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CHIPing In: Evaluating the effect's of LA's Citywide Housing Incentive Program on neighborhood development potential

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CHIPing In:

Evaluating the effects of LA's Citywide Housing Incentive Program on neighborhood development potential

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Acknowledgments and Disclaimer

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Housed at the UCLA Luskin School of Public Affairs, the Ralph & Goldy Lewis Center for Regional Policy Studies is committed to addressing the pressing policy and planning issues in Greater Los Angeles. The Lewis Center advances research on two critical and overlapping challenges — housing affordability and transportation equity — and how these areas intersect and shape the well-being of Los Angeles residents, especially those from marginalized and underserved communities. Since 1989, Lewis Center scholars and staff have produced high-quality research, programs and publications designed to inform policymakers, officials, students, and the broader public. **lewis.ucla.edu**

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Upstream Determinants of Homelessness Research Agenda

This publication is part of a Lewis Center research agenda, funded by a generous grant from the Conrad N. Hilton Foundation, on the upstream factors in housing and land use policy that increase the systemic risk of homelessness in Los Angeles County.

At any given moment, thousands of people in L.A. County experience homelessness, but many thousands more teeter on its brink, living precariously in the region's unforgiving housing market. Despite considerable public investments in supportive housing and homeless services, the county has thus far failed to reduce homelessness. This lack of progress can partly be attributed to inattention to the upstream determinants of homelessness. A combination of local, state, and federal efforts have helped a growing number of unhoused people return to stable housing, but we have made little headway combatting the conditions that put people at higher risk of homelessness in the first place. We have successfully increased the outflow *from* homelessness, but we have failed — so far — to reduce the inflow *into* homelessness.

Twenty years ago, Brendan O'Flaherty wrote that homelessness is a problem of "wrong person and wrong place": People become homeless at the intersection of individual and structural risk factors. Thus, while programs helping people back into stable housing are essential, policy must also change the housing market conditions that increase the systemic risk of homelessness. At the city and county level, high rents and low rental vacancies are the strongest predictors of high rates of homelessness, and so our focus is on the policies that make housing scarce and unaffordable. We place a particular emphasis on the production and preservation of housing affordable to lower-income households, people from disadvantaged racial and ethnic groups, and people experiencing homelessness, and on increasing housing opportunities in historically exclusionary communities accessible to good jobs, schools, parks, and other amenities.

We thank the Conrad N. Hilton Foundation for its support. We are grateful to be part of a community committed to ending homelessness in L.A. County, including philanthropies, scholars, public servants, private institutions and businesses, community-based organizations, local advocates, and people with lived experiences of housing instability and homelessness.

Key Takeaways

- The City of Los Angeles has a housing production target of 456,643 units for 2021-2029, increased from just 82,002 units for 2013-2021. As part of its housing element obligations, the city must approve zoning changes to accommodate more than 255,000 additional units by February 2025. Most of this additional capacity is expected to be delivered via the proposed Citywide Housing Incentive Program (CHIP).

- Although the city's adopted housing element included programs for rezoning some single-family zoned parcels, these programs were removed prior to releasing the CHIP ordinance for public comment. Single-family zoning prohibits lower-cost multifamily housing and accounts for 74% of residentially zoned land in LA.

- The largest component of CHIP is the Mixed Income Incentive Program (MIIP). It consists of a revamped version of the Transit Oriented Communities (TOC) program — Transit Oriented Incentive Areas — and the Opportunity Corridors and Opportunity Corridor Transition programs, which are new density bonuses restricted to certain multifamily-zoned properties in wealthier areas of the city.

- Exempting single-family parcels from zoning reform raises questions about the city's ability to meet its housing production goals and to affirmatively further fair housing (AFFH), as required by state law. We evaluate CHIP — and specifically MIIP — along these two dimensions.

- We find that MIIP increases "net realistic capacity" — which we define in the report — by an estimated 380,500 units, nearly 30% above existing policy. MIIP likely satisfies the requirement to increase zoning capacity by at least 255,000 units.

- Relative to existing policy, MIIP also increases capacity most in "high resource" and "highest resource" census tracts, as defined by the state. Net realistic capacity rises by 67-84% in higher resource neighborhoods and by less than 10% in low and moderate resource neighborhoods.

- However, *total* realistic housing capacity remains concentrated in lower-income neighborhoods. Nearly 60% of the total net realistic housing capacity is in lower-tier housing markets, where a city consultant determined that mixed-income development is generally infeasible.

- We use the Fair Housing Land Use Score (FHLUS), developed by the Lewis Center, to evaluate existing policy and MIIP. Both receive negative scores, but MIIP improves the citywide FHLUS from −0.32 to −0.21.

- Finally, we evaluate two of seven single-family rezoning options introduced in a Planning Department report to the City Planning Commission. SF Option 1 dramatically increases net realistic capacity and improves the citywide FHLUS (with MIIP) from −0.21 to 0.05. SF Option 1 increases capacity and improves the FHLUS only marginally.

- MIIP represents a positive step forward, but Los Angeles will fall far short of its housing production goal unless SF Option 1 — or a similarly ambitious single-family upzoning policy — is also adopted. Failing to incorporate single-family parcels into its reforms will also delay progress on neighborhood desegregation and sustain rising rents and displacement of vulnerable households.

Introduction

State law requires all California cities to adopt a housing plan, known as the housing element, to address the needs of their communities, remove constraints on housing production, plan for future development, and address fair housing issues. Housing element updates, which occur every eight years, are opportunities for cities to reevaluate and revise their policies to respond to changing needs and improve housing outcomes for their residents.

As part of the housing element, each jurisdiction must plan for a specified number of dwelling units over an eight-year period; this housing target is known as the Regional Housing Needs Allocation (RHNA). Cities must identify specific parcels, or sites, that have appropriate zoning, infrastructure, and existing conditions to facilitate development of these new housing units. They must change their zoning to allow for more housing if they cannot identify enough sites to meet their RHNA targets.

Los Angeles has a housing target of 456,643 units for 2021-2029 (Southern California Association of Governments, 2021), increased from just 82,002 units for 2013-2021 (Southern California Association of Governments, 2012). The city opted to set an internal target that was slightly higher (486,379 units) than the statutory obligation in order to ensure compliance with state law (City of Los Angeles, 2022, p. 150). After reviewing its recent permitting trends and project applications, the city concluded its existing zoning could only produce an estimated 230,947 units, necessitating zoning changes to accommodate more than 255,000 additional units (City of Los Angeles, 2022, p. 146). LA has until February 2025 to complete this rezoning. Failing to do so would put the city at risk of serious consequences, including losing local control over development approvals and cuts to state funding.

Los Angeles has proposed several strategies to increase its zoning capacity, including multiple community plan updates and revisions to the Adaptive Reuse Ordinance (Los Angeles City Planning, 2024). The Downtown Community Plan Update (DTLA 2040), in particular, satisfies a significant portion of its rezoning obligation, and is anticipated to allow for approximately 70,000 new units by 2040 (Los Angeles Department of City Planning, 2023). The bulk of the required additional capacity, however, is expected to be delivered via the Citywide Housing Incentive Program (CHIP), first released in March 2024 and revised in June and September. The CHIP ordinance builds on the city's existing Transit Oriented Communities (TOC) and density bonus programs to allow more units in high-opportunity neighborhoods and multifamily communities throughout LA.

CHIP differs significantly from the rezoning plan proposed in the city's certified housing element, adopted by the Los Angeles City Council in 2022. In its housing element, the city outlined strategies for allowing up to 1.3 million new units across 15 programs, including some that would rezone properties currently zoned only for single-family detached housing. As part of CHIP, the city substantially revised these original rezone programs and removed proposed changes to single-family zones, which account for 74% of residentially zoned land in LA (Menendian et al., 2022). This departure from the adopted housing element has important implications for the city's ability to meet its housing production goals and to affirmatively further fair housing (AFFH) — as mandated by state and federal law — by increasing housing options in well-resourced, opportunity-rich neighborhoods.

Our intent with this analysis is to independently evaluate CHIP along these two dimensions: added housing capacity, measured by the overall increase in sites with reasonable odds of redevelopment, and furtherance of fair housing goals, measured by the spatial distribution of new capacity across the city. We begin our report with a brief explanation of CHIP's core components, then describe our methods and assumptions for estimating CHIP's effect on housing capacity. Next, we report the results of our analysis, with a particular emphasis on the fair housing implications of each program component. We also evaluate several scenarios that contemplate allowing multifamily development in single-family zones; although not included in the CHIP ordinance, these scenarios were proposed in the adopted housing element and later refined as "options" in the staff report to the City Planning Commission accompanying the ordinance. We conclude with a discussion of our findings, including the strengths and shortcomings of the proposed reforms.

Components of the CHIP Ordinance

Policies included in the Citywide Housing Incentive Program ordinance work similarly to California State Density Bonus Law (SDBL). Under SDBL, development projects are granted bonuses, such as additional dwelling units (density), height, and buildable square footage (floor area), in exchange for reserving a portion of units as deed-restricted affordable housing. These units are rented to specific income groups at below-market prices and are typically operated at a financial loss to developers. CHIP is fundamentally an expansion of SDBL, and of the city's Transit Oriented Communities (TOC) program which eases development restrictions in neighborhoods with high quality public transportation. For a more comprehensive review of TOC, see Manville et al. (2023).

The CHIP contains several components, which we will refer to hereafter as "programs." (To avoid confusion, we will refer to the Citywide Housing Incentive Program only by its full name or its acronym.) We focus on the Mixed Income Incentive Program (MIIP) and include a limited discussion of the Affordable Housing Incentive Program (AHIP).

MIXED INCOME INCENTIVE PROGRAM (MIIP)

MIIP contains three contributing programs, all of which are focused on incentivizing mixed-income housing near transit and in higher-opportunity areas.[1]

First is the **Transit Oriented Incentive Area (TOIA)**, which modifies and expands the city's TOC program. TOIA has three "tiers" based on proximity to public transit stops, with higher tiers eligible for greater density, floor area, and height bonuses, among other incentives. Compared to TOC, TOIA significantly increases allowable density for most parcels. For properties where the base zoning allows for at least

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[1] There are four neighborhood opportunity categories (Low, Moderate, High, and Highest) which are determined for each census tract by the California Tax Credit Allocation Committee (CTCAC). Higher opportunity areas (high and highest resource census tracts) generally have less poverty, better employment, lower pollution levels, and higher educational attainment compared to other areas in the same region (California Tax Credit Allocation Committee, 2024).

five units, bonuses start at 100% in Tier 1 and rise to unlimited density[2] in higher-opportunity census tracts in Tiers 2 and 3.

For properties allowing fewer than five units, density bonuses start at 60%. TOIA increases floor area ratio (FAR)[3] bonuses on commercially-zoned properties (which permit residential uses in LA) more than TOC, allowing developers to construct larger buildings. However, in residential zones, floor area bonuses are generally lower compared to TOC, depending on tier and tract opportunity designation. For example, a residentially-zoned parcel in a moderate opportunity tract and a TOC Tier 3/TOIA Tier 2 area is eligible for a 50% FAR bonus under TOC and a 40% bonus under TOIA. TOIA also excludes properties in the coastal zone and very high fire hazard areas, unlike TOC.

The **Opportunity Corridors (OC)** program is similar to TOIA but applies only to parcels along high-frequency transit corridors in higher-resource census tracts. OC incentives are more generous than TOIA, allowing for unlimited density and greater floor area. The program has considerable spatial overlap with TOIA but includes approximately 4,500 parcels not within the TOIA areas.

Both TOIA and OC allow developers to use up to four additional "on-menu" incentives, providing flexibility on specific zoning requirements such as yards, open space, lot coverage, and density calculations. These programs also allow additional floor area and height for projects that incorporate "public benefit options," including childcare facilities, larger dwelling units, and preservation of mature trees.

Finally, the **Opportunity Corridors Transition (OCT)** program allows smaller-scale development in low-density multifamily zones adjacent to Opportunity Corridors. R2 and RD zoned parcels may accommodate between four and 16 units, depending on their distance from the Opportunity Corridor and the number of deed-restricted affordable units provided. Planners envision this program facilitating missing middle typologies, such as garden apartments or bungalow courts, in transit-adjacent areas that already include a mix of single-family and multifamily housing.

AFFORDABLE HOUSING INCENTIVE PROGRAM (AHIP)

AHIP provides substantial bonuses to projects with 100% deed-restricted affordable housing. AHIP applies to most multifamily zoned land in the city, allows for unlimited density, and in many cases provides larger floor area bonuses than the Mixed Income Incentive Program (depending on program and tier). AHIP has two core components: the Transit and Low VMT (vehicle-miles traveled) and Higher and Moderate Opportunity programs.

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[2] Unlimited density means that the number of units allowed per property is not regulated by the zoning code. The number of units possible on a property is still constrained by allowable floor area, height, setbacks, building codes, and so on.

[3] Floor area ratio, or FAR, is the ratio of buildable floor area to lot size. For example, given a maximum FAR of 3.0, a developer could build up to 30,000 square feet on a 10,000 square foot parcel.

The **Transit and Low VMT**[4] program applies to multifamily- and commercially-zoned parcels within a half-mile of a major transit stop or within a Very Low Vehicle Travel Area.[5,6] Given LA's widespread transit service and numerous job centers, which help reduce driving distances, most multifamily and commercial parcels are eligible for this program. 100% affordable developments in these locations are permitted unlimited density, FAR up to 2.0 (for properties with base, pre-bonus capacity under 5 units) or 3.5 FAR or a 50% FAR bonus[7] (for properties with base densities of 5 units or more), and height bonuses between 11 and 33 feet (one to three stories). SDBL already allows unlimited densities near major transit stops and in low VMT neighborhoods, but AHIP expands the number of eligible sites by including multifamily-zoned parcels that currently allow fewer than five base units.

The **Higher or Moderate Opportunity** program applies only in highest, high, and moderate resource census tracts. Projects are eligible for the same density and height bonuses as those in the Low VMT program and more floor area: 2.5 FAR where base density allows fewer than 5 units and 4.65 FAR or a 55% bonus in other areas.

The Affordable Housing Incentive Program would allow developers to build 100% affordable housing on parcels where it is currently prohibited. Consider a 6,000-square-foot parcel that is zoned RD-6. Under current regulations it is infeasible, if not impossible, to redevelop such property into anything more than a single dwelling unit, not including accessory dwelling units. Under AHIP, developers could build up to 2.5 FAR with unlimited density, realistically allowing for about ten units after accounting for setbacks and other requirements.

AHIP also contains provisions to enable higher incentives for affordable housing located on faith-based and publicly owned parcels.

AHIP would substantially increase housing capacity on many parcels throughout the city, but we do not expect it to increase housing *production* very significantly, and therefore we do not explore AHIP in the same depth as the Mixed Income Incentive Program in this report. We discuss our reasons for this decision in the Methods section.

STATE DENSITY BONUS LAW PROGRAM

CHIP also updates the city's implementation of State Density Bonus Law to incorporate recent changes made by the California legislature. One of the most substantial changes to SDBL in recent years is AB 1287 (2023), which allows developers to claim density bonuses up to 100% (from a previous maximum of 50%) for providing additional units for lower- or moderate-income households. Because LA is already required to comply with the SDBL independently of its rezoning obligations, we treat the SDBL reforms included in CHIP as part of the baseline scenario, "Existing Policy." In other words, we do not count

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[4] The CHIP refers to this as the "Lots located within half a mile of a Major Transit Stop or Very Low Vehicle Travel Area." We use "Transit and Low VMT" throughout this report for brevity.

[5] Single-family properties with densities that allow at least five dwelling units before applying a density bonus can also be included, but are not eligible for non-density incentives (height, FAR, etc.). In practice, this only applies to relatively large sites.

[6] This means that per capita VMT are less than 85% of the regional per capita VMT, per Cal. Government Code 65915(o)(9).

[7] Developers may use the higher of the two options. For example, a 50% FAR bonus applied to a base FAR of 1.5 would result in an FAR of 2.25. A developer could instead use the "ceiling" FAR of 3.5.

increased capacity resulting from implementation of State Density Bonus Law, nor does it factor into our analysis of changes in the spatial distribution of housing capacity. We discuss this further in the Methods section below.

SINGLE-FAMILY ZONING OPTIONS

The city's reversal on single-family (SF) rezone strategies proposed in the certified housing element prompted multiple community organizations and individuals to request including single-family zoned parcels in CHIP (Wagner, 2024). We have previously written about the fair housing implications of this decision and believe that solving the housing crisis requires allowing multifamily housing in some neighborhoods where it is currently restricted (Barrall & Phillips, 2024).

To partially address this criticism and allow elected and appointed officials to weigh in on the single-family zoning exemption, the Department of City Planning included seven[8] options for single-family zoned properties in its City Planning Commission agenda packet (*Housing Element Rezone Program City Planning Commission Staff Report*, 2024). These options range from expansive (SF Option 1) to extremely limited (SF Option 7). Option 1 expands eligibility for MIIP and AHIP to all single-family zoned parcels in high-opportunity census tracts, with some additional limits on maximum density and FAR. Among the single-family rezoning options that allow mixed-income development (using MIIP incentives), Option 3 is the most restrictive, affecting only single-family zoned parcels in the Opportunity Corridors Tier 3 adjacent Corridor Transition incentive areas. Option 4 would expand the Opportunity Corridors program to single-family zoned properties. The remaining options, excluding Option 5, expand AHIP to single-family zoned parcels to varying extents. We estimate the potential impact on housing capacity and fair housing for Options 1 and 3; these represent the range of options for mixed-income projects.

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[8] "Option 5" removes some multifamily-zoned parcels from the Opportunity Corridors program and does not rezone any single-family parcels, whereas the other six options allow multifamily development on single-family zoned parcels to varying degrees.

Methods

Our research strategy was to estimate the number of dwelling units that could be built on each parcel under current and proposed zoning standards. To do this, we created a database consisting of current land use and parcel data, including building characteristics, neighborhood characteristics, and current and proposed zoning for every parcel in the city.

Using the zoning data, we identified development restrictions including setbacks and density, height, and FAR limits for each parcel.[9] We then estimated the number of units allowed under base zoning, before bonuses from TOC, SDBL, MIIP, or any other program. Through Public Records Act requests to the Planning Department, we acquired spatial data identifying the parcels included in each CHIP program. Next we determined density bonus program and bonus eligibility for each parcel, including the maximum allowable floor area ratio and density, under each applicable program.[10] We also calculate a proxy for "buildable area" to convert FAR into the maximum floor area for each parcel, which we discuss in greater detail in Appendix B.

We focus on the MIIP and not AHIP because while 100% affordable developments typically rely on public subsidies to be feasible, mixed-income projects do not. Mixed-income projects are privately financed, and zoning regulations — over which local governments have considerable authority — have proven effective at increasing private housing production (Büchler & Lutz, 2024; Greenaway-McGrevy & Phillips, 2023). 100% affordable projects also benefit from zoning reform, but the number of units that can be built is primarily limited by public funding availability rather than zoning capacity. Los Angeles has permitted only an average of 15,000 units per year since 2017, or about a quarter of its annual RHNA target for 2021-2029 (Baum & Maurey-Holmes, 2024). At a current cost of approximately $600,000 per unit (Galperin, 2022), doubling the city's total production via 100% affordable developments would require $9 billion in annual subsidies. As such, LA cannot meet its housing allocation goal without sharply increasing market-rate and mixed-income development. We include some analysis of AHIP in Appendix A.

Estimating Capacity

Having established existing land uses, buildable lot area, density bonus program eligibility, and height, density, and floor area limits for each parcel, we then estimated dwelling unit capacity across the city.

An important characteristic of the city's land use policy is that it regulates building form and density using floor area ratio limits. Where density and FAR limits are similarly restrictive, or where density limits (regulated by units per acre) are low but FAR limits are high, we estimate a parcel's maximum

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[9] We did not incorporate special zoning regulations, such as [Q] modifiers or specific plan standards in our estimates. These may have lower FARs, heights, or additional development standards compared to base zoning.
[10] For the SDBL program, we use the city's list of eligible parcels, including those that receive FAR bonuses because they are within half a mile of a major transit stop. Using major transit stops data to identify eligible sites independently would increase the number of parcels compared to the city list, but we used the city's list for consistency with other elements of their analysis.

dwelling unit capacity using parcel size and allowable density (Equation 1). A project built on a parcel allowing up to 80 units and 150,000 square feet of buildable area is very likely to include the maximum number of dwellings because the project can accommodate an average unit size of almost 2,000 square feet, which is unusually large.

Parcels with high density limits but low FAR, however, cannot necessarily provide the maximum number of units indicated by the density limit. Consider a 25,000-square-foot parcel that allows 120 dwelling units and a FAR of 2.0. Under these zoning regulations a developer could build a 50,000-square-foot project. Assuming 90% of building area is leasable to tenants, creating the maximum number of dwellings requires an average unit size of 375 square feet, which is unusually small.

To account for this, we estimate maximum dwelling unit capacity by assuming an average unit size of 800 square feet and a floorplate efficiency of 85% (Equation 2).[11] This provides a more realistic estimate of parcel-level unit capacity on sites where FAR is more restrictive than density, including parcels with unlimited density, which CHIP expands significantly. Although a lower average unit size would yield larger unit capacity estimates, we believe this assumption is reasonable in light of the unit mix in recent multifamily developments and city efforts to incentivize larger, family-sized units.

Equation 1. Maximum Units, Density Limited

$$Allowed\ Units_{Density\ Limited} = Parcel\ Size \times Density$$

Equation 2. Maximum Units, FAR Limited

$$Allowed\ Units_{FAR\ Limited} = \frac{Buildable\ Area \times Floor\ Area\ Ratio}{800\ sf} \times 85\%$$

For each parcel and individual program (e.g., TOIA, Opportunity Corridors), we estimate capacity using the lower of Equation 1 and Equation 2. We round fractional numbers up, consistent with MIIP. For large properties with capacities over 1,000 units, we assume a realistic development potential of 1,000 units. There have been very few (if any) recent developments in the city with more than 1,000 units, and including these parcels at their full capacity can skew the results.[12] We did not account for height as a development constraint in our analysis, so we may overestimate potential dwelling unit capacity for some parcels.

For Existing Policy and MIIP (and AHIP; see Appendix A), we assign each parcel the unit capacity corresponding to the bonus program with the highest dwelling unit potential. For example, if a parcel is permitted up to 5 units using TOIA and 16 units using the Opportunity Transition programs, and ineligible for other MIIP programs, we assign that parcel a capacity of 16 units under MIIP. We assign the

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[11] Floorplate efficiency accounts for non-leasable square footage, such as hallways and lobbies. Among building permits received in 2022 for non-commercial projects with 50 units or more, we found an average building size of approximately 900 square feet per unit. An 85% floorplate efficiency lowers this to around 800 square feet.
[12] There are approximately 70 of these parcels across the MIIP. They are nearly all large C2 and C4 parcels containing shopping centers.

parcel a separate value for "Existing Policy" capacity: the greater of the TOC and SDBL estimates. **Table 1** lists the contributing programs evaluated for Existing Policy and MIIP.

Table 1. Parent Programs and Contributing Programs

	Parent Programs	
	Existing Policy	Mixed Income Incentive Program (MIIP)
Contributing Programs	Transit Oriented Communities (TOC)	Transit Oriented Incentive Area (TOIA)
	State Density Bonus Law (SDBL)	Opportunity Corridors (OC)
		Opportunity Corridors Transition (OCT)
		State Density Bonus Law (SDBL)

After estimating capacity for all parcels, we sum up their total dwelling unit capacity. We refer to this as the "gross capacity." We assess net capacity later.

An important caveat is that our estimates do not account for the potential for lot consolidations to increase unit capacity in some circumstances. Lot consolidation can increase the number of parcels eligible for the SDBL and TOIA programs and increase bonuses for TOIA and AHIP. For example, combining two adjacent RD-zoned lots could increase a site's base dwelling unit capacity to five or more units, making it eligible for SDBL. Consequently, we are most likely modestly underestimating unit capacity for these programs.

The Mixed Income Incentive Program excludes the Downtown, Boyle Heights, Wilmington, and Harbor Gateway communities, as well as the Cornfield Arroyo Seco Specific Plan Area. We therefore exclude parcels in these neighborhoods (and the Warner Center Specific Plan) from all capacity estimates in this report.

While CHIP includes several programs aimed at redeveloping publicly-owned properties, we generally exclude these from our analysis because they are subject to additional approvals and state mandates (e.g., the Surplus Lands Act). Many of these properties also serve important government functions and are not realistic candidates for redevelopment within the city's 2021-2029 housing element timeline. Additionally, the city includes public lands in its existing capacity estimates, reporting capacity for approximately 10,000 units on these sites over the eight-year planning cycle (City of Los Angeles, 2022, p. 173).

STATE DENSITY BONUS LAW

We do not model the city's current implementation of SDBL, electing instead to estimate Existing Policy SDBL capacity as it is proposed in the CHIP. We do this to isolate the effects of the Mixed Income Incentive Program beyond those of state law. While the city is proposing changes to SDBL FAR bonuses and other incentives, developers are already allowed to claim these through other provisions of state law. We note the affordable unit set-asides required to achieve the maximum bonus under SDBL are higher than TOC and MIIP, so development may be less feasible under this scenario.

SDBL also provides unlimited density for 100% affordable housing projects located near major transit stops and in low-VMT neighborhoods. We do not estimate SDBL potential for 100% affordable housing, instead calculating the potential for mixed-income projects under AB 1287.

PARKING ZONES

CHIP allows residential development on parcels zoned for automobile parking using the zoning standards of any adjacent parcel. Based on a visual inspection of parcels adjacent to parking zones across the city, we use a simplifying assumption that each P1 or P2 parcel is eligible for the C2 zone's FAR and density (1.5 FAR and 108.9 units per acre, respectively).

Identifying Parcels with Realistic Redevelopment Potential

Beyond estimating the theoretical capacity of each parcel under Existing Policy and CHIP, our focus is evaluating the extent to which CHIP increases capacity for sites with high redevelopment probability or increases the probability of redevelopment from low to high. This is important because CHIP program bonuses may increase dwelling unit capacity on parcels where redevelopment is infeasible under Existing Policy and remains infeasible under CHIP; CHIP does not meaningfully increase housing production potential in such cases. For example, a hospital or office tower is unlikely to be redeveloped into a five-story, 100-unit apartment building using the TOC program. Even if the TOIA or Opportunity Corridors program increases the parcel's capacity to 130 or 150 units, redevelopment remains unlikely.

As we define them, parcels with realistic redevelopment potential share a set of characteristics (discussed below) commonly associated with sites where redevelopment is likely to be feasible. This does not necessarily mean they're likely to be redeveloped in the near term: many other factors influence when a given property is redeveloped, including macroeconomic conditions and owner idiosyncrasies. That said, these characteristics can be seen as a prerequisite for redevelopment in most cases.

We identify parcels with realistic redevelopment potential based on their dwelling unit and floor area capacity and the characteristics and intensity of existing uses. They must meet the following conditions:
- The ratio of dwelling unit capacity to existing units is at least 5:1;
- The ratio of maximum floor area to existing floor area is at least 2.5:1;
- The FAR of existing improvements is less than 1.5;
- There are fewer than 40 existing residential units on the property;
- The primary structure on the property is at least 35 years old;
- The parcel is not located in protected open space as identified by the California Protected Areas Database (GreenInfo Network, 2022);
- The parcel is not part of a condominium;
- The parcel is not improved with a school or hospital or currently used as student dorms;
- The parcel is not government-owned or in a Public Facilities (PF) zone;

- The parcel does not have historic resources and is not in an Historic Preservation Overlay Zone (HPOZ).[13]

Because we are evaluating hundreds of thousands of parcels, each with varying characteristics and circumstances, the above criteria are necessarily crude. Our realistic capacity estimates may include properties with low redevelopment potential (false positives) and exclude parcels with high redevelopment potential (false negatives). Nonetheless, we believe these conditions are defensible based on our analysis of development activity in the city. For example, we find that between 2006 and 2020, approximately 82% of permitted units in projects with five or more units were built on sites with zero residential units or a ratio of new units to demolished units of at least 5:1. Similarly, 88% of permitted units in such projects increased floor area at least 2.5-fold. For transparency, we also report the gross capacity for each CHIP program, reflecting the change in capacity "on paper" and not accounting for development probability.

After identifying parcels with realistic redevelopment potential, we sum up their total dwelling unit capacity and subtract existing units (which in most cases must be demolished to accommodate redevelopment). We refer to this as "realistic capacity" throughout the results section. Unless otherwise noted, realistic capacity refers to the net units, deducting existing units from the site.

Effects of Development Probability and Feasibility on Production

Building on our estimates of realistic capacity under Existing Policy and CHIP, we rely on previous analyses by City of LA consultants to further investigate how CHIP may impact housing *production*.

A limitation of this study is that we cannot conclude whether development is financially feasible at the parcel level, considering the prices of land, labor, construction materials, fees, financing, and other costs. This is beyond our scope. It is important to consider financial feasibility, however, because zoning capacity and existing uses do not fully explain which sites are developed and which are not, as our "realistic capacity" estimates might suggest. For example, given two sites with equivalent zoning and uses, one in West Los Angeles and another in Van Nuys, a development project is likely to be more financially feasible at the West LA site due to greater demand, reflected by higher rents and sale prices. To help account for this, we use data from the city's development feasibility study, conducted by AECOM (2024).

The AECOM study categorized city neighborhoods by market tier, from low (Tier 1) to high (Tier 4). Higher tiers correspond to neighborhoods with greater demand, and consequently greater financial feasibility. Although the study was based on a previous CHIP version and a coalition of housing advocacy groups has raised concerns about some of the report's assumptions and methods (Epstein et al., 2024), we are mainly interested in AECOM's analysis of neighborhood-level market conditions. To better understand where increased capacity is most likely to lead to increased production, we assess realistic capacity under Existing Policy and MIIP within each of the four market tiers.

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[13] Properties in HPOZs are not excluded from CHIP, but the presence of historic resources presents a significant obstacle to redevelopment. Parcels in HPOZs also do not receive FAR bonuses.

A different consultant found that near-term redevelopment is unlikely even among properties with the highest probability of redevelopment: at the 90th percentile of development probability, properties have between a 3% and 9% chance of being issued a permit to build new units over a five-year period (Romem, 2021). We provide estimates of potential housing production based on a range of development probabilities. These estimates help illustrate the development probabilities required to meet the city's state-mandated housing production goals, comparing them to the empirical estimates documented by Romem.

Scoring Programs on Affirmatively Furthering Fair Housing

Affirmatively furthering fair housing requires that cities increase housing development in higher-resource neighborhoods, particularly multifamily housing in communities where it is currently prohibited. We assess CHIP's adherence to the AFFH mandate in two different ways. First, we consider its impact on housing capacity in neighborhoods with different demographic characteristics and opportunity (or resource) levels.

Second, we use a new objective metric developed by the Lewis Center, the Fair Housing Land Use Score (FHLUS), to measure the extent to which housing capacity is concentrated in lower- or higher-income neighborhoods. The score is scaled from -1 to 1; negative scores indicate that total or newly-added capacity is disproportionally located in lower-income neighborhoods, while positive scores indicate they are concentrated in higher-income neighborhoods.

The FHLUS is sensitive to how land available for redevelopment is identified for each neighborhood. For example, a census tract consisting mostly of protected open space may have a large total area but limited developable area. Including open space in the calculation would skew the score upward or downward based on the income of the tract. To account for this, we remove protected open space land, sea level rise inundation areas, and very high fire hazard zones from FHLUS calculations.

For more details on the Fair Housing Land Use Score and examples of its application, see Monkkonen et al. (2021, 2023, 2024) and Barrall & Monkkonen (2024). We report Fair Housing Land Use Scores for total realistic capacity under Existing Policy, MIIP, and individual programs, as well as the newly added capacity under MIIP. We include results for AHIP in Appendix A.

Results

Gross and Net Realistic Capacity Estimates

Table 2 shows our estimates of gross and net realistic housing capacity under Existing Policy and MIIP. The first column shows gross and realistic capacity with Existing Policy; "TOC and SDBL" are the two major Existing Policy programs. The next three columns show capacity estimates for the three new Mixed Income Incentive Programs, and the final column combines all MIIP programs with the State Density Bonus, summing up citywide capacity by taking the highest estimate from the TOIA, Opportunity Corridors, Corridor Transition, and SDBL programs for each parcel. Parcels in protected areas, in the previously mentioned excluded community plans, and with single-family and agricultural zoning are excluded from our analysis.

Table 2. Gross and Net Realistic Housing Capacity with Existing Policy and CHIP

	Existing Policy	Mixed Income Incentive Program			
	Total	TOIA	Opportunity Corridors	Corridors Transition	Total
Gross Capacity	3,755,811	3,291,755	1,021,129	145,620	4,403,491
Net Realistic Capacity	1,329,904	1,331,190	481,439	59,228	1,710,451

The Mixed Income Incentive Programs increase net realistic capacity by an estimated 380,500 units, nearly 30% above Existing Policy. In aggregate terms, and not accounting for development probabilities within the five remaining years of the current housing element cycle, the proposed changes appear to fulfill the city's commitment to increase zoned housing capacity by at least 255,000 units. MIIP increases gross capacity by an estimated 647,700 units, or 17%.

Next we evaluate how much MIIP increases housing capacity through two different channels: first, by satisfying our conditions for realistic redevelopment potential on sites where these conditions are unmet under Existing Policy, and by increasing capacity on sites where redevelopment is already realistic under Existing Policy. In some cases, the latter scenario may not increase development feasibility, such as when building more units requires using a more expensive construction type (e.g., replacing plans for a Type V/I timber frame building on a concrete podium with a Type I concrete structure). In any case, it may still be possible to increase the number of units within the same building envelope by reducing their average size.

Table 3 illustrates how realistic capacity added by MIIP is closely divided between parcels that already have realistic potential for redevelopment and new parcels. MIIP increases realistic capacity on the former by over 211,600 units. Among the latter group, it potentially unlocks nearly 6,500 parcels covering 1,400 acres, with a net realistic capacity of roughly 183,800 units.

Table 3. Realistic Housing Capacity Added by MIIP on New Parcels

	Number of Parcels	Area (acres)	Existing Policy Realistic Capacity	Total MIIP Realistic Capacity	Difference between MIIP and Existing Policy
Already Realistic Under Existing Policy	60,291	12,302	1,315,009	1,526,643	211,634
Newly Realistic Under MIIP	6,448	1,433	0	183,808	183,808

Does not include properties that were previously realistic but are not under the MIIP.

Many "newly realistic" parcels fall into either of two categories. The first is parking zones, which we estimate could accommodate an additional 41,000 net new units. P-zoned parcels are typically large, have limited improvements, and are adjacent to parcels with high-density zoning. The other category is parcels with low-density multifamily zoning, particularly R2, RD1.5, and RD2. The Corridor Transition program increases the net realistic capacity of these parcels by nearly 27,000 units.

Net Realistic Capacity by Neighborhood Market Tier

Although MIIP increases net realistic housing capacity by more than 255,000 units, capacity only translates into production where development is financially feasible. One important feasibility consideration is the market conditions where capacity is increased: On average, additional capacity is more likely to result in redevelopment in neighborhoods with higher rents and home prices.

In the feasibility study commissioned by the city, AECOM partitioned LA neighborhoods into four market tiers. Tiers 1 and 2 are the lowest, where the consultant found that redevelopment is generally infeasible. In **Table 4** we show that most new capacity is in these lower-tier markets, and only 27.6% is in the highest, Tier 4. MIIP increases net realistic capacity by approximately 155,000 units in Tiers 3 or 4, where development is more feasible.

Table 4. MIIP Increase in Net Realistic Capacity by Neighborhood Market Tier

Market Tier	Existing Policy	MIIP	Change in Units	Share of Change
1	601,679	753,455	151,776	39.9%
2	218,395	292,046	73,651	19.4%
3	279,775	329,729	49,954	13.1%
4	229,734	334,864	105,130	27.6%

Does not include capacity in neighborhoods that were not assigned a market tier.

In addition to locating most new realistic capacity in lower-tier markets, MIIP may also reduce development feasibility in higher-tier markets by mandating higher affordability levels. Currently, projects using TOC incentives must set aside 8% to 11% of units for extremely low-income (ELI) households or 11% to 15% for very low-income (VLI) households, with higher requirements linked to increased transit proximity and larger bonuses. The TOIA and OC programs would increase these ranges to 9-13% for ELI households and 12-17% for VLI households. It is possible that MIIP's increased bonuses and process reforms will offset the costs of these heightened requirements, but even so, they are likely to reduce production relative to a proposal that did not increase affordability requirements (Phillips, 2024). Furthermore, because the highest requirements are proposed in stronger markets — unlike TOC or SDBL — this policy will undermine feasibility most in the higher-opportunity neighborhoods where mixed-income redevelopment should be most encouraged.

Production Estimates by Development Probability

In an analysis of development trends prepared for the city of LA between 2010 and 2020, a consultant found that, on average, each parcel had roughly a 1% chance of being redeveloped into housing over a five-year period, and that parcels in the 99th percentile had an 8.58% chance of redevelopment (Romem, 2021). These development probability estimates are informative of general trends but there are several reasons they cannot be directly applied to our estimates of net realistic capacity.

First, Romem (2021) analyzed all parcels in the city, including those zoned for single-family housing. We evaluate a much smaller subset of parcels where multifamily development is allowed. Second, we already partially account for development probability by considering the existing built environment and density and floor area limits for each parcel. Third, CHIP streamlines the city's development approval processes in addition to reforming zoning. These changes would likely speed up timelines and improve project feasibility relative to existing policy, all else equal (Gabriel & Kung, 2024; Manville et al., 2023).

Rather than estimate development probability based on past trends, we present in **Table 5** estimated housing production over a five-year period under different development probability scenarios. These scenarios serve mainly to illustrate the exceptionally high — we would argue improbable — parcel-level development probabilities required to meet the city's production goals.

Production estimates are calculated by multiplying development probability by the net dwelling unit capacity for each parcel with realistic redevelopment potential. Development probability can be thought of as the share of parcels that would be redeveloped after five years. In the scenario with the lowest redevelopment rate (2.5%), Existing Policy yields an estimated 33,248 units and MIIP produces 42,761 units, an increase of 9,513 units or 29%. The highest probability scenario, 12.5%, represents a substantially higher average likelihood of redevelopment for the subset of parcels in our analysis than the 99th percentile redevelopment probability estimated by Romem for all parcels in the city. Under this scenario, five-year production increases from 166,238 units to 213,806 units, an increase of 47,568 units.

Table 5. Estimated Five-Year Production Under Different Development Probability Scenarios

Development Probability	Existing Policy	MIIP	Increase in Units
2.5%	33,248	42,761	9,513
5.0%	66,495	85,523	19,028
7.5%	99,743	128,284	28,541
10.0%	132,990	171,045	38,055
12.5%	166,238	213,806	47,568

Critically, no scenario fulfills the goal of producing 456,000 units within the eight-year housing element period. It is also noteworthy that the city has permitted only approximately 62,000 units over the first three years of the current housing element (2021-2023), close to the result of the 7.5% probability scenario after adjusting for the three-year period. (As a reminder, the estimates in **Table 5** are for housing production over five years.) After incorporating production from locations excluded in the MIIP, such as Downtown, producing the nearly 400,000 remaining units would require redeveloping roughly 20% of the parcels we identify as having realistic redevelopment potential. This represents a nearly three-fold increase in development probability, which we view as highly unlikely in light of the MIIP's relatively modest 30% increase in net realistic capacity, 10% increase in parcels with realistic redevelopment potential (shown in **Table 3**), and allocation of 59% of additional realistic capacity into lower-tier markets (shown in **Table 4**).

Where is Capacity Increasing?

While our citywide analysis of net realistic capacity offers insight into the potential effects of CHIP on total housing production, the spatial distribution of housing capacity is also important. Firstly, it plays a critical role in affirmatively furthering fair housing. The city cannot meet its AFFH commitments if housing capacity is concentrated disproportionately in lower-income communities.

But the spatial distribution of capacity is also important for production. As the AECOM feasibility analysis shows, lower-income neighborhoods are associated with weaker housing markets where housing capacity is less likely to lead to housing production. In other words, a given quantity of housing capacity may result in more total housing production if capacity is more concentrated in higher-income, stronger-market neighborhoods.

Table 6 shows the net realistic capacity under Existing Policy and MIIP by TCAC/HCD Tract Opportunity Category. Tract opportunity categories reflect a composite index of several factors, including poverty rates, educational attainment, employment, and home values. For both Existing Policy and MIIP, a highly disproportionate share of capacity is in low-resource census tracts — the lowest-opportunity designation. The *change* in capacity from Existing Policy to MIIP tells a different story, however: Capacity increases much more, in both absolute and percentage terms, in higher-opportunity tracts compared to low and moderate resource tracts.

Table 6. Net Realistic Capacity by Tract Opportunity Category

Opportunity Category	Existing Policy	MIIP	Increase in Capacity	Percent Increase
Low Resource	754,949	810,988	56,039	7.4%
Moderate Resource	165,562	179,801	14,239	8.6%
High Resource	170,971	286,642	115,671	67.7%
Highest Resource	231,902	426,320	194,418	83.8%
No Category	6,520	6,700	180	2.8%

As a composite index, tract opportunity categories may obscure differences between tracts within the same category. To provide a fuller picture using individual indicators, we also review changes in capacity by tract median income and percentage of non-Hispanic white residents (U.S. Census Bureau, 2022). **Table 7** shows the results.

Table 7. MIIP Realistic Capacity Change by Census Tract Characteristics

Change in Capacity	Number of Tracts	Median Household Income[1]	Percent NH White[2]	MIIP Realistic Capacity	Change in Realistic Capacity
Community Plan Exclusion	84	$60,099	12.1%	0	0
No Capacity	88	$117,785	46.7%	0	0
No Capacity Change	133	$86,753	34.1%	55,876	0
Lost Some Capacity	62	$78,923	35.7%	49,998	-16,211
0% to 25% Increase	445	$56,543	14.1%	919,572	65,360
25% to 100% Increase	171	$85,469	47.6%	423,402	151,053
More than 100% Increase[3]	136	$107,527	52.4%	261,566	180,345

[1]*Average of tract household median incomes*
[2]*Average of tract percent non-Hispanic white population*
[3]*Also includes tracts with no capacity under Existing Policy*

Broadly, we can think of there being two tract categories: those where MIIP would not increase net realistic capacity and those where it would. Tracts in the first category include those with no realistic MIIP capacity[14], that lose capacity under the proposed changes, and where capacity is unchanged. Tracts with no realistic capacity have high median incomes and large non-Hispanic white populations. Many are in the Hollywood Hills or periphery of the San Fernando Valley, have limited multifamily zoning and public transit, and are within very-high fire hazard areas.

In tracts that would lose capacity, incomes are closer to the city's median.[15] These are clustered in Venice (excluded from CHIP because it is in the coastal zone), Los Feliz and the Hollywood Hills, Northeast LA, and scattered communities in Koreatown, South LA, and the San Fernando Valley (shown in **Figure 1**). Neighborhoods where CHIP would not change capacity (i.e., where existing and proposed capacity are both determined by State Density Bonus Law) have a comparatively higher median household income, at roughly $87,000.

Where MIIP increases net realistic capacity, growth as a share of existing capacity is lowest in tracts with the lowest incomes and shares of non-Hispanic white residents. MIIP's effect on relative capacity rises with tract household income and share of white residents. However, despite the disproportionate increase in *relative* capacity in higher-income and whiter census tracts, *total* net realistic capacity remains concentrated in relatively lower-income and less white neighborhoods, reflecting the much higher capacity in these neighborhoods today.

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[14] These census tracts do not have any eligible multifamily zoning or are entirely within an Historic Preservation Overlay Zone.
[15] The median census tract in Los Angeles has a median household income of $68,716 and is 23% non-Hispanic white. The average of tract median income and share non-Hispanic white are $77,073 and 30%, respectively.

In **Figure 1** we provide a map of the tract categories shown in **Table 7**. We group together "No Capacity" and "No Capacity Change" tracts.

Figure 1. MIIP Change in Net Realistic Capacity (in Dwelling Units) by Census Tract

Fair Housing Land Use Scores

In this section we evaluate the spatial distribution of net realistic housing capacity using the Fair Housing Land Use Score (FHLUS). The FHLUS is a measure of whether capacity is concentrated in relatively lower- or higher-income census tracts, and scores range from -1 to 1. A negative (positive) score indicates that capacity is disproportionately concentrated in lower-income (higher-income) areas. The lower (higher) a score, the more concentrated capacity is in lower-income (higher-income) neighborhoods.

In **Table 8** we provide scores for Existing Policy, individual components of MIIP, all components of MIIP combined, and for two single-family upzoning scenarios introduced by the Department of City Planning in the City Planning Commission Staff Report.

Table 8. Fair Housing Land Use Scores for Existing Policy, MIIP, and Individual Programs

Program	Fair Housing Land Use Score
Existing Policy	
TOC and SDBL	-0.32
Mixed Income Incentive Program	
TOIA	-0.35
Opportunity Corridors	0.34
Corridors Transition	0.21
All MIIP Capacity	-0.21
MIIP New Realistic Capacity Only	0.29

The Fair Housing Land Use Scores broadly illustrate that Existing Policy and MIIP both concentrate net realistic capacity in relatively lower-income neighborhoods, receiving scores of -0.32 and –0.21, respectively.

Interestingly, the TOC program (not shown in the table) and TOIA program receive the same score (-0.35) despite larger TOIA bonuses in higher-opportunity census tracts. The Transit Oriented Incentive Areas program fails to meaningfully improve the spatial distribution of capacity in the city because of new exclusions in high fire hazard areas and the coastal zone, where neighborhood incomes tend to be higher.

The Opportunity Corridor and Corridor Transition programs have positive scores, 0.35 and 0.21, respectively, indicating that they increase capacity disproportionately in the city's higher-income neighborhoods. TOIA provides substantially more total net realistic capacity than OC and OCT, and consequently the Mixed Income Incentive Program, including all subprograms, receives a score closer to that of the TOIA program: –0.21.

Although net realistic capacity remains concentrated in lower-income communities under MIIP, it nonetheless improves upon Existing Policy. When we limit our analysis to sites where housing capacity is *changing* (i.e., upzoning or downzoning) MIIP receives a more favorable score of 0.29. As we showed in **Table 8**, MIIP increases capacity disproportionately in higher-income neighborhoods.

Figure 2 illustrates how the FHLUS is calculated in a visual format, using the MIIP proposal as an example. Units are more concentrated in lower-income areas if the red line (Cumulative Units) is above the blue line (Cumulative Area) across the graph, as seen here. Units are more concentrated in higher-income areas if the red line is below the blue line, as it would be for the Opportunity Corridor program. This format allows for more specific, granular insights that a single score cannot capture. It shows, for example, that 24% of MIIP's net realistic capacity is in neighborhoods below the 12.5th percentile for median household income, and approximately 40% of capacity is in the bottom income quartile.

Figure 2. Graph of Fair Housing Land Use Score for the Mixed Income Incentive Program

SINGLE-FAMILY REZONE OPTIONS

The spatial distribution of net realistic capacity changes substantially when single-family zones are included in the rezoning plan. We evaluated the anticipated effects of two (out of 7) options considered by the Department of City Planning: Option 1, which allows MIIP participation by single-family zoned parcels in high-opportunity neighborhoods, and Option 3, which limits single-family inclusion to tier 3 opportunity corridors and their adjacent transition zones. Both options have lower bonuses than the MIIP for many parcels. **Table 9** shows the FHLUS for these options.

Table 9. FHLUS for Single-Family Options

Program	Fair Housing Land Use Score
SF Option 1	0.53
SF Option 3	0.46
MIIP w/ SF Option 1	0.05
MIIP w/ SF Option 3	-0.19

SF Option 1 increases net realistic capacity by more than 880,000 units above the MIIP baseline (which excludes all single-family zoned parcels), a 52% increase over MIIP and 95% increase over Existing Policy. Eligible parcels are located in some of the city's wealthiest neighborhoods, with excellent access to transit and employment centers. SF Option 1's Fair Housing Land Use Score is 0.53, and it is illustrated in **Figure 3**. Option 1 scores substantially higher than the best-scoring MIIP program, Opportunity Corridors (0.35), and its score is further burnished by its much higher net realistic capacity compared to either the Opportunity Corridor or Opportunity Transition programs.

Figure 3 and the FHLUS for SF Option 1 reflect only the net realistic capacity for single-family zoned parcels under this proposal, not any other components of the MIIP (i.e., TOIA, Opportunity Corridors, and Corridor Transition as applied to non-single family parcels). When SF Option 1 is added to the MIIP, its FHLUS improves from -0.21 to 0.05. This is the only comprehensive MIIP scenario that results in a positive Fair Housing Land Use Score. It is the only option in which net realistic housing capacity is disproportionately located in higher-income neighborhoods, and we argue that it is the scenario most likely to affirmatively furthering fair housing in Los Angeles.

Figure 3. Graph of Fair Housing Land Use Score for Single-Family Option 1

SF Option 3 also improves upon MIIP, though by much less, adding only approximately 83,000 units of net realistic capacity — a tenth as much as Option 1. As a standalone program it receives a similar FHLUS as Option 1 (0.46), but adding SF Option 3 to MIIP improves the score only marginally, from –0.21 to –0.19. The limited capacity added by SF Option 3 is insufficient to overcome the concentration of capacity in lower-income neighborhoods under MIIP.

While we do not model SF Option 2 or 4 (which also allow for mixed-income development) we can reasonably expect their scores to fall between our estimates for Options 1 and 3. Option 5, which removes certain multifamily-zoned parcels from the Opportunity Corridors program, would likely lower the MIIP FHLUS if adopted. The AHIP scores, which we report in Appendix A, would almost certainly improve under SF Options 1, 6, and 7.

Conclusion

California Government Code Section 8899.50 defines affirmatively furthering fair housing as "taking meaningful actions … that overcome patterns of segregation and foster inclusive communities," and "…replacing segregated living patterns with truly integrated and balanced living patterns." Adhering to this mandate and overcoming decades of exclusionary land use policy requires a foundational shift in how Los Angeles thinks about housing.

We find that the proposed Citywide Housing Incentive Program likely complies with state mandates to increase housing capacity in the city of Los Angeles by at least 255,000 units and affirmatively further fair housing by concentrating upzonings in higher-resource neighborhoods. The Mixed Income Incentive Program, which unlike the Affordable Housing Incentive Program should not rely on public subsidies to drive development, increases gross capacity by approximately 650,000 units and net realistic capacity by an estimated 380,000 units.

Compared to Existing Policy, MIIP modestly improves the city's Fair Housing Land Use Score, from –0.32 to –0.21, which is in line with many other California cities (Barrall & Monkkonen, 2024). It also includes important process reforms that should improve development feasibility by reducing delay, cost, and uncertainty. Its passage would help Los Angeles meet its goals of increasing mixed-income and affordable housing production, slowing rent and home price growth, increasing access to opportunity, and reducing homelessness.

CHIP also leaves much to be desired. Despite its proposed changes, housing capacity remains concentrated in lower-income neighborhoods, reflected by a negative citywide FHLUS value. This is driven by the decision to exclude single-family zoned parcels — which represent 74% of residentially zoned land in the city— from the core CHIP programs. Among the choices being presented to the city council, a positive FHLUS is possible only by pairing MIIP with Single-Family Option 1.

More than half of net new capacity is on parcels where redevelopment is already realistic under Existing Policy, by our definition, meaning these sites may face other barriers to redevelopment not captured by our analysis. Nearly half of net realistic capacity is also located in state-designated "low resource" neighborhoods.

Perhaps most importantly, nearly 60% of new capacity — roughly 225,000 units — is in lower-tier markets where development is generally infeasible according to a city-commissioned feasibility analysis. In higher-market communities, the proposed ordinance undermines development feasibility by increasing the share of units that must be rented at below-market prices.

By our estimates, the city presently has a net realistic housing capacity of more than 1.3 million units[16]. It permits roughly 20,000 homes each year — about 40% of which are single-family homes and accessory dwelling units unaffected by CHIP (authors' calculation using city of LA permit data for 2021-2023). A 29% increase in net realistic capacity (and a 17% increase in gross capacity) is exceedingly unlikely to triple annual housing production above current levels, as the city's housing element dictates.

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[16] Excluding the Downtown, Boyle Heights, Wilmington, and Harbor Gateway community plan areas, and the Cornfield Arroyo Seco Specific Plan area.

It is our view, then, that the proposed MIIP reforms will not enable Los Angeles to produce 456,000 homes over eight years. Even accounting for recent and proposed updates to community plans in Downtown, Wilmington, Harbor Gateway, and Boyle Heights, and to the Cornfield Arroyo Seco Specific Plan — which the city expects to collectively produce roughly 10,000 units per year — LA will fall far short of its goal.

Although we find that the city's Existing Policy and MIIP both concentrate housing capacity in lower-income neighborhoods, there are valid reasons for doing so in some cases. The majority of the city's rail stations and rapid bus stops are in less affluent neighborhoods, and zoning for higher densities near transit is a best practice in urban land use planning. Restricting density in these areas would undermine other city priorities around mobility, environmental sustainability, and economic resilience. Our findings are not an argument for reduced capacity in lower-resource neighborhoods, especially job- and transit-rich communities. They are instead an endorsement of further increasing capacity in higher-resource neighborhoods.

In this report we emphasize how increasing capacity in higher-resource areas can reduce segregation and foster inclusive communities, in part because these are explicit goals of California housing law. However, this approach may also have important benefits for housing production and affordability.

Housing demand is finite within individual submarkets, with each sustaining only a limited amount of development. When zoning prohibits redevelopment in stronger markets such as Rancho Park and Atwater Village, dwelling units not built in these neighborhoods are not replaced one-for-one in weaker-market neighborhoods where redevelopment is permitted, like Koreatown and Downtown. Some units, or perhaps most, are not built at all, and overall housing production declines. This is especially true when capacity is concentrated in high-rise zones, which have the highest construction costs and require the highest rents to be financially feasible.

When overall production is limited, vacancies fall and rent growth rises. Rising prices disproportionately harm lower-income households and households of color, whether they live in segregated or integrated communities.

Single-Family Option 1 addresses many of the shortcomings discussed above. It greatly expands the number of parcels and neighborhoods where redevelopment is feasible, and it supports more "missing middle" housing typologies that may be built (and rented and sold) at lower prices. It increases capacity in higher-resource neighborhoods in particular, enabling the city to achieve a positive Fair Housing Land Use Score. And while increasing supply elsewhere, Option 1 would also help to reduce displacement pressure from demolitions in lower-income communities and communities of color. There is little objective planning basis for excluding these parcels.

Los Angeles faces an ambitious housing production target and a clear fair housing mandate. In this analysis we have shown that increasing allowable density on multifamily-zoned land, presently concentrated in lower-income neighborhoods, is unlikely to fully satisfy either. Instead, meeting these goals requires encouraging more multifamily housing in higher-opportunity neighborhoods, including in single-family zoned neighborhoods where it is currently off-limits. More broadly, the city must ensure that zoning rules "on paper" can translate into new housing "on the ground," and this too is best accomplished by increasing capacity in stronger markets and for under-zoned parcels. The proposed

CHIP reforms represent a significant step in the right direction, but if they are adopted without a strong single-family upzoning option then the city will fall short of its commitments.

Appendix A – Limited AHIP Results

Table A1. Gross and Net Realistic Housing Capacity and Fair Housing Land Use Score with AHIP

	Transportation or Low VMT Area	Higher Opportunity Area	AHIP Combined
Gross Capacity	5,780,575	2,680,105	5,956,760
Realistic Capacity[1]	2,323,331	935,203	2,415,735
FHLUS	-0.31	0.12	-0.29

[1]*Assumes the availability of public subsidies.*

Appendix B – Buildable Area Calculations

Under current zoning regulations in Los Angeles, maximum allowable floor area (also referred to as buildable area) is calculated differently for most commercially-zoned parcels than for residentially-zoned and C1-zoned parcels. For the former, floor area is calculated by multiplying the floor-area ratio (FAR) by the full lot size, in square feet. For the latter, FAR is multiplied by the lot size *remaining after setbacks*. This significantly reduces allowable square footage, particularly small properties with large setbacks.

Setbacks and parcel dimensions vary across the city and it is computationally intensive to calculate the exact dimensions for each lot, so we use a standardized approach to estimating buildable area. First we assume lots are rectangular, with a 2:1 length-to-width ratio (**Figure B1**).

Figure B1. Lot Width and Length Assumptions
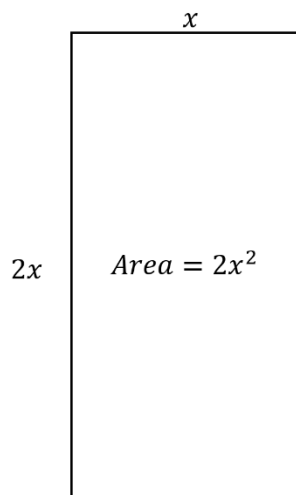
We then estimate the lot length and width using the following equations B1 and B2, respectively.

Equation B1.

$$Estimated\ Lot\ Length = \ 2 \times \sqrt{\frac{Lot\ Area}{2}}$$

Equation B2.

$$Estimated\ Lot\ Width = \sqrt{\frac{Lot\ Area}{2}}$$

Using these estimates, we calculate the lost buildable area using Equation B3, and the remaining buildable area with

Equation .[17] One important note is that we use the base setbacks for each zone, and do not assume that developers will utilize decreased setbacks allowed by on-menu incentives, except in the case of the OCT program, which has reduced setbacks as base-incentives.

Equation B3.

$$
\begin{aligned}
Lost\ &Buildable\ Area \\
&= (2 \times Side\ Setback \times Estimated\ Lot\ Length) \\
&+ (Rear\ Setback \times Estimated\ Lot\ Width) + (Front\ Setback \times Lot\ Width) \\
&- (2 \times Side\ Setback \times Rear\ Setback) - (2 \times Side\ Setback \times Front\ Setback)^{[18]}
\end{aligned}
$$

Equation B4.

$$
Buildable\ Area = Gross\ Lot\ Area - Lost\ Buildable\ Area
$$

---

[17] For parcels zoned C2, C4, and C5, there is no assumed lost buildable area.

[18] This equation does not incorporate setbacks that increase with height, such as those that have additional setbacks above a second or higher story.

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