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March 1, 2021

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Los Angeles City Hall
200 North Spring Street, Room 1010
Los Angeles, CA 90012

**Re: BIA-LAV Comment Letter – Department of Los Angeles City Planning
Comprehensive Fee Update -- OPPOSE**

Dear Chair & Members,

The Los Angeles/Ventura Chapter of the Building Industry Association of Southern California, Inc. (BIA-LAV), is a non-profit trade association focused on building housing for all. On behalf of our membership, we are submitting this comment letter on the City's proposed Department of City Planning (DCP) Comprehensive Fee Update. We appreciate the opportunity to provide input and thank Staff for their transparency and communication. Unfortunately, we are unable to support the fee increases directly affecting residential development within the proposal. We understand the need for reasonable cost recovery but disagree with the approach being proposed in this fee update and are especially worried by the City Administrative Officer's (CAO) recommendations.

BIA-LAV reviews all policies in relation to the current housing crisis. California ranks top in the United States for poverty and homelessness – both of which are largely attributed to the housing supply shortage and sky-high housing prices that are nearly three times above the national average. Balancing the need to restructure impact and service fees should not negatively affect housing. According to a recent UC Berkeley, Terner Center study, fees can amount to 18 percent of the median home price in some cities. These and other escalating costs make it more difficult for builders to deliver new housing for sale or rent at affordable prices. Below we have outlined our concerns in increasing fees and have also listed suggestions that could be adopted if this fee update was implemented.



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Concerns & Suggestions

- 1. Cost of Housing:** Housing is more expensive to produce today, than ever before. The costs of fees, construction, materials, land acquisition, labor, and design have all increased. This update would add administrative expenses, making housing even more costly and difficult to produce. Take into consideration all of the other pressures constraining housing; At the State level: regulations - including newly mandated solar for all new housing construction, the strictest environmental standards in the nation, and of course the local mandates with which builders must comply. This does not take into account the current developer impact fees, permits, regulatory costs, water connection fees, and even the push for some housing projects to include subsidized housing. All of these expenses target home construction. Ironically, home construction is overwhelmingly the most important component in helping the City out of its housing crisis – by increasing the production of housing. Sadly, the costs don't stop there. It's not just those market cost expenses. The entitlement process is already lengthy, expensive and challenging to maneuver. We would support and encourage the City not to make cuts to City Planning and continue to properly fund the Department through the budget processes.
- 2. Residential Development:** In addition to this fee update adding costs to much needed housing, we know residential development is different than other forms of building. It is uniquely subject to providing a variety of community benefit fees such as school district, and park and recreation fees. According to the Southern California Association of Governments (SCAG) [Regional Housing Needs Assessment \(RHNA\)](#) the City of Los Angeles is responsible for the creation of nearly 460,000 new homes during the next RHNA cycle. Making the choice to add costs to housing construction, in the midst of a housing affordability crisis and now a pandemic is absolutely the wrong approach. We would urge the Committee to consider evaluating this fee update after the cost impacts of the pandemic have been fully assessed. When reviewing the many other challenges affecting the City during this health and housing crisis, creating an added fee for shelter is counter to what is most needed during this moment.
- 3. Missing Middle:** Hundreds of thousands of hard-working families and individuals cannot afford to live where they work and are facing a [housing cost burden](#), defined as paying more than 30% or more of their income on housing, which has been compounded by the pandemic. As an example, most [Los Angeles County area teachers](#) are faced with this cost burden, earning between \$50,000 - \$54,000 – above 80% Average Median Income (AMI) which is the highest threshold to qualify for below market-rate housing. They are then left to compete against other households with more financial resources for scarce market-rate units. These middle-income families and individuals do not qualify for assistance, yet do not make enough money to live unburdened. Any increase in housing construction cost, such as a residential development fees, pushes working families and individuals further from housing affordability and perpetuates the “missing middle” housing gap. As these expenses continue to rise it makes housing too expensive



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to build and still deliver a product that's affordable to middle-income earners. The City is moving in a direction where developers are either building subsidized housing or luxury housing, resulting in the production of zero moderate income housing units. Applying this fee update to residential development will likely make the situation worse, not better.

4. **Implementation Timeline & Grandfather Clause:** If the City were to adopt a fee update and implement it immediately, this drastic change would negatively affect the market, which is already being crushed by the social, economic and arresting effects of COVID-19. Any policy that is adopted should be done so gradually, as a phased-in approach, over several years. This would ensure that there are no additional disruptions to the current building progress, which is already hammered by the current events. A robust grandfather clause for projects in the pipeline should also be included in any new policy. Homebuilders who have invested in the City before a serious change in costs occurred, through an unforeseen City imposed policy, should not be subject to an update that would so drastically affect their ability to produce housing.

Conclusion

We urge you to consider how this fee update will impact the overall costs to produce housing. We are asking that the fee update does not negatively impact residential development, including homeless housing affordable and market-rate. BIA-LAV believes that the comments found in this letter will provide helpful input towards the final fee structure update. Thank you to Staff for meeting with our members and answering our questions. We look forward to continuing to work with the City on this fee restructure. Should you have any questions, please contact BIA-LAV Vice President, Diana Coronado, at dcoronado@bialav.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'DVC'.

Diana Victoria Coronado
Vice President
BIA - Los Angeles/Ventura

Sent via e-mail

CC:

Vince Bertoni, Director of Planning
Kevin J. Keller, Executive Officer
Lisa Weber, Deputy Director of Project Planning