Unfound Opportunities:

Investing in underserved communities

January 2023

ULI Los Angeles

BUILDING HEALTHY PLACES

Acknowledgments

Support for this research was generously provided by ULI Trustee Randall Lewis

About ULI BHP

The ULI Building Healthy Places (BHP) Initiative leverages the power of ULI's global networks to shape projects and places in ways that improve the health of people and communities. BHP Los Angeles creates and implements a comprehensive program that includes collaboration both within and outside ULI, convenes interdisciplinary experts to foster communication across related disciplines, emphasizes the connections between health and the built environment, and utilizes ULI-LA member expertise to undertake projects serving the local communities of Los Angeles, and surrounding counties, including Ventura, Kern, San Luis Obispo, and Santa Barbara. The focus on social equity is a logical extension of the issue of improving health in the built environment to a broader approach to successful community development.

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"We need ... more than just growth (or growth alone), we need instead "just growth," a framework in which the imperatives of equity have been coupled with strategies to shore up the macro-economy, spur new industrial development, and re-regulate the financial system. Such a new framework will require a stretch on the part of business leaders, many of whom have long been concerned about economic expansion but not worried much about equity -- and it will also require a commitment and an analytical stretch by those who have long fought for "economic justice" but have not always thought about how best to promote the economic part of that couplet."

Chris Benner and Manuel Pastor, Just Growth, Routledge 2012

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Cover image: Ramon Ramirez for LA METRO.

City of Dreams, Richard Wyatt for LA METRO

I. EXECUTIVE SUMMARY

Project Purpose

The purpose of this research is to increase appropriate and long term sustainable development in under-invested communities by dispelling misconceptions and perceived financial risks that have informed lending practices and governmental procedures, and increasing understanding of the inherent opportunity to derive both social and financial return on investment.

Why are we undertaking this project?

"Because of disinvestment driven by systemic racism and other factors, low-income communities and people of color—in particular, Black people—are especially likely to lack access to the ingredients they need to thrive, including stable, healthy, and affordable housing; high-quality employment, food, and transportation options; and strong social services."

(ULI 10 Principles for Embedding Racial Equity in Real Estate Development, 2022.)

Key Project Goals

1. **TO DEMONSTRATE** that meaningful investment and development in under-invested (primarily Black, Indigenous and People of Color (BIPOC) and low income) communities can address often long-standing inequities in available facilities and services.

2. **TO EXPLORE** how the health component, in response to these inequities, can be expanded to foster environmental justice in these communities and how they are treated by the larger community of which they are a part.

3. **TO SHARE** examples of how leveraging capital can drive equitable change as recognized in ULI principles of racial equality. Exploration of this concept includes expanding access to capital, expanding the type of capital that developers bring in, and developing more complete understandings of risk and return.

Key Project Findings

This report identified five themes addressing increased and appropriate development in underinvested communities. Common among the themes - and influencing all - was the understanding that change requires education to help people overcome biased ideas about risk, sponsorship, and credibility and that capital is key for not only funding equitable development but also ensuring that the investment benefits accrue to communities marginalized by racist policies and practices. The first five themes enumerate strategies and tactics. The final topic, "Prioritize Change", is a call to action, detailing recommendations and actions crucial for change to occur.

THEME 1
EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

Strategy 1.1: Technical assistance for business and community based entities

Strategy 1.2: Partnerships

Strategy 1.3: Education

Strategy 1.4: Correct misperceptions of risky investment

THEME 2
MITIGATE RISK

Strategy 2.1: Communicate actual returns on similar projects/ investments

Strategy 2.2: Risk premium

Strategy 2.3: Fund guarantees for certain developments

Strategy 2.4: Indirect financial assistance

Strategy 2.5: Reassess and revise investment criteria

THEME 3
IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

Strategy 3.1: Increase local investment by "Big Banks"

Strategy 3.2: Expand role for community banks

Strategy 3.3: Expand role and funding for Community Development Financial Institutions (CDFIs)

THEME 4
INCREASE INNOVATIVE LENDING

Strategy 4.1: Alternative analytics for traditional or innovative lenders

Strategy 4.2: Affordable housing financing

Strategy 4.3: Health anchors

THEME 5
GOVERNANCE

Strategy 5.1: Amend zoning to encourage affordable housing

Strategy 5.2: Certainty around City approvals

Strategy 5.3: Regulatory clarity

Strategy 5.4: Land use

RESEARCH CONCLUSIONS
A CALL TO ACTION- PRIORITIZE CHANGE

Recommendation 1: Get the players in one room

Recommendation 2: Ensure appropriate government support

Recommendation 3: Activate community

Recommendation 4: Establish partnerships between traditional and community-based developers

Click or tap each theme to jump to their respective pages

II. Project Background and Context

Project Background

This project is funded by a multi-phase grant from ULI Trustee Randall Lewis. Under Phase I of the grant, ULI-LA Building Healthy Places (ULI-LA BHP) published its *Case for Social Equity in Real Estate* focused on the Los Angeles market. The report built on the *ULI National Health and Social Equity in Real Estate: State of the Market Report*, and was the result of multiple conversations and interviews with local leaders about equitable practices in real estate.

This report is focused on a key challenge identified in the Phase I research, Equitable Processes: Revising financial institutions' lending practices could significantly impact developers' ability to invest in social equity in communities where they work, reducing this significant barrier.

The goal of this research was to recommend approaches to address social equity in development and land use by demystifying the idea of equity in development, challenging the notion that projects that incorporate equitable principles negatively impact return on investment (ROI), and encouraging our colleagues and others to pursue equitable development practices. The ULI-LA BHP members shared the findings with the ULI-LA District Council Advisory Board and various local committees to raise the level of awareness among their members.

The intent of this report was to focus on traditional financial institutions' lending and investment practices, however, the findings of the research were not limited to this sector, and instead revealed a broader range of challenges and solutions. The interview process revealed that equally impacting development in underserved communities are barriers caused by the entitlement and permitting process. This causes an increase in uncertainty, extended schedules, and cost impacts to development and, overall, there is a lack of sufficient public and private capital to offset these barriers.

The table at the right is a summary of the key barriers and perceived barriers to socially equitable development in under-invested communities:

Regulatory barriers that inhibit investment by financial institutions

1. Internal conflicts between banking regulations and programs such as the Community Reinvestment Act.
2. Unfamiliarity or discomfort in the banking/financial industry with community participation and input in communities of color.
3. Low expectations over return on investment or retention of value of development in under-invested communities.
4. Limited documented examples of successful development in underserved communities.
5. Trouble bringing in credit-tenants, whose leases are used to underwrite commercial developments or conversely, finding lenders and investors willing to fund projects with non-credit businesses.
6. Programs for underserved communities are seen as too small for some financial institutions to devote the level of effort needed for the expected return.

Process

The research project was undertaken by members of the ULI-LA BHP and Young Leaders Group (YLG/ULI-LA). The research team conducted an analysis of general tactics and strategies, and specific case studies to explore how to meaningfully expand investment and development in underserved (primarily BIPOC and low income) communities. First, to identify strategies and tactics, the team developed a survey and hosted a series of discussions and interviews with 16 experts in the real estate community with roles in finance, development, and government during the summer and fall of 2022. Second, to provide concrete local examples, the team researched case study projects in Los Angeles that could provide either a model or study of lessons learned. Finally, based on the research, the team developed recommendations and action items that would allow the lessons learned to be realized.

Working Definition of Social Equity

Equity means just and fair inclusion into a society in which all can participate, prosper, and reach their full potential

(PolicyLink The Equity Manifesto, 2018.)

Social equity in the context of real estate encompasses investments to foster or create beneficial impacts and improvements in communities that have long been neglected—often Black, Brown, indigenous, and other communities of color—as a result of systemic racism and discriminatory policies. Health and equity issues are interconnected and intersect with real estate and land development in inextricable ways. Research has increasingly made clear that health is not just what happens in the doctor's office. Instead, individual and public health outcomes are the result of many factors related to where people live and work, and the influence that their homes, workplaces, and communities exert on their well-being. Health is shaped by an accumulation of factors that include housing, transportation, education, and job opportunities—the social determinants of health.

St. Elmo's Village, Photo by Elizabeth Daniels

III. Research Findings

Findings From Interviews

The research themes discussed in the following pages emerged from discussions with local experts. For each theme there is an overarching strategy summarizing the recommended course of action (i.e. the 'WHAT') and a set of tactics detailing specific recommended measures (i.e. the 'HOW'). These provided the basis for the final recommendations.

THEME 1
EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

THEME 2
MITIGATE RISK

THEME 3
IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

THEME 4
INCREASE INNOVATIVE LENDING

THEME 5
GOVERNANCE

Click or tap each theme to jump to their respective pages

THEME 1

EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

STRATEGY 1.1: TECHNICAL ASSISTANCE FOR BUSINESS AND COMMUNITY BASED ENTITIES

Development in underserved communities can require piecing together many sources of funding, from both private entities as well as many different government agencies. Deep technical knowledge and large resources are required to do this effectively. Additionally, some programs require prior experience working with the program for a developer to be eligible for funding. Strong technical assistance – which can be provided by government entities or philanthropic institutions – is needed to remove barriers to accessing resources (translation services, multilingual marketing, grant writing, basic business and record keeping skills and training) and especially for community based organizations and developers and community based entrepreneurs to be competitive.

TACTIC 1.1.1 ASSISTANCE FROM EXPERIENCED AND LARGE DEVELOPERS AND FINANCIERS

ULI-LA could enlist assistance from larger scale developers and investors to work with local higher education institutions to create, strengthen, and/or expand programs to train local residents and business persons on real estate practices, helping them to develop skills especially to equip them to enter or return to underserved communities as developers, or as leaders of community based development entities. An example of such a curriculum is the USC Ross Program in Real Estate.

TACTIC 1.1.2 CONNECTIONS BETWEEN THE ACADEMIC AND LOCAL DEVELOPMENT COMMUNITY

Creating connections to academically based networks such as alumni organizations of local business and real estate schools could open doors to locally based and especially minority/women developers and also provide entry for more established developers to engage in development opportunities that are both financially sound and beneficial to communities. Such connections also open up networking opportunities for community based developers to connect with, learn from, be mentored by and perhaps partner with larger scale developers otherwise connected to those institutions. ULI-LA could serve as a regular convener of round-table discussions groups, in formats similar to Urban Marketplace, to foster these connections. This also allows new developers to gain access to experience they need to be eligible for certain projects containing government funding.

THEME 1 EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

STRATEGY 1.2: PARTNERSHIPS

Established developers and financial institutions can collaborate and invest with knowledgeable community based capital providers to build their capacity in geographies where those developers have little or no experience as well as elevate minority developers' ability to scale up. This would enhance:

- Access to primary funding sources.
- Expanded investment capacity of community based providers.
- Involving community based institutions that may be land-rich and capital-poor.
- Furthering a community's interests by having their institutions and businesses (including potential business formation by locally based entrepreneurs) central to development.

TACTIC 1.2.1 CREATE PARTNERSHIPS BETWEEN LARGER AND COMMUNITY BASED INSTITUTIONS AND BUSINESSES

ULI-LA should establish a robust database of developers, financiers and community partners to partner on potential projects enabling a higher win rate for local community based developers and shared success and growth.

Roxbury Love Mural, Boston, MA; Photo by Boston Magazine

THEME 1 EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

STRATEGY 1.3: EDUCATION

Educate the younger generation, particularly those from minority or underserved communities on economics and finances as related to development, business formation/operation and real estate ownership (including home ownership). This will lead to a more diverse talent pool for the industry, including representation of those from underserved communities.

- Start real estate education before college, preferably in high school or even middle school or as part of a training program.
- Ensure that elements of educational curriculum, such as mathematics, have application in business management and household budgeting. Young adults should learn the basics of, as examples, being a first time home buyer or of running a business.
- Young adults could job shadow real estate developers. This could potentially lead to a career pathway in real estate, and an understanding of what roles are available in this space. Programs in addition to UrbanPlan provide real estate training in underserved communities.
- Build local talent by developing skills on how to start and successfully operate a business. Local entrepreneurs often have operating skills (how to be a good cook, or mechanic, for example) but lack the skills on how to start and successfully operate a business (obtain permits, acquire and track inventory, manage income and outflow of business revenues, etc.).

TACTIC 1.3.1: INCREASE AWARENESS ABOUT EXISTING WEALTH BUILDING PROGRAMS

ULI-LA can expand the development community's awareness of programs such as West Angeles Church's HomeOwnership and Business Formation workshops and work with others to expand both home ownership and business training programs. Esperanza Community Housing Corporation has a model at the Mercado La Paloma in South Los Angeles, where entrepreneurs are given training and allowed to practice their trades in low cost space in a communal marketplace environment.

Kids have to see what they can be, ensure inclusion is an action word not just a nice word!
-paraphrased from interviewee

THEME 1

EDUCATION, KNOWLEDGE AND CAPACITY BUILDING

STRATEGY 1.4: CORRECT MISPERCEPTIONS OF RISKY INVESTMENT

Address misinformation in the real estate industry's perception that there is inherent risk in doing business in certain ZIP codes. Real estate professionals may have preconceptions about the risk or lack of opportunity in neighborhoods in the LA region that they have never been to, and for which they lack actual data or metrics. There is also a need for additional metrics that better represent the actual potentials and risk of these ZIP codes to be developed and incorporated into development models. Traditional tools for analysis do not tell the story - by looking for hidden demand and untapped consumer dollars that may not show up in individual household income statistics but do show up when looking at housing density and overall population. Replacing misperceptions with knowledge and an understanding of opportunity better reflects reality.

TACTIC 1.4.1: INCREASE KNOWLEDGE OF DEVELOPMENT OPPORTUNITY AND REWARDS

Provide organized tours of underinvested communities, through ULI-LA, with real estate professionals and local leaders to increase familiarity with and comfort of working in such communities. These tours can highlight local success stories, but should also highlight opportunities for professionals in the form of community groups they can partner with and sites in the community that would be mutually advantageous to see development occur on.

THEME 2

MITIGATE RISK

STRATEGY 2.1: COMMUNICATE ACTUAL RETURNS ON SIMILAR PROJECTS/INVESTMENTS

The industry wants to see evidence that there is sufficient ROI in neighborhoods where they have not worked before, or for project types they have not built before. Developers who have successfully completed what are traditionally perceived as "risky" developments should share case studies showing the financial outcomes of their projects. Traditional tools do not tell the entire story and often ignore the untapped consumer demand and dollars.

TACTIC 2.1.1: PUBLICIZE SUCCESS STORIES

ULI-LA should create and publicize a database of successful projects illustrating both financial and community success, as well as the broader story that speaks to the importance and reward of the investment in the development. A repository of case studies should also highlight new ways that companies can evaluate projects for future success.

TACTIC 2.1.2: DATA UPDATES AND DISSEMINATION

ULI-LA should encourage and support more targeted data collection and dissemination directly or by facilitating work by entities such as Enterprise, LISC, and others. One example is Social Compact for South Los Angeles, Los Angeles Market Drilldown, 2008; such data should be periodically updated and made more widely available. Organizations such as Enterprise Foundation and the Local Initiatives Support Corporation (LISC) have undertaken collecting and disseminating such information in the past.

"We should assume that the ultimate factor for decision-making in development is profit, or getting projects done as fast and cheaply as possible. Rather than traditional "cost-benefit analysis"—or analysis with a narrow focus on the environment that can lead to greenwashing or green gentrification—we need to insist that projects be evaluated using a shared definition of sustainability that centers the impact on those on the frontlines of injustice."

-NAACP's Guidelines for Equitable Community Involvement in Building & Development Projects and Policies

THEME 2

MITIGATE RISK

STRATEGY 2.2: RISK PREMIUM

Financial institutions and other potential investors should work to eliminate or ameliorate penalties or required higher rates of return because of assumed risk associated with investment in certain communities, particularly when it is shown that risk does not exist or is not as extreme as assumed.

TACTIC 2.2.1: DOCUMENT LOAN PAYBACK FROM PROJECTS IN PERCEIVED "RISKY" PROJECTS/COMMUNITIES

Similarly to the previous tactic, ULI-LA should create a searchable database documenting actual situations or conditions that result in higher risks in underserved communities, either from higher costs or lower potential revenues, as well as means for mitigating them. Potential examples of added cost of doing development in underserved communities may include higher costs of site assemblage, site clearance, relocation, and additional costs of working in a more constrained physical environment such as traffic delays on delivery of materials or less convenient layup and staging. Potential revenue risks may look at different levels of economic volatility across neighborhoods. To the extent these are real, they should be documentable and worked into a project pro forma and financing. To the extent they are cited as an excuse, real data should help clarify the situations.

> ***You have to make sure your strengths are clear on paper...(to bring a lender to the table) ...make sure your "story" makes sense. They need to have a why.***
> *-paraphrased from interviewee*

THEME 2

MITIGATE RISK

STRATEGY 2.3 FUND GUARANTEES FOR CERTAIN DEVELOPMENT

Governments or philanthropic institutions can guarantee bank loans; such risk reduction should be met by both greater willingness to lend and/or lower interest rates from banks for investments in underserved communities. When documentation is available to demonstrate that such loans have comparable payback rates to traditional bank loans, guarantors will note that the likelihood of having a loan guarantee called is small to nonexistent.

TACTIC 2.3.1 DIRECT FINANCIAL ASSISTANCE

Direct financial assistance has been the mainstay of primarily governmental intervention to support developments of specific types (such as affordable housing) or in specific locations (blighted neighborhoods through redevelopment programs). These programs can help to reduce actual or perceived investment risk in a community. This can generate several beneficial aspects, from increases in educational outcomes and community involvement in a neighborhood, to financial stability and wealth creation that allow individuals to invest in said community. Funds for climate and infrastructure are often applicable for development in underserved markets Some of the more common forms follow.

- *Rental and home ownership assistance*
- *Silent second mortgages*
- *Land trusts*
- *Forgivable loans*

2.3.1.1 RESIDENTIAL AND HOME OWNERSHIP ASSISTANCE

Down payment assistance (loan or grant) for first time home buyers: Increasing home ownership is a way of stabilizing a community's residents, as it removes the threats of displacement from rent increases beyond a household's means, reduces housing turnover, increases student stability by reducing changing schools, enhancing educational success, and can help a household to begin to build intergenerational wealth. This is a mechanism to make home ownership more accessible to lower income households but may also require some ongoing assistance if monthly mortgage rates and property maintenance costs are beyond their ability to pay.

> **"White buyers accounted for 88 percent of home sales ... reaching the highest level in 25 years"**
>
> -National Association of Realtors Profile of Buyers and Sellers 2022

Silent second mortgages increase affordability. Whether a household can amass a down payment on its own or needs assistance (see above), housing prices in most neighborhoods are beyond many lower income households' ability to pay. The household gets a conventional mortgage for the amount they can afford and a governmental or institutional lender issues a second mortgage for the balance of the price. Payment on the second mortgage is deferred until the first is paid down or household income rises to enable the household to start paying. In some programs, if the household remains in the unit for a specified period of time (as in beyond paying down the first mortgage), some or all of the second mortgage may be written down or forgiven. If the household sells before the second mortgage is paid off, there may be a sharing of appreciation (so that the household does not lose the benefit of home ownership reflected in real estate appreciation) or, if the unit is sold to a qualifying lower income buyer, the second may be transferred to the new owner.

Land trusts remove land cost from unit cost, thus reducing housing prices. Land trusts are non-profit entities that acquire and develop property for housing for low to moderate income households. Title to the land remains in the trust and the home is "sold" to an owner, exclusive of the portion of the price attributable to the land – in effect this is similar to a ground lease of the site with a de minimus lease rate (perhaps $1.00 per year). While most ground leases are for 50, 75, or 99 years from first action on the site, a non-profit or institutional owner can effectively create a new lease with each unit at resale, thus the issue of uncertainty on ground leased property with private owners when the lease term is near its end is avoided.

Forgivable loans by traditional lending institutions and others are used to assist home ownership affordability. These are, as their name implies, loans that have performance requirements – such as maintaining a unit, performing "sweat equity" participation in construction, or remaining on

THEME 2 MITIGATE RISK

> **"Across California, more than a third of residents are living in or near poverty. This group is disproportionately comprised of people of color, with 21.4 percent of Latinx residents and 17.4 percent of Black residents living in poverty. Comparatively, just 12.1 percent of white Californians live at or below the poverty line."**
>
> -Improving Subcontractor Diversity in California's Affordable Housing Development, Tunua Thrash-Ntuk, Senior Executive Director LISC LA

site for a minimum specified period of time. If the performance requirements are met, some or all of the loan converts to a grant. Forgivable loans can be made to individuals or to developers of publicly beneficial uses such as affordable housing and may be coterminous with housing price restriction covenants. The primary benefit to the lender is more control on performance and maintenance of the asset during the term of the loan than would be the case if the financing were an outright grant at the outset.

2.3.1.2 BUSINESS ASSISTANCE

Operating subsidies, startup and inventory loans and advances assist new and small businesses. Especially for new businesses (including those being opened for the first time by locally based and community based entrepreneurs, and those being opened in emerging communities), there may be a need for both initial and (at least for some period of time while a consumer base is being developed) operating subsidies. Small "microloans" for initial costs, which may include permit fees, deposits with landlords or utilities to install service, equipment acquisition and for inventory to have on hand once customers begin to shop may be needed and appropriate. For businesses opening in communities where there is not a consumer base track record, ongoing operating subsidies may be needed for an adjustment period. Such are not likely to come from traditional lending sources, so governmental and philanthropic sources may need to step up. Bank loans guaranteed by these sources may induce banks to participate since the risk is being taken by the guarantors.

STRATEGY 2.4 INDIRECT FINANCIAL ASSISTANCE

Indirect financial assistance refers to tools and mechanisms such as subsidies, bonuses, and writedowns, and are primarily in the realm of public and institutional/ philanthropic entities.

TACTIC 2.4.1 DEVELOPMENT BONUSES

Development bonuses occur by way of public entities which can approve an increase in total residential volume on a site in exchange, for example, for setting aside a specific number of units at designated affordable levels. The calculations are normally spelled out in codes but are based on an analysis of how many additional market rate units in a development will cover the revenue shortfall from restricting the sale or rental price of some number of units, and may vary with level of affordability. The goal is to have the cost of the affordable units covered by the addition of market rate units, so that no additional cash is needed to facilitate the provision of the affordable units. Development bonuses can also be used to induce a developer to create space for community needed uses such as food markets or community rooms, by providing offsetting density or development capacity for the space dedicated to the targeted uses.

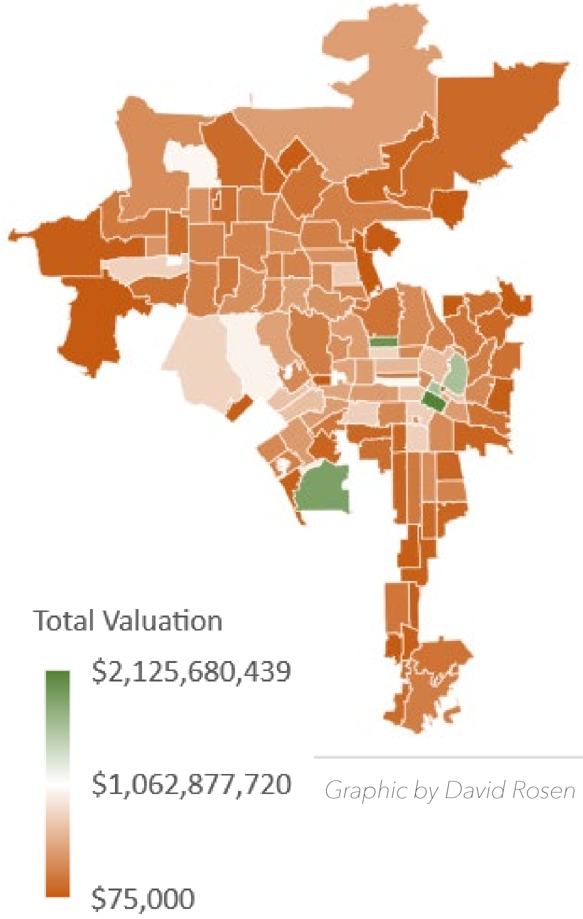
TACTIC 2.4.2 LAND WRITEDOWN

Land is made available to a developer of a community beneficial development at a reduced price. Traditionally, governments would buy land at fair market value and then sell or lease the land at "reuse value," that is, the value that the intended development – usually restricted such as for affordable housing, community based shopping or health-based uses – imputes to the land.

A variant on this is where a major land owner, such as a large faith-based institution, institution of higher education or government has excess land on which such uses could be put without interference with the primary activity of the underlying owner. From the perspective of the owning institution, the land cost is already "sunk" so there is no loss; there is the potential that a profitable use could have instead been sought but the community value is given higher priority.

THEME 2 MITIGATE RISK

LOS ANGELES
TOTAL PERMIT VALUATION
(2010-2022)



Graphic by David Rosen

For private landowners, setting aside land for such uses might make them eligible for charitable deductions or for beneficial taxation if uses meet certain public purposes; in California, preferable tax benefits come from preserving historic structures, including those that are repositioned for new uses, or preservation/conservation of open space.

An option being explored by owners of shopping malls and centers is to reduce the amount of land set aside for surface parking, either shifting it into structures, or simply reducing the number of spaces (consistent with local code requirements), and making the freed up land available for development. Depending on the community, there may be demand for uses that would be able to pay market value to use this land, or it could be set aside for beneficial uses such as unmet consumer needs or affordable housing.

Placing housing on some of these lands has an added benefit of increasing a pool of potential shoppers/consumers to patronize the shopping center. The owner of the project can also divide the uses of the land, donating part of the freed up land for uses that require below-market costs, and collecting tax benefits, while retaining the remainder of the project for market-rate uses.

Many jurisdictions, including the City of Los Angeles, are reducing parking requirements for development, especially for mixed-income housing in mixed-use developments proximate to transit. Developers and owners of existing shopping malls and other development sites with large parking lots should also be looking to take advantage of new parking standards by either reducing the amounts of parking provided or consolidating parking into structures. Where this land is used for community beneficial purposes such as affordable housing,retroactive parking reductions for other uses on the site could be offered to such property owners, or such other options as bonus density to accommodate new development.

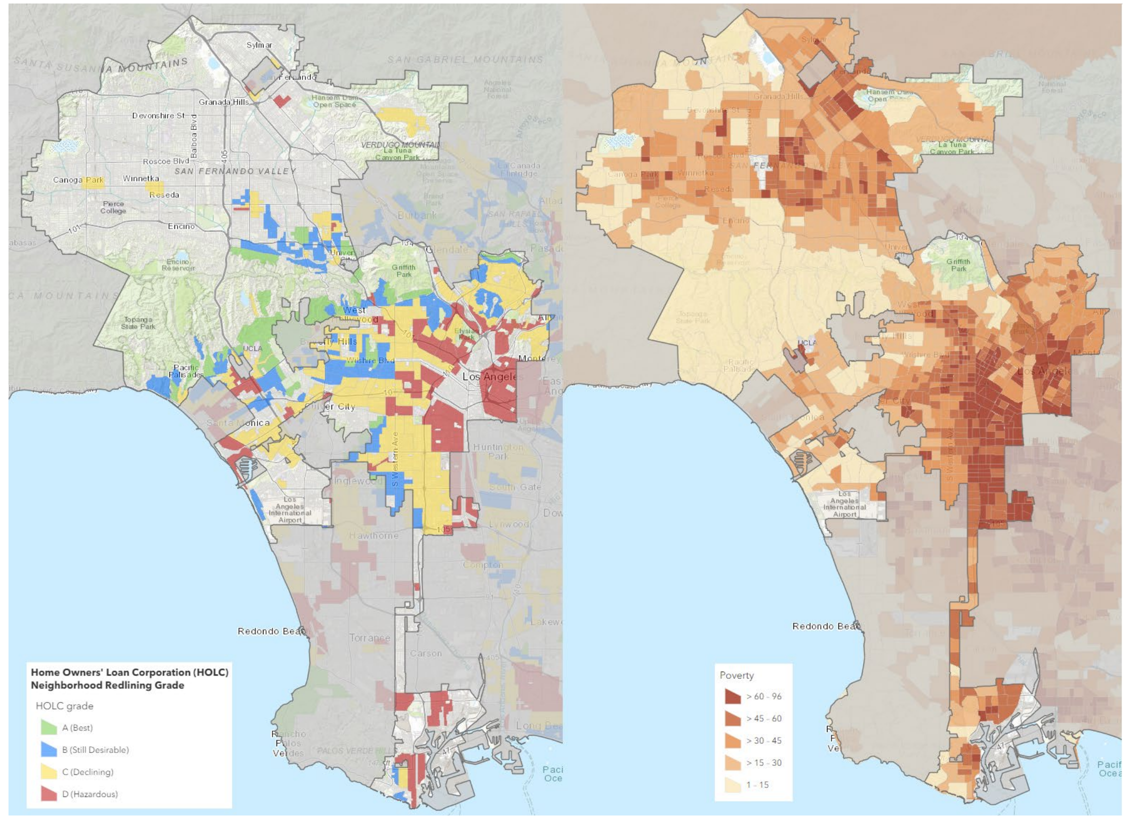
THEME 2 MITIGATE RISK

STRATEGY 2.5 REASSESS AND REVISE INVESTMENT CRITERIA

Banks and other prospective investors should reassess tools and criteria for making investment decisions. Traditional analysis and criteria used by banks and prospective investors result in negative funding decisions that do not correctly assess the demand and risk for a project in a typically underserved community.

TACTIC 2.5.1 INCREASE SUITE OF ANALYTIC TOOLS OF ASSESSMENT

Traditional tools for analysis do not accurately capture opportunity and overlook demand and untapped consumer dollars that may not show up in individual household income statistics but do show up when looking at housing density and overall population, as well as the lack of competition present in these underserved communities.



Source: Racial Disparities in Mortgage Lending in Los Angeles; Toure Higareda, Salome; July 26, 2022

THEME 3 IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

STRATEGY 3.1: INCREASE LOCAL INVESTMENT BY "BIG BANKS"

"Big Banks'" investments in communities should proportionally reflect the local deposits received in these communities, and demonstrate responsibility toward a community's need for investment.

> ***"Because communities of color often have higher-cost debt and higher debt-to-income ratios, they are more likely to be denied credit and their ability to build assets is limited. Although, research has shown that when blacks have similar credits scores as whites, they are still more likely to be denied credit."***
>
> *- Federal Reserve Bank of San Francisco The Color of Wealth in Los Angeles A Joint Publication of Duke University, The New School, the University of California, Los Angeles, and the Insight Center for Community Economic Development, Melany De La Cruz-Viesca, Zhenxiang Chen, Paul M. Ong, Darrick Hamilton,William A. Darity Jr.*

TACTIC 3.1.1 ROBUST COMMUNITY INVESTMENTS

In exchange for governments and major institutions placing deposits with banks, banks should be required to make a minimum investment in targeted communities.

TACTIC 3.1.2 EXPAND COMMUNITY REINVESTMENT

Banks can and should exceed the current Community Reinvestment Act requirements. Government can strengthen the Community Reinvestment Act requirements. Additional banks can create and fund community bank divisions, which several large banks have done to focus staff who have the greatest understanding of community based development. Banks can be educated on community needs for investment, and identify measures that demonstrate value added to the bank by doing so. The value added can be in the form of, for example, improved reputation, or willingness of socially minded investors to do business with such banks.

Other banking practices or regulations such as those on prudent investment are constraints on investing in underserved communities can be examined for potential constraints they impose on bank investing.

THEME 3 IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

"To work effectively on racial equity, it is critical to first understand the historic role that real estate practices played in creating and perpetuating racial injustice with many people of color still experiencing the impacts today."

-10 Principles for Embedding Racial Equity in Real Estate Development, ULI 2022

TACTIC 3.1.3 TRANSPARENCY

If lending institutions could collaborate and share best practices, this might help break down impediments to lending. Transparency around lending criteria, collaboration between lending entities, education and communication with the developer/community could be a win-win approach for all parties involved. The biggest gaps identified by the research are education (lending entities need to better understand underserved communities seeking funds) and access to those funds needs to be made more transparent (developers not having access to capital). Both are cause and effect to the larger problem of inequity and so the traditional cycle continues with no change to the status quo. Change cannot happen in a vacuum. There needs to be an all hands on deck approach (a more streamlined approach to lending) based on transparency, communication, and education.

TACTIC 3.1.4 COMMUNITY BENEFITS AGREEMENTS

Ensure banks execute on the Community Benefits Agreements signed during acquisition and/or merger process. Community benefit agreements, signed between developers and government or community based organizations, identify actions and programs such as local hiring or a public amenity to be implemented by the developer in exchange for public/community support. These agreements provide remedies for inequitable practices.

THEME 3 IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

STRATEGY 3.2 EXPAND ROLE FOR COMMUNITY BANKS

Large national banks often find it inconvenient and inefficient to consider and directly finance relatively small projects, the scale typical of many community based developments. While some banks have created community banking divisions as one approach to rectifying this, smaller local and regional banks are often overlooked for their potential to engage in community based lending. Governments and philanthropic institutions could assist such banks by being sure they have the technical capabilities to make such investments, and further encourage them by their own practices for who handles their deposits.

TACTIC 3.2.1 SUPPORT SECOND TIER BANKS

Second tier banks should be supported by governments and major non-profit and philanthropic institutions by placing their deposits with such banks, in exchange for them furthering lending in local communities of need. Formation or strengthening of minority banks should be supported by the government and the philanthropic community.

TACTIC 3.2.2 LENDING INSTITUTION AND DEVELOPER PARTNERSHIPS/ULI CONVENINGS

ULI-LA should convene workshops between lending institutions and locally based developers to introduce them and facilitate communication, similar in format to Urban Marketplace. ULI-LA should also make available to such banks its case study repository of successful local community development projects.

THEME 3

IMPROVE AND ENSURE INVESTMENT BY TRADITIONAL FINANCIAL INSTITUTIONS

STRATEGY 3.3 EXPAND ROLE AND FUNDING FOR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)

Community Development Financial Institutions are non-government entities created with a primary mission of promoting community development in targeted communities, primarily communities of low income and of color, where traditional investment has fallen short. In addition to being channels for financial assistance to projects and to primarily locally-based development entities such as community development corporations, community economic development corporations and organizations that specialize in fostering affordable housing, CDFIs often engage in community education and the provision of services such as assisting local developers with funding applications. Often banks and other lending institutions prefer to channel their resources through CDFIs rather than making loans or grants directly.

TACTIC 3.3.1 ASSIST IN THE FORMATION AND STRENGTHEN THE SKILL SETS OF CDFIS

While several well established CDFIs exist, there are communities that could benefit from more locally targeted institutions, and some of the smaller CDFIs could benefit from skill building. ULI-LA should assist in fostering more established CDFIs to help form and mentor CDFIs in communities where the demand for additional assistance is needed.

TACTIC 3.3.2 EXPAND CDFI FUNDING FROM TRADITIONAL AND NON-TRADITIONAL FUNDING SOURCES

Banks, impact investors, and others who have financing capacity should be urged to increase the funding they provide to both established and new CDFIs as an efficient way of directing resources to communities of need.

"Deals are the building blocks of community investment. Investable deals enable communities to accomplish their priorities...Deals do not take place in a vacuum. Deals are the outputs produced by the way the community investment system functions...The conditions of the local community investment system can make deals easier or more difficult, which in turn affects the community's progress toward its priorities. Deals, in turn, can provide a lens for identifying improvements to the community investment system that will facilitate more and better deals to help communities achieve those priorities."

-Deals as System Events, Center for Community Investment at Lincoln Institute of Land Policy

THEME 4

INCREASE INNOVATIVE LENDING

STRATEGY 4.1 ALTERNATIVE ANALYTICS FOR TRADITIONAL AND/OR INNOVATIVE LENDERS

Traditionally, investment decisions have been made based on relatively standard analytical procedures: measuring market demand, looking at community spending power, doing due diligence on sites, and compiling pro forma documents that examine hard costs (land, materials, labor), "soft" costs (design, permitting, engineering, construction management, etc.), financing costs (probable sources, amounts likely to be financed based on anticipated rent or sale prices), assumptions about risk factors (approval and entitlement uncertainty, market acceptance, changes in the larger economy, unexpected competitive projects entering the pipeline), expected profit and return, with calculations that include a return on investment (ROI) for the project.

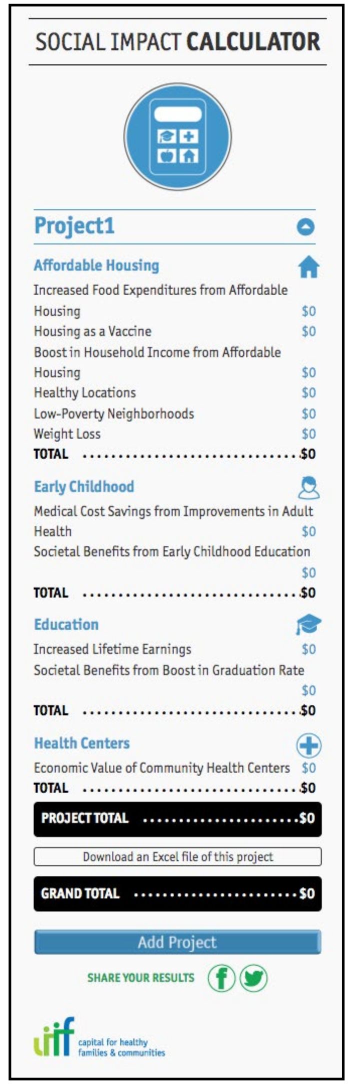
Between known funders and established developers, most of these parameters are well established and the calculations straightforward. When dealing with other developers , and with developments in geographies where the lender community is unaccustomed to operating, the risk analysis may build in "cushions" that result in worthy projects not being funded. Different ways of looking at projects and project proponents need to be developed. Mechanisms need to be developed to calculate or quantify community benefits and expanded business opportunities that accrue to the neighborhood, to community members in terms of added stability and probable spending power, and to the developer by virtue of increased land and building value resulting from increased community stability and wealth.

Some of these measures are being developed by institutions that support or foster community based investment, and are being put forward as other ways to analyze projects.

TACTIC 4.1.1 FINANCIAL ANALYSIS SHOULD INCLUDE DEVELOPERS' TRACK RECORD

Utilize track record (traditionally used with "seasoned" developers) vs balance sheet or comprehensive assets that show developer strength and likely ability to complete projects and repay loans. This can allow smaller developers with a track record of completing successful developments in underserved communities to access more financing, and allow them to make a larger impact on the communities.

THEME 4 INCREASE INNOVATIVE LENDING



TACTIC 4.1.2 DOCUMENT MEASURABLE SOCIAL EQUITY BENEFITS FROM THE COMMUNITY POINT OF VIEW

From the community side, quantify factors to document the value of investment. A clear purpose of fostering investment in underserved communities is to improve the quality of life for those living and working in those communities and to address historic issues of environmental and social justice. To 'make the case,' and provide replicable examples of what's possible, developers and investors should document measurable benefits. While some benefits are largely qualitative, it is important to quantify improvements that can result in positive outcomes which can translate over the long term to improved economic stability - direct and indirect. This quantification can also help rank or prioritize investments for potential investors document the benefits of those investments. The following data points should be captured:

- *Population served, in numbers, and broken down by various income categories*
- *Location*
- *Amount of other development that has recently occurred or is in a pipeline*

Metrics to quantify benefits to the community may include:

- *Increased housing stability as measured by reduced turnover*
- *Amount of affordable housing created or saved*
- *Expansion in home ownership*
- *Reduction in number of rent- or otherwise price-burdened households*
- *Reduction in income-induced housing overcrowding*
- *Number of local entrepreneurs able to establish new businesses*
- *Numbers of jobs created (temporary and permanent)*
- *Changes in household and community income and spending power*
- *Reduction in crime*

THEME 4 INCREASE INNOVATIVE LENDING

TACTIC 4.1.3 DOCUMENT MEASURABLE COMMUNITY BENEFITS FROM THE DEVELOPER POINT OF VIEW

It is important to document benefits of investment in underserved communities that accrue to the developer or investor. These go beyond the items that are incorporated into a traditional project pro forma, but represent value that is often overlooked. Such measures include:

- *Project quality as measured by valuation, either in assessment or by appraisal*
- *Rapidity of lease-up, ability to achieve projected market rents*
- *Catalytic impact: other investors drawn to invest in the community (which, over time, should also contribute to increased property values)*
- *Expanded opportunity for the developer to successfully get additional projects in affected communities (additional profit opportunities)*
- *Improved relations with community resulting in community support rather than opposition (more development approval certainty)*
- *Opportunity to attract tenants based on diversity of retail/consumer service options available. One example of retail opportunity is the need for residents of underserved communities to have access to fresh and healthy foods but also culturally appropriate food and other goods. This expands the base of potential types of merchandise that can be supplied and may also attract visitors and shoppers looking for this cultural heritage market option.*

STRATEGY 4.2 AFFORDABLE HOUSING FINANCING

The most serious barriers to the development of adequate amounts of affordable housing – at a range of levels of affordability – are that, with current development costs, affordable housing does not "pencil" without subsidies, and the processes a developer needs to go through to obtain public financial assistance is complex, duplicative, and uncertain. The following are tactics geared at overcoming these barriers and streamlining the creation of affordable housing.

TACTIC 4.2.1 SEEK AND CREATE ALTERNATIVE AFFORDABLE HOUSING FUNDING

Federal Low Income Housing Tax Credits (LIHTC) should not be the backbone of affordable projects, as many developers report there is too much red tape and insufficient funding available to meet supply needs. This is partly because there are state caps on how many tax credits can be offered and thus the process is highly competitive (projects may wait several years for a tax credit allocation and carrying costs accrue in the meantime). In addition, the 2017 tax act by reducing corporate tax rates also reduced the value of tax credits. Finally, the application process is lengthy and complicated as capital assembly is from multiple sources with different requirements, different approval cycles, for example, and drive higher costs and cause delays.

While for some projects LIHTC will continue to be one of many funding sources, in many cases a more effective means of financing should include one or more of the following steps:

- *Create locally based housing funds by set-aside of general funds or targeted developer fees from other projects.*
- *Work with state and federal officials to create a simpler, all source application process rather than a separate application format, schedule and procedure for each potential funding stream.*
- *Explore alternate tax credits, such as a tax abatement, and other incentives to encourage private investment in affordable housing.*
- *Explore benefits similar to the Opportunity Zone that streamline requirements.*
- *Expand housing bonus programs that increase allowable total units on a site in exchange for providing some number of affordable units.*
- *Simplify and expand opportunities to use public land for affordable housing with substantially reduced or waived land payment by developers.*

Southgate, Ja'rie Gray for LA METRO

- *Explore housing linkage – development in certain high demand areas coupled with investment in development in underserved communities (not limited to affordable housing).*
    - *Seek to have projects with at least a specified number or proportion of affordable housing units to be exempted from discretionary approval processes.*
    - *Include bonus units as "by right" density under zoning.*
    - *Increase point at which projects become, because of size or scale, subject to site plan or design review; many projects are undersized relative to the capacity of their sites to avoid such discretionary review.*
    - *Increase scope of housing design options including allowing more than one unit on currently single-family parcels as now allowed in California via SB 9, adopted in the 2021-2022 legislative session.*
    - *Rezone single family parcels in areas with available infrastructure and transportation access to multi-family.*
    - *Acknowledge that many public funding sources have labor wage scales attached to them that increase the cost of housing production. These include prevailing wage requirements and project labor agreements under which labor rates are higher for projects above a certain scale (number or units or actual stories). Conversations should be undertaken with labor unions, government officials and others to explore when, under what conditions, and by how much, labor rates can be varied to facilitate housing affordability while acknowledging that labor is entitled to a fair, decent, and dignified level of compensation.*

THEME 4 INCREASE INNOVATIVE LENDING

STRATEGY 4.3 HEALTH ANCHORS AS DEVELOPERS OR DEVELOPMENT PARTNERS

Health anchors are institutions including hospitals, medical research centers and other medical entities that provide direct or indirect health services. Often these are large institutions that are also significant employers in their communities as well as consumers of numerous goods and services. Many are also physically located in or near underserved and low income communities and communities of color, but historically (other than the provision of emergency care) have had little in the way of organized relationships to those communities.

As the health sector itself is reorienting from a focus on treatment of illnesses to prevention, and as the sector becomes more aware of the connections of one's local environment to health outcomes, the role of such anchors is evolving. The sector is starting to view itself as a leader in addressing environmental and social issues that adversely affect health, both in terms of advanced research and in terms of concrete actions that can be taken to benefit communities.

Some health anchor institutions are beginning to invest, directly or indirectly, in the development of decent, safe, sanitary and affordable housing and community serving commercial development. More can be done to improve the economics of a community, and some institutions are now directing their procurement of goods and services to businesses located in these communities – many of which also employ local residents, so that more procurement directed to these communities has a direct impact on community earnings. A step being taken beyond focusing on procurement is actively seeking to create or acquire local businesses and organizing them as locally employee owned businesses, so that the workers not only derive wage income but share in the increased value of the businesses, thus being able to start to build individual wealth through the ownership of a business enterprise.

TACTIC 4.3.1 PROMOTE THE DELIVERY OF HEALTH SERVICES THROUGH EXPANDED COMMUNITY HEALTH FACILITIES

More robust local health facilities are a form of development that can improve a community's social equity. As an example, Kaiser Permanente in Southern California completed a large multi-service health facility in the Crenshaw District of South Los Angeles and is completing a similar facility in Watts. By bringing services into the community the travel barrier of access to health care is reduced and dependence on emergency rooms – one of the most expensive ways to deliver health care – is moderated.

THEME 4 INCREASE INNOVATIVE LENDING

"Like many health systems, the social determinants of health (and housing in particular) have risen to the top of our concerns in terms of population and community health, as well as corporate and social responsibility. We continue to develop a strategic approach that maximizes our unique position as an integrated delivery and finance system."

– a health administrator, quoted in Affordable Housing Investment: A Guide for Nonprofit Hospitals and Health Systems produced by The Urban Institute, 2019

TACTIC 4.3.2 DIRECTLY INVEST IN MIXED USE DEVELOPMENT THAT INCLUDES AFFORDABLE HOUSING

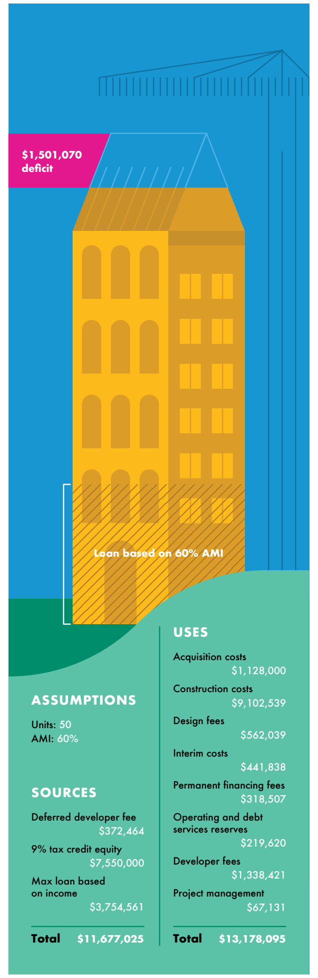
Many not-for-profit hospital systems are part of organizations that also include affordable housing development entities. Dignity Health, for example, has an associated affordable housing development unit (Mercy Housing). Underused portions of hospital campuses can be made available for on-site development of affordable housing; since the property is already owned, the land cost is already accounted for and need not burden the development cost in a project pro forma. In other cases, hospital systems can invest as one of several funding sources to assist affordable housing developers, with or without taking an ownership interest in the development.

TACTIC 4.3.3 INVEST IN PURCHASING OR CREATING LOCAL BUSINESSES AND CONVERTING THEM TO COMMUNITY EMPLOYEE OWNED BUSINESSES

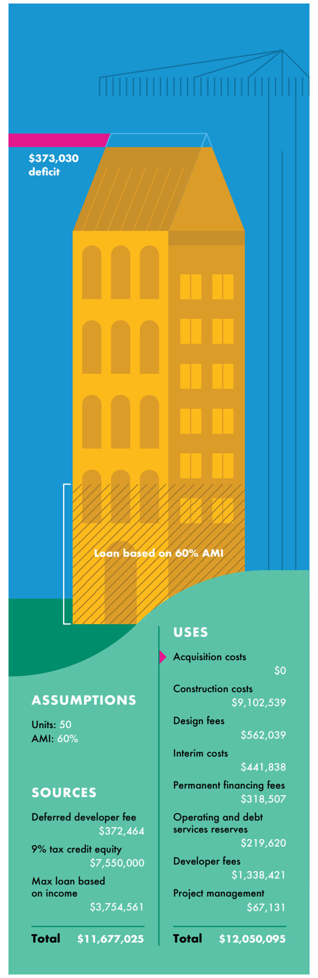
This approach, spearheaded by the Cleveland Clinic and associated entities in Cleveland, OH, redirected much of the institutional procurement to businesses located in their environs, which also employed a substantial number of community residents, making those businesses an important part of the local economy. By slowly acquiring those businesses and reconstituting them as employee-owned, local residents and employees are able to start to build wealth through their collective business ownership, often then enabling them to consider becoming homeowners as well, another way through which households could be put on a path toward building familial wealth. In those cases to date where local businesses have been acquired, the institutions provided seed money for the acquisition and worked with (often aging "baby-boomer") owners contemplating retirement on a voluntary business transfer.

THEME 4 INCREASE INNOVATIVE LENDING

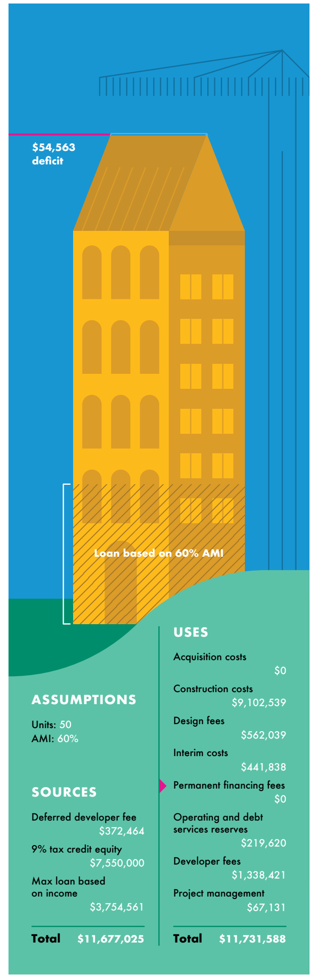
Healthy Homes with No Hospital Investment



Healthy Homes with Hospital-Provided Land



Healthy Homes with Hospital-Provided Land and Low-Interest Loans



Affordable Housing Investment

A Guide for Nonprofit Hospitals and Health Systems, Urban Institute, Kathryn Reynolds, Eva H. Allen, Martha Fedorowicz, and Joycelyn Ovalle

THEME 5 GOVERNANCE

STRATEGY 5.1: AMEND ZONING TO ENCOURAGE AFFORDABLE HOUSING

Cities should review zoning in underserved communities to explore, identify and eliminate code requirements that make investment difficult, therefore creating financial or political barriers to development. Recent state law changes are good modifications and begin to authorize some changes.

SB 6: 2021-2022: Local planning: housing: commercial zones.
The Middle Class Housing Act of 2022 would deem a housing development project, as defined, an allowable use on a parcel that is within a zone where office, retail, or parking are a principally permitted use, if specified conditions are met, including requirements relating to density, site location and size, consistency with community strategy or alternative plans, prevailing wage, and a skilled and trained workforce. Chaptered as an amendment to Section 65913.4 of, and an addition to and repeal of Section 65852.24 of, the California Government Code.

SB 9: 2021-2022: Housing development: approvals.
The Planning and Zoning Law would require a proposed housing development containing no more than two residential units via the development of an ADU within a single-family residential zone to be considered ministerially if the proposed development meets certain requirements, including, that the proposed housing development would not require demolition or alteration of housing that is subject to a recorded restriction of rents based on affordability, that the proposed development does not demolish more than 25% of the existing exterior structural walls, and that the development is not located within a state, city, or county historic district, and is not included on the State Historic Resources Inventory. Chaptered as an amendment to Section 66452.6 of, and the addition of Sections 65852.21 and 66411.7 to, the Government Code.

SB 10: 2021-2022: Planning and zoning: housing development: density.
This bill would, notwithstanding any local restrictions on adopting zoning ordinances, authorize a local government until January 1, 2029 to adopt an ordinance to zone any parcel for up to 10 units of residential density per parcel, if the parcel is located in a transit-rich area or an urban infill site. The bill would specify that an ordinance or General Plan amendment adopted under these provisions is not a project for purposes of the California Environmental Quality Act. Chaptered as Section 65913.5 of the Government Code.

THEME 5 GOVERNANCE

> ***Real delays from bureaucracy – DBS, inspectors, code interpretations, unnecessary reports and discretionary approvals - are not rarities, but the norm. This is an equally significant barrier to risk and finance when it comes to making social investments feasible.***
>
> *– Paraphrased from interviewee*

TACTIC 5.1.1 REVISE ZONING REGULATIONS TO DO THE FOLLOWING:

- *Reduce or eliminate on site parking requirements in areas served by transit.*
- *Increase allowable lot coverage.*
- *Expand allowable mixes of uses, including more variety of housing types and certain compatible non-housing uses.*
- *Provide bonus density for community needs such as affordable housing or space to accommodate food markets.*
- *Expand allowances for community gardens and urban agriculture.*
- *Simplify ability to divide a larger single family unit into a duplex or triplex as well as add an accessory dwelling unit.*
- *Pursue implementation of SB 9 by allowing single family lots to be divided into at least two lots and allowing two (or more) units on each lot, including both primary and accessory units.*
- *Explore alternative housing models including vertical or horizontal duplexes, triplexes, quadriplexes, bungalow courts, small lot subdivisions, traditional low rise garden apartment complexes, townhouses, zero lot line homes, co-housing and other non-traditional residential development.*

THEME 5 GOVERNANCE

STRATEGY 5.2: CERTAINTY AROUND CITY APPROVALS

Developers seek certainty on the timeline and outcome of governmental approvals and a limit to the internal conflicts in the process. Delays from bureaucracy are a significant barrier to risk and finance when it comes to making social investments feasible with a direct impact on the bottom line and developers' willingness to do business.

TACTIC 5.2.1 STREAMLINE ENTITLEMENTS AND PERMIT PROCESSING

City and County planning departments need to incentivize mechanisms on priority projects to include permit processing and case management (concierge) staff assistance through entitlement and in resolving conflicts in departmental recommendations for off site work. Potential areas of concern include:

- *Clear applications and entitlements; fixed maximum time to approve an application once deemed complete and accepted for processing (a project can be deemed approved if not otherwise acted on in the time period in most cases).*
- *City or County provide resources that support needed development (i.e. appropriate staffing), a sense of urgency.*
- *Create a streamlined process to pursue vouchers, funding sources, especially in smaller municipalities.*
- *Align regulations requiring review with the site capacity for example, triggers for design and site plan review*
- *Make more projects ministerial ("by right") rather than discretionary.*
- *Increase the scale of projects exempted from site plan review; perhaps any project that (including bonuses) is allowed by zoning on a parcel should not have to undergo site plan review.*
- *Resolve conflicts in various agency regulations, for example, housing near transportation and housing near contaminated air.*

STRATEGY 5.3: REGULATORY CLARITY

Each agency has its own agenda without any method of communication or education about their process. A marketplace of sorts, to help educate and bridge gaps would start to clarify regulations. Standardizing local approval processes in regions of the state, for example across all jurisdictions in a Council of Governments area such as SCAG, would help developers and investors, including community-based developers, in being able to work in more jurisdictions. At a minimum, governmental entities should create and publish easy-to-read guides for developers on their code requirements and approval processes.

Freedom Plaza, Watts, Primestor Development

STRATEGY 5.4: LAND USE

Amend dated and rigid current thinking on land use and density as well as traditional practices of land use. Incorporate sustainable and community friendly land and parcelization requirements and store layout templates used/established by retailers and developers and seek ways to assure appropriate parcelization (size and shape). Explore more ability to develop mixed use structures where land use designations do not permit them.

TACTIC 5.4.1 MIXED USE DEVELOPMENT

Communicate best practices for a mix of uses and small - scale neighborhood uses to developers, creating development that is more successful and sustainable over the long-term, strengthening the viability of a community. Expand consideration and use of alternative forms of zoning such as form-based or performance-based zoning rather than traditional single-use Euclidean zones.

In jurisdictions where commercially designated areas do not allow residential use, consider modifying the plans to incorporate mixed residential and non-residential options. Similarly, in areas designated exclusively for residential use, explore allowing local serving commercial uses to both expand access to such uses and reduce the need for consumers to drive to access food markets, drug stores and other common services.

> ***"Racial Equity is a process that addresses racial inequity. Most often, racial inequity is assumed not to derive from individual or personal prejudice or deficiency. Rather, it is produced and reproduced through structures, systems and institutions, thus requiring processes that transform those structures, systems and institutions to advance racial equity."***
>
> *Source: Prosperity Now*

CASE STUDY: Jordan Downs Freedom Plaza

Freedom Plaza, Watts, Primestor Development

Project Description

Location:	South Central Los Angeles
Size:	115,000 SF on 9.39 acres
Types of uses:	Retail/Restaurants, Parking, Public Art
Number of buildings:	8
Special features:	• Mixed-Use Retail center with shops, • Grocery store, gym and restaurants

Jordan Downs Freedom Plaza serves as the retail component of the Jordan Downs Revitalization Project, a mixed-use community. Its central parking and shops which include a full service grocery store and fitness center, bordered by two major thoroughfares, make it a retail, dining and events commercial hub. Its public art piece includes an interactive water feature.

Impact on Social Equity

- Represents revitalization of a public housing development
- Improves socio-economic quality of Watt's diverse community adding new employment opportunities
- The open air retail center incorporates sustainable design and materials and drought tolerant landscaping
- Includes the "Voice of the Neighborhood" , an interactive installation as part of the required art contribution
- Includes over 500 feet of retail frontage along Alameda Street with visible access to the greater community

Results and Lessons Learned

- Maximizes energy efficiency through enhanced solar features
- Project team worked with the City of LA to integrate art with the built environment rather than as a separate post construction budget item
- Inclusion of a full service grocery store and gym, contributes to health and wellness opportunities within the community

Freedom Plaza, Watts, Primestor Development

Financials

Construction Cost:

Hard Costs: **$36.5M**

Soft Costs: **$10.1M**

Financial Partners:

New Market Tax Credit-Community Development Entities (NMTC-CDEs):

- Chase New Markets Corporation
- Genesis LA CDE, LLC
- LADF Management, Inc.
- California Statewide Communities Development Corporation

Public Entities:

- HACLA

Private Entities:

- Federal Realty Investment Trust (FRT)
- Primestor

Contributions not by Developer:

- Construction cost for off-site improvements
- Design and construction costs for grading
- Site development and shell construction of North and South parcel buildings (except Pad 1)
- Budget assumes monetary contributions for developer's share of Century Building and B-Permit

ROI expected/timeframe:

- Private investment was able to achieve market rate of returns

Development Team

Team Lead: Housing Authority of the City of Los Angeles (HACLA)

Developer: Primestor Development Inc.

Design Team:

- Project Architect: Nadel Architecture + Planning
- Landscape Architect: Fong Hart Schneider Partners
- Public Art/Water Feature Design-Builder: Outside the Lines (OTL)
- General Contractor: VCC
- Civil Engineer: Fuscoe Engineering
- Land Use Entitlements: QES Incorporated
- Community Engagement: Primestor
- Sustainability/Environmental Health & Safety: EFI Global

CASE STUDY: Vermont Manchester (Evermont)

Site Photo: Primestor Development Inc.

Project Description

Location:	South Los Angeles
Size:	65,480 SF (160,000 SF total development)
Types of uses:	Retail, Parking, Public Plaza, Public Art, Transit Plaza/Metro Training Facility
Special features:	• Phase I SEED-LA college prep charter boarding school • Phase II mixed use with 180 affordable housing units (118 apartments, 61 1-bedroom senior supportive housing) • 50,000 SF commercial/retail anchored by Target • 15,000 SF office and training facilities • 4.2 acre public plaza Transit hub • Parking structure

Located at the Northeast corner of Vermont and Manchester Avenues, Evermont is a mixed-use, 180 unit affordable housing development inclusive of 4.2 acres of urban infill land, a grocery and retail stores, a SEED LA charter school, a transit plaza and Metro training facility. The anticipated LEED certified development revitalizes under-resourced communities with supportive housing, employment opportunities, and accessible resources by responding to community needs and engagement.

Impact on Social Equity

- Implements local hire initiatives to provide job opportunities to local workforce including construction and permanent jobs supporting local job creation, local hire, and economic development
- Engagement of specialized consultant to oversee local hire, wage compliance, and support union members
- Collaborative coordination among extended team to promote employment opportunities to residents within 5 mile radius of site
- Supportive senior housing provides health, behavioral health and social services to those who have experienced chronic homelessness
- Offers retail units to be leased by local businesses at below market rental rates
- 1,482 SF retail space is provided rent free to Los Angeles County Community Impact Entrepreneurship Academy

Results and Lessons Learned

- Los Angeles County Board of Supervisors approved release of $72.4 million of bond financing providing critical public funding, including to Bridge ($6.3 million for family housing and $26.9 million for senior housing)
- Project success required coordination of project dependencies among varied program elements needing support from federal, state, county and local programs and initiatives, complicated infrastructure demands, and jurisidictional requirements.
- Metro catalyzes live/work neighborhood

Financials

Construction Cost:

- Hard Costs: $151.3M
- Soft Costs: $40.6M

Financial Partners:

- JPMorgan Chase Bank, Los Angeles County Development Authority (LACDA), County of Los Angeles Measure H, Citibank N.A., Los Angeles Housing Department (LAHD) Proposition HHH, California Department of Housing & Community Development (HCD), US Bank Trust Company, National Association, Enterprise Community Investment, California Strategic Growth Council, Federal Home Loan Bank of San Francisco, Genesis LA, Los Angeles Development Fund, TELACU

Schedule

Actual construction schedule: Mid-June 2022; 24 months (in progress for core and shell)

Rendering, TCA Architects.

Development Team

Team Lead: BRIDGE Housing, Coalition for Responsible Community Development (CRCD), Primestor Development

Developer(s): BRIDGE Housing, CRCD, Primestor Development Inc.

Design Team:

- Project Architect: TCA Architects
- Planning/Design: Walker Consultants
- General Contractor: Suffolk Construction
- Construction Manager: Cumming Group
- Civil Engineer: Fuscoe Engineering
- Land Use Entitlements: County of Los Angeles, City of Los Angeles, Trifiletti Consulting
- Community Engagement: Primestor
- Environmental: Rincon Consultants, Inc., Partner Engineering, Science, Inc.
- Sustainability/Environmental Health & Safety: EFI Global

CASE STUDY: Los Angeles County + USC Restorative Care Facility

Renderings, Cannon Design.

Project Description

Location:	Los Angeles / Boyle Heights Neighborhood
Size:	32,00 SF Recuperative Care Center 30,600 SF Residential Treatment Program
Types of uses:	Recuperative and respite housing Number of Units (beds): 160 total (2 buildings)
Special features:	• Whole person care concept • Short-term transitional housing • Landscaped courtyards

The project intended to support LA's underserved and vulnerable residents by providing access to physical and mental health while supporting their reintegration into the community and the transition towards permanent housing solutions. The project empowers residents by providing recuperative care and wraparound services through both public and private funding initiatives.

Impact on Social Equity

- Promotes economic prosperity, health and infrastructure for vulnerable populations
- Commitment to racial equity
- Increase in housing stability for LA County area and vulnerable populations
- Collaboration between public and private entities for funding
- Implemented local hire initiatives to provide local jobs

Results and Lessons Learned

- Project used community engagement strategies and both public and private funding in a phased approach to gain community support
- Achieved locally targeted worker hire of 50% for construction to address County's need for addressing homeless and low income populations
- Provides an Increase in affordable housing for Los Angeles County
- Provides assistance to a vulnerable population

Renderings, Cannon Design.

Financials

Total Construction Cost: $68.5M

Hard Costs: **$21.7M**

Soft Costs: **$24.1M**

Financial Partners/Amount/Component

- Public entities: LA County Department of Mental Health (DMH)/Housing for Health/Whole Person Care Fund/SB 82: $34.316 M & ongoing operational costs
- CA Health Facilities Financing Authority (CHFFA) Grant: $44.316M
- Department of Health Services (DHS): $25.933M
- Other Contributions: County land / Demolition of existing General Hospital

ROI beyond $$$: Increase in affordable housing for the County, Provided assistance to vulnerable population

Schedule

- Estimated Overall development time-frame: 4-years (EIR to construction)
- Actual Overall development time-frame: 5-years (multiphase project is ongoing)
- Estimated Construction schedule: 1-year (early 2020-spring 2021)
- Actual Construction schedule: 2-year (summer 2022), Project experienced delays due to soil stabilization

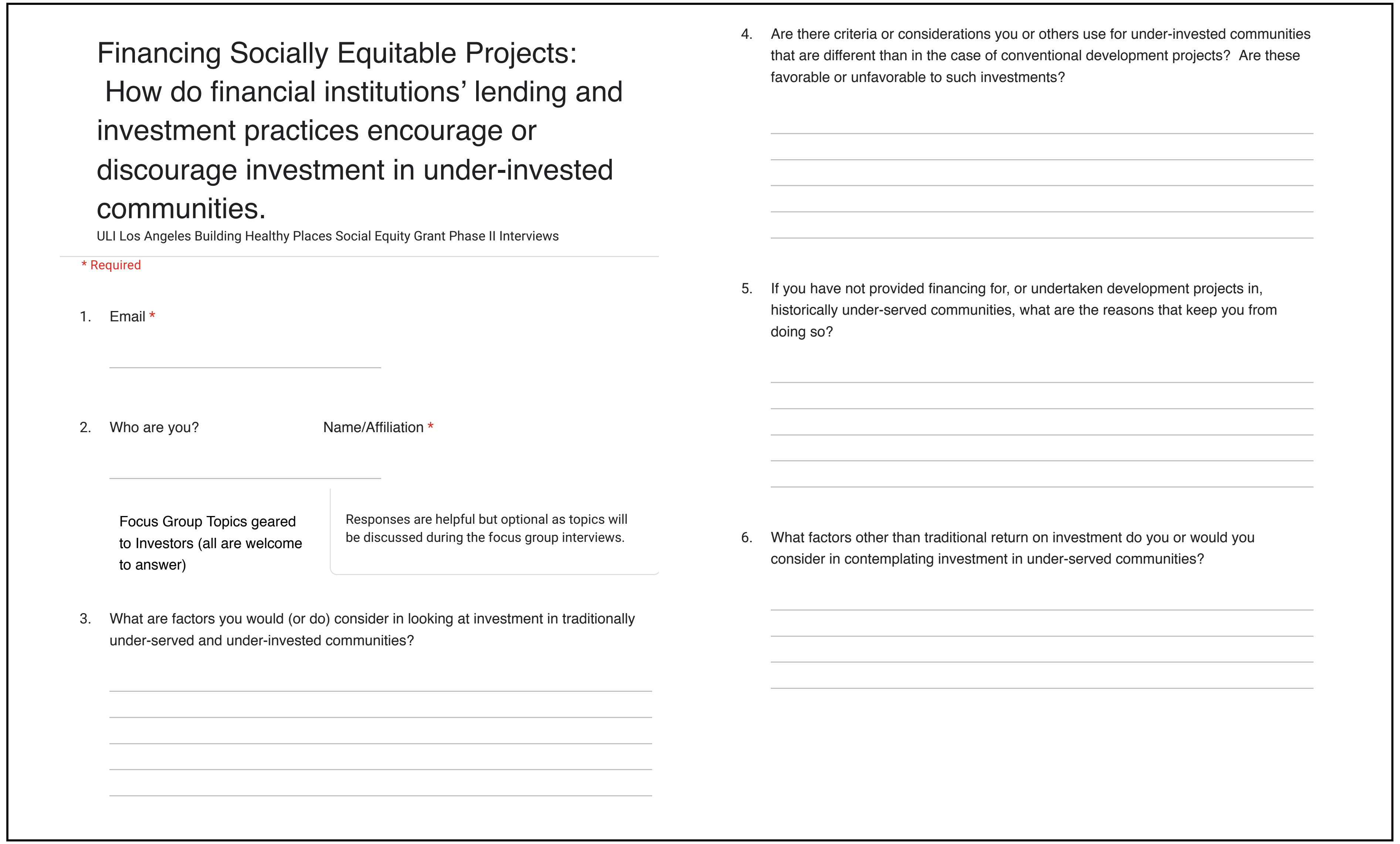
Development Team

Team Lead: Ivan Matthews, Alicia Ramos & Parisa Dadmehr (LA County of Los Angeles Department of Public Works)

Developer: LA County Department of Mental Health

Design Team:

- Cannon Design
- Entitlements Team: County of Los Angeles
- Community Engagement: Health Innovation Community Partnership, AECOM + Barrio Planners + Katherine Padilla & Associates
- Environmental:ICF International



Financing Socially Equitable Projects: How do financial institutions' lending and investment practices encourage or discourage investment in under-invested communities.

ULI Los Angeles Building Healthy Places Social Equity Grant Phase II Interviews

* Required

1. Email *

2. Who are you? Name/Affiliation *

Focus Group Topics geared to Investors (all are welcome to answer)

Responses are helpful but optional as topics will be discussed during the focus group interviews.

3. What are factors you would (or do) consider in looking at investment in traditionally under-served and under-invested communities?

4. Are there criteria or considerations you or others use for under-invested communities that are different than in the case of conventional development projects? Are these favorable or unfavorable to such investments?

5. If you have not provided financing for, or undertaken development projects in, historically under-served communities, what are the reasons that keep you from doing so?

6. What factors other than traditional return on investment do you or would you consider in contemplating investment in under-served communities?

Partial sample survey distributed to interview participants

IV. RESEARCH CONCLUSIONS

The underlying barrier to development in typically underinvested communities is the risk factor - either actual or perceived. This affects funding by big banks, community banks, and underwriting from other potential sources, particularly to developers without a traditional track record, although they may be qualified for loans.

Reducing the key barriers to financial investment requires:

- Capital sources to reconsider the risk profile of potential investors.
- Consideration of long-term benefits beyond short-term capital and calculations of return.
- Changes in government regulation which put an undue burden on a multitude of aspects of the development process in communities from loans to entitlements, from land use and zoning constraints to complex entitlement approval processes.
- Different entities working together to eliminate regulatory conflicts as well as competing goals and processes.
- Recognizing the value of socially equitable development.

Recommendation 1:
Get the players in one room

Recommendation 2:
Ensure appropriate government support

Recommendation 3:
Activate community

Recommendation 4:
Establish partnerships between traditional and community - based developers

V. RECOMMENDATIONS AND NEXT STEPS: CALL TO ACTION: PRIORITIZE CHANGE!

Recommendation 1: Get the players in one room

There are too many siloed buckets working separately, which does not allow for successful change (ie. finance/land use/ overlapping government entities). For both general understanding and for specific projects, getting all the players "in a room", to minimize siloed activities, is needed to comprehend the hurdles and barriers in the system more fully, and therefore allow them to be resolved or, if need be, work around them.

ACTION 1.1 ESTABLISH REGULAR CONVENINGS

Establish a regular pattern of meetings or consider ULI-LA convenings similar to Urban Marketplace to help introduce financial entities and traditional developers to community based developers. Discussions that occur at these convenings can help players to better understand actual risks in doing development in underinvested communities, as opposed to perceived risks that do not actually exist but that prevent investment.

Watts Community Meeting, photo by Mark Glassrock

Recommendation 2: Ensure appropriate government support

Actively provide opportunities for government and communities to interact in matters of development so that support is built for projects. Encourage prioritization of projects in underserved communities including more ministerial approvals and concierge/case management attention. Promote government communication and transparency around development to reduce risks in project approvals, and reduce related time and costs.

Freedom Plaza, Watts, Primestor Development

ACTION 2.1 ENSURE APPROPRIATE GOVERNMENT PARTICIPATION

Actively encourage government representation throughout the development process by use of the following:

- *Prioritize projects in underserved communities including more ministerial approvals and concierge/case management attention.*
- *Promote better internal communication and coordination among different municipal departments that have roles in project approvals to solve problems and conflicting recommendations. An example is a police department requiring new lights when existing lighting is deemed adequate by the street lighting department and community.*
- *Facilitate conversations on land use and zoning changes to support development in underserved communities and simplify the ability to develop community-serving uses such as affordable housing and local commercial services. These may include mixed-use land use and zoning designations, incorporating bonus provisions into "menu-based" options that developers can select and expanding the scale of ministerial project approvals.*

Recommendation 3: Activate Community

Engage with the community on their priorities and development norms so there is a mutual understanding of financial practices and local needs.

ACTION 3.1 COMMUNITY CO-AUTHORSHIP

Partner with the community as a co-author of projects for long term project success about financial practices and local needs. Identifying local needs can help assure that gaps in consumer services get filled, that community members are made aware of job opportunities in developments, that local desires for specific goods and services are considered in tenanting retail space, that local entrepreneurs are given opportunities to open businesses in new developments, and that the types and sizes of residential units created meet the household size and (for at least a portion of the units) affordability needs of the community.

ACTION 3.2 BANK COMMUNITY REPRESENTATION

Bank depositors deserve and should demand and get investment and loan offices in their communities. Banks should assure that staff responsible for evaluating and approving projects in underserved communities become familiar with the communities and with track records of financial successes of developments in such communities. Banks should also work with regulators for more clarity on potential conflicts between community reinvestment act requirements and "prudent investment" requirements.

Recommendation 4: Establish partnerships between traditional and community-based developers

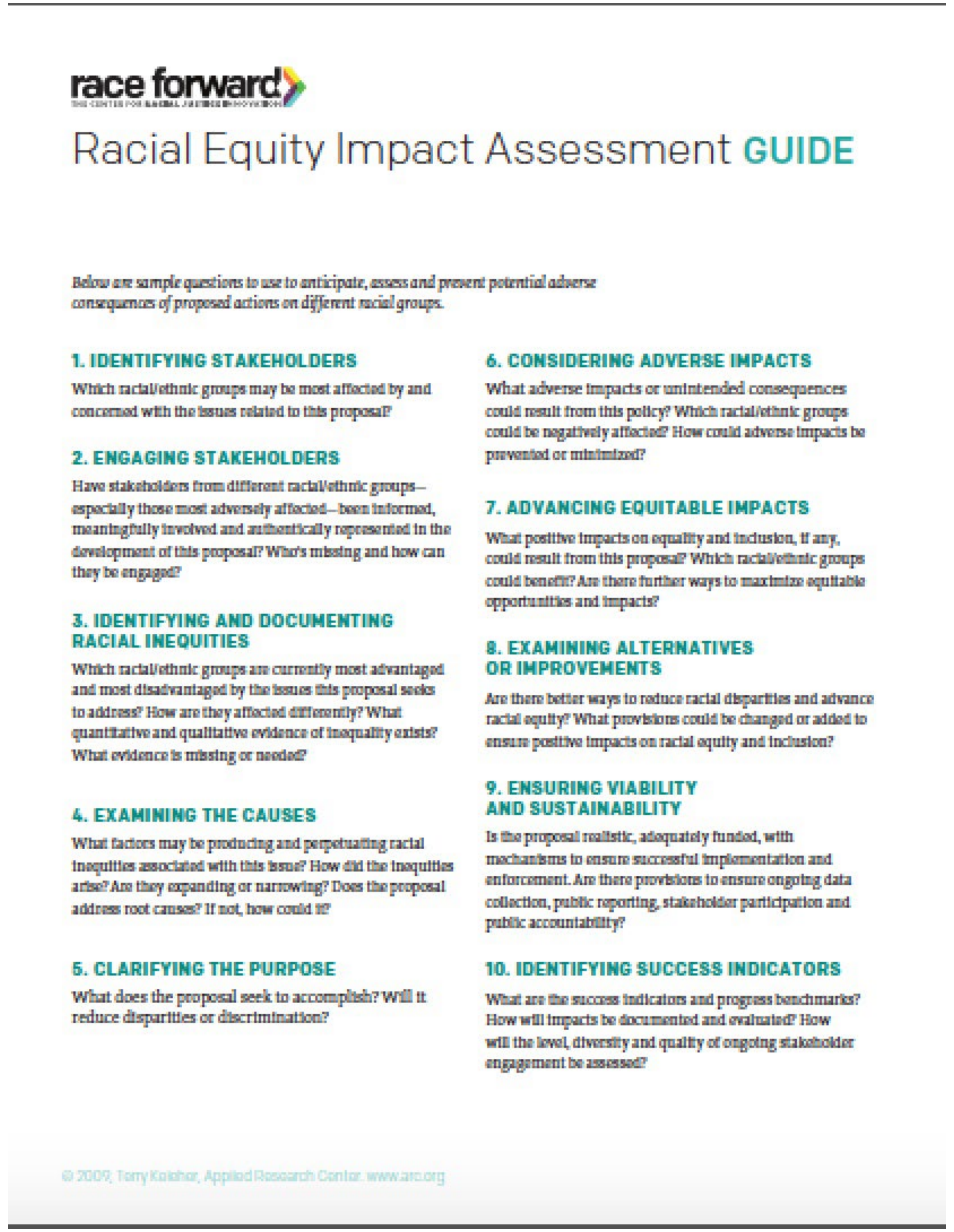
An expedited solution to increasing development in underserved communities will initially be through partnering experienced developers with community based development entities thereby increasing access to capital sources.

South Central, East Los Angeles Streetscapers for LA METRO

ACTION 4.1 NONPROFIT AND FOR PROFIT PARTNERSHIPS

Partnerships have been successful with nonprofit experienced developers and for-profit developers with great ideas. The involvement of especially locally based nonprofit developers also opens opportunities for such developers to become financial participants through, for example, making land under their control available for development and being given participation credit for the value of that land. In lieu of formal partnerships, an executive on loan program can provide leadership and marketable skills to organizations with less experience.

Partnerships of seasoned developers with emerging local developers provide opportunities for local developers to be mentored and to gain experience, and then become co-developers. Such local developers often have other beneficial experience such as a knowledge of community needs and wants and can build trust between the seasoned developer and community members, reducing the likelihood of community opposition to a project and thus simplifying and smoothing the entitlement process.


race forward
THE CENTER FOR RACIAL JUSTICE INNOVATION

Racial Equity Impact Assessment **GUIDE**

Below are sample questions to use to anticipate, assess and prevent potential adverse consequences of proposed actions on different racial groups.

1. IDENTIFYING STAKEHOLDERS

Which racial/ethnic groups may be most affected by and concerned with the issues related to this proposal?

2. ENGAGING STAKEHOLDERS

Have stakeholders from different racial/ethnic groups—especially those most adversely affected—been informed, meaningfully involved and authentically represented in the development of this proposal? Who's missing and how can they be engaged?

3. IDENTIFYING AND DOCUMENTING RACIAL INEQUITIES

Which racial/ethnic groups are currently most advantaged and most disadvantaged by the issues this proposal seeks to address? How are they affected differently? What quantitative and qualitative evidence of inequality exists? What evidence is missing or needed?

4. EXAMINING THE CAUSES

What factors may be producing and perpetuating racial inequities associated with this issue? How did the inequities arise? Are they expanding or narrowing? Does the proposal address root causes? If not, how could it?

5. CLARIFYING THE PURPOSE

What does the proposal seek to accomplish? Will it reduce disparities or discrimination?

6. CONSIDERING ADVERSE IMPACTS

What adverse impacts or unintended consequences could result from this policy? Which racial/ethnic groups could be negatively affected? How could adverse impacts be prevented or minimized?

7. ADVANCING EQUITABLE IMPACTS

What positive impacts on equality and inclusion, if any, could result from this proposal? Which racial/ethnic groups could benefit? Are there further ways to maximize equitable opportunities and impacts?

8. EXAMINING ALTERNATIVES OR IMPROVEMENTS

Are there better ways to reduce racial disparities and advance racial equity? What provisions could be changed or added to ensure positive impacts on racial equity and inclusion?

9. ENSURING VIABILITY AND SUSTAINABILITY

Is the proposal realistic, adequately funded, with mechanisms to ensure successful implementation and enforcement. Are there provisions to ensure ongoing data collection, public reporting, stakeholder participation and public accountability?

10. IDENTIFYING SUCCESS INDICATORS

What are the success indicators and progress benchmarks? How will impacts be documented and evaluated? How will the level, diversity and quality of ongoing stakeholder engagement be assessed?

RESOURCES

Affordable Housing Investment: A Guide for Non-Profit Hospitals and Health Systems
Washington, DC: Urban Institute, 2019
www.urban.org

Community Investment: Focusing on the Systems
Center for Community Investment
Cambridge, MA: Lincoln Institute of Land Policy, 2018 centerforcommunityinvestment.org

Developers Leveraging New Tools to Quantify Social ROI
Beth Mattson-Tieg
Urban Land Magazine, September 9, 2020
Washington, DC: Urban Land Institute, 2020

Dignity Health Affordable Housing
https://www.dignityhealth.org/hello-humankindness/acts-of-humankindness/mercy-housing

Enterprise Foundation -
www.enterprisecommunity.org

Esperanza Community Housing Corporation: Mercado La Paloma -
www.esperanzacommunityhousing.org
www.mercadolapaloma.com

Health and Social Equity in Real Estate: Examples from the Field
Washington, D.C.: Urban Land Institute, 2020
www.uli.org

Healthy Neighborhood Investments: A Policy Scan and Strategy Map
Building Healthy Places Network
Oakland, CA: Public Health Institute, 2021
www.buildhealthyplaces.org

Innovative Models in Health and Housing
Mercy Housing and Low Income Investment Fund for The California Endowment and Kresge Foundation
Los Angeles, CA: Not Dated
www.mercyhousing.org
www.liifund.org
www.kresge.org

Investing in Community Health: A Toolkit for Hospitals Cambridge, MA: Lincoln Institute of Land Policy, 2020
centerforcommunityinvestment.org

LEED Social Equity Working Group
LEED Project Team Checklist for Social Impact
Washington, DC: US Green Building Council, 2019
www.usgbc.org

Local Initiatives Support Corporation (LISC) -
www.lisc.org

Low Income Investment Fund
San Francisco, CA
info@liifund.org
Social Impact Calculator : Low Income Investment Fund (liifund.org/calculator)

Place Based Investing: Creating Sustainable Results and Strong Communities
Hospitals Aligned for Healthy Communities Toolkit Series
Shaker Heights, OH: Democracy Collaborative, 2017
www.democracycollaborative.org

Racial Economic Equity in Small Business Funding, The California Small Business Coalition for Racial Justice
https://www.lisc.org/media/filer_public/55/ee/55ee3029-a413-4ce6-a1f8-6f05425e1ca3/coalition_policy_playbook_1.pdf

Randall Lewis Foundation
https://lewisgroupofcompanies.com/philanthropy

Robert Wood Johnson Foundation
What Is Health Equity?And What Difference Does a Definition Make?
San Francisco, CA: University of California San Francisco, May 2017
www.rwjf.org

Urban Land Institute
Health and Social Equity in Real Estate: Examples from the Field
Washington, D.C.: Urban Land Institute, 2020
www.uli.org

Urban Land Institute Chicago
Our City Our Future: Recommendations for Building Resilient Chicago Neighborhoods
Chicago, IL: Urban Land Institute, 2021
chicago.uli.org

USC Ross Program in Real Estate - https://lusk.usc.edu/ross

Urban Marketplace
https://la.uli.org/get-involved/urban-marketplace

West Angeles Church (Home Ownership and Business Establishment workshops)
http://www.westangelescdc.org
http://www.westangelescdc.org/homebuyer-education-course

GLOSSARY

Affordable Housing - Housing that is priced for what are referred to as low and moderate income households. Moderate income households are those whose income does not exceed 120% of the area median income (AMI), a number calculated by the federal government and updated annually. Low income households are defined variously (depending on the jurisdiction) as those at or below 80% or 60% of AMI; very low income households at or below 50% of AMI and extremely low income households at or below 30% of AMI. In determining the AMI different numbers are calculated for households of different sizes. Affordable housing is housing that is made available at a price that does not exceed 30% of the AMI (not the actual household income) for the category of housing being provided. In California the technical definitions are part of the Health and Safety Code, including Sections 50105, 50106 and 50093. Affordability limits are often recorded on a property and thus will show up in a title search. Current California law requires affordability covenants to be for "the longest feasible time but not less than 55 years" for rental housing, and 45 years for ownership housing. (HUD and California Legislative web sites)

Anchor Institution - An institution firmly rooted in their locale, including hospitals, universities, local governments and utilities, often with a social or charitable purpose.

BIPOC - Black, Indigenous, People of Color.

By Right Zoning - Zoning that establishes permitted uses, scale of development, development standards such as lot size and dimensions, setbacks, building heights and location and amount of parking, so that a proposed development that adheres to all of those standards is to be approved solely on the basis of meeting those standards. By right projects are therefore not subject to discretionary approvals or the imposition of additional requirements.

Community Bank/Second Tier Bank - Banks that serve a limited geographic area and/or have deposits and holdings below certain dollar thresholds and that are therefore subject to different rules and fund reserve holdings than "big banks" such as Bank of America, Chase, US Bank and Wells Fargo, among others.

Community Development Financial Institution - Community Development Financial Institutions (CDFI) are specialized organizations that provide financial services in low-income communities and to people who lack access to financing, leveraging funds from private and public sources. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions like loan and venture capital funds. CDFI programs often include mortgage lending for first-time homebuyers, flexible underwriting for community facilities, and commercial loans for businesses in low-income areas. Through varying strategies, each CDFI contributes to the cultivation of a healthy and stable local economy.

Community Reinvestment Act - The Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) and implemented by Regulations 12 CFR parts 25, 228, 345, and 195, is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income (LMI) neighborhoods, consistent with the safe and sound operation of such institutions. The CRA requires federal banking agencies to assess the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods, consistent with the safe and sound operation of such institution, and take such record into account in its evaluation of an application for a deposit facility by such institution.

Credit Tenant - A tenant whose long-term debt is rated as investment-grade by a major credit rating agency such as Moodys or S&P.

Environmental Justice - The fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies. Environmental justice includes the availability of a healthy environment for all people, the deterrence, reduction, and elimination of pollution burdens for populations and communities experiencing the adverse effects of that pollution, so that the effects of the pollution are not disproportionately borne by those populations and communities and at a minimum, the meaningful consideration of recommendations from populations and communities most impacted by pollution into environmental and land use decisions. In California the technical definition is included in the Public Resources Code, Section 30107.3.

Health - Health is a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity. Health is shaped by a variety of factors, including the built environment, access to job opportunities, education, and more. (ULI Americas)

Health Equity - Health equity means everyone has a fair and just opportunity to be healthier. This condition requires removing obstacles to health such as poverty and discrimination and their consequences, including powerlessness and lack of access to good jobs with fair pay, quality education and housing, safe environments, and health care. (ULI Americas)

Low Income Housing Tax Credit - The Low-Income Housing Tax Credit (LIHTC) program was created by the Tax Reform Act of 1986. The LIHTC program gives State and local LIHTC-allocating agencies the equivalent of approximately $8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. Tax credit amounts are allocated to states on a formula basis including a factor for population; in California tax credits are allocated on a competitive application basis through the Tax Credit Allocation Committee (TCAC) in the office of the State Treasurer.
The low-income housing tax credit (LIHTC) program isone of the federal government's primary policy tools for encouraging the development and rehabilitation of affordable rental housing. These non-refundable federal housing tax credits are awarded to developers of qualified rental projects via a competitive application process administered by state housing finance authorities. Developers typically sell their tax credits to outside investors in exchange for equity. Selling the tax credits reduces the debt developers would otherwise have to incur and the equity they would otherwise have to contribute. With lower financing costs, tax credit properties can potentially offer lower, more affordable rents. The LIHTC is estimated to cost the government an average of nearly $6 billion annually. (Congressional Research Service).
A 9% tax credit covers new construction projects that use additional subsidies or rehab projects that include the cost to acquire existing buildings. Partnerships that are seeking an allocation of nine percent LIHTC must submit an application to the state housing agency, which reserves a portion of total tax credits for partnerships with the best applications.
A 4% tax credit supports new construction projects without any additional federal subsidies. To obtain this type of tax credit, a partnership must first apply for tax-exempt bonds to be issued on its behalf. An allocation of bonds leads to a noncompetitive application process for the tax credits. (From US Bank website)

Place Based Investing - An investment approach that targets positive social and environmental impacts in specific communities and geographies.

Recuperative Care Units - Synonymous with Medical Respite - acute and post-acute medical care for homeless persons who are too ill or frail to recover from a physical illness or injury on the streets but are not ill enough to be in a hospital. Medical respite care is offered in a variety of settings including freestanding facilities, homeless shelters, nursing homes, and transitional housing. (From National Healthcare for the Homeless Council website)

Social Determinants of Health - A complex of social, economic and environmental factors that drive health outcomes, such as inequality, social mobility, community stability and the quality of civic life.

Social Equity - Social Equity means just and fair inclusion. An equitable society is one in which all can participate and prosper. According to the PolicyLink Equity Manifesto, the goal of equity must be to create conditions that allow all to reach their full potential.

Systemic Racism - Policies and practices that exist throughout a whole society or organization, and that result in and support a continued unfair advantage to some people and unfair or harmful treatment of others based on race. (Cambridge Dictionary)

Tax Abatement - A mechanism where taxes levied or to be levied on a development are partially or fully reduced and the amount of taxes so reduced are returned to the developer. Taxes may be abated for all or only certain taxes that would be levied on a development; many jurisdictions, for example, rebate a portion of hotel taxes or reduce or eliminate property taxes on covenanted affordable housing. In California abatements are usually limited to incremental taxes, that is, new taxes generated by a development in excess of those generated by whatever was on the site previously. The abatement may also be time-limited, for example, for the first 20 years of the existence of a hotel or for the duration of affordability covenants on affordable housing.

APPENDIX

SB 6 Legislative session 2021-22

Chaptered as an amendment to Section 65913.4 of, and an addition to and repeal of Section 65852.24 of, the Government Code, relating to land use.

Under this bill, the Middle Class Housing Act of 2022, deems a housing development project as an allowable use on a parcel that is within a zone where office, retail, or parking are principally permitted, if specified conditions are met, including requirements relating to density, public notice, comment, hearing, or other procedures, site location and size, consistency with sustainable community strategy or alternative plans, prevailing wage, and a skilled and trained workforce.

The bill includes findings that changes proposed by the Middle Class Housing Act of 2022 address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities.

The Housing Accountability Act, which is part of the Planning and Zoning Law, prohibits a local agency from disapproving, or conditioning approval in a manner that renders infeasible, a housing development project for very low, low-, or moderate-income households or an emergency shelter unless the local agency makes specified written findings based on a preponderance of the evidence in the record. That act states that it shall not be construed to prohibit a local agency from requiring a housing development project to comply with objective, quantifiable, written development standards, conditions, and policies appropriate to, and consistent with, meeting the jurisdiction's share of the regional housing need. That act further provides that a housing development project or emergency shelter shall be deemed consistent, compliant, and in conformity with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision if there is substantial evidence that would allow a reasonable person to conclude that the housing development project or emergency shelter is consistent, compliant, or in conformity. For purposes of the Housing Accountability Act, a proposed housing development project is consistent, compliant, and in conformity with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision if the housing development project is consistent with the standards applied to the parcel pursuant to specified provisions of the Middle Class Housing Act of 2022.

The Planning and Zoning Law, until January 1, 2026, also authorizes a development proponent to submit an application for a multifamily housing development that is subject to a streamlined, ministerial approval process, as provided, and not subject to a conditional use permit, if the development satisfies specified objective planning standards, including a requirement that the site on which the development is proposed is zoned for residential use or residential mixed-use development, or has a general plan designation that allows residential use or a mix of residential and nonresidential uses, with at least 2/3 of the square footage of the development designated for residential use. Under that law, the proposed development is also required to be consistent with objective zoning standards, objective subdivision standards, and objective design review standards in effect at the time the development is submitted to the local government.

This bill permits the development to be proposed for a site zoned for office or retail commercial use and that meets the requirements of the above-described Middle Class Housing Act of 2022. The bill also provides that a project shall be deemed consistent with objective zoning standards, objective design standards, and objective subdivision standards if the project is consistent with the applicable provisions of the Middle Class Housing Act of 2022 and if none of the square footage in the project is designated for hotel, motel, bed and breakfast inn, or other transient lodging use, except for a residential hotel.

This bill incorporates additional changes to Section 65913.4 of the Government Code proposed by AB 2668 to be operative only if this bill and AB 2668 are enacted and this bill is enacted last.

SB 9

Chaptered as an amendment to Section 66452.6 of, and the addition of Sections 65852.21 and 66411.7 to, the Government Code, relating to land use.

The Planning and Zoning Law provides for the creation of accessory dwelling units by local ordinance, or, if a local agency has not adopted an ordinance, by ministerial approval, in accordance with specified standards and conditions.

This bill, among other things, requires a proposed housing development containing no more than 2 residential units within a single-family residential zone to be considered ministerially, without discretionary review or hearing, if the proposed housing development meets certain requirements, including, but not limited to, that the proposed housing development would not require demolition or alteration of housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income, that the proposed housing development does not allow for the demolition of more than 25% of the existing exterior structural walls, and that the development is not located within a historic district, is not included on the State Historic Resources Inventory, or is not within a site that is legally designated or listed as a city or county landmark or historic property or district.

The bill sets forth what a local agency can and cannot require in approving an urban lot split or approving the construction of 2 residential units, including, but not limited to, authorizing a local agency to impose objective zoning standards, objective subdivision standards, and objective design standards, unless those standards would have the effect of physically precluding the construction of up to 2 units or physically precluding either of the 2 units from being at least 800 square feet in floor area, prohibiting the imposition of setback requirements under certain circumstances, and setting maximum setback requirements under all other circumstances.

The California Environmental Quality Act (CEQA) requires a lead agency to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment. CEQA does not apply to the approval of ministerial projects. This bill, by establishing the ministerial review processes described above, would thereby exempt the approval of projects subject to those processes from CEQA. This bill would exempt a local agency from being required to hold public hearings for coastal development permit applications for housing developments and urban lot splits pursuant to the above provisions.

SB 10

Chaptered as Section 65913.5 of the Government Code, relating to land use.

The Planning and Zoning Law requires a city or county to adopt a general plan for land use development within its boundaries that includes, among other things, a housing element. Existing law requires an attached housing development to be a permitted use, not subject to a conditional use permit, on any parcel zoned for multifamily housing if at least certain percentages of the units are available at affordable housing costs to very low income, lower income, and moderate-income households for at least 30 years and if the project meets specified conditions relating to location and being subject to a discretionary decision other than a conditional use permit. Existing law provides for various incentives intended to facilitate and expedite the construction of affordable housing.

This bill, notwithstanding any local restrictions on adopting zoning ordinances, authorizes a local government to adopt an ordinance to zone any parcel for up to 10 units of residential density per parcel, at a height specified in the ordinance, if the parcel is located in a transit-rich area or an urban infill site, as those terms are defined. The bill would prohibit a local government from adopting an ordinance pursuant to these provisions on or after January 1, 2029. The bill would specify that an ordinance adopted under these provisions, and any resolution to amend the jurisdiction's General Plan, ordinance, or other local regulation adopted to be consistent with that ordinance, is not a project for purposes of the California Environmental Quality Act. The bill would prohibit an ordinance adopted under these provisions from superceding a local restriction enacted or approved by a local initiative that designates publicly owned land as open-space land or for park or recreational purposes.

The bill would impose specified requirements on a zoning ordinance adopted under these provisions, including a requirement that the zoning ordinance clearly demarcate the areas that are subject to the ordinance and that the legislative body make a finding that the ordinance is consistent with the city or county's obligation to affirmatively further fair housing. The bill requires an ordinance to be adopted by a 2/3 vote of the members of the legislative body if the ordinance supersedes any zoning restriction established by local initiative.

The bill prohibits an ordinance adopted under these provisions from reducing the density of any parcel subject to the ordinance and would prohibit a legislative body from subsequently reducing the density of any parcel subject to the ordinance. The bill prohibits a residential or mixed-use residential project consisting of 10 or more units that is located on a parcel zoned pursuant to these provisions from being approved ministerially or by right or from being exempt from the California Environmental Quality Act, except as specified

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