



Board Report

File #: 2020-0382, **File Type:** Policy

Agenda Number: 17.

PLANNING AND PROGRAMMING COMMITTEE JANUARY 20, 2021

SUBJECT: JOINT DEVELOPMENT POLICY UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE subject report.

ISSUE

In order to strengthen Metro's response to the housing crisis, staff has identified several potential updates to the Joint Development (JD) Policy for consideration. As part of these updates, other aspects of the JD Policy and JD Process are being considered for revision to increase the effectiveness in delivering JD projects and supporting equitable transit-oriented communities. To inform the recommended policy updates, staff consulted key stakeholders, researched best practices, and analyzed the current and potential JD portfolio of sites using a custom financial model. The potential policy and process tools are described briefly herein and included in the attached Evaluation Matrix (Attachment A) as well as evaluated in greater detail in the Policy Paper (Attachment B) for review and consideration by the Board of Directors (Board) and the public. Further discussion of these potential policy recommendations will inform formal changes to the JD Policy which will be brought to the Board for consideration this spring.

BACKGROUND

In 2015, Metro pioneered one of the most progressive affordable housing policies of any transit agency in the country. To date nearly 2,200 units of housing have been built on Metro property, more than 1/3 of which are affordable. That number is set to more than double in the next few years with projects currently in negotiations, including more than 1,000 additional affordable units.

However, because the issue of housing undersupply, affordability and homelessness have worsened in LA County in recent years, the Board as well as community advocates, have expressed a desire to ensure that Metro is doing everything possible to address the deepening crisis. Staff reported to the Board in early 2020 that it would be undertaking a thorough examination of the JD Policy to assess what more Metro may be able to do to address the situation.

DISCUSSION

Affordable Housing Policy

JD staff have collected more than 150 ideas from Board Directors, community stakeholders, advocates, industry experts, and colleagues as a collective “brainstorm” of policies and tools that may help to maximize Metro’s contribution towards meeting Los Angeles County’s housing needs. A Policy Paper is included as Attachment B which describes the findings of research and analysis of potential policies and tools. The Policy Paper seeks to make transparent the process and considerations for evaluating which tools should be carried forward into an updated Policy.

A key objective of the Policy is to prioritize the creation of as many transit-proximate high-quality, housing units for individuals and families who need them the most as soon as possible. Further, the Policy Paper identifies four key values by which the policy outcomes are measured:

1. **INCLUSION:** Increase opportunity for people at all income levels to live, work, and shop near transit;
2. **ACCESS:** Prioritize access to opportunity for those who need it most;
3. **PERFORMANCE:** Strategically leverage the JD portfolio to deliver units as soon as possible, with the least environmental impact possible, and measure outcomes; and
4. **INNOVATION:** Lead the region in innovations around housing.

Research

Staff conducted a series of roundtable listening sessions with local industry and policy stakeholders, including affordable housing developers, public sector colleagues working in affordable housing, community-based organizations (CBOs), philanthropic organizations, and academic experts. Input was collected from the Board at committee meetings and their staff in follow up discussions. Online surveys were distributed to collect additional feedback from stakeholders and developers.

A detailed summary of stakeholder input is included as an appendix to the Policy Paper. Participants and respondents reported that the policy should be centered on equity, deconcentrate affordable housing, allow smaller developers to compete on even ground with larger developers for JD projects, coordinate with and incentivize local jurisdictions, and leverage revenues to invest in areas with greatest need.

Precedent research scanned the national policy landscape for lessons learned and best practices. The research uncovered several prevailing policy solutions and the effectiveness thereof. A complete list of precedents analyzed is included in the Policy Paper. Several agencies are experimenting with land discounts and affordability requirements; others are investing in affordable housing trust funds; and still others are using new techniques to measure inequities and advance equitable outcomes.

The collective brainstorm and precedent research were consolidated into a list of potential policies and tools for analysis and consideration. The tools that could be analyzed quantitatively were tested in a custom financial model. The model allowed staff to test variable levels of land discount,

inclusionary requirements, amenity costs, and parking ratios to determine the likely number of affordable and market rate units that would result. Key findings included:

- The future JD portfolio is likely to be made up of more than 100 acres along new Metro transit lines, equating to as much as \$1 billion in potential value.
- Land value discounts may make a limited number of mixed-income projects more feasible but do not provide significant feasibility benefits.
- Reduced parking ratios can significantly increase the number of joint development sites within Metro's portfolio that remain financially feasible with robust affordability requirements and therefore produce more housing units.
- Additional requirements such as community benefits, workforce requirements, and design enhancements can significantly reduce the number of housing units that the Metro JD portfolio may generate.
- Requiring each project to set aside 25% of units for households earning 80% of area median income (AMI) results in the highest number of inclusionary affordable units in the scenarios tested because this scenario unlocks existing state and local density bonuses.
- The 2020 Regional Housing Needs Assessment (RHNA) identifies over 30% of the overall housing need in Los Angeles to be between 50 and 120% of AMI, which is not fully captured in the existing JD Policy definition of affordable housing goals.
- Flexibility within the policy would allow the program to achieve the highest number of market rate and affordable units within the portfolio.

A Transit Oriented Communities (TOC) Town Hall meeting planned for early 2021 will preview these results to the community with a panel of subject matter experts and CBOs. Staff will seek additional guidance on community priorities given the range of policy options.

Analysis & Recommendations

The findings from the efforts noted above were further evaluated for feasibility and policy outcomes against the core policy values of *Inclusion, Access, Performance, and Innovation*. Staff used a policy analysis framework to determine which policy goals would be benefitted or harmed by each potential tool. Potential tools fell into eight key objectives (four for policy, four for process) that inform potential strategies for delivering the most equitable and inclusive outcomes. These policy objectives are described in detail in Attachment B.

Within these broad objectives, the Policy Paper evaluates a variety of more specific recommendations under consideration, the most notable of which include:

Potential Policy Tools

DELIVER Housing for Everyone

- *Affordable First:* Require that all JD sites first be pursued as 100% income restricted.
 - Expand the definition of “affordable” to include households earning up to 80% of AMI in order to leverage the land value created by state and local density bonuses.
 - Create a new definition of “moderate income housing” to include households earning between 80% to 120% of AMI.
 - Use “neighborhood AMI” to inform affordability targets for each project to ensure affordability levels are appropriate for the community.
 - In large “district” sites and sites where zoning and economics allow for mid- or high-rise construction, provide a minimum of 25% of housing units that are affordable to households earning 80% or less of AMI (or an equivalent minimum, such as 15% of units at 30% of AMI or 50% of units at 120% of AMI)

MAXIMIZE the Public Benefit Derived by the JD portfolio

- Eliminate existing (maximum 30%) proportional land discount; instead, utilize land discount as a dollar amount subsidy *only when required* to yield units or other benefits.
- Reduce the cost of housing and the amount of Metro land dedicated to parking by establishing, subject to applicable land use regulations, a maximum parking ratio of .5 parking spaces per bedroom.
- Use the proceeds from JD projects to invest in TOC-supportive activities.

RESPECT Communities by delivering benefits

- Prioritize ground floor retail in JD projects for community-serving, local, legacy businesses or community-serving non-profits.
- Require baseline sustainability features for all projects; explore options to include additional features where possible.
- Prioritize community benefits focused on mobility and transit ridership while balancing the need to dedicate resources to affordable housing units.

Potential Process Tools

PRIORITIZE Communities with the Deepest Need

- Prioritize projects where the need is greatest: in equity focus communities and areas at risk of displacement, as well as in areas with greater access to opportunity.

STREAMLINE Process for Faster Project Delivery.

- Increase transparency in the unsolicited proposals process to ensure alignment between community vision and proposed project.
- Only accept unsolicited proposals from developers with control of adjacent properties, and that could not otherwise be solicited.

MEASURE Outcomes Against Policy Objectives

- Replace the 35% portfolio-wide affordable goal with unit number targets and other metrics to track progress towards achieving program goals.

Equity Platform

One of the most powerful ways Metro can improve Angelenos' access to opportunity is by leveraging Metro property for housing and other community benefits. The evaluation of new policies and tools, therefore, has invoked all four pillars of the equity platform:

- I. Stakeholders conversations in an internal working group, external roundtable, and community town hall sought to *listen and learn*;
- II. Precedent research and consultant analysis have *defined and measured* the problem;
- III. The recommended policy tools will advance changes that *focus and deliver* outcomes to benefit low-income households and historically marginalized communities; and
- IV. The ongoing system for monitoring outcomes as well as innovative housing pilots will encourage us to *train and grow*.

DETERMINATION OF SAFETY IMPACT

The subject Policy Paper will have no impact on safety.

FINANCIAL IMPACT

There is no financial impact related to this receive and file report.

Impact to Budget

There is no impact to the budget related to this receive and file report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The policy evaluation is fulfilling Strategic Plan Goal 3.2 by seeking to catalyze transit-oriented communities with affordable housing and helping to stabilize neighborhoods, and Goal 3.4 by playing

a leadership role in addressing homelessness.

NEXT STEPS

The Policy Paper reflects the input of a broad base of stakeholders and provides an opportunity to receive feedback on the specific recommendations before they are formalized. Staff will be collecting this feedback with the intent of bringing final policy recommendations to the Board this spring.

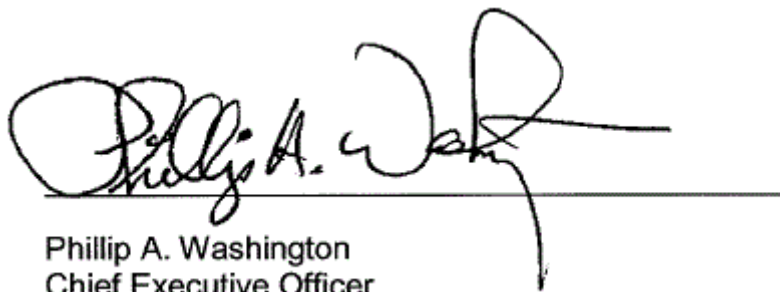
ATTACHMENTS

Attachment A - Potential Policy and Process Tools Evaluation Matrix

Attachment B - Policy Paper

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