Mobility Planning Manager)  
(Tara Worden, Assistant Planner)

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**STATEMENT ON THE SUBJECT:**

The City Council will receive an analysis regarding the City's live/work facilities and Home Businesses regulations and consider directing the Community Development Department to revise the Zoning Ordinance for both commercial and residential zones.

**RECOMMENDATIONS:**

- 1) Direct the Community Development Department to prepare a Zone Text Amendment to update the following items:
  - a. Live/Work regulations, to allow for more flexibility in the development standards based on the research presented in this staff report.
  - b. Home Businesses regulations, to allow an increase in the number of allowable employees on site.

**BACKGROUND / ANALYSIS:**

The City Council directed the Community Development Department to review the Live/Work Facilities and Home Businesses regulations to determine what the barriers are to encouraging the retention of small, creative businesses, within the City's borders.

The City Council specifically directed Staff to evaluate and recommend changes to (1) the definition of live/work occupants, (2) the floor area requirements for live/work, (3) parking standards for live/work units, and (4) limitations of number of employees for live/work and home-businesses.

**State of Live/Work and Home Businesses**

In recent decades, the rise of the internet and advances in technology have introduced demand for units in which work, commerce, and housing all occur within the same property and within the same structure. The live/work development trend in many cities is closely associated with the conversion of commercial or industrial districts to artists-based neighborhoods; the previous uses, now gone, created spaces attractive to artists so they could live and work within the same unit. Due to the unique development history and the high price of land in the City of West Hollywood, there are no formerly industrial districts that are natural hosts to artist districts.

The modern iteration of the live/work option exists in two distinct forms in West Hollywood: (1) home businesses and (2) live/work units. The home business regulations are intended to allow modest, low-impact business or commercial uses within a residence in a residential zone. This model favors residential uses over business on site. Such uses are subject to significant limitations on the permitted extent of commercial activities, hours of operation, parking, and number of employees to ensure that such uses do not upset the residential character of the neighborhood. All home businesses are required to obtain a Business Tax Certificate, and home businesses that involve client visits are required to obtain an Administrative Permit. There are currently three home businesses that have been issued an Administrative Permit in the City.

In contrast, the live/work model favors commercial over residential, allowing incidental residential uses within commercial zones. West Hollywood currently has four total live/work units. One commercial building was renovated in 2001 to host one live/work unit located at 7494 Santa Monica Boulevard, and three live/work units were included in the newly constructed mixed-use project located at 7113 Santa Monica Boulevard (The Dylan). The marginal development of live/work units in the City can be attributed a combination of several factors including a lack of industrially zoned parcels, the high value of land, and the development standards required in the live/work ordinance.

**Table 1** summarizes the existing regulations for Live/work Facilities and Home Businesses currently in West Hollywood’s Zoning Ordinance.

<b>Ordinance Requirements</b>	<b>Live/work Facilities</b>	<b>Home Business</b>
<b>Allowable Zones</b>	Commercial Zones	Residential Zones
<b>Size Requirements</b>	750 SF Minimum, first 50ft of floor area depth at street level is limited to commercial retail sales	None
<b>Street Frontage</b>	Units fronting the street must display non-residential interiors, commercial sign regulations apply	No window display/signage/or identification permitted
<b>Occupancy and Employees</b>	One employee must live in unit (no limit on number of employees)	Full-time residents and one additional employee max
<b>Retail Sales</b>	Allowed, may be integrated with working space	No retail permitted; Art and craft work, clothing production, cottage food operations permitted
<b>Permit Requirements</b>	Business Tax Certificate required for business activities	Business Tax Certificate required; Administrative Permit required for businesses with client visits
<b>Parking Requirements</b>	3.5 spaces per 1,000 SF	Residential parking standards

### Definition of Live/Work

Council has separately directed staff to incorporate live/work incentives in the proposed R3C-C and R4B-C Zoning Districts. This item is also on the December 4, 2017 City Council agenda and will be heard before the public. Within this item, staff recommends changes to the applicability section of the live/work regulations that addresses the intent of the regulations as follows: “to provide for an make feasible the creation of alternative work space that will provide an incentive for entrepreneurs, business owners, artists, architects, designers and other individuals to continue to work in West Hollywood and contribute to the City’s economy.” This change eliminates more restrictive language regarding the definition of live/work occupants as directed by Council. Staff recommends Council adopt these changes addressed in the item regarding the R3C-C and R4B-C Zoning Districts.

### Development Standards of Live/Work Facilities

Staff researched the zoning regulations of cities with thriving live/work development, summarized in the table below. This research indicates the City’s parking regulations and floor area requirements may be overly stringent by requiring 3.5 parking spaces per 1,000 square feet, a minimum unit size, and commercial retail sale activities on the ground floor. In comparison, cities with successful live/work development do not require commercial retail sale activities as part of those buildings; rather the regulation requires either a maximum or minimum (or in some cases a range) of total square footage that must be designed and maintained as a workspace within the unit. This policy responds to the variety of potential residents; whether they are a crafts-person that wants to make and sell products, or an artist who wants to have a studio space in their home, or a small professional office, the flexibility of the ordinance allows for the needs of a variety of different potential residents.

**Table 2** compares West Hollywood’s parking standards and floor area requirements with other cities.

City	Parking Standards	Floor Area Requirements
<b>West Hollywood</b>	3.5 spaces per 1,000sf	Min 750 SF unit size, first 50ft of floor area depth at street level frontage be limited to commercial retail sale activities
<b>Portland</b>	No spaces required	Max 50% of unit dedicated as workspace
<b>Santa Monica</b>	2 spaces per unit	Min 60% of unit dedicated as workspace
<b>Los Angeles</b>	1 space per unit for new development; no spaces required for conversions	Ranges from 20% to 60% of unit dedicated as workspace

Staff recommends changes to the live/work regulations, as listed in Table 3. These recommendations reflect similar policy regulations in cities like Portland and Seattle (see Attachment A). Though the real estate market is considerably different in the City

of West Hollywood, these proposed changes allow more flexibility in the development standards for live/work units. Staff expects these proposed standards will better incentivize live/work development in West Hollywood.

**Table 3** lists staff's recommended changes to the live/work ordinance.

Live/Work Standard	Current Zoning	Recommended Changes to Zoning
<b>Floor Area</b>	<ul style="list-style-type: none"> <li>• Minimum unit size: 750sf</li> <li>• First 50ft of floor area depth at street level limited to commercial retail sale activities</li> </ul>	<ul style="list-style-type: none"> <li>• No minimum unit size</li> <li>• Minimum 30%, maximum 60% of gross floor area designated and used as workspace</li> </ul>
<b>Parking Requirements</b>	<ul style="list-style-type: none"> <li>• 3.5 spaces per 1,000sf (standard for commercial)</li> </ul>	<ul style="list-style-type: none"> <li>• Residential Parking Standards</li> </ul>
<b>Permitted Zones</b>	<ul style="list-style-type: none"> <li>• All commercial, except PDCSP</li> </ul>	<ul style="list-style-type: none"> <li>• Addition of R3C-C and R4B-C</li> </ul>
<b>Signage</b>	<ul style="list-style-type: none"> <li>• 1sf for each linear foot of street frontage (standard for commercial, multi-tenant bldg.)</li> </ul>	<ul style="list-style-type: none"> <li>• No Change</li> </ul>
<b>Occupancy and Employees</b>	<ul style="list-style-type: none"> <li>• One employee must live in unit (no limit on number of employees)</li> </ul>	<ul style="list-style-type: none"> <li>• No Change</li> </ul>

*Floor Area:* Staff recommends updating the floor area regulation to a more flexible standard that does not mandate a unit size, or require a tenant to operate a commercial retail store on the ground floor of the unit. The revised standard would require a minimum of 30% and maximum of 60% of gross floor area to be dedicated as workspace. This standard would be applied to live/work units throughout the city.

*Parking Requirements:* Staff recommends applying residential parking standards to live/work facilities as follows:

- Studio units up to 500 sq. ft.: 1 space
- One bedroom units and studios larger than 500 sq. ft.: 1.5 spaces for each unit
- 2 to 3 bedrooms: 2 spaces
- 4 or more bedrooms: 3 spaces
- Guest parking: 1 covered space for each 4 units for residential projects of 5 or more units

*Permitted Zones:* Staff has a separate agenda item regarding the implementation of newly created R3C-C and R4B-C Zoning Districts to amend the Zoning Map for General Plan compliance. This item recommends allowing live/work facilities in the R3C-C and R4B-C Zoning Districts.

Home Business Standards

Home businesses are defined in the Zoning Ordinance so as to allow residents the

flexibility of using their home for a place of business as follows:

“arts and craft work (ceramics, painting, photography, sculpture); clothing production, sewing; computer and telecommunications-based services, including information processing and telemarketing; individual instruction and counseling, including music lessons for individual pupils, tutoring, and counseling; office-type uses, including an office for an architect, attorney, consultant, insurance agent, musician, planner, technical advisor, or writer; cottage food operations; any other use that may, as determined by the Director, be of the same general character as those listed above, and not objectionable or detrimental to surrounding properties and the neighborhood.”

According to the American Community Survey 5-Year Estimates, approximately 10% of West Hollywood residents currently work from home (Means of Transportation to Work by Occupation for Workplace Geography). Nearly 70% of these residents work in *management, business, science or arts*, and only 12% work in the service occupations. Employees for home businesses are limited to the full-time residents in the housing unit, plus one additional employee permitted on premises between 8:00 a.m. and 8:00 p.m.

Staff recommends amending this regulation to provide more flexibility in the number of employees by allowing two additional employees permitted on the premises between 8:00 a.m. and 8:00 p.m. By granting one employee in addition the already permitted employee count, the City will better address the demands of the current economy of home-businesses.

**Table 4** lists staff’s recommended change to the home businesses regulations.

Home Business	Current Regulation	Recommended Change
<b>Limitation on Employees</b>	<ul style="list-style-type: none"><li>• Full-time residents and one additional employee max</li></ul>	<ul style="list-style-type: none"><li>• Full-time residents and <i>two</i> additional employees max</li></ul>

### **NEXT STEPS**

If Council agrees with the recommendations from staff, then no additional research is needed and staff can move forward with preparing a Zone Text Amendment for Planning Commission and City Council to review in the second quarter of 2018.

### **CONFORMANCE WITH VISION 2020 AND THE GOALS OF THE WEST HOLLYWOOD GENERAL PLAN:**

This item is consistent with the Primary Strategic Goal(s) (PSG) and/or Ongoing Strategic Program(s) (OSP) of:

- PSG-1: Maintain the City’s Unique Urban Balance with Emphasis on Residential Neighborhood Livability.
- PSG-2: Affordable Housing.

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

- LU-1: Maintain an urban form and land use pattern that enhances quality of life and meets the community's vision for its future.
- LU-8: Maintain and enhance residential neighborhoods.

**EVALUATION PROCESSES:**

Not applicable.

**ENVIRONMENTAL SUSTAINABILITY AND HEALTH:**

Live/work facilities provide an onsite work space as an alternative to commuting to and from an office or studio. The use of the work space as a primary source of employment eliminates the trip generating effects of commuting to a traditional offsite work place and therefore has environmental benefits by reducing the amount of vehicle miles traveled and greenhouse gases produced.

**COMMUNITY ENGAGEMENT:**

Discussed with Planning Commission as part of the R3C-C and R4B-C Zoning Districts.

**OFFICE OF PRIMARY RESPONSIBILITY:**

COMMUNITY DEVELOPMENT DEPARTMENT / LONG RANGE & MOBILITY  
PLANNING DIVISION

**FISCAL IMPACT:**

None.

**ATTACHMENTS:**

Attachment A: Live/Work Case Studies

