

Building California's Future: Increasing the Supply of Housing to Retain California's Workforce

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EXECUTIVE SUMMARY

The current report examines methods that could be used to help increase the supply of housing for the State of California. This report used case studies of adaptive reuse and accessory dwelling units (ADUs), as well as, an overview and analysis on the California Housing Accountability Act (HAA). This report found that adaptive reuse has many prominent and effective features at incentivizing development, especially when the local municipality has an ordinance. ADUs appear to be able to help in the creation of housing supply, but only if the regulatory system is lenient and the cost due to regulations and construction are low. Furthermore, it has become imperative for grassroots pro-housing advocacy groups, who utilize the Housing Accountability Act, to play a more prominent role shaping the future of housing development in California. The Housing Accountability Act can provide the needed protection for higher density projects in communities that oppose development. However, housing development practitioners must be committed to higher density plans without acquiescing to local opposition for the HAA to be properly utilized.



Picture of Apartment Under Construction
Image source: Personal Image

INTRODUCTION

California has a supply shortfall in housing units produced annually. Los Angeles and San Francisco's housing units grew at a rate that was 34 percentage points lower than the average United States metro areas (California Legislative Analyst Office (CLAO, 2015). The lack of development results in an approximately 90,000 unit shortfall annually in California, which has increased the cost of housing. The average California home costs \$258,000 more than the U.S. average, while the average rental unit costs \$400 more than the United States average (CLAO, 2015). Of new housing units, approximately 70 percent of rental units were priced higher than the United States average (Joint Center for Housing Studies of Harvard University, 2015). Subsidies are insufficient to resolve the shortfall of housing units, as the Low-Income Housing Tax Credit program only produced 18,504 units in California (California Tax Credit Allocation Committee, 2015). Due to the foregoing factors, the housing market may resolve the supply shortfall by either increasing prices or reducing demand (see Appendix A, Figure 1).

The supply shortfall places a strain on households. Due to high housing costs, many California residents, especially middle-income households, are choosing to rent over homeownership (California Department of Housing and Community Development, 2014). The high price for housing units leads to households paying a higher percentage of their income in rent. In Los Angeles, over 30 percent of renters in 2014 were considered severely rent burdened, which is defined as paying more than 50 percent of household income in rent (NYU Furman Center 2015). With low housing inventory forcing middle-income households to renting, homeownership rates have continued to consistently decline. According to the U.S. Census Bureau's American Community Survey, by 2012 there was a shift in housing tenure to 54 percent owners and 46 percent renters (California Department of Housing and Community Development, 2014). Though this is the case, there remains a demand for households who wish to own their own homes; therefore, there is an immediate need in the California housing market to create more units, while preserving existing units (U.S. Census Bureau, 2015i, 2015j). Additionally, if the prices per unit continue to increase, these high prices may lead to negative impacts within the California economy.

California's economy may suffer from the negative impacts of the housing crisis as workers are choosing to live in more affordable housing markets outside of California. Many households in California who pay more than 30 percent of their income on housing are deciding to leave the state at high rates (Next 10, 2016). Next 10 (2016) analyzed the migration into and out of California and found that, from 2007 to 2014, 625,000 people moved out of California. As such, more residents are leaving California to live in other states compared to non-California residents migrating to California. Those who do come are concentrated in high wage occupations and are therefore able to more adequately absorb the high housing costs. Although there may be other reasons to explain the migration out of California, the Next 10 study found that migration over the past decade has been primarily related to housing costs. While California is home to 12 percent of the nation's population, California has only accounted for 8 percent of

residential permits in the last 20 years (Next 10, 2016). Therefore, the supply has not been able to meet the demand.



Apartments

Image Source: Personal Image

ISSUE DIAGNOSIS

Zoning ordinances have affected the development of the housing market within California. Local jurisdictions have discretion over their own zoning regulations, as long as they do not conflict with state or federal laws (Withers 2012). On a local level, zoning regulations could be barriers to developers because these regulations increase development costs. Developers are likely to either develop in alternative areas or increase housing prices to offset the additional costs. Withers (2012) found that zoning regulations such as rules for density, minimum lot size and parking space have hampered the housing supply growth. Jackson (2015) found that zoning restrictions on average might reduce housing development by 10 percent for multifamily projects. The Obama White House (2016) report on housing development examined zoning regulations in multiple metropolitan areas nationwide and found that zoning and land use restrictions create barriers to housing supply as they make developable land more costly.

To address these concerns metropolitan planning organizations, such as the Southern California Association of Governments (SCAG), have put forth arguments to change the zoning codes of major metropolitan areas. Possible areas that can be addressed are accessory dwelling units (ADUs) and adaptive reuse ordinances. In the last year, California passed AB-2299 and SB-1069 (2016b, 2016c), which put in place a statewide regulation regarding ADUs. These new laws stated that cities must create an ordinance to allow for the construction of ADUs. Before AB-2299 and SB-1069 (2016b, 2016c), municipalities in California had restrictive rules and regulation on the zoning and construction of ADUs. For example, the City of Long Beach, in Los Angeles County, only allowed for an ADU if it was the size of 10 percent of the main housing unit and could be no larger than 640 square feet (City of Long Beach, 1988). Under these requirements only lots with very large homes could build an ADU. AB-2299's (2016b) main goal is to work as an outline on the maximum restrictions that municipalities could use on ADUs. Many cities in California are currently undergoing changes in their municipal codes to comply with this new law.

Adaptive reuse is another mechanism that is often burdened by projects being forced to meet zoning requirements that do not adapt to changing existing structures of these projects. Some municipalities are attempting to ease the regulations on adaptive reuse through the incorporation of adaptive reuse ordinances or programs. Renovations of existing buildings, through adaptive reuse, can provide a meaningful alternative to new construction. Moreover, adaptive reuse provides an opportunity to contribute to revitalizing neighborhoods (O'Neal, n.d.). However, there are still burdens imposed on developers that can affect whether their project will be feasible (O'Neal, n.d.). Zoning laws can prohibit development, by requiring special zoning permits, which increase costs for development. This can deter development and the creation of housing units (O'Neal, n.d.). Some local governments, such as the City of Los Angeles, have granted exemptions from normal zoning requirements, which can assist with streamlining development, and can make it much easier to renovate older properties (Duke University School of Law, n.d.). Other prominent urban cores, do not allow for exemptions from zoning laws, and

therefore have underdeveloped or unused building stock, which could potentially contribute to blight.

In order to address these concerns, and support such changes in local and state legislation, it has become imperative for the greater development industry to understand the work and importance of grassroots pro-housing advocacy groups. The Housing Accountability Act attempts to protect the integrity and design of projects from groups who want to defend the character of their communities. To date the Housing Accountability Act has been rarely enforced. The Housing Accountability Act and its key features have not historically been examined through the court system. Who has standing, what projects are subject to the Housing Accountability Act and other key features of the act have recently been decided through recent court decisions.

METHODOLOGY

The following section of the report will discuss how the analysis was conducted, how success was measured, why such certain approaches were taken, and what sources were used to gather information. Case studies were used to examine adaptive reuse and accessory dwelling units, while an examination of case law was used to give an overview and analysis of the Housing Accountability Act.

ADAPTIVE REUSE

The current report conducted two case studies on adaptive reuse, specifically on how adaptive reuse is implemented in the City and County of San Francisco, California (San Francisco), and in the City of Los Angeles, California (Los Angeles). The report selected San Francisco and Los Angeles as case studies because: 1) one of the main goals of the report was to increase units of housing in the foregoing locations; and 2) since adaptive reuse is implemented differently in the foregoing locations, San Francisco and Los Angeles presented the opportunity for good comparison. Both case studies were evaluated on the metrics of total units created, regulations, barriers to development, and benefits of adaptive reuse (See Table 1).

Table 1 - Research Questions for Los Angeles and San Francisco		
Research Question	Metrics	Data
How many units does adaptive reuse create? Are they concentrated in one area or spread out?	<ul style="list-style-type: none"> ● Number of housing units ● Concentrated in Downtown Los Angeles ● Spread out for San Francisco 	<ul style="list-style-type: none"> ● San Francisco Open Data 2011 to 2015 ● Los Angeles Planning Department
What restrictions are put on adaptive reuse?	<ul style="list-style-type: none"> ● Historic preservation restrictions ● Parking requirements 	<ul style="list-style-type: none"> ● San Francisco planning code ● Office Development Annual Limit ● Adaptive reuse reports ● Los Angeles Adaptive Reuse Ordinance

The current report had three research questions. First, the report looked at how many

housing units were created by adaptive reuse and where were these units located. This was done to determine if the programs were successful at creating housing units and where the projects were located. The second research question the current report looked at was what restrictions and regulations are put on adaptive reuse projects. This was done to examine possible changes to these regulations, such as parking requirements or historic preservation requirements, to determine what combination of these restrictions appeared to produce the most housing units. This information was also used to create a framework for other cities to use in constructing their adaptive reuse programs. Finally, this report also looked at the equity concerns of adaptive reuse projects; mainly focusing on how much it costs to rent such units. This was done to determine if these units could be used by the general populace or only by higher income households.

Los Angeles and San Francisco differed with respect to the existence of a local law relating to adaptive reuse. In Los Angeles, the adaptive reuse ordinance was introduced in 1999, which has formalized the adaptive reuse process which make it unique in terms of development. In San Francisco, there was no adaptive reuse ordinance or official program. Therefore, developers faced the same process as other types of development. Due to the different structures of adaptive reuse in San Francisco and Los Angeles, data collection differed.

The number of housing units was calculated in each of the two cities for comparison. In Los Angeles, the case study examined how many units were created from 1999 to 2014. The current analysis used data from the Los Angeles Department of City Planning. This list was found to be the most comprehensive list of adaptive reuse projects available because it accounted for the greatest timespan of projects. In addition to the total number of units developed by year, the case study examined the difference between those units created at the initial implementation of the adaptive reuse ordinance in Los Angeles and those created post-2008 (See Appendix C). In San Francisco, data relating to housing inventory was sourced from San Francisco Open Data.¹ The total number of housing units was calculated from the Housing Inventory data from 2011 to 2015. The housing units created from adaptive reuse projects were determined by selecting the net number of housing units created by a conversion of building from non-residential use to residential use. For purposes of comparison, the total number of housing units created from 2011 to 2014 was compared between the two cities because data was available for both cities during this time period.

Examination of regulations was accomplished by reviewing local laws. In Los Angeles, the current analysis examined the city's adaptive reuse ordinance in order to understand which features were included in the program, with a complementary analysis of reports focused on adaptive reuse to determine how effective these features were in allowing for adaptive reuse. Features analyzed include the deregulation of parking, opportunity for by-right entitlement, process time, and incentives offered. For the purpose of examining regulations in San Francisco, the report reviewed the San Francisco Planning Code, a proposition relating to adaptive reuse of

¹ San Francisco Open Data is publicly accessible data base by the City and County of San Francisco.

buildings for use as office space, and reports relating to approval of adaptive reuse projects.

In regards to barriers to development, the adaptive reuse case study analyzed the added burdens imposed on buildings that are considered historic. This was done through the analysis of reports that focused on adaptive reuse in Los Angeles. In San Francisco, barriers to development was determined through examination of opposition to specific adaptive reuse projects, as well as, implications by a lack of city ordinance incentivizing adaptive reuse for increasing the supply of housing units.

Finally, both case studies examined the benefits to adaptive reuse by analyzing community opposition/support and its ability to maintain historic preservation. This part of the analysis was accomplished through the examination of reports, which documented the opinion and perception of the public on adaptive reuse projects and historic preservation.

Limitations

Although there is a limitation in comparing Los Angeles and San Francisco as Los Angeles is a bigger city in comparison to San Francisco, in regards to both size and population, most adaptive reuse projects were concentrated in the Downtown area of Los Angeles. Therefore, a reasonable comparison can still be made between the two cities. This analysis was also limited in regards to data collection. Data from Los Angeles in this analysis captured development activities from 1999 to 2014. Data from San Francisco was also limited in that this analysis was only able to examine development from 2011 to 2015. As such only the years of 2011- 2014 could be compared between the two municipalities and may not show the entire scope of the differences in adaptive reuse development between the two municipalities. Additionally, while this analysis does not fully address the lack of affordable housing, due to its focus on solely the total number of units created, a future study should examine the discrepancies between market rate units and affordable units, and its connection to gentrification.

ACCESSORY DWELLING UNITS (ADUS)

The current report conducted two case studies on Accessory Dwelling Units (ADUs). The focus of these two case studies was on the ADU ordinance of Portland, Oregon and Seattle, Washington. The report selected Portland and Seattle as case studies because: 1) both cities are major municipalities, and have had ADU ordinances in place since 2009; and 2) both cities have different levels of regulations and requirements than those set out in AB-2299 and SB-1069, which allows for a comparison on what variables appear to affect the level of ADU development. The case studies were evaluated based on the metrics of total unit created per year, regulations, design of the ADUs, cost of construction, and barriers to development (See Table 2).

Table 2 - Research Questions for Portland and Seattle		
Research Question	Metrics	Data
How many units do ADU ordinances create? Are they concentrated in one area or spread out?	<ul style="list-style-type: none"> Units built annually average 	<ul style="list-style-type: none"> Permit and Annual Report Data
What restrictions are put on ADUs?	<ul style="list-style-type: none"> Building codes Zoning/lot restrictions Parking requirements Residency requirements 	<ul style="list-style-type: none"> Ordinances and city reports
How much do ADUs cost?	<ul style="list-style-type: none"> Construction costs 	<ul style="list-style-type: none"> City annual reports Manufactured units data
What are Barriers to Development?	<ul style="list-style-type: none"> Regulations Community support or opposition Financial barriers 	<ul style="list-style-type: none"> Literature review on ADUs Reports from city planning departments Public comments

The current report examined four research questions in regards to ADUs. The first was to examine how many units were created and where they are located. This was done to determine how successful the ADU programs were in creating new units and to determine if they are located more in certain areas of a city. The second research question on restrictions on ADUs examined the building and zoning codes for ADUs in the selected cities including residency requirements. This was done to examine what zoning or building regulations may impact the number of ADUs constructed and what zoning or building restrictions California cities may want to consider in their ADU ordinances. The third research question examined building costs for ADUs. This research question was used to determine the average cost to build ADUs to determine what types of ADUs were cheaper to construct. Finally, the report examined what barriers are there to develop ADUs. This research question focused mainly on barriers regarding community opposition and financing of ADUs. This was done to determine what features might need to be addressed, such as getting loans for ADU construction; California lawmakers may wish to focus onto increase the number of ADUs.

To determine the total number of units created by ADUs, the case studies examined how many units were created from 2011 to 2014 period in both cities. The current analysis used

permit data from the city of Portland and annual reports on ADUs from the Seattle Department of Planning and Development. This information was used to determine how many ADUs had their permits finalized which was used to determine the total number of units created. In addition to the total number of permits granted the case studies examined where in the cities these units were being created and if location influenced the number of units created.

To examine regulations the current analysis looked at four major areas these were; ADU lot standards, building standards, parking requirements, and residency regulations (See Appendix B, Table 3). To evaluate these criteria the current analysis examined the ordinances of each city specifically focusing on minimum lot size required to build ADUs, setback requirements, and total coverage area the ADUs were allowed to have. The building standard metric had four evaluation tools. These were height restrictions, entrance, window regulations, and visual design regulations. To analyze this information more concisely both case studies looked at example ADU projects along the four major regulation areas. In addition, the current analysis looked at the construction costs for these examples to better illustrate the economic feasibility for ADUs to be developed.

Furthermore, this report examined barriers to development that ADUs face in both Portland and Seattle. First, this report examined the number of units that are eligible for ADUs in each city using reports from the city's respective planning departments and literature on ADUs. The total capacity for the creation of these new units was then compared to the total created to determine if any major barriers to development existed. This section of the analysis also used data from public comment reports and data from the City of Seattle and Portland to examine what issues the public perceives in the development of ADUs and what solutions the public supports.

Limitations

Due to ADUs being their own market and lack of data, the current analysis was unable to determine the average rent for ADUs in either Seattle or Portland. This was due to a lack of data in ADU markets in pricing of ADUs, what they are being used for, and the demographics of those living in ADUs. As such the current report cannot draw conclusions as to whether ADUs are rented above or below fair market prices or what the demand for such units would be. In addition, the current analysis is limited in other extraneous variables that could affect the production of ADUs such as the effect of Portland's urban growth boundary.

HOUSING ACCOUNTABILITY ACT

The current report analyzes how the Housing Accountability Act (HAA) can be utilized to enable market-rate unsubsidized housing development. The HAA is examined through its legal statutes, how it has evolved through legal precedent, followed by a detailed analysis of advocacy groups who utilize the HAA. The grassroots pro-housing advocacy network examined was chosen

because it is organized in the San Francisco Bay Area, a primary area of interest to this report. For the purposes of this report, the advocacy network is outlined in terms of its functionality and not its legal structure.

Limitations

The HAA has not been litigated sufficiently through the judicial system. Therefore, there is an insufficient amount of legal precedence for cases involving the HAA. As such the interpretation of the law by the judicial system is still uncertain to the applicability and scope of the HAA. In addition, there is a lack of awareness of its existence, which therefore limits an individual or groups use of it, and limits the amount of legal case law to examine.

ANALYSIS

The following section of the report will present the individual case studies, as well as, an overview and analysis of the Housing Accountability Act. The case studies will include an individual analysis of the background, outcomes, and takeaways for adaptive reuse in Los Angeles and San Francisco and of accessory dwelling units in Seattle and Portland (See Appendices C-G). Each strategy will then be compared across cities. Los Angeles' Adaptive Reuse Ordinance will be compared to adaptive reuse in San Francisco, and accessory dwelling units in Seattle will be compared to accessory dwelling units in Portland. The last case study will be of the Housing Accountability Act (HAA), which will include an overview of the HAA, an analysis of legal precedent, an analysis of advocacy groups, and an action plan.

ADAPTIVE REUSE

The goal of this analysis was to understand how successful an adaptive reuse strategy was in creating housing units, and what restrictions are placed on developers who take part in adaptive reuse programs. To do so, this report examined the adaptive reuse practices of Los Angeles in comparison to San Francisco.

To understand the current context of both cities, it was important for the analysis to be aware of each respective city's background, in terms of income, home price, rent price, population, and vacancy rate. Each of these factors has an important role in the housing market, and an important role in any future policy implications. Table 4 presents a background summary of Los Angeles and San Francisco.

Table 4 - Background Summary of Los Angeles and San Francisco

Characteristics	Los Angeles	San Francisco
Median Income of Households (2015)	\$51,600 (2017 inflation adjusted \$)	\$83,552
Median Home Price (2017)	\$616,900	\$1,147,300
Average Rent Price (2017)	\$2,625	\$3,809
Population (2015)	3,971,896	864,816

Data Sources: U.S. Census Bureau (2015a, 2015b); Zillow (2017a, 2017c); Rent Jungle (2017a, 2017c)

CASE STUDY: LOS ANGELES FINDINGS



Image Source: UCR Today (2016)

The City of Los Angeles is currently facing a housing shortage where the number of units being created is not keeping up with the demand. Since 1990, the population of Los Angeles has grown an average 19.6 percent faster than the housing supply (Phillips, 2017). The rise in population increases the urgency for units to be built quickly. From 1940 to 1990, Los Angeles built between 150,000 and 250,000 homes each decade. However, since 1990, each preceding decade has averaged fewer than 100,000 homes (Phillips, 2017). A shortage of housing supply has created a tight rental market where there is a 2.7 percent rental vacancy rate, which adds to the high cost of living in Los Angeles that forces many residents into precarious living conditions (Sindsinski, 2017). Adaptive reuse, if utilized properly and fully, has the potential to continue to add units to the housing market, as long as the program continues to evolve to meet today's needs.



Old Photo of the Hellman Building
Image Source: Water and Power Associates (n.d)



Hellman Building in 2017
Image Source: Apartments.com (2017)

Outcomes

The adaptive reuse program is unique in that it promotes the development of buildings which are already in place, which assists the program's success in terms of facing less community opposition. When developers announce new projects, it is often times received with community opposition, especially when older buildings are destroyed (Deegan, 2017). When the repurposing of buildings occurs through the adaptive reuse program, developers experience less community opposition, which is an important outcome for developers who hope to develop in Los Angeles without the extra discretionary review which can be prolonged by community opposition.

With the deregulation of exempting adaptive reuse projects from minimum parking requirements, some of the burdens imposed on developers are alleviated. Many developers who used the adaptive reuse program stated that most of the buildings they worked on could not be converted without the parking exemption (Manville, 2013). The parking exemption allows developers to minimize costs, while maximizing the sales potential of the buildings being adapted, which frequently have limited existing parking infrastructure (Manville, 2013). Furthermore, luxury developers understand that high-end buyers usually want parking on site. For these developers, the by-right provision of the adaptive reuse ordinance was the most important part of the program (Manville, 2013). For developers, the by-right provision meant fewer public hearings and levels of review, and high end developers favor these advantages over the market value of additional parking spaces (Manville, 2013). If a project meets by-right criteria, the permitting process has also been much quicker than it was before the adaptive reuse ordinance. Before the adoption of the ordinance, it would take approximately 30 months to obtain a building permit for adaptive reuse, but it now takes approximately 6 months if the project meets by-right criteria (Chamberlain, 2015).

The program has also proven to promote sustainability through the adaptive reuse of older commercial and historically significant buildings. By extending the life of existing buildings, sustainability has been achieved by lowering the costs of materials, transportation, energy and pollution, when compared to the development of an entirely new building (Bullen & Love, 2009). Adaptive reuse also meets sustainability goals by preserving architectural history (Bullen & Love, 2009). Sustainability is further achieved through the encouragement of mixed commercial and residential uses in existing buildings around Downtown Los Angeles, which are also many times located by transit services (Chamberlain, 2015). When people can live, work and spend leisure time in the same area, then less emissions are being put out into the environment from driving. The majority of projects have been developed within a half-mile radius of Metro rail stations (Manville, 2013). The program has consequently helped bring residents closer to their jobs, which has helped increase public transit ridership, alleviate traffic congestion, reduce vehicle miles traveled, and improve regional air quality (Chamberlain, 2015).

Most importantly, the adaptive reuse ordinance has been successful in meeting the goals of increasing housing, encouraging economic revitalization, and strengthening the urban core with a live, work, play concept (Darchen & Napoli, 2014). Before the housing crisis of 2008, the adaptive reuse program proved to outperform expectations with increasing property values and a reduction in vacancy rates (Bullen & Love, 2009). From 1999 to 2008, developers used adaptive reuse to create approximately 6,900 units in Downtown Los Angeles (Manville, 2013). The program in the Downtown Los Angeles area has also prompted investment in major developments that were not seen prior to the program's initiation. The program has been credited with playing the most important role in the transformation of Downtown Los Angeles (Darchen & Napoli, 2014). The program has also facilitated the development of a "24-hour City", with a balance of housing, jobs and services (Chamberlain, 2015). This success has been met by bringing large amounts of housing to Downtown Los Angeles through reuse tactics and the preservation of resources (Darchen & Napoli, 2014).

Figure 1, below, presents the number of housing units created by adaptive reuse projects.

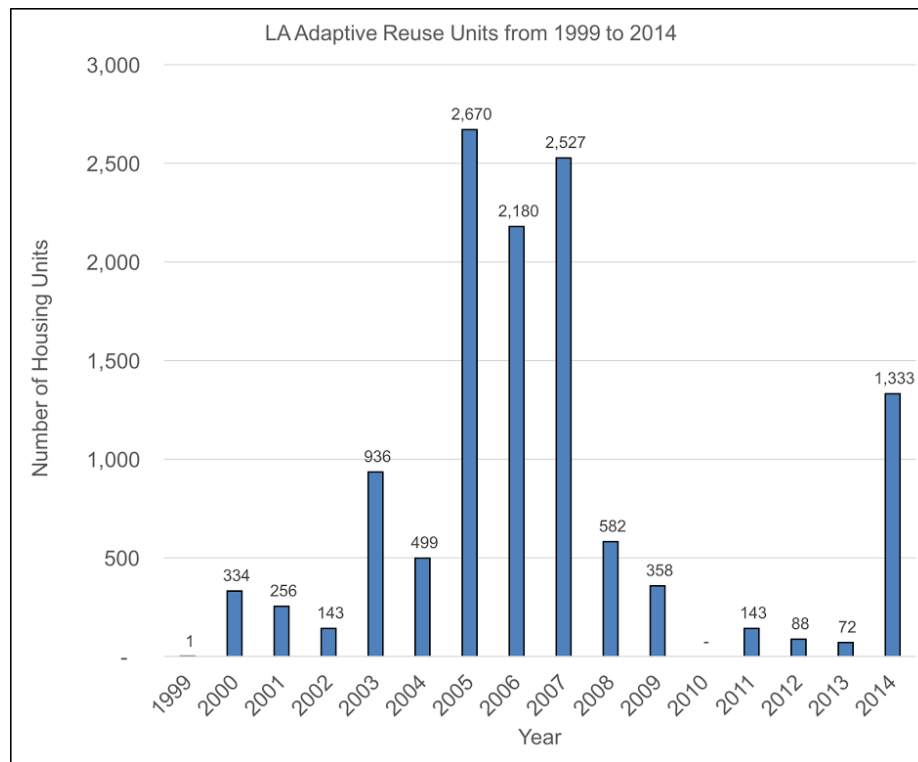


Figure 1

Data Source: Los Angeles City Data as cited by Chamberlain (2015).

Figure 1, above, displays the number of units that were created from 1999 to 2014, on a citywide scale. It is apparent that some years had a higher rate of adaptive reuse, while other years did not. In comparison to new development, for every 1 adaptive reuse project that was developed, there were 171 new buildings constructed (Chamberlain, 2015). While the number of adaptive reuse projects may appear small in comparison to the number of new buildings that were developed from 1999 to 2014, the ordinance was still successful in producing units. The comparison should therefore not diminish the program's success, and it should instead be noted that many of the buildings would have been left vacant if it were not for adaptive reuse.

Takeaways

Developers and researchers appear to have mixed thoughts on the future of the adaptive reuse program in terms of the amount of buildings available to be converted and revitalized. There are also conflicting points of thought on whether there are enough incentives and profits to be earned to make the venture worthwhile. One group of developers who have been noted as being able to benefit from adaptive reuse is hotel developers. Hotels are often able to generate more revenue than residential buildings, which could make adaptive reuse costs more viable

(Vaillancourt, 2013). Additionally, significant portion of the easily developed inventory that could have been developed under adaptive reuse has already taken up in the program. Therefore, there appears to be a limit on what more can be done with adaptive reuse, but other researchers believe there are still possibilities to use adaptive reuse.

Possibilities for the expansion of adaptive reuse come in the form of developers moving to a different generation of buildings (The Planning Report, 2012). As buildings age, they may become prime targets for adaptive reuse. For example, there will be opportunities for buildings who will turn 50 years in age and who may become eligible for the adaptive reuse ordinance incentives (Chamberlain, 2015). Developers may also move to the conversion of other types of buildings, other than the high-rises and warehouses that characterized the first years of the program (Chamberlain, 2015). Additionally, while the Downtown area continues to grow, economic opportunities may arise for the program in other areas of the City that have not fully utilized the program. This is already being seen in such areas as Boyle Heights, which is not in the Downtown area, but has become a targeted area for revitalization. One such example is that of an iconic Sears complex, which was purchased by a developer in 2013 and is set to be an adaptive reuse project (Barragan, 2015). This project aims to bring 1,080 live/work units to the area (Barragan, 2015).

While the program has fostered development in underutilized buildings, there are equity concerns that should be noted. Most units developed become market rate units with few qualifying as affordable units. In 2005, it was determined that the program was skewed towards market rental property, which represented almost 63 percent of the total units constructed (Bullen & Love, 2009). This has led to changes in demographics for the areas being revitalized by adaptive reuse. Based on the advertisements for many of the loft apartments that are part of the adaptive reuse program, as well as general new development, the new Downtown Los Angeles urbanity is targeting single young professionals (Darchen & Napoli, 2014). This new urbanity is also being marketed to attract a high-income population (Darchen & Napoli, 2014). Additionally, longtime Downtown residents, including homeless individuals, once occupied many of the buildings that have been bought by developers. This thus brings about issues of displacement and gentrification. Issues of gentrification and displacement could be addressed if the adaptive reuse ordinance is reformed to provide incentives for the inclusion of affordable housing in projects (Chamberlain, 2015).

CASE STUDY: SAN FRANCISCO FINDINGS

San Francisco
Image Source: Personal Image

The housing units in San Francisco are expensive as compared to other cities in the nation. Currently, San Francisco ranks number one with the highest rents in the United States (Woo and Salviati, 2017). The median rent for a one-bedroom apartment is \$3,500 per month (Brinklow, 2016). Zillow (2017c) reports that in February 2017 the median value of a home is \$1,147,300 in San Francisco, whereas the median home price in Los Angeles is \$616,900 (Zillow, 2017a). Currently San Francisco is expected to build approximately 3,600 units per year from 2015 to 2022; however this will not be sufficient to keep up with demand as San Francisco is expected to add 10,000 residents per year (Elsen, 2015).

Due to such high rents and home prices, residents of San Francisco have trouble with obtaining housing. According to Paragon (2017b), a household would need to earn a minimum income of \$266,700 in order to qualify for a median priced home. However, many households would not meet the minimum income requirement because the median income for San Francisco is \$90,530 (or \$7,544 monthly) (Paragon, 2017b). Households with such a median income would also find difficulty in affording the one-bedroom median rent, which is \$3,500 per month (Brinklow, 2016). Such households would pay almost half of their monthly income on rent, which would qualify them as being severely rent burdened, which is defined as paying more than 50 percent of income towards rent (U.S. Department of Housing and Urban Development, 2017). Accordingly, San Francisco residents need an increase in housing units in order to decrease the price of housing units available for rent or purchase.

Outcomes

In the San Francisco case study, adaptive reuse projects provide benefits in addressing San Francisco's housing affordability. As evidenced by the Webster Property, PRM Property and Arc Light Property, adaptive reuse provides positive benefits, which include increasing the supply of housing units, attracting community support, and satisfying historical preservation (See Appendix E).

Takeaways

San Francisco needs an ordinance to incentivize increased use of adaptive reuse. The data from San Francisco Open Data indicates the use of adaptive reuse is low as adaptive reuse projects make a small percentage of the total number of development projects. San Francisco may craft and pass an ordinance to incentive the use of adaptive reuse.

Moreover, an adaptive reuse ordinance in San Francisco may address the issue relating to the competition between office space developers and housing developers over properties for adaptive reuse. An ordinance may place limits on the use of adaptive reuse for office space development while at the same time assisting housing developers acquire properties for adaptive reuse.

San Francisco can benefit from increased use of adaptive reuse if it focuses on housing units instead of office space. To do so, San Francisco may wish to follow Los Angeles example in term of crafting a similar ordinance that includes by-right development. With these changes adaptive reuse in additions with other approaches should help address the housing crisis in San Francisco.

COMPARING LOS ANGELES AND SAN FRANCISCO

Based on comparison of the number of housing units created by adaptive reuse, Los Angeles has created 1,636 housing units, while San Francisco created 481 housing units from 2011 to 2014. Furthermore, San Francisco created 887 housing units from 2011 to 2015, while Los Angeles created 13,361 housing units from 1999 to 2014. The significant difference in housing units created may be correlated with the presence of the adaptive reuse ordinance of Los Angeles. While the timeframes are different, it appears that the establishment of a City Ordinance in Los Angeles that incentivized adaptive reuse. By creating a streamlined process for projects more housing units were created in Los Angeles.

In adopting an adaptive reuse ordinance similar to Los Angeles, San Francisco may see an increase in its production of adaptive reuse units. Los Angeles ordinance offers exemptions, whereas San Francisco does not. For example, developers are not required to construct additional parking spaces than the quantity of spaces which were present in 1999 (Young, 2009).

In comparison, Section 150 of the San Francisco Planning Code requires developers to construct an offsite parking space for each housing unit (City and County of San Francisco, 2017). With the parking space requirement, developers save funds and therefore, may pass savings on to consumers. Furthermore, Developers may also find more properties desirable for adaptive reuse if the parking requirement were waived.

The Los Angeles ordinance incentivizes the creation of rental units because it allows for by-right entitlement only if the project includes rental units. San Francisco developers are subject to comparable regulation faced by other developers, which do not seek adaptive reuse, thus developers in San Francisco would have to comply with all the requirements of the San Francisco Planning Code, which is difficult for an adaptive reuse project. By-right entitlement allows for a streamlining process, which brings down the cost of development.

In Los Angeles, we find that there are other features that can be incorporated into an adaptive reuse ordinance to help save overall time and money. For example, Los Angeles allows for developers to take advantage of tax credits for adapting historical buildings, but San Francisco does not provide this option.

The main barrier to developing adaptive reuse units in San Francisco and Los Angeles differs. In San Francisco, the main barrier for adaptive reuse is the competition between office space developers and housing developers due to the Office Development Annual Limit (Annual Limit). Therefore, Office space developers are pressured to use adaptive reuse (Cutler, 2014). The Annual Limit incentivizes office developers to participate in adaptive reuse for construction of office space because the Annual Limit restricts the amount of office space allowed for construction within a given period (Planning Department of City and County of San Francisco, 2017). Therefore, we find that the Annual Limit produces an unintended consequence for city officials. In Los Angeles, the main barriers come from requirements set down by the State Office of Historic Preservation. In order to ensure that a building meets historic preservation standards, there is extensive paperwork and time that goes into that process. This often leads to developers not taking advantage of tax credits (Brown, 2009).

When comparing benefits that are offered to developers in both San Francisco and Los Angeles there appears to be a potential to build community support. Developers are often faced with community opposition when they build a new project, but with adaptive reuse, development occurs within an existing property. Ultimately, many community members find adaptive reuse as a way to preserve the history and culture of their community.

Table 5 - Comparison of Los Angeles and San Francisco		
Metrics	Los Angeles	San Francisco
Units Built	13,361 (1999 to 2014)	887 (2011 to 2015)
Regulations	<ul style="list-style-type: none"> ● Federal and local tax incentives ● State Office of Historic Preservation ● Los Angeles Adaptive Reuse Ordinance 	<ul style="list-style-type: none"> ● San Francisco Planning Code ● Office Development Annual Limit
Barriers	<ul style="list-style-type: none"> ● Overregulation from State Office of Historic Preservation 	<ul style="list-style-type: none"> ● Lack of incentive ● Missing streamlined process
Benefits	<ul style="list-style-type: none"> ● Community support ● Historical preservation 	<ul style="list-style-type: none"> ● Community support ● Historical preservation

Data Sources: San Francisco Open Data (2017) & Chamberlin Report (2015)

ACCESSORY DWELLING UNITS

This section of the analysis examines the Accessory Dwelling Units (ADUs) ordinances in Seattle, Washington and Portland, Oregon. Both cities have had ADU ordinances in place since 2009 and have different restrictions regarding the development of ADUs. The analysis examined four aspects of the ADU programs in each city: 1) how many units were created and where, 2) what are the regulations for ADUs, 3) Construction Costs of ADUs, 4) what are the barriers to developing ADUs.

Seattle and Portland are the two major metropolitan areas in the Pacific Northwest and have similar populations with Seattle having higher incomes, housing prices, and rent prices (See Table 6).

City	Portland	Seattle
Median Household Income City (2015)	\$65,624 (2017 inflation adjusted \$)	\$82,581 (2017 inflation adjusted \$)
Median Home Price Metro (2017)	\$412,200	\$624,700
Average Rent Price City (2017)	\$1603	\$2141
Population City (2015)	632,187	684,443

Data Sources: U.S. Census Bureau (2015b,2015d,2015f,2015h), Rent Jungle (2017b, 2017d), and Zillow (2015b, 2015d)

CASE STUDY: SEATTLE FINDINGS



Image source: City of Seattle Municipal Archives (2000).

The Seattle metro faces multiple housing issues similar to coastal municipalities in California. The Seattle metro area's housing prices grew at an average rate of 11 percent over the last year with the average home value in the metro area being \$420,200 (Zillow, 2017d). In comparison, the Los Angeles metro area's housing prices have risen 8 percent with an average price of \$616,900 (Zillow 2017a). According to the Department of Housing and Urban Development (2015), demand for single-family homes in Seattle was estimated at 29,100 new homes while only 2,950 homes were being constructed. HUD's (2015) report also examined the rental market of Seattle and found the vacancy rate dropped from 7.1 to 4.6 percent from 2010 to 2015. In addition, the same report found that demand for rental units is estimated at 25,800 new units for the Seattle Metro and only 16,350 units are under construction to meet this demand. This high demand has led to an increase in rental prices. In fiscal year 2014-2015, the average asking price for rents grew seven percent (HUD, 2015). Currently the average price for a one-bedroom apartment is \$1,978 a month with newer units costing more on average a month (Rent Jungle, 2017c). In comparison, the City of Los Angeles average price for a one for an apartment is \$2,625 a month (Rent Jungle, 2017a). Of households in Seattle, between 15 to 20 percent spend more than 50 percent of their income on housing (City of Seattle, 2017a).

Outcomes

The Seattle ordinance appears to have been well received by the public. According to the City of Seattle's Backyard Cottages Directors Report (2009a), of those living in a neighborhood where an ADU had been created, approximately 83 percent of neighbors were either supportive or strongly supportive of ADUs, and 84 percent noticed no impacts on parking or traffic due to

ADUs. This counters the concerns by groups that were in opposition stated that they feared ADUs would be confined to one area and that this would create parking concerns (City of Seattle, 2009a). However, the proponents did not see as large of an increase in units as they may have expected, as over the next three years 17 units were created in the pilot test area (City of Seattle, 2009a). The City of Seattle expanded the ordinance in 2009 to attempt to increase the total number of units that could be created.

The expanded ordinance stated that the City of Seattle expected approximately 102 to 124 new DADUs per year and thus created a cap of 50 permits per year because the city believed that there would high demand for such units. This assumption was due to the number of lots that met the requirements to construct ADUs. Buker (2015) reported that over 78,000 lots could be used to build new ADUs, which constituted around 75 percent of the total single-family housing units in the City of Seattle. These lots are scattered throughout the city and are not located in any one location with the capacity for ADUs ranging from 59 percent in the city center to 80 percent in northern Seattle. In contrast to this capacity, Seattle from 2011 to 2014 permitted only 96 ADUs (City of Seattle, 2014). There appear to be three main differences between parcels that do have ADUs and those that do not.

The first of these differences is that parcels that built ADUs have an average property value that is approximately \$65,000 more than the surrounding parcels (Burker, 2015). In addition, Burker (2015) reported that lots that do construct ADUs on average have a parcel size that is 850 sq. feet larger than the average single-family parcel size. Finally, households that created DADUs tended to live in Census blocks that had a median income that was \$7,472 greater than the average median income for the City of Seattle (Burker, 2015).

Takeaways

Based on this case study of Seattle's Auxiliary Dwelling Units (ADUs), there are several key implications for the development of ADUs in California. First, there is a need for banking institutions to help find loans for the creation of ADUs. As the Seattle model has shown, the cost of construction and the inability to secure loans for such construction are barriers to development. A second implication from this case study is that some of the concerns of ADUs do not always materialize, such as increased traffic or degradation of the neighborhoods ascetics. In fact, in the neighborhoods that built ADUs, 83 percent of residents were either supportive or strongly supportive of ADUs (City of Seattle 2009a). Finally, although there was significant capacity to build ADUs in Seattle, with the ability to develop DADUs on 79 percent of their single-family lots, only 96 units had been created from 2011 to 2014. The current regulations in place for ADUs in Seattle and the inability to receive a construction loans are major barriers that reduce the amount of ADUs constructed. In addition, other regulations that should be considered are restrictions on short term rental units such as requiring individuals to acquire a business license to rent out their housing units for short periods or limit the number of units an individual may rent out for short term. This may allow for ADUs to be used for more long-term

housing instead of short term rentals such as Airbnb.

CASE STUDY: PORTLAND



Image Source: Jami Dwyer, (2006)

In 2016, the total number of single-family units in Portland was approximately 148,000 (Peterson, 2017). For apartment construction in the metro area of Portland, about 6,500 permits for new apartment units were issued in 2015. The number was a slight 4.5 percent down from 2014 (Barry, 2016). Other than in 2015, Portland has seen an increase in apartment constructions for four consecutive years, starting from 2010 to 2014. In comparison, the California metropolitan district of Los Angeles-Long Beach-Glendale, had 4,638 single-family units permitted in 2015, witnessing a 1.1 percent growth from year 2014 (HUD, 2017).

In 2015 apartment sales in Portland hit a new record high with 285 transitions worth \$2.25 billion. (Barry, 2016). By early March of 2017, the median sales price for all properties in Portland was around \$370,000, which was up by 5.7 percent compared to than same period last year. The median rent for an apartment in Portland was \$1,937 (Trulia, 2017). In comparison, the median sales price for all homes in CA Metropolitan District was \$70,000 by early March 2017, went up by 4.5 percent than same period last year (ibid).

Several amendments to ADU regulations in Portland have taken place in the past two years. In December 2015, the Portland City Council passed the Accessory Structures Zoning Code Update which allows for smaller detached units to be built within the 5-foot setback of the primary structure. In April 2016, the Portland City Council extended an existing waiver of Systems Development Charges (SDCs) on ADUs for two additional years. The SDCs are annual fees charged to new developments and are collected to help offset the impact a project will have

on city infrastructure. Any ADU that receives final inspection and certificate of occupancy before July 2019 would obtain the SDCs waiver.

Outcomes

The amendments Portland has made to ADU regulation appear to have had a favorable effect on construction of ADUs. The waiver of SDCs helps those who wish to construct ADUs finance construction and may incentivize more detached units to be built. The waiver saves homeowners costs by avoiding having to pay development charges for the ADU in addition to paying development charges for the primary property. In conclusion, mild restrictions and loosening limits on ADU regulations can support the creation of more affordable units in Portland. Specifically, incentivizing construction of smaller units and the waiving of system development charges appear to be effective tools to increase the production of ADUs.

Takeaways

For metropolitan municipalities in California, improving ADU regulations is one of the most important takeaways from Portland. Californian cities may need to loosen the restrictions on ADUs even more than Portland has, in order to create more ADUs. For example, regulators could relax the size limit of ADUs as allowing small units to be built by the landowner is a practical method given the scarcity land in California metro cities. California municipalities should also examine waiving system development charges as the added cost saving to homeowners could contribute to the boom of ADU units. California municipalities should also examine regulations of accessory short-term rentals to ensure ADUs become a part of the permanent housing stock.

COMPARING SEATTLE AND PORTLAND

Both Portland and Seattle have created Accessory Dwelling Unit (ADU) ordinances with differing rates of success. Portland has built more ADU units annually than Seattle, as between 2011 to 2014 Portland built 190 units per year compared to 24 units per year in Seattle. This difference appears to be due to Portland's less restrictive regulations, specifically the waiving SDCs for ADUs. Before the policy was in place, Portland had a similar annual rate of ADU production to Seattle, at 27 units per year. After waiving the SDC the production rose exponentially in Portland. This may not be the only factor in the difference between Portland and Seattle, as the ADU program for is still relatively new in Seattle, while the Portland ordinance has been in place since the early 2000s. Both Portland and Seattle have shown similar outcomes when it comes to public support or opposition to ADUs.

Both cities have shown strong support for ADUs from not only the city planning departments but from the public as well. The main arguments that are used against ADUs, such as parking problems or change the neighborhood due to increased density do not appear to

have materialized. In contrast, there was strong support for the reduction in regulations from the public.

When examining costs and uses, the average construction cost for ADUs in Portland was \$98,000 while the cost was significantly less in Seattle with the average cost being \$54,982.50 (City of Seattle 2014, Peterson 2017). A possible cause for the differences between the cities is how they define the differences between attached and detached dwelling units. In Seattle, a conversion of a garage is considered a detached dwelling unit while in Portland this is considered an attached dwelling unit.

Table 7 - Comparison of Portland and Seattle		
Metrics	Portland	Seattle
ADU Units Built annually from 2011-2014	190	32
Regulations	Less Restrictive	More Restrictive
Average Construction Costs	Detached: \$98,000 Attached: \$52,000	Detached: \$54,982.50
Barriers	Permitting process	Loans, Appraising

Data Source: City of Seattle Backyard Cottage Reports (2014) and Kol Peterson (2017)

STUDY OF CALIFORNIA HOUSING ACCOUNTABILITY ACT

California has not passed major housing legislation in recent years. The state's reform efforts have been stymied by opposition from local governments, under pressure from vocal constituencies. Furthermore, efforts to bring local governments into compliance with existing state law have stalled due to outdated zoning codes and general plans. One of the more recent and notable policy failures is Governor Jerry Brown's by-right proposal. In the May Revision to the 2016-17 state budget, Governor Brown's administration proposed the Permitting Streamlining Act intended to spur by-right development of housing projects throughout the state. Under this legislation, developers would be allowed to bypass local restrictions on development so long as 5 to 20 percent of the housing units are set aside for low-income residents. Also, attached to the bill was a commitment to spend \$400 million on low-income housing subsidies (Li, 2016).

The bill was an attempt to better align the state's housing needs with the local permitting and approval process. The bill sought to address the housing crisis by increasing the supply of market rate housing to better balance supply and demand. The bill gained support from the development community but failed to gain traction from state lawmakers due to pressure from organized labor and environmental groups (Dillon 2016b). The bill would have effectively limited local decision making power, which angered entrenched local interest groups and residents opposed to development, colloquially known as NIMBY's (Not In My Back Yard). The bill was so unpopular with constituency groups throughout the state that not one of 120 lawmakers were willing to publicly stand with the governor in support of the proposal (Dillon 2016a). Furthermore, the bill faced opposition from organized labor, who insisted that there be a clause included to require developers to pay prevailing wages. The inclusion of prevailing wages in the bill would have added exorbitant costs to the kinds of development the bill hoped to promote.

Since the defeat of the by-right bill, Governor Brown has been reluctant to commit new funds for affordable housing because increasing the amount of money spent on affordable housing alone does little to address the underlying issues with building in California (Dillon 2017) (See Appendix H). Governor Brown believes a more appropriate course of action would be to bring down the cost structure of housing, which can be done by fundamentally changing the rules of developing in California (Dillon 2017).

OVERVIEW HOUSING ACCOUNTABILITY ACT

The Housing Accountability Act (“HAA” or Gov. Code, § 65589.5) was originally passed in 1982. It was intended to enable the production of housing for very low, low-, or moderate-income households (State of California 2017). The HAA puts limits on a local government’s ability to deny, amend, or otherwise affect a proposed housing development project so long as it complies with existing general plan and zoning laws. For a local government to affect a development that is code compliant, it must present quantifiable metrics to prove that the project will have a specific, adverse impact upon the public health or safety. In addition, local governments must prove that there is no feasible method to reduce the negative impact other than disapproval. Put differently, local government cannot reject or make infeasible housing developments that are code compliant without providing evidence thorough analysis of the safety and health effects of the development is thought to cause. Ultimately, if a housing development is denied or altered, while being code compliant and causing no adverse health or safety concerns, the decision can be challenged and a judgement can issue an order to compel local government to act in accordance with the HAA.

The HAA is also referred to as the anti-NIMBY law. The Act is meant to protect projects against arguments that are echoed by anti-development residents. Local opposition adds tremendous pressure on city officials to be critical of development, and one of the purposes of this Act is to limit local government’s ability to arbitrarily act upon those wishes.

LEGAL PRECEDENT

The HAA was understood to only apply to affordable housing developments until the case of *Honchariw v. County of Stanislaus* (I). In this case, the Board of Supervisors for the County of Stanislaus rejected the appellant’s subdivision map application, contending that the development plan was not subject to HAA because the development did not include affordable housing (Court of Appeal of California, 2011). The Court of Appeal rejected this claim. If ruled that the statute defines “housing development project” to include residential units and nothing in that definition limits the reach of that phase only to affordable housing developments.

After receiving a favorable ruling, the appellant then moved to secure attorney fees (Court of Appeal of California, 2011). Section subdivision (k) of the HAA states that the court shall award reasonable attorney’s fees and costs of suit to the plaintiff proposing the housing development (State of California, 2017). However, language inconsistencies in the Act were identified and it was decided that subdivision (k) only applies to affordable housing developers. The Court of Appeal ruled that awarding of attorney’s fees only pertained to appellants representing proposed housing development containing affordable housing (Robinson, n.d.).

Finally, Assembly Bill 2584 (AB 2584) passed in 2016 amended who has standing to take legal action pursuant to the HAA to challenge the disapproval of a housing development by a

local government (State of California, 2016a). The HAA originally states that, the developer or "housing organization" is the only actor that has standing to take legal action against a municipality. The bill, AB 2584, extends the definition of a "housing organization" to include a trade or industry group whose local members are primarily engaged in the construction or management of housing units or a nonprofit organization whose mission includes advocating for increased access to housing for low-income households (State of California, 2016a)

ADVOCACY GROUPS

Since the passing of AB 2584, one of the most prominent housing advocacy groups to utilize the HAA to sue local governments is San Francisco Bay Area Renters' Federation (SFBARF). SFBARF is a member of a larger organized pro-housing voting constituency called the SF YIMBY (Yes In My Back Yard) Party. Ultimately, these expanding networks of grassroots pro-housing advocacy groups in the San Francisco Bay Area coordinate with The California Renters Legal Advocacy and Education Fund (CaRLA). CaRLA works to support and strategize approaches to sue local municipalities who are believed to be in violation of the HAA. This novel approach to countering city-level decisions has had relative success.

SFBARF is the lead plaintiff in a case against the City of Lafayette over a proposal to build 315 moderate-income apartments. Due to the opposition, the proposal faced from Lafayette community members, the developer and Lafayette city officials agreed instead to build 44 single-family homes with a dog park, sports field, and parking lot. The developer had elected not to join SFBARF as a plaintiff in the case.

In its suit, SFBARF claims city officials had violated the HAA because planning officials were more concerned with the 315-apartment unit plan threatening Lafayette's semi-rural character, while providing no objective evidence that the plan poses a threat to the community. The presiding judge has ruled against SFBARF's claim that Lafayette officials violated the HAA because the developer voluntarily pursued the less dense project (Li, 2017). Several other cases are being pursued by CaRLA and its partner organizations in Berkeley, Fremont, and Los Gatos. A ruling favorable to grassroots pro-housing advocacy groups in any given case may have statewide implications (See Appendix I).

ACTION PLAN

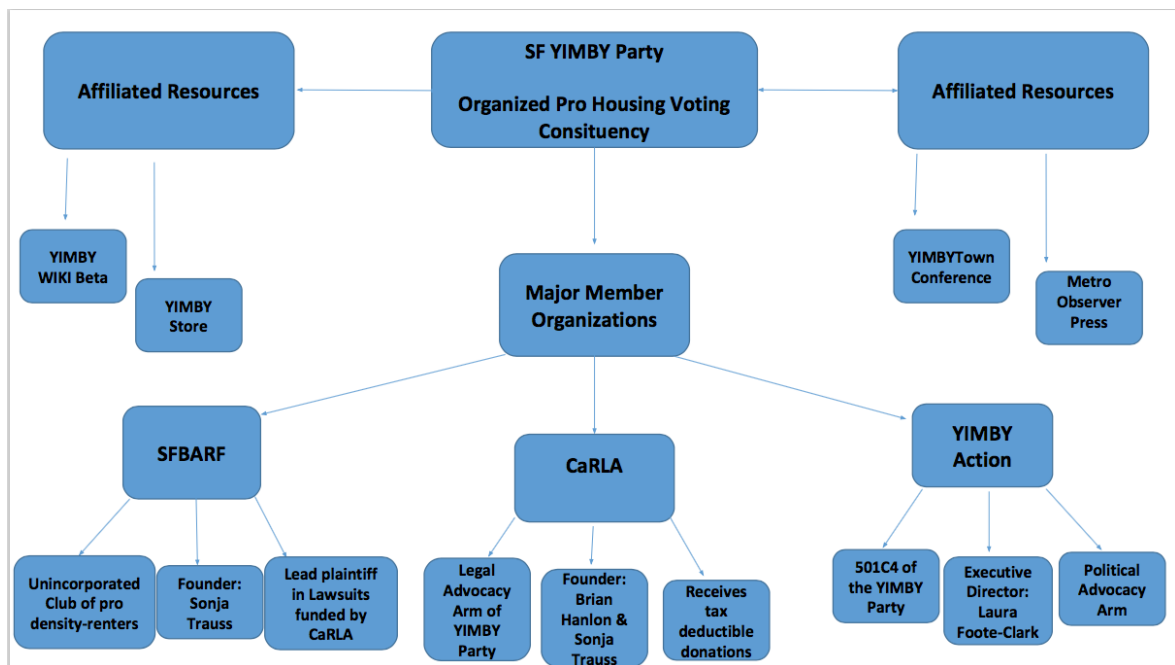
There are several opportunities for the greater development community to work in cooperation with grassroots pro-housing advocacy groups to defend the right to develop in California. The full extent of what is capable under the HAA remains to be tested through the court system. This is due from the HAA being rarely enforced, largely because it was believed that the law only applied to affordable housing developments. Today, the HAA is being utilized as a powerful and practical tool to protect housing proposals. The entire development community would benefit in better understanding of how the HAA can be used as an effective tool to

protect their rights to build.

Typically, developers prefer not to sue local governments. Moreover, they are more likely to redesign projects at lower densities or agree to packaging developments with public amenities, as is evidenced in the case against the City of Lafayette. Developers highly value strong working relationships with city officials, especially small to medium developers who have plans to continue to build in those communities. Therefore, grassroots pro-housing advocacy groups can continue to play a prominent role in protecting the right to develop.

Secondly, YIMBY Action, which is a part of the greater pro-housing network referenced above, focuses on legislative and education efforts. Currently, information regarding development proposals that are subject to local decisions that are fundamentally in violation of HAA statutes are compiled ad-hoc on an open source platform, YIMBY Wiki. There is a great need to create a more refined data entry system to catalogue such violations. Such a resource would greatly aid the pro-housing community in mobilizing efforts to provide better support and protection of developers' right to build.

SF YIMBY Party Functional Overview



POLICY IMPLICATIONS

For cities without an adaptive reuse ordinance, existing adaptive reuse ordinances may be applicable and replicable in other cities such as San Francisco, but there are several factors, which will influence the approach and success of an ordinance. For example, consideration should be given to the number of available and eligible vacant properties that have the capacity for adaptive reuse. A city's demographic trends will also influence the way adaptive reuse can be used; renovation can help spur revitalization, like it did in Los Angeles. Due to a growing preference to live in urban centers, adaptive reuse will assist in providing such an opportunity. The most successful adaptive reuse projects usually require an advocacy strategy at the state or local level (Duke University School of Law, n.d.). Local governments can replicate successful adaptive reuse programs by incentivizing the development of historic buildings for adaptive reuse. Cities may do this by including the Federal Historic Rehabilitation Tax Credit Program and the Mills Act Property Abatement program in its adaptive reuse program. While this analysis found that there may be excessive paperwork and a long permitting process to ensure a development meets historic preservation standards, these programs still offer an incentive and an opportunity for developers to receive economic benefits when taking part in these programs (Brown, 2009). Additionally, local governments can create zoning laws that promote adaptive renovation by granting exemptions from normal zoning requirements, such as that of Los Angeles.

Due to Assembly Bill 2299, municipalities in California have a chance to improve the regulations for ADUs to increase the supply of housing. In tandem with Senate Bill 1069 this new law should reduce some of the barriers to developing ADUs in California, specifically in regards to parking requirements. SB 1069 allows for parking to be in tandem with the existing units and waiving parking requirements for ADUs built within half a mile of public transit (State of California, 2016c). Using the examples from Seattle and Portland municipalities in California should consider more ways to reduce regulations and waive fees for ADU development. Specifically, California municipalities may wish to consider removing fees similar as what happened to Portland through the System Development Charges waiver program. Municipalities should also consider examining short term rental regulations to ensure ADUs are used to increase the long term housing supply instead of being used for short term rentals such as Airbnb. Finally, California should also consider examining ways to encourage banking institutions to create loan programs to assist in the construction costs of ADUs and determine new metrics to more accurately appraise the value of properties with ADUs.

Ultimately, due to a lack of political will at the state level as well as staunch opposition to housing reform at the local level, it has become imperative for grassroots pro-housing advocacy groups to play a more prominent role shaping the future of housing development in California. Such groups have credibility in their respective communities. When there is a fight to build, their voices and actions are largely trusted. The development community need not work in unison with grassroots pro-housing advocacy groups; however, it is incumbent on housing developers to stand with groups who support their proposals. Furthermore, housing developers are encouraged to centralize reporting of possible HAA violations. Doing so will better serve all who seek to take part in protecting housing development in California. Finally, the legislative history of the HAA provides valuable insight into how the law can be amended to better serve current efforts to protect the right to build in communities.

CONCLUSION

This report finds that adaptive reuse, accessory dwelling units, and the Housing Accountability Act may be useful tools to help increase the supply of housing within the State of California. Adaptive reuse shows some promise for cities that have vacant and historical buildings. Adaptive reuse can additionally be successful if there is support from the municipality, which is most often seen through the adoption of an ordinance. ADUs could allow for the construction of more units in residential areas without the issues of a prolonged permitting process, which will keep costs down. Finally, using the Housing Accountability Act may be used as a tool for developers and housing advocates to use against cities that do not support high density developments.

In addition to these findings, the current report suggests future analysis should examine each of the policies outline in this report. Future research should examine a broader range of years to fully understand the success of adaptive reuse in San Francisco and to better understand why San Francisco has not followed Los Angeles in creating an adaptive reuse ordinance. On Accessory Dwelling Units future analysis should be done on the demand for ADUs specifically focusing on who uses ADUs, the characteristics of individuals who build ADUs, and what is the rental market for ADUs.

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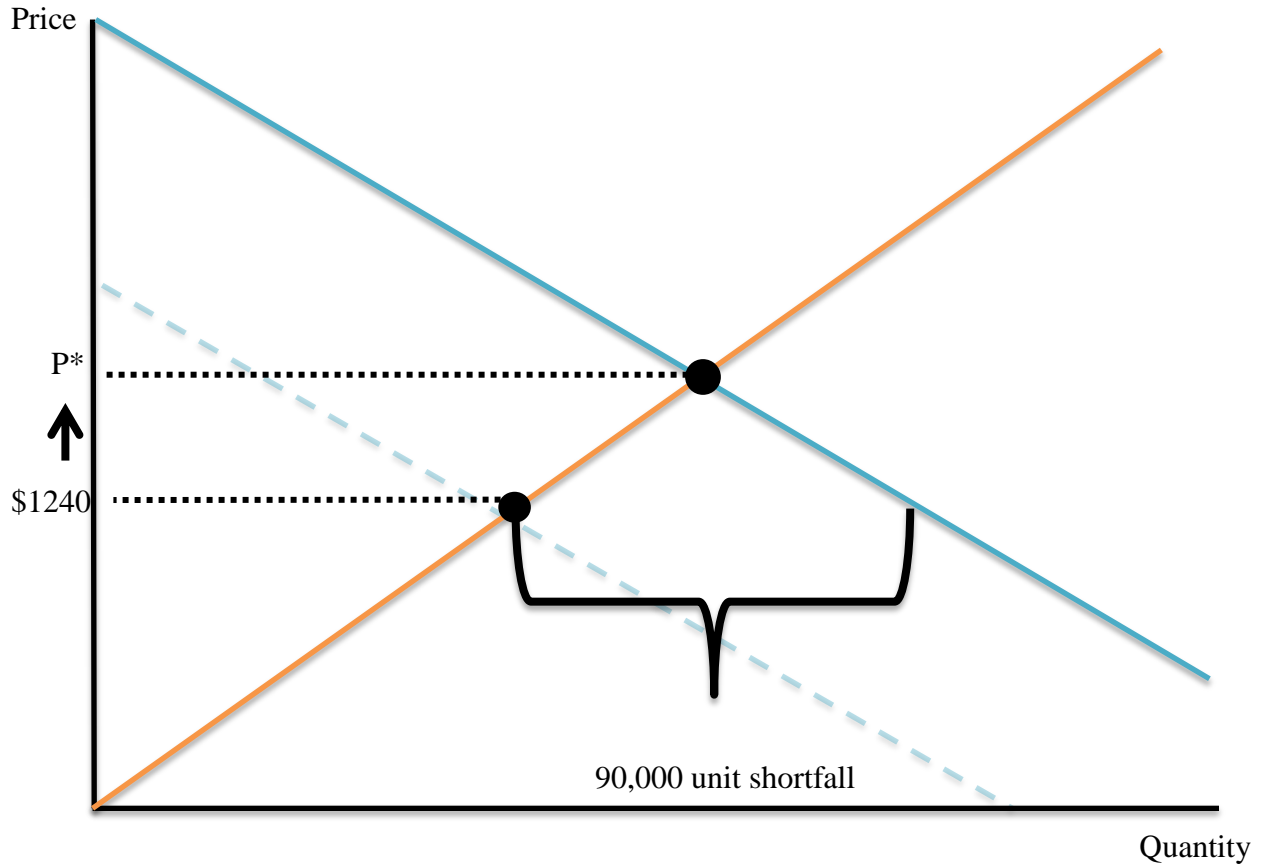
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APPENDICES

Appendix A:

Figure 1

Supply and Demand Curve of California Housing Units



Data Source: CLAO (2015) California's High Housing Costs: Causes and Consequences.

Figure 1 shows that even at the current California average cost of housing there is approximately a 90,000 unit shortfall. For the market to clear the current rate of supply (red line) and demand (blue line), the prices would have to be higher than the current California average Housing cost. (increase the price of housing unit from point P^1 to P^).

Appendix B:

Table 3

Auxiliary/Accessory Dwelling Unit Regulations

Table 3 - ADU Regulations for Portland and Seattle			
Regulations	Portland	Seattle	California
Minimum Lot Size	Main Unit must be 1400 soft.	4000 soft.	None Specified
Parking Requirement	None	One per unit	none for lots within half mile of transit stop
Maximum Size of ADU	800 soft. / 75% of the living area.	800 soft. or 35% of total lot area.	1200 sq. ft. and less than 50% of main units size
Residency Requirement	No specific requirement.	Land Owner must spend 6 months on property.	None Specified
Height Requirement	15'-20'	12'-23'	None Specified

Appendix C:

Case Study of Adaptive Reuse in Los Angeles

The Adaptive Reuse Program was adopted in 1999 to reinvest in the former Central Business District of Los Angeles. The program is supposed to streamline the development process to speed up development. It was immediately seen as successful by the City, so in 2003 the program was expanded to include other areas of Los Angeles. By 2014, the ordinance had fostered the development of approximately 13,000 units in the City. The adaptive reuse program has also helped promote sustainability and reinvestment in the City, while offering incentives for developers who decide to take advantage of the program. Though the program offers many incentives for those who develop underutilized commercial buildings, and has been successful in preserving historic buildings in the City, while increasing the supply of units in the City, there are still challenges and concerns, such as overwhelming oversight from the State Office of Historic Preservation, increased costs to development, and equity concerns for those who are displaced from the original buildings.

Background

Downtown Los Angeles lost much of its appeal when people decided to relocate to postwar suburbs, which offered shopping and entertainment close to home (Los Angeles Conservancy, n.d.). This relocation led to many businesses and buildings becoming vacant, leading to blight in the City center (Los Angeles Conservancy, n.d.). In 1996, a group of stakeholders consisting of developers and Downtown property owners organized themselves and reached out to the Mayor of Los Angeles and the City Council. These stakeholders were concerned with the blight that was beginning to take place in Downtown Los Angeles and wanted the City to address the problem. Richard Riordan, Mayor of Los Angeles from 1993 to 2001, was in support of addressing the blight. On June 3, 1999, the City of Los Angeles approved the ordinance to establish and implement the Adaptive Reuse Ordinance Program (Brown, 2009). While this program was aimed to address blight in the Downtown Los Angeles area, it was also done in an effort to seek development alternatives that would reduce social, economic, and environmental costs, while also acknowledging that development needed to continue (Bullen & Love, 2009).

This program allows for developers to convert commercial buildings into a variety of new uses including apartments, condos, live/work lofts, retail spaces, and hotels (City of Los Angeles, 2006). There are two main components to the program, one being a set of land use ordinances, which relaxes typical zoning requirements. The second component provides flexibility in the approval and permitting process through fire and life safety measures (City of Los Angeles, 2006). These components are meant to streamline the development process for projects to be approved quickly, which should result in time saved and an increase in development.

In order to ensure the program's success, the program offers financial incentives through the Federal Rehabilitation Tax Credit Program and the Mills Act Property Abatement Program. These incentives are offered to attract investment and involvement with the program. Developers had to find commercial buildings viable for development, especially in the ordinance's initial stages, when development was not happening in the Downtown area. Thus, the program has relied heavily on the use of legislative and financial incentives (Bullen & Love, 2009). The financial incentives come about through these programs that are able to provide significant tax reductions and are supposed to be beneficial to developers who choose to take part in adaptive reuse and meet the requirements to attain the tax

credits. Owners of properties that are listed in or eligible for the National Register of Historic Places can apply for a 20 percent Federal tax credit through the Federal Historic Rehabilitation Tax Credit Program. (City of Los Angeles, n.d.). The National Park Service and the State Office of Historic Preservation administer the program. It allows for a credit equal to 20 percent of the amount spent on qualifying historic rehabilitation expenditures and only available to income-producing properties, not owner-occupied housing (City of Los Angeles, n.d.). The Mills Act Property Abatement Program grants participating local governments authority to enter into contracts with owners of qualified historic properties that participate in the restoration and maintenance of their property (City of Los Angeles, n.d.). Through this contract, owners are able to receive property tax relief. It has been estimated that developers and owners of historic buildings who participate in the Mills Act program can realize an economic benefit between 40 percent and 60 percent in property tax relief (Brown, 2009).

The actual process for a project begins once it meets certain requirements laid out by the program. The project will either qualify for by-right entitlement or for a discretionary review, which will determine how quickly the project will be approved. To qualify for by-right entitlement a project must: contain rental units, be inside a designated incentive area, be in a commercial zoning or an R5 zoning area, a specific type of multi-family zone, and the building must have been constructed before July 1, 1974 (City of Los Angeles, 2006). A project receives discretionary review if it includes condominiums, is outside a designated incentive area, is in an industrial zoning area, or if the building was constructed on or after July 1, 1974 (City of Los Angeles, 2006).

For those projects that qualify for by-right entitlement and do not involve adaptive reuse of a historically significant building, then environmental clearance, CEQA, is not required. For those projects that do include the adaptive reuse of a historically significant building, environmental clearance is needed (City of Los Angeles, 2006). Determining whether a building is historically significant depends on whether or not it is listed on the National Register of Historic Places, the California Register of Historical Resources, the City of Los Angeles List of Historic-Cultural Monuments, is a building in a National Register Historic District, or in a Historic Preservation Overlay Zones (City of Los Angeles, 2006).

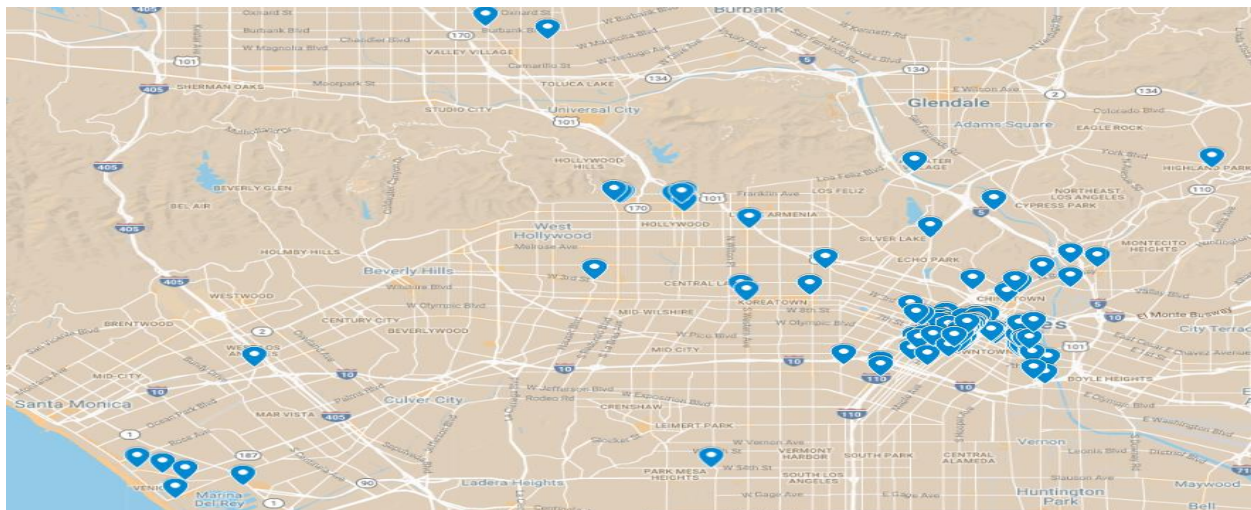
Ultimately in 2003 the program was expanded to include parts of Chinatown, Lincoln Heights, the Hollywood Community Redevelopment Project Area, certain portions of the Wilshire Center/Koreatown Community Redevelopment Project Area, and Central Avenue South of the 10 Freeway and North of Vernon Avenue (City of Los Angeles, 2006). The City therefore believed that the program had been beneficial to the Downtown area in its first few years of implementation.

Adaptive Reuse 1999-2008

About half of the 2,850 units created between 1999 and 2004 were conversions encouraged by the adaptive reuse ordinance (Cantell, 2005). The first three projects that qualified for the program were the Hellman Building, the Continental, and the San Fernando Building. All three of these buildings were developed by Gilmore & Associates, one of the developers who organized and went to the Mayor to discuss concerns about the City's blight, and the developer who served as the initial catalyst to begin the revitalization of Downtown Los Angeles (Brown, 2009). Gilmore, being one of the first developers to take advantage of the program, has insight into how the program was in its first years. He found the program to be very productive between 1999 and 2002 because it had the support of then-Mayor Richard Riordan, and therefore also had support with City Planning and Building and Safety (Brown, 2009).

The Gas Company Lofts began renovation in 2004 and were completed in 2008. This project is unique in that it created many units, while also providing a large retail space. In Phase 2 of the project, a full-service Ralphs was included into the development, which was the first time in 50 years that a full-service supermarket had been introduced into the Downtown area (Brown, 2009). This is considered important in terms of sustainability because people will be able to live and shop in the same area, as opposed to having to drive great distances. This project also demonstrates the economic revitalization that started occurring in the Downtown area alongside the development of housing units in terms of retail and commercial revitalization, in order to offer the area's new residents places to enjoy outside of their homes.

When analyzing developments before 2008, it is demonstrated that both the Federal Rehabilitation Tax Credit Program and the Mills Act Property Abatement Program incentives proved to be difficult and complicated to attain. This was due to requiring a great deal of compliance between the developer and the State Office of Historic Preservation (Brown, 2009). Some developers have stated that these programs required extra time and administrative processes that outweighed the benefits (Brown, 2009).



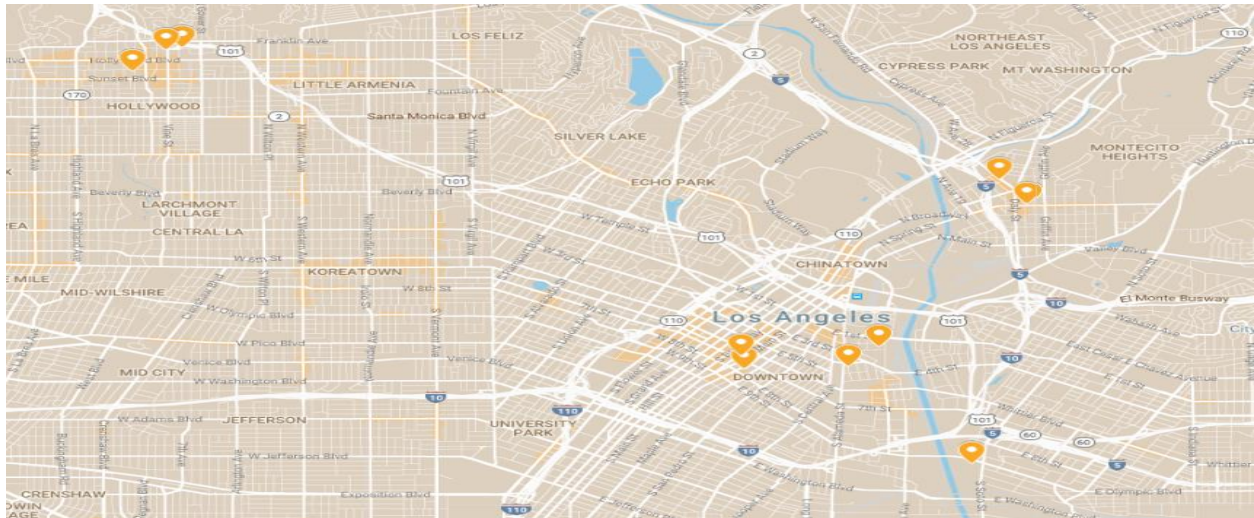
Map of Adaptive Reuse Projects from 1999-2008.

Adaptive Reuse 2008-2014

When the recession hit, development in Los Angeles was dramatically affected, this also affected the use of the adaptive reuse program. Adaptive reuse conversions fell victim to the Great Recession, but with later improvements in the economy, adaptive reuse projects continued to increase throughout the City (KFA Los Angeles, 2014).

During this time frame, developers were also now facing different challenges when they chose to develop. Some developers have stated that construction costs are now significantly higher than they were in the past. Due to the successful revitalization of Downtown Los Angeles, the demand for housing has been driven up, which has in turn increased property values (Vaillancourt, 2013). Developers have seen these increases in costs as a factor that is shrinking the potential profit margin of development, which can

then deter development (Vaillancourt, 2013). Many developers also feel that the buildings that were best suited for residential conversion have already been transformed (Vaillancourt, 2013).



Map of Adaptive Reuse Projects from 2008-2014.

Appendix D:

Adaptive Reuse Development in Los Angeles

Data Source: Chamberlin (2015) Report

Address	No. Dwelling Units	Development Date
565 W 5th St, Los Angeles, California, 90731	8	2005-2006
550 S Hope St, Los Angeles, California, 90071	196	2006-2007
1060 S Broadway, Los Angeles, California, 90015	82	2006
108 W 2nd St, Los Angeles, California, 90012	143	2000-2001
111 W 7th St, Los Angeles, California, 90014	214	2006
112 W 2nd St, Los Angeles, California, 90012	NA	NA
121 E 6th St, Los Angeles, California, 90014	103	2005-2007
1291 W 6th St, Los Angeles, California, 90017	17	2005
1291 E 6th St, Los Angeles, California, 90021	11	2004-2005
1309 E 6th St, Los Angeles, California, 90021	1	2004-2006
1313 E 6th St, Los Angeles, California, 90021	19	2004-2005
2025 S Figueroa St, Los Angeles, California, 90007	9	2004
2135 E 7th Pl, Los Angeles, California, 90021	19	2005-2006
215 W 6th St, Los Angeles, California, 90014	196	2005
215 W 7th St, Los Angeles, California, 90014	130	2001-2005
220 W 5th St, Los Angeles, California, 90013	62	2006
2222 S Figueroa St, Los Angeles, California, 90007	30	2003-2004
225 W 8th St, Los Angeles, California, 90014	168	2006
242 S Broadway, Los Angeles, California, 90012	38	NA
245 W 7th St, Los Angeles, California, 90014	73	2005-2007
249 S Broadway, Los Angeles, California, 90012	40	2004-2005
263 W 7th St, Los Angeles, California, 90014	28	2006-2007
308 E 9th St, Los Angeles, California, 90015	37	2007
312 W 5th St, Los Angeles, California, 90013	280	2002-2007
315 E 8th St, Los Angeles, California, 90014	64	2004
315 W 5th St, Los Angeles, California, 90013	87	2005-2007
325 W 8th St, Los Angeles, California, 90014	91	2008
90013, Los Angeles, California	59	2007
404 S Figueroa St, Los Angeles, California, 90071	219	2006
411 W 5th St, Los Angeles, California, 90013	74	2006-2007
417 W 8th St, Los Angeles, California, 90014	2	2006
421 Colyton St, Los Angeles, California, 90013	14	2007
424 S Broadway, Los Angeles, California, 90013	60	NA
500 W 7th St, Los Angeles, California, 90014	55	2003
510 S Broadway, Los Angeles, California, 90013	28	2005
630 W 6th St, Los Angeles, California, 90017	90	2004-2005
711 N Broadway, Los Angeles, California, 90012	42	2005
833 E 3rd St, Los Angeles, California, 90013	10	2007
846 S Broadway, Los Angeles, California, 90014	37	2002
849 S Broadway, Los Angeles, California, 90014	147	2004-2005

901 S Broadway, Los Angeles, California, 90015	82	2002-2003
940 E 2nd St, Los Angeles, California, 90012	88	2012
550 S Flower St, Los Angeles, California, 90071	207	2000
612 S Flower St, Los Angeles, California, 90017	322	2002-2006
800 S Flower St, Los Angeles, California, 90017	251	2002-2003
810 S Flower St, Los Angeles, California, 90017	100	2003
1140 S Flower St, Los Angeles, California, 90015	91	2002
609 S Grand Ave, Los Angeles, California, 90017	99	2005
801 S Grand Ave, Los Angeles, California, 90017	132	2005
816 S Grand Ave, Los Angeles, California, 90017	49	2005
1043 S Grand Ave, Los Angeles, California, 90015	9	2003
1111 S Grand Ave, Los Angeles, California, 90015	176	2003-2005
1155 S Grand Ave, Los Angeles, California, 90015	311	2006
1348 S Grand Ave, Los Angeles, California, 90015	314	NA
1358 S Grand Ave, Los Angeles, California, 90015		NA
120 S Hewitt St, Los Angeles, California, 90012	33	NA
510 S Hewitt St, Los Angeles, California, 90013	63	2005-2006
530 S Hewitt St, Los Angeles, California, 90013	179	2005-2006
701 S Hill St, Los Angeles, California, 90014	165	NA
417 S Hill St, Los Angeles, California, 90013	277	2003
655 S Hope St, Los Angeles, California, 90017	80	2007
1000 S Hope St, Los Angeles, California, 90015	107	2002-2007
1100 S Hope St, Los Angeles, California, 90015	236	2005
2416 Hunter St, Los Angeles, California, 90021	20	2005
1855 Industrial St, Los Angeles, California, 90021	119	2003-2004
1850 Industrial St, Los Angeles, California, 90021	104	2004-2005
N Los Angeles St, Los Angeles, California, 90012	1	2002
700 S Los Angeles St, Los Angeles, California, 90014	64	2002
722 S Los Angeles St, Los Angeles, California, 90014	64	2002
730 S Los Angeles St, Los Angeles, California, 90014	72	2014
738 S Los Angeles St, Los Angeles, California, 90014	48	2002-2011
746 S Los Angeles St, Los Angeles, California, 90014	95	2002-2011
824 S Los Angeles St, Los Angeles, California, 90014	24	2002-2004
716 S Los Angeles St, Los Angeles, California, 90014	33	2002
400 S Main St, Los Angeles, California, 90013	70	1999-2000
530 S Main St, Los Angeles, California, 90013	70	NA
610 S Main St, Los Angeles, California, 90014	314	2006-2008
620 S Main St, Los Angeles, California, 90014	35	2004-2005
700 S Main St, Los Angeles, California, 90014	25	2003-2005
1400 S Main St, Los Angeles, California, 90015	7	2005-2006
1772 N Main St, Los Angeles, California, 90031	5	2005-2006
1210 Mateo St, Los Angeles, California, 90021	0	
500 Molino St, Los Angeles, California, 90013	91	2004-2006

1401 N Broadway, Los Angeles, California, 90012	6	2005
1405 N Broadway, Los Angeles, California, 90012	1	2005
649 S Olive St, Los Angeles, California, 90014	117	2006-2007
409 W Olympic Blvd, Los Angeles, California, 90015	78	2007
2650 E Olympic Blvd, Los Angeles, California, 90023	1030	2014
200 N San Fernando Rd, Los Angeles, California, 90031	102	2003-2006
420 S San Pedro St, Los Angeles, California, 90013	161	2002-2003
434 S San Pedro St, Los Angeles, California, 90013	75	2007
441 S San Pedro St, Los Angeles, California, 90013	8	2002-2005
100 N Santa Fe Ave, Los Angeles, California, 90012	8	2005-2006
743 Santee St, Los Angeles, California, 90014	73	2004-2005
840 Santee St, Los Angeles, California, 90014	50	2006-2007
1010 S Santee St, Los Angeles, California, 90015	8	2004-2006
420 Seaton St, Los Angeles, California, 90013	72	2013
1231 N Spring St, Los Angeles, California, 90012	12	NA
257 S Spring St, Los Angeles, California, 90012	50	2003-2004
408 S Spring St, Los Angeles, California, 90013	57	1999-2000
410 S Spring St, Los Angeles, California, 90013	113	1999-2001
416 S Spring St, Los Angeles, California, 90013	65	2005
419 S Spring St, Los Angeles, California, 90013	180	2008-2009
460 S Spring St, Los Angeles, California, 90013	200	2005
510 S Spring St, Los Angeles, California, 90013	153	2002
541 S Spring St, Los Angeles, California, 90013	143	2002-2006
548 S Spring St, Los Angeles, California, 90013	154	2003-2007
600 S Spring St, Los Angeles, California, 90014	256	2006-2007
626 S Spring St, Los Angeles, California, 90014	35	2001-2004
639 S Spring St, Los Angeles, California, 90014	37	2001-2005
650 S Spring St, Los Angeles, California, 90014	178	2007-2009
90014, Los Angeles, California	72	2006-2007
215 W 5th St, Los Angeles, California, 90013	88	2006-2007
810 S Spring St, Los Angeles, California, 90014	93	2006
812 S Spring St, Los Angeles, California, 90014	7	2002-2005
949 Sun Mun Way, Los Angeles, California, 90012	2	2004
1111 W Sunset Blvd, Los Angeles, California, 90012	71	2004-2007
3111 Via Dolce, Los Angeles, California, 90292	72	2005-2007
1010 Wilshire Blvd, Los Angeles, California, 90017	227	2006-2007
1100 Wilshire Blvd, Los Angeles, California, 90017	228	2005
1617 Cosmo St, Los Angeles, California, 90028	47	2004
1800 Argyle Ave, Los Angeles, California, 90028	59	2014
6253 Hollywood Blvd, Los Angeles, California, 90028	60	2003-2005
7046 Hollywood Blvd, Los Angeles, California, 90028	42	2005-2006
7060 Hollywood Blvd, Los Angeles, California, 90028	42	NA
1718 N La Brea Ave, Los Angeles, California, 90046	1	2003

5473 Santa Monica Blvd, Los Angeles, California, 90029	27	2003-2004
6290 W Sunset Blvd, Los Angeles, California, 90028	63	2005-2008
1645 Vine St, Los Angeles, California, 90028	96	2005
1777 Vine St, Los Angeles, California, 90028	96	2014
201 N Westmoreland Ave, Los Angeles, California, 90008	31	2005-2006
1545 Wilcox Ave, Los Angeles, California, 90028	0	2014
5355 Cartwright Ave, Los Angeles, California, 91601	68	2003-2004
5657 Lankershim Blvd, Los Angeles, California, 91601	5	
1839 Blake Ave, Los Angeles, California, 90039	13	2004
1849 Blake Ave, Los Angeles, California, 90039	14	NA
212 W Avenue 26, Los Angeles, California, 90031	26	2014
2450 Daly St, Los Angeles, California, 90031	10	2005
2701 N Broadway, Los Angeles, California, 90031	50	2014
6301 N Figueroa St, Los Angeles, California, 90042	12	2005-2007
1755 Glendale Blvd, Los Angeles, California, 90026	22	2006-2007
2972 Glendale Blvd, Los Angeles, California, 90039	0	2005-2006
2327 W 54th St, Los Angeles, California, 90043	37	NA
2203 S Union Ave, Los Angeles, California, 90007	84	
1324 Abbot Kinney Blvd, Los Angeles, California, 90291	1	1999
815 Hampton Dr, Los Angeles, California, 90291	10	2003-2005
1046 Princeton Dr, Los Angeles, California, 90292	30	2006-2008
1809 Washington Way, Los Angeles, California, 90291	1	2005
11500 Tennessee Ave, Los Angeles, California, 90064	84	2005-2008
3223 W 6th St, Los Angeles, California, 90020	85	2006-2007
4007 W 6th St, Los Angeles, California, 90020	9	2005
5979 W 3rd St, Los Angeles, California, 90036	11	2004
3800 Wilshire Blvd, Los Angeles, California, 90010	263	2005

Appendix E:

Case Study on Adaptive Reuse Development in San Francisco

Introduction

This case study presents findings relating to adaptive reuse in the City and County of San Francisco (San Francisco). Adaptive reuse is defined as the conversion of an existing building for a new use (Campbel, 2011). The purpose of studying adaptive reuse in San Francisco is to evaluate its effectiveness in achieving the California Foundation for Commerce and Education (CFCE) main goal of increasing the supply of housing units.

Relevant Laws Relating to Adaptive Reuse

Based on Google searches, San Francisco's website searches, and examination of the planning code of San Francisco, this memorandum finds that San Francisco does not have a local law relating specifically to adaptive reuse similar to the ordinance in Los Angeles (Young, 2009). Due to a lack of local law to simplify the use of adaptive reuse of a building, developers must go through the conventional process of project approval, which include satisfying the planning code. Without an adaptive reuse law, developers are not incentivized to use adaptive reuse for housing projects and for adaptive reuse housing projects and time is not saved in order to increase the speed of housing units becoming available for occupancy.

Moreover, developers seeking to use adaptive reuse for housing projects face competition with other developers seeking to develop new office space using adaptive reuse. Although San Francisco does not have a local law specifically on adaptive reuse, San Francisco passed the Office Development Annual Limit (Annual Limit) in 1985 (Planning Department of City and County of San Francisco, 2017). The Annual Limit restricts the approval of new projects seeking to build office space with more than "25,000 gross square feet" for the purpose of limiting the new development rate (Planning Department of City and County of San Francisco, 2017). Since there is a limited amount of new office space that may be built, there is a strong incentive to use adaptive reuse to convert existing buildings to new office space (Cutler, 2014).

2155 Webster Street Case Study

The 2155 Webster Street property (Webster Property) represents a good example of the use of adaptive reuse to increase the supply of housing units. The Webster Property is proposed to be converted from a dental school into 67 units of condominiums with varying bedroom sizes ranging from 1 to 4 bedrooms as well 10 townhomes located on the adjacent parking lot (Schwartz, et al, 2014). Schwartz, et al. (2014) praise the plan for the Webster Property because of the following: 1) the appropriateness of the density for surrounding neighborhood; 2) the availability of housing units with different numbers of bedrooms to accommodate a variety of household sizes; 3) the availability of bike parking; and 4) the presence of fewer parking spaces than the maximum allowed (Schwartz, et al., 2014). Accordingly, the Webster Property is a good example of adaptive reuse due to the new housing units created, appropriateness for the neighborhood, and sustainability.

Pacific Rolling Mill Case Study

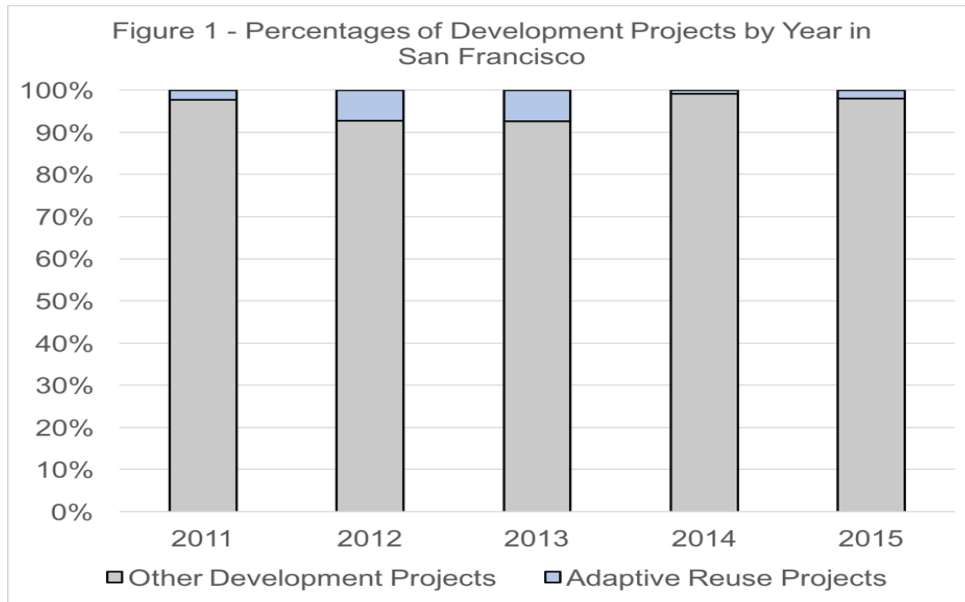
The Pacific Rolling Mill property (PRM Property) is evidence of the use of adaptive reuse to create more units while at the same time attracting the support of a local community group. According to Save the Hill (2017), a developer bought the PRM Property, which was used by a steel fabricator company. The developer planned to demolish and replace the PRM Property with a new medical and housing development for Kaiser. Due to community opposition, the Kaiser development was halted, but a new developer seeks to demolish the PRM Property and construct a project with new residential units and commercial space. Save the Hill desires to use adaptive reuse on the PRM Property in order to preserve the neighborhood's historic character and improve the local economy (Save the Hill, 2017). Based on the foregoing, adaptive reuse may be a beneficial approach in increasing the supply of new housing units while garnering support of a local community group. With community group support, the development of new housing units on the PRM Property is more likely to occur and the new housing units will be available sooner for occupancy as the project will not be held up by lawsuits from community groups.

Arc Light Company Case Study

The Arc Light Company Property (Arc Light Property) demonstrates the use of adaptive reuse for historic preservation, inclusion of modern design elements, and increasing the supply of housing units. According to HKS (2017), the Arc Light Property formerly housed the California Electric Light Company (CELC). CELC used the Arc Light Property for storage of incandescent and arc lights, which were used for electric generation. The designers of the Arc Light Property preserved the property's historic character by marrying the building's existing red bricks with the addition of four stories with modern design. The Arc Light Property resulted in the creation of 94 housing units (HKS, 2017).

Analysis of Housing Inventory Data

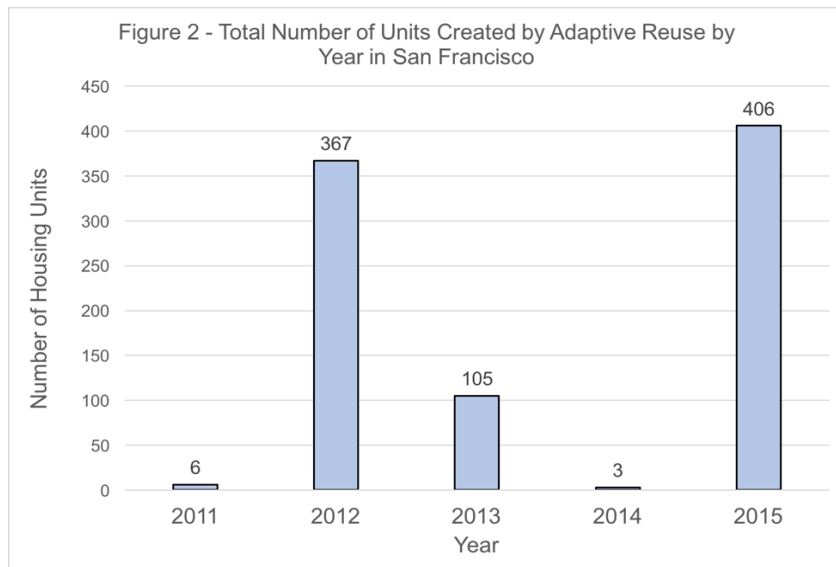
Using the Housing Inventory Data of San Francisco Open Data for the years 2011 to 2015, an analysis was performed to evaluate the impacts of the use of adaptive reuse on increasing the supply of housing units. The Figure 1 below reports the percentages of development projects in a given year.



Created by: J. Maravilla

Data Sources: SF Open Data, Housing Inventory Data for 2011 to 2015

As seen in the above Figure 1, adaptive reuse projects were not numerous and consisted a small percentage of the total number of development projects for all years. However, for the years 2012 and 2013, adaptive reuse projects were about 7 percent of all development projects, a larger percentage than for 2011, 2014, and 2015. However, this larger percentage did not correlate to more housing units produced as seen in the below Figure 2.



Created by: J. Maravilla

Data Sources: SF Open Data, Housing Inventory Data for 2011 to 2015

As seen in the above Figure 2, more housing units were produced when adaptive reuse projects made up a small percentage of the total number of development projects in a given year. More housing units were created by adaptive reuse in 2012 as compared to 2013 despite the fact that in both years the percentages of adaptive reuse projects were the same at about 7 percent. Indeed, in 2015, adaptive reuse projects were not numerous and only made up about 2 percent of the total number of development projects. However, a large number of housing units was created by adaptive reuse in 2015. The reason for the large increase in housing units was one project, which was a conversion of an office building to apartments and produced 399 housing units (San Francisco Open Data, 2017).

Based on the foregoing, we find that adaptive reuse projects increase the supply of housing units, but the number of housing units created is not consistent as different projects produce different amounts of housing units. The data indicate that some adaptive reuse projects produce a small number of housing units while at the same time one adaptive reuse project can create more housing units than the total number of the housing units in each of the preceding years.

Conclusion

Adaptive reuse creates new housing units, can gain the support of a local community group, and satisfy historic preservation. However, use of adaptive reuse for housing units is low. Adaptive reuse for housing units is also limited by a lack local law to incentivize adaptive reuse as well as competition from office developers for existing buildings. In order to incentivize use of adaptive reuse on housing units, San Francisco would need to pass an ordinance to: 1) incentivize use of adaptive reuse for increasing the supply of housing; and 2) limit the use of adaptive reuse by office developers.

Appendix F:

Seattle Accessory/Auxiliary Dwelling Units

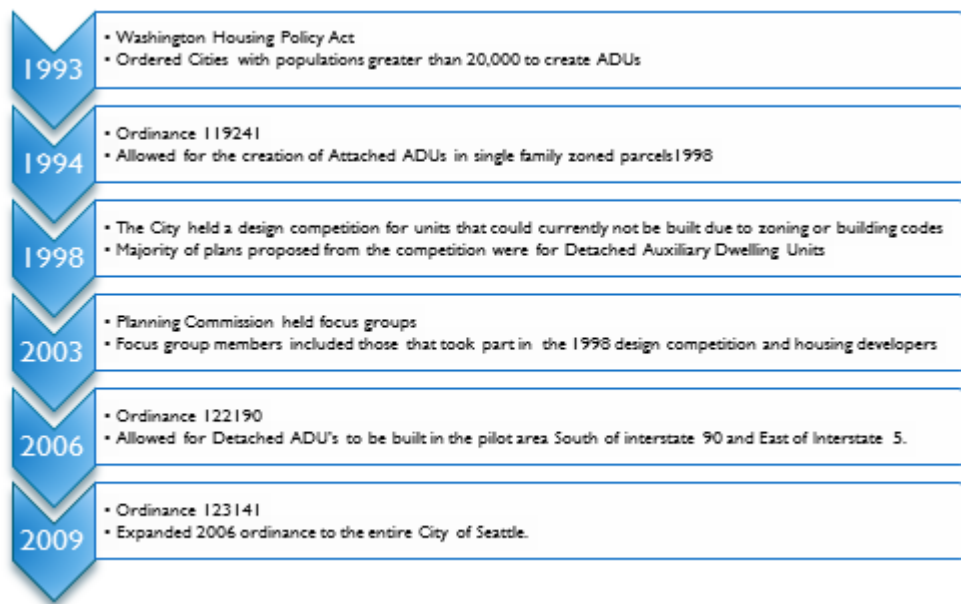
Program History

In 1993, the Washington state legislature enacted the Washington Housing Policy Act, which required municipalities with a population greater than 20,000 to create legislation to help develop ADUs in their communities (State of Washington, 1993). The Washington Housing Policy Act stated that cities should include both Attached Auxiliary Dwelling Units (AADUs) and Detached Auxiliary Dwelling Units (DADUs) and that the ordinance be applied to both existing and new single family units.² However, the act allowed for local flexibility to meet the needs and the preferences of the local communities. In response in 1994 the City of Seattle adopted legislation to allow only the creation of ADDUs in single-family zoned areas (City of Seattle, 1994).

After the 1994 ordinance was passed, the city felt that this plan was not enough to solve their current housing issue, as from 1994 to 2008, 921 ADDUs were created in the City of Seattle (City of Seattle, 2009a). Although the city found this program to be a success they did not expand to allow for DADUs due to the concerns on the effect such units would have on the neighborhood character. In 1998 the city established a design competition to help increase the affordable housing stock by asking architects to create new designs that may not have been allowed at the time due to land use restrictions (City of Seattle, 1998). The majority of such plans presented in this competition were DADUs and smaller single-family units to occupy small lots (City of Seattle, 2003). The city then began a multiyear public outreach program to examine public support for DADUs.

In 2003 the Planning Commission began discussions with focus groups from those that were involved in the 1998 design competition and developers regarding the creation of DADUs. This was followed up by a public forum to present the group's findings to the public (City of Seattle, 2009a). In 2005, city staff began outreach to community organizations in southeast Seattle to discuss a pilot program for DADUs. Following this outreach, in 2006 the city began a test project by allowing ADUs to be built in the area south of interstate 90 and east of interstate 5 (City of Seattle, 2006) (See Appendix, A). After this pilot project, the city then expanded the ordinance to the entire city in 2009.

² Attached Auxiliary Dwelling Units (AADUs) are defined as being a room or set of rooms permitted to be a separate dwelling unit and are located inside or directly attached to an existing single family unit structure. A Detached Auxiliary Dwelling Unit (DADU) shares an existing lot as a single family dwelling unit but is not directly attached to the main unit.



Regulations

This section of the case study examines the regulations regarding DADUs for the City of Seattle. The 2006 and 2009 ordinances allowed the creation of DADUs given that they met certain regulations. These regulations include lot and zoning standards, building standards, parking, and residence regulations.

Lot Standards

The first criterion for a successful DADU permit is based on the location of the new units. New DADUs are required to be built on a block with at least 70 percent of its lots zoned for single-family residential use or an area in which it could be demonstrated that a single-family housing unit was increasing (City of Seattle, 2006). The minimum lot size to develop a DADU is 4,000 sq. feet with a minimum width of 25 feet and a minimum depth of 70 feet (City of Seattle, 2010). The maximum lot coverage that the DADU and main unit could take was 35 percent for lots with a total area of 5,000 sq. feet, and for those under 5,000 sq. feet an equation is used to calculate the coverage area³ (City of Seattle, 2010). The DADU needs to be five feet from the main structure on the lot and have a minimum backyard setback of 5 feet from the property line or 10 feet if the parcel was a corner lot. DADUs are prohibited from being placed on the front yard.

³ 1000sq feet+15% of total area

Building Standards

The DADU buildings themselves have multiple regulations in regards to their building standards for height restrictions, entrances, and windows. The height restrictions on the new structure are based on the lot width with the maximum heights ranging from 12 feet to 23 feet (see Appendix, B). The DADU's entrance may not face the rear of the unit unless there is an alley or other public street on that side of the parcel. Finally DADUs are required to have at least one window or door that is approved for use in case of emergency, and the window must be operable from the inside of the unit. The unit must be in keeping with the main residence's style and architecture.

Parking and Residence Regulations

For parking the ordinance states that the structure must have one off-street parking space which could be shared with the main dwelling unit. However, this requirement can be waived if the topography does not make off-street parking feasible or the site is located in a residential parking zone (City of Seattle, 2016). Finally, the total number of individuals occupying both the main and DADU combined cannot exceed 8 individuals and the owner of the property must stay in the residence for at least 50 percent of the year.

Airbnb

Seattle has also begun to examine regulations regarding short-term rentals such as Airbnb. In this regards the City of Seattle councilmember Tim Burgess and Mayor Ed Murray drafted a proposal to prevent conversion of existing units to short term rental units. To do this the City of Seattle has proposed that short-term rentals need to secure a business license as well as a new short-term rental operators license for those whose property they are renting is the primary residence. For those such as short-term rental companies they would require both a short-term rental operators license and business licenses and would be limited to one dwelling unit in addition to the operator's primary residence (City of Seattle 2017b).

Example ADUs

Of the DADUs that were created, many are very similar in design and the amenities being offered. On average, DADUs in the City of Seattle ranged from 138 to 800 sq. feet with the mean being 632 (City of Seattle, 2014). According to the same report, from 2011 to 2014 a total of 96 new DADUs were created with 33 being converted structures or garages while 66 were brand net structures (City of Seattle, 2014). Construction costs can also vary widely with the average being \$54,980 and the maximum being \$150,000 (Burker, 2015). This is likely due to the difference between converted detached units, and detached units, which are new structures. This section will look at two DADU units to examine these differences.

542 21st Ave E: New structure



Image Source: City of Seattle, Department of Planning and Development: Backyard Cottages Annual Report (2014).

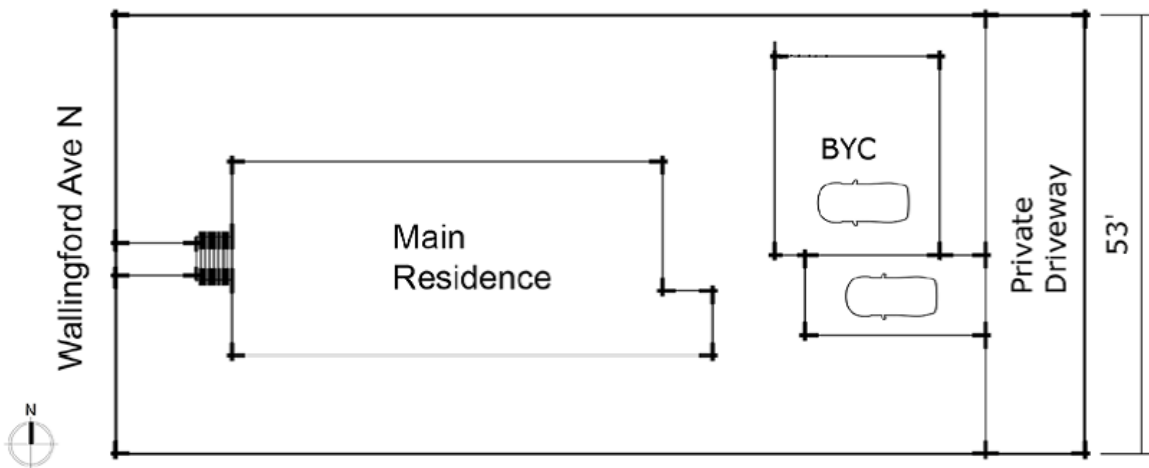


Image Source: City of Seattle, Department of Planning and Development: Backyard Cottages Annual Report (2014)

The first unit this report looks at is located at 6616 Flora Avenue South, which is within Southern Seattle. This detached unit was constructed as a brand new structure on the lot and is located at the back of the parcel against an alley. The unit has its own garage, which opens into the alleyway behind the main parcel. The floor area of the unit is 733 sq. feet (City of Seattle, 2014), with the garage located on the first floor and the living area is on the second floor. The DADU and main unit cover approximately 34.9 percent of the total lot coverage area with the lot being 6,000 sq. feet (City of Seattle, 2014).

2853 NW 62nd St.: Conversion



Image Source: City of Seattle, Department of Planning and Development: Backyard Cottages Annual Report (2014).

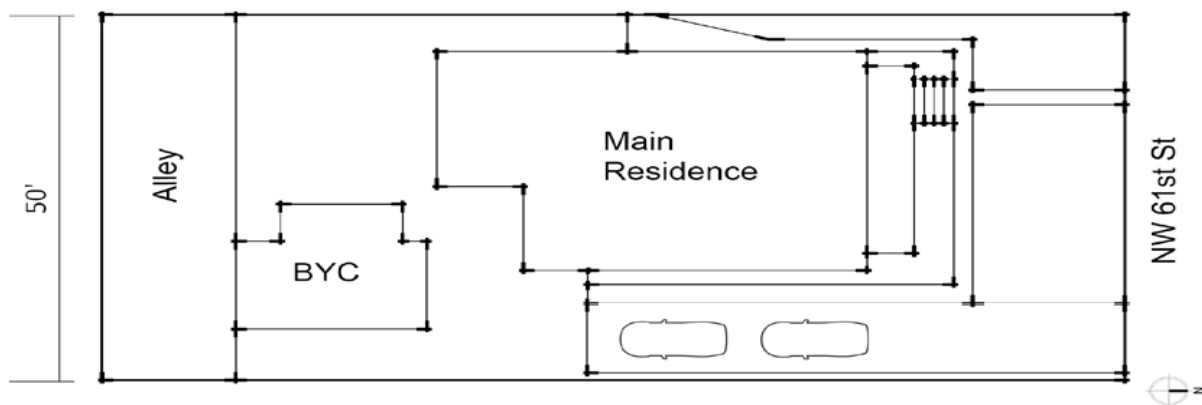


Image Source: City of Seattle, Department of Planning and Development: Backyard Cottages Annual Report (2014).

The second unit this report looks at is located at 2853 NW 62nd street, which is within the Northwest area in the City of Seattle. This detached unit was a conversion of an existing structure, in this case a garage, on the lot and is situated at near the back of the lot and has a shared driveway which leads to the unit itself. The total area of the lot for the parcel being examined was 4,995 sq. feet. The unit is 800 sq. feet in size with 352.5 sq. feet for the garage on the ground floor and 447.5 sq. (City of Seattle, 2014). feet on the second floor for the living area. The coverage area of the main unit and DADU constitutes 34.1 percent of the total coverage area for the lot. The DADU can be partially seen from the street and it is in keeping with the main residence with the same color scheme and design (City of Seattle, 2014).

Appendix G: Portland Auxiliary/Accessory Dwelling Units

ADU Regulations in Portland

According to The Portland Zoning Code, an Accessory Dwelling Unit was defined as “a smaller, auxiliary dwelling unit on the same lot or within a house, attached house or manufactured home” (Portland Bureau of Development Services, 2016). The Zoning Code regulated the ADUs in terms of sites, size, and parking. ADUs can be created in residential, commercial, and central employment zones. The maximum size of an ADU should be no more than 800 square feet or 75 percent of the living area (Portland Bureau of Development Services). No additional onsite parking is required for an ADU (ibid). Homeowner of an ADU must complete building permit applications with building plans, and pay for related fees and charges to build ADUs. The construction of the ADUs should also abide by the Portland Building Code. The Building Code sets the construction standards for ADUs, including electrical and heating systems, fire and life safety, and livability, etc. Portland Bureau of Development Services posted comprehensive Program Guide on its website, which explicitly introduced the zoning standards, construction standards and the review process related to ADUs.

The city adopted new regulations for accessory short-term rentals (ASTR) in 2015. The zoning code defines accessory short-term rental as an individual or family resides in a housing unit and rents bedrooms to overnight guests for less than 30 days. The regulation is to promote efficient use of housing and to ensure residential purpose as primary use. ASTR in Portland takes two types. Type A allows no more than two bedrooms to be rented to overnight guests while Type B allows rental of three to five bedrooms. Portland requires an ASTR permit for a Type A rental and a conditional use review for a Type B rental. Specifically, for a Type B rental, the homeowner is required to occupy the housing unit for at least 270 days each year.

ADU Market in Portland

By 2016, the total number of ADUs created was about 2,200 (Peterson, 2017). ADUs took up roughly 1.5 percent of the total 148,000 single-family housing units in Portland. Nonetheless, Portland has led the development of ADUs nationally. The ascent of ADU permits issued from 2010 to 2016 was impressive. Portland saw rapid growth of ADU permits issued each year since the SDC waiver went into effect in 2010. The city government issued 615 ADU permits in 2016. In comparison, the number was 24 in 2009, before the SDC waiver was adopted (Peterson, 2017). Therefore, the SDC waiver played an essential role in increasing the units created by ADUs.

The construction costs varied based on different types of ADUs. In general, detached ADUs could be more costly than attached ADUs. According to a survey of the ADU owners in Portland conducted by the Oregon Department of Environmental Quality (DEQ) in 2014, construction costs of detached ADUs mostly ranged from \$60,000 to \$120,000, with a mean of \$98,000 (Brown and Palmeri, 2014). For attached ADUs, the common costs were from \$20,000 to \$60,000, with a mean of \$52,000 (ibid). The

average rent of ADUs was hard to define due to lack of data. The DEQ study showed that around 80 percent of the ADUs in Portland were rented for market rates (Brown and Palmeri, 2014)

ADU Project Examples

This section discusses two examples of projects that show different types and uses of ADUs. These two projects include detached and attached ADUs that are primarily used as rentals. Besides rentals, they can also be used as personal residences.

The first project is a detached unit located in Boise (northeast section of Portland). It is used as guesthouse and short term rental housing by the homeowner. The total size is 342 square feet and the construction cost is \$110,000.



Image source: Accessory Dwellings.org (2017)

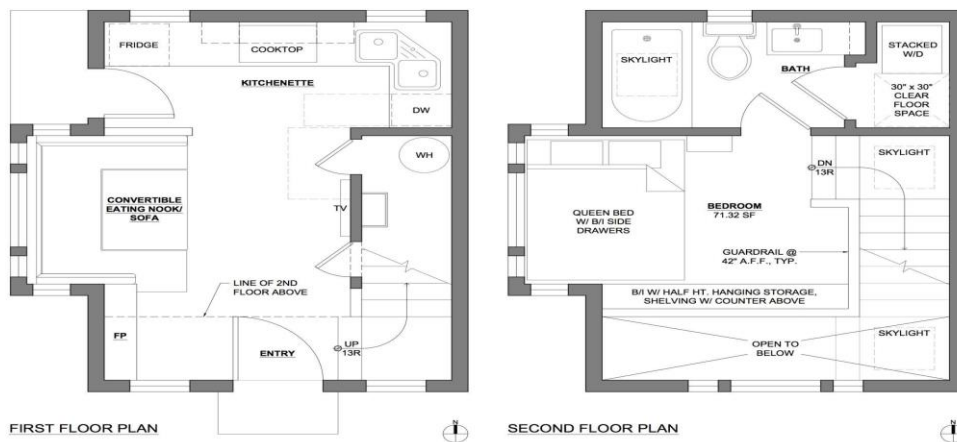


Image source: Accessory Dwellings.org (2017)

The second project is an ADU unit attached above garage, located in Collins View, southwest of Portland. The major use is long-term rental. It has a total size of 576 square feet and is estimated to cost \$40,000.



Images source: Accessory Dwellings.org (2017)

Appendix H Legislative Review

Since Governor Brown's proposal, two contrasting approaches have emerged through the state legislature. Senate Bill 2, The Building Homes and Jobs Act, would impose a \$75 recording fee on real estate documents, excluding property sales.⁴ The approach of this bill is popular with lawmakers and localities.

Senate Bill 35, Affordable Housing: Streamlined Approval Process, creates a streamlined, ministerial approval process for infill developments in localities that have failed to meet their regional housing needs assessment (RHNA) numbers. This bill is much more aligned with the Governor's earlier efforts because its aim is to supersede local development restrictions. However, SB 35 would require developments that qualify for expedited local review to pay prevailing wages. Under this bill, all cities and counties would be required to submit progress on housing production to the California Department of Housing and Community Development (HCD). If cities and counties were required to report progress on housing production with respect to their RHNA, it would create a better political environment in terms of accountability and transparency.

SB 2 poses a direct conflict to the efforts of CFCE, which is to seek solutions that better facilitate unsubsidized housing production. Furthermore, SB 2 would have a negative impact on the members of the California Chamber of Commerce. SB 35 attempts to negotiate between the positions of the Governor and entrenched special interest's groups. The approach of this bill would work in favor of efforts of CFCE by requiring localities to making approvals of multifamily developments and ADUs ministerial actions. However, the concession made to pay prevailing wages on developments that qualify for streamlined production is at odds with the interests of CFCE.

Beyond these two proposals there is Assembly Bill 678, Strengthening California's Housing Accountability Act. AB 678 avoids the many conflicts of interest to the CFCE that SB 2 & SB 35 pose. Fundamentally, the approach of this bill is to strengthen the Housing Accountability Act (HAA) through building upon legal precedents that have risen since 2011. Litigation efforts have been successful in recent years in utilizing the Housing Accountability Act to protect housing developments from being denied arbitrarily by local governments. The following will describe what the HAA requires, how the HAA has evolved through legal precedent, a detailed analysis of advocacy groups who utilize the HAA and implications for CFCE.

⁴ Nichols, C. (2017, March 3). Affordable Housing Bill Clears First Hurdle In California Legislature. Retrieved March 27, 2017, from <http://www.kpbs.org/news/2017/mar/03/affordable-housing-bill-clears-first-hurdle-califo/>

Appendix I

HAA Case Law:

Kalnel Gardens, LLC v. City of Los Angeles

The issue in the case of Kalnel Gardens, LLC v. City of Los Angeles, was deciding on how local government housing laws, such as the HAA, work with existing state statutes or regulations.⁵ The City had approved plans for a 15-unit housing project in Venice, but reversed its decision when challenged by neighboring residents on the basis that the project violated requirements of the Coastal Act.⁶ The developer filed suit against the City, on grounds that it is in violation of the Housing Accountability Act, Density Bonus law, and the Mello Act. The Court did find that the initial approval was valid based on these laws, it nonetheless concluded that the proposal was in violation of the Coastal Act and that the Coastal Act takes precedence over all these housing laws.⁷

Furthermore, The Court noted that it technically did not have jurisdiction to consider the developer's HAA claim because the developer did not obtain appellate review of that claim by way of a writ petition as is required by subdivision (m) of the HAA. Ultimately though, the Court did include the HAA in the final judgement concluding that it too is subordinate to the Coastal Act.

⁵ KALNEL GARDENS, LLC, Plaintiff and Appellant, v. CITY OF LOS ANGELES et al., Defendants and Respondents. (Court of Appeal, Second District, Division 8, California. September 29, 2016).

⁶ Wenter, B. W. (2016, November 11). Court Resolves Tensions Between Housing Laws and Coastal Act in Favor of Coastal Act. Retrieved February 20, 2017, from <http://www.landusedevelopments.com/2016/09/court-resolves-tensions-housing-laws-coastal-act-favor-coastal-act/>

⁷ *Id*