

SUBJECT: **ZONE TEXT AMENDMENT: HOME BUSINESSES AND
LIVE/WORK FACILITIES**

DATE: **OCTOBER 1, 2018**

INITATED BY: **CITY COUNCIL**

PREPARED BY: **PLANNING & DEVELOPMENT SERVICES DEPARTMENT**
 Tara Worden (Assistant Planner, Long Range Planning)

ISSUE STATEMENT

With a changing economy, more people are working from home. The proposed zone text amendment would increase the number of allowable Home Business employees, revise the design and parking standards to incentivize live/work development and encourage the reuse of existing buildings for the purpose of live/work units.

COUNCIL DIRECTION

The City Council 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 to encourage construction of new live/work units to support artists, entrepreneurs, creators and makers in the City (Exhibit 6).

On March 19, 2018, the City Council received updated staff recommendations (Exhibit 5) and provided further direction to proceed as follows:

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. Reduce parking requirements 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. Consider how to include affordable housing without hindering development of live/work units.

PLANNING COMMISSION ACTION

On June 21, 2018, the Planning Commission held a public hearing and approved a Resolution (Exhibit 2) that incorporated Council direction, and further recommended the following provisions regarding live/work units:

1. Stipulated that *all* live/work units must have a ground floor commercial use. This requirement would prohibit live/work units to be located solely on upper floors, and encourages vertically-oriented (live above, work below) and horizontally-oriented (live in the rear, work in the front) live/work units.
2. Adjusted the proposed parking standards for live/work projects to one parking space per 1,000 SF for live/work units included as part of new development, and zero parking spaces required for live/work units in projects that reuse existing buildings.

ANALYSIS

Overview of Proposed Changes. The proposed zone text amendment (Exhibit 1) would enact the changes as directed by the Planning Commission, listed above, with the following changes recommended by staff.

1. Amend the Planning Commission's recommendation that requires *all* live/work units have a ground floor commercial use to a more flexible standard. Staff recommends a standard that requires live/work units on the ground floor to have a pedestrian oriented frontage that publicly displays the commercial use on the interior of the unit, but would allow for live/work units to be located on upper floors as well. This change would allow live/work units on upper floors of buildings, and could provide a wider range of live/work typologies for potential tenants, potentially at a wider range of price points than ground floor commercial spaces would allow for. For instance, an artist who wants studio space to create artwork, but not to sell artwork.
2. Adjust the Planning Commission's recommendation regarding design standards to require a minimum of 10 percent or 150 square feet (whichever is greater) and a maximum of 50 percent of the gross floor area be designated as non-residential space and regularly used for work activities. While Planning Commission recommended a workspace range of 20-50 percent, there was conversation about reducing the 20 percent to 10 percent. Staff recommends reducing the minimum to 10 percent to be consistent with the California Building Code, while maintaining a 150 square foot minimum to better accommodate the space needs of tenants that occupy live/work units that meet the 750 square foot minimum.
3. Edit the current Home Business definition to clarify that they are permitted in residential units, in both residential and commercial zones, to account for home businesses in mixed-use 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 present at a home business to one employee between 8:00am and 8:00pm. Staff recommends amending this regulation to provide more flexibility in the number of employees permitted on-site by allowing two employees (in addition to the owner/resident) on the premises. 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.

Live/Work Design Standards. A central issue limiting the development of live/work units is the current requirement that the first 50 feet of floor depth at the street-level frontage to be limited to commercial *retail* sale activities. Staff recommends removing that requirement entirely, and replacing it with a more flexible standard that requires live/work units on the ground floor have a pedestrian oriented frontage that publicly displays the commercial use on the interior of the unit. This slight change would allow for commercial uses that were not previously permitted, like an architect or graphic designer's office.

To provide further flexibility, staff drafted new design standards to apply to live/work units that would require a minimum of 10 percent or 150 square feet (whichever is greater) and a maximum of 50 percent of the gross floor area to be designated as non-residential space and regularly used for work activities. The minimum and maximum thresholds for workspace are derivative of the California Building Code, with the caveat of 150 square feet as a minimum to ensure that live/work units are being used as such, and are not solely residential in use. Live/work units have a minimum unit size of 750 square feet, according to the West Hollywood Municipal Code, and a maximum unit size of 3,000 square feet, according to the California Building Code.

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 implementing this flexible design standard into the zoning ordinance. The draft ordinance includes language to allow 10% of the unit to be used for workspace.

Live/Work Parking Standards. The proposed zone text amendment would require that new development projects provide one parking space per 1,000 square feet of space in a live/work unit, a decrease from the existing commercial parking standard 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 incentives for live/work projects and the reuse of existing buildings, staff recommends requiring no additional parking for live/work projects that re-use existing buildings. This is intended to make it easier and more affordable to redevelop older, existing buildings that may not have any parking on-site.

AFFORDABILITY OF LIVE/WORK UNITS

Affordable Housing. 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 the residential fee-in-lieu. Council directed staff to maintain the commercial designation of live/work units, which does not require the provision of a certain percentage 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 creation of affordable units within the City, this does not address the affordability of the live/work units themselves.

Market Rate. 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 supporting a wider range of live/work price points on the real estate market.

ALTERNATIVE

1. Require that all live/work units have a ground floor commercial use, as recommended by Planning Commission.

EXHIBITS

1. Ordinance No. CC 18-XXXX: Home Business Live/Work Ordinance.
2. Planning Commission Resolution 18-1267
3. Planning Commission Staff Report dated June 21, 2018
4. Planning Commission Minutes from June 21, 2018
5. City Council Staff Report dated March 19, 2018 – Staff Update
6. City Council Staff Report dated November 16, 2015 – Initial Direction