

## **Analysis of Infill Development Potential Under the Green Line TOD Ordinance**

Prepared for the Los Angeles County Second Supervisorial District Office and the  
Department of Regional Planning

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## 1. Introduction

On January 25, 2005, Los Angeles County adopted a Transit Oriented District (TOD) Ordinance for specific areas surrounding two Green Line stations adjacent to and within the unincorporated area. This report seeks to estimate infill opportunities in the West Athens and Lennox neighborhoods, adjacent to the Vermont and Hawthorne Green Line stations, and suggests how the new TOD Ordinance might help increase the motivation of both developers and landowners to invest in these infill opportunities. The report also briefly analyzes the potential density of a proposed housing development in Del Aire, near the interchange of I-405 and I-105. A draft of this report was prepared in December and January 2005 and presented to the Board of Supervisors at the time of the ordinance's adoption.

The Green Line TOD Ordinance provides several potential incentives for developers and property owners to build high-density housing and/or mixed-use development projects. These include:

- The ability to build residential units (within a mixed-use development) in commercial zones without a conditional use permit;
- Density bonuses for the use of vacant or nonconforming lots, lot consolidation, and construction of affordable housing;
- Reduced parking requirements for specified neighborhood retail uses;
- Expedited permit processing (director's review rather than CUPs) for some projects;
- Reduced permit fees for some projects.

In order to examine the opportunities, we used a methodology recently developed for the California Department of Transportation to estimate infill potential using a GIS methodology and to identify possible sites for infill development.

## 2. Infill Capacity and Opportunity Analysis

### 2.1. Methodology

For each Green Line TOD area, we conducted a GIS analysis to identify parcels that seem ripe for more intensive development under the TOD ordinance. We mapped these parcels and calculated statistics about them to give a sense of the overall infill potential.

For each TOD area, we produced six maps. These include:

1. 2001 Aerial Photographs
2. Assessor Land Use Code
3. Year Built (structure)
4. Improvement: Land Ratio
5. Built: Capacity Ratio
6. “Target” Parcels

A “Target” Parcel is a parcel that is significantly underutilized according both to zoning potential and Assessor’s records. Most have structures on them; a few are vacant. Some also have legal nonconforming uses on them.

We identified Target Parcels based on a series of “screens” or “filters” that we applied to all parcels located within the boundaries of each Green Line TOD area.

The screens are defined as follows:

#### *Built: Capacity Ratio*

The first and most important screen we used was a comparison of what currently exists on the parcel versus what will be permitted under the proposed TOD zoning. We call this the “Built:Capacity Ratio.” When there is considerably more capacity than under current zoning, investors are more likely to consider infill development.

For example, if zoning permits 4 units but only 2 currently exist, the Built:Capacity ratio is 0.50 (2 out of 4). If zoning permits 4 units but only 3 currently exist, the Built:Capacity Ratio is 0.75 (3 out of 4).

We screened the parcels for Built:Capacity ratios at both 0.50 and 0.75.

### *Improvement:Land Ratio*

The second filter we used was a comparison between the value of the improvements on the property versus the value of the land itself, according to the Assessor. This is a very common measurement of underutilization in the private real estate market. When the land itself is worth more than the structures or other improvements, investors are more likely to consider infill development.

For example, if the improvements on a property are worth \$90,000, but the land itself is worth \$100,000, then the Improvement:Land Ratio is 0.9:1.

After screening for Built:Capacity ratio, we screened for an Improvement: Land ratio of 0.9:1. This eliminated parcels that might have a low Built:Capacity ratio, but have existing structures on them that are valuable enough that investors would not likely pursue new development.

### *Other Screens*

In addition to the two screens listed above, we eliminated parcels based on three other criteria:

1. *Government Ownership*, as the government land within the TOD area is not likely to be used for infill development unless specifically designated by the government agency.
2. *Land Value of \$0*, because this is often an indication of some institutional ownership.
3. *Built After 1990*, because recent investments mean that landowners are not as likely to demolish and rebuild.

## **2.2 Lennox Neighborhood Analysis**

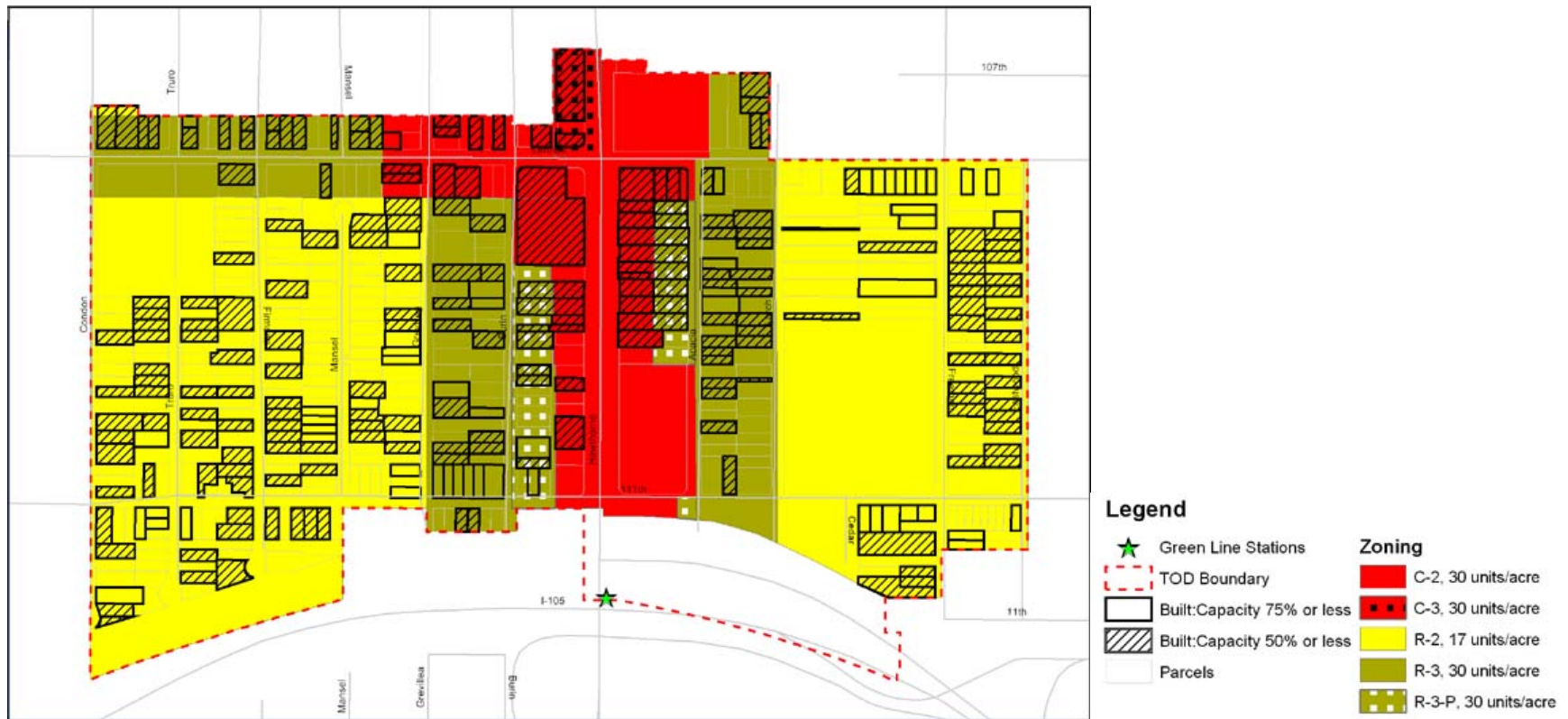
The Lennox TOD area, which is specified in the proposed ordinance, is the unincorporated area to the north of the 105 Freeway and the Hawthorne Green Line Station. This area contains 530 parcels totaling 109 acres. As the Census 2000 maps show, this is a mostly renter neighborhood with low median incomes.

Currently, the Lennox area has 1,021 housing units – slightly less than 50% of the maximum allowed under current zoning. The TOD Ordinance will result in a change of zoning on 57 parcels (about 10% of the total). It will yield a minor increase in the maximum amount of housing permitted under zoning. This increase results mostly from the rezoning of manufacturing property, on which housing is not permitted, to a commercial zoning that does permit housing. However, because the area is so significantly underbuilt even with current zoning, significant TOD housing capacity does exist.

The area has very few vacant parcels. Aerial photos show a large vacant parcel at the corner of Hawthorne and 111<sup>th</sup>, but this is now a public school. There is a concentration of auto-related uses – considered undesirable under the TOD Ordinance – along Hawthorne just south of Lennox. Most residential structures were built before 1950; some commercial structures, especially along the west side of Hawthorne, were built in the 1970s and 1980s.

Our analysis found that about half the parcels (258 of 530) could be targets for TOD infill housing development under the 0.75 Built:Capacity ratio. (Table 2.1) However, we also found that most of these parcels were so significantly underbuilt that they also fell below the 0.50 Built:Capacity ratio. The Target Parcels are scattered throughout the Lennox TOD area. (Map 2-1.) Many are concentrated along Hawthorne Boulevard in a combination of C-2 and R-3-P areas.

Map 2-1: Lennox Target Parcels



**Table 2-1: Lennox Target Parcel Analysis**

	Number of Parcels	Acreage	Average Acreage	Existing Units	Max Units	Average Built:Capacity Ratio	Remaining Capacity	Remaining Capacity Per Parcel
<b>0.75 Built Capacity Scenario</b>								
<b>Total Parcels</b>	258	42.8	0.17	278	909	0.36	631	2.45
<b>By Zoning:</b>								
<b>C-2</b>	29	7.5	0.26	5	139	0.06	134	4.62
<b>R-2</b>	141	21.9	0.16	151	372	0.43	221	1.57
<b>R-3</b>	73	10.1	0.14	106	304	0.35	198	2.71
<b>R-3-P</b>	15	3.2	0.21	16	93	0.22	77	5.13
<b>0.50 Built Capacity Scenario</b>								
<b>Total Parcels</b>	201	35.2	0.18	184	749	0.29	565	2.81
<b>By Zoning:</b>								
<b>C-2</b>	27	7.3	0.27	3	136	0.02	133	4.93
<b>R-2</b>	103	16.9	0.16	101	288	0.37	187	1.82
<b>R-3</b>	58	8.1	0.14	70	243	0.29	173	2.98
<b>R-3-P</b>	13	2.9	0.22	10	83	0.16	73	5.62

Whichever screen we use, however, the patterns are similar. Most existing units and, in numerical terms, most remaining capacity is included in the R-2 and R-3 zones (more or less evenly split between the two). However, the TOD target parcels in R-2 and R-3 are extremely small from a development perspective. The average is about 6,000 square feet – the typical building lot. Thus, consolidating residential lots is probably an essential component of TOD development on R-2 and R-3 lots. Obviously, there is more potential development per parcel on the R-3 lots, which are zoned for denser development.

From a capacity perspective, the most promising target parcels are the C-2 and R-3-P parcels. These are concentrated in close proximity to one another, mostly along Hawthorne Boulevard. They are larger than the residential parcels and the remaining capacity per parcel is much higher. The C-2 parcels have been developed with a variety of retail uses, whereas the R-3-P parcels, which are usually located behind the C-2s, have been developed with parking that supports the retail. The possibility of consolidating a number of C-2 and R-3-P parcels in a mixed-use project under the TOD ordinance would seem to make sense.



### *2.3 West Athens Neighborhood Analysis*

The West Athens neighborhood covers the area approximately between Budlong and Vermont and between 112<sup>th</sup> and 120<sup>th</sup>, straddling both the 105 Freeway and the Vermont Green Line station. It is smaller than the Lennox area, consisting of 257 parcels totaling 59 acres. As the Census 2000 maps show, this is a higher-income area with a higher rate of owner occupancy than the Lennox neighborhood.

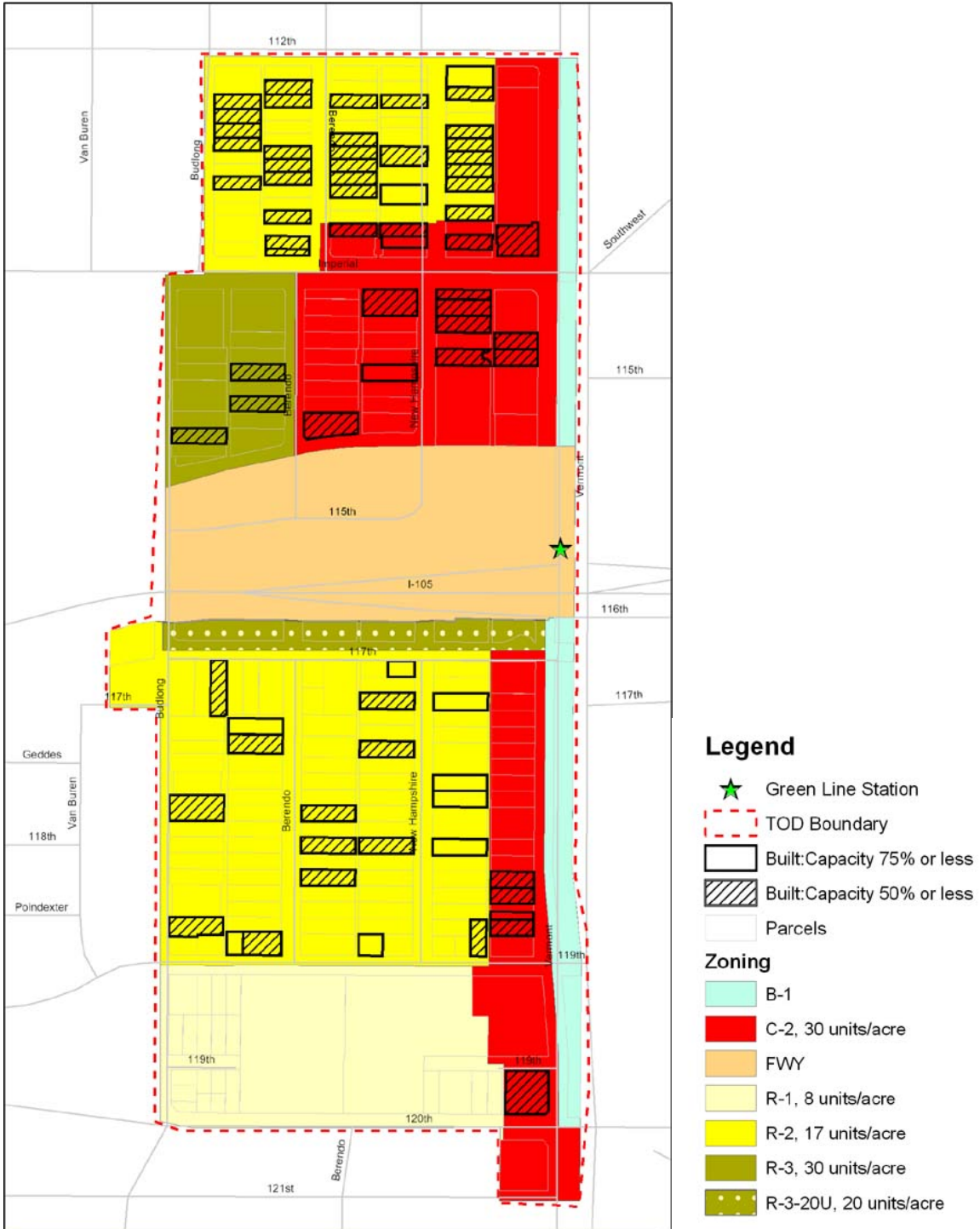
The existing arterial strip along Vermont is mostly residential. With a larger church property at Vermont and Imperial, there is relatively little commercial land in this area. Much of the property west of Vermont, between Imperial and the freeway, is zoned C-2, but most of it is developed currently as residences.

More than 20% of the parcels would be rezoned under the TOD ordinance, but this does not affect the possible housing buildout because the rezoning is mostly from C-3 to C-2. The residential structures date back mostly to the 1910s and 1920s, except along Vermont, where apartment buildings were constructed in the 1940s and 1950s.

West Athens would appear to have less potential from a capacity point of view than Lennox. The area already has 828 units – about 74% of the total capacity. Potential for fewer than 300 units remains. Partly for this reason, only 20% to 30% of the parcels have been identified as TOD targets, compared to about 50% in Lennox. (Table 2-2.)

Patterns of potential development are different in West Athens than in Lennox. Most target parcels are zoned R-2 – both north and south of the freeway – but very little capacity remains on these parcels. The C-2 parcels contain some potential (2.75 housing units per parcel on average) but there are very few parcels; there is already more housing on them; and they are smaller on average than Lennox C-2 parcels. These parcels are mostly in the area along Imperial that is zoned for commercial but built as industrial, along with a few parcels along Vermont south of the freeway. A handful of R-3 parcels contain significant capacity because they are so underbuilt currently, but they are very small. (Map 2-2.)

**Map 2-2: West Athens Target Parcels**



**Legend**

- ★ Green Line Station
  - TOD Boundary
  - ▨ Built: Capacity 75% or less
  - ▩ Built: Capacity 50% or less
  - ▭ Parcels
- Zoning**
- B-1
  - C-2, 30 units/acre
  - FWY
  - R-1, 8 units/acre
  - R-2, 17 units/acre
  - R-3, 30 units/acre
  - R-3-20U, 20 units/acre

**Table 2-2: West Athens Target Parcel Analysis**

	Number of Parcels	Acreage	Average Acreage	Existing Units	Max Units	Average Built:Capacity Ratio	Remaining Capacity	Average Remaining Capacity Per Parcel
<b>0.75 Built Capacity Scenario</b>								
<b>Total</b>								
<b>Parcels</b>	72	12.1	0.17	71	213	0.35	142	1.97
<b>By Zoning:</b>								
<b>C-2</b>	19	3.6	0.19	14	61	0.23	47	2.47
<b>R-2</b>	50	7.9	0.16	54	135	0.4	81	1.62
<b>R-3</b>	3	0.56	0.19	3	17	0.18	14	4.67
<b>0.50 Built Capacity Scenario</b>								
<b>Total</b>								
<b>Parcels</b>	59	10	0.17	50	178	0.29	128	2.17
<b>By Zoning:</b>								
<b>C-2</b>	16	3.2	0.20	10	54	0.16	44	2.75
<b>R-2</b>	40	6.3	0.16	37	107	0.35	70	1.75
<b>R-3</b>	3	0.56	0.19	3	17	0.18	14	4.67

*2.4 Del Aire/Pacific Concourse Analysis*

The Del Aire/Pacific Concourse site consists of two parcels located southwest of the I-105/I-405 interchange. The site consists of two parcels totaling 5.21 gross acres. It is adjacent to an employment center and within the vicinity of an existing single-family neighborhood.

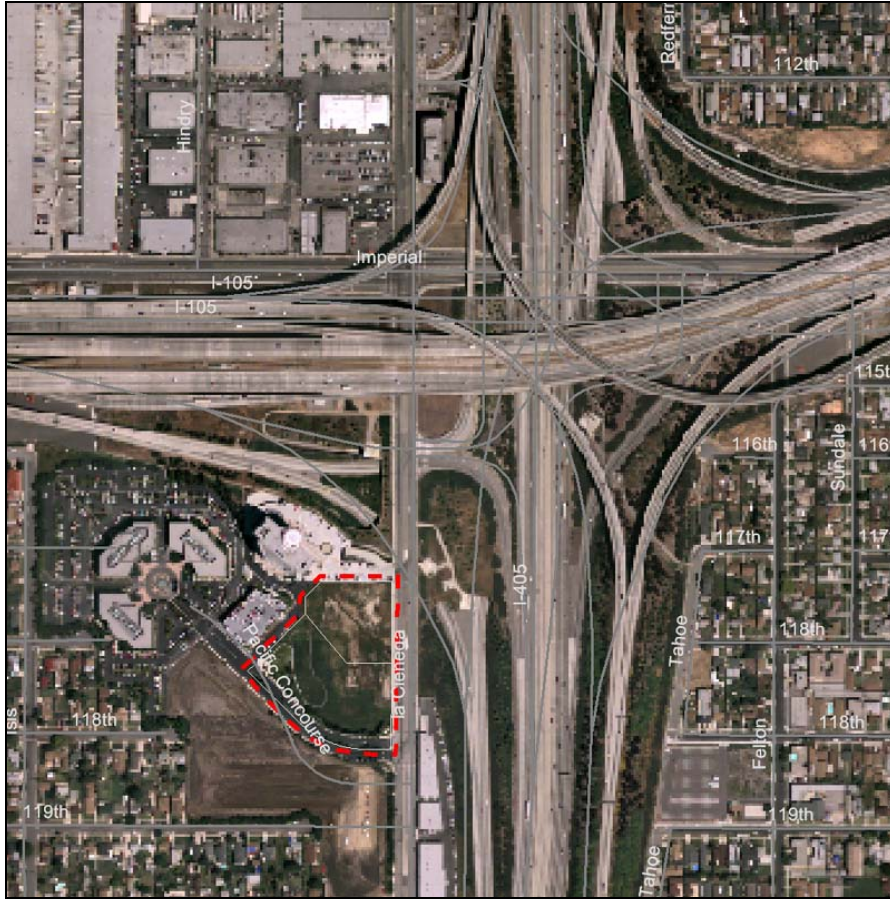
The property is vacant and therefore has an Improvement:Land ratio of 0. In other words, there are no improvements of any value on the site. It is currently zoned MPD (Manufacturing - Industrial Planned Zone), although the Land Use Policy designation is Category 1 (Low Density Residential).

There is a proposal pending to change the zoning to RPD-88U (Residential Planned Development), and there is a concurrent proposal to change the Land Use Policy designation to Category 4 (High Density Residential). The proposed density is similar to residential projects in Marina del Rey.

MPD zoning does not permit residential uses. However, under current Land Use Policy, the site could accommodate between 31 and 62 units. This would more than double to about 119 units or more if High Density Residential is approved for the site. If the proposed RPD zoning is adopted, the buildout would grow to more than 400 units.

The Del Aire site is an excellent location for high-density residential development because the site is situated within an employment center, and is buffered from existing residential neighborhoods on all sides by land developed as a business park and the existing freeways.

**Map 2-3: Del Aire/Pacific Concourse**



**Table 2-3: Del Aire/Pacific Concourse Site Buildout Scenario**

Size	Designation	Density	Buildout
Current Zoning	MPD	0	0
Proposed Zoning	RPD-88U	88	431
Current Land Use Policy	Low Density Residential	6-12	31-62
Proposed Land Use Policy	High Density Residential	23+	119+

### 3. Pro-Forma Analysis

#### 3.1 Methodology

The Green Line TOD Ordinance provides several potential incentives for developers and property owners to build high-density housing and/or mixed-use development projects. These include:

- The ability to build residential units in commercial zones without a conditional use permit.
- Density bonuses for use of vacant or nonconforming lots, lot consolidation, and construction of affordable housing.
- Reduced parking requirements for residential and neighborhood retail uses.
- Expedited permit processing (director's review rather than a discretionary review) for some projects.
- Reduced permit fees for some projects.

We have attempted to apply these incentives to several prototype properties in order to roughly estimate how these incentives might affect development. We have focused on the Lennox area, rather than the West Athens area, only because of easier access to data. In making these estimates, we adapted both the methodology and the assumptions about costs and revenues that were used by Fregonese Calthorpe & Associates in their analysis of the infill potential around the Hawthorne Green Line Station in the adjacent City of Hawthorne, which was prepared for the Mobility 21 Smart Growth Partnership.<sup>1</sup> We double-checked this methodology and these assumptions by discussing it with members of the Los Angeles County Housing Advisory Committee. We have not identified the specific parcels under analysis, but they are based on real-life situations in Lennox. The financial assumptions we used are listed at the end of the report.

In most cases, we conducted a very rough pro-forma analysis comparing a conventional development proposal with a TOD-proposal (mixed-use on the C-3 parcels, high density on the R-2 and R-3 parcels). We also analyzed the difference between a situation where a developer must purchase the parcel and one where the current landowner participates as an equity partner. In all cases our bottom line was the Return on Investment ("ROI") – that is, the annual operating income divided by the total project cost, a typical measure used by real estate investors. For simplicity's sake, we assumed that the residential units are rental units and we did not take into account the time value of money, except in calculating the financial value of a director's review as opposed to a discretionary review for a conditional use permit.

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<sup>1</sup> Mobility 21 Smart Growth Partnership, *LA County Moving Together to Promote Smarter Growth: Report on Infill Opportunities*, May 2004. [http://www.mobility21coalition.com/smartgrowth/pdf/white\\_paper1.pdf](http://www.mobility21coalition.com/smartgrowth/pdf/white_paper1.pdf)

We have probably also overestimated retail revenue in mixed-use projects, because we assumed the developer could obtain full market rent, whereas mixed-use developers tell us they usually must run retail as a loss leader, at least in the first couple of years.

### *3.2 Overall Conclusions*

In all cases, we found that the TOD Ordinance holds the potential to increase the ROI for a prospective developer or investor in the Lennox area. Even with the additional incentives contained in the TOD Ordinance, these returns are modest (often in the range of 4-6%, lower than the level at which most private investors would show interest).

However, these ROI's could be increased through additional County programs that are not considered in this pro-forma analysis. For example, if the TOD areas - or portion of them - were included in a County redevelopment area, the cost of the land could be "written down" by the redevelopment agency. Similarly, the affordable housing calculations assume that the affordable rents are subsidized only through the project; if they were further subsidized through other sources of funding for the low-income portions of the project, the ROI would be further improved.

Overall, we found that there is probably a higher ROI available on mixed-use projects on C-2 than for high-density residential projects on R-2 and R-3. This is largely because of the combination of retail and housing. A retail-only project will produce a low but acceptable ROI. When combined with fairly high-density housing at current rates and prices - as well as the lower parking ratios permitted on a mixed-use project - the ROI increases by 50% or more.

On residential properties, we found that the density bonuses available for a variety of purposes - including use of vacant and nonconforming uses and lot consolidation as well as affordable housing - are substantial enough to increase the ROI. It is possible to combine density bonuses to achieve a 40% density increase, and the maximum density increase is 50%. Combined with the reduced parking ratios, this can have a significant impact.

In our view, the greatest unknown is not what will motivate a developer to pursue a desired development project, but what will motivate landowners to be interested in selling to a developer. Most C-2 properties do not change hands often; they are owned by longtime property owners who have an extremely low, pre-Proposition 13 taxes. Any revenue-producing retail use will provide enough profits to dampen any desire to develop a new project. Many R-2 and R-3 properties have traded hands recently, but usually either as residences or as residential income properties based on current development.

### *3.3 Individual Pro Forma Results*

#### **Prototype 1: Large Commercial Parcel**

Prototype 1 is a large (two acre) commercial parcel along a commercial strip in the Lennox area. It is typical in the sense that it has not changed hands since the 1960s and is currently occupied by an aging retail center.

Our pro-forma analysis compares the construction of a new, one-story, 43,000-square-foot shopping center with a three-story mixed-use project that would include 62 housing units (the maximum permitted by C-3 zoning) and 30,000 square feet of neighborhood retail development on the ground floor. We conducted this pro-forma assuming that the developer purchased the property from the current property owner for \$40 per square foot.

Rents from the housing units more than make up for the loss of some of the retail space. In addition, the lower parking ratios – a reduction of 40% for residential and 25% for neighborhood retail – make a significant difference as well. Whereas a conventional retail project requires 113 parking spaces for 43,000 square feet, the mixed-use project requires 124 spaces for 62 housing units and 30,000 square feet of retail. Furthermore, the developer sees a significant savings from the mixed-use project falling under the “director’s review” category, rather than a conditional use permit.

The bottom line is that a mixed-use center, while more costly to build, provides an ROI 4.6%, as opposed to 3.0% for a conventional shopping center. This is still low, but suggests that the power of the TOD ordinance combined with other incentives could motivate developers to pursue mixed-use projects.

**Table 3-1: Prototype 1 (Large Commercial Parcel) Pro Forma Analysis**

	<b>Conventional Shopping Center</b>	<b>Mixed-Use Center</b>
Parcel Size (Sq Ft)	89,158	89,158
New Retail (Sq Ft)	43,083	30,418
New Housing (Units)	0	62
Stories	1	3
Underground Parking?	No	Yes
Parking Spaces	113	124
Land Cost	\$ 3,566,320	\$ 3,566,320
Demolition Cost	\$ 356,632	\$ 356,632
Construction Cost	\$ 4,531,324	\$ 11,061,079
Consulting/Entitlements	\$ 543,759	\$ 1,327,329
Parking Cost	\$ 339,849	\$ 1,189,066
Total Cost	\$ 9,337,884	\$ 17,500,426
Total Annual Rent	\$ 481,453	\$ 1,188,209
Total Ann'l Op Cost	\$ 203,910	\$ 386,585
Net Operating Income	\$ 277,543	\$ 801,624
Return on Investment	3.0%	4.6%



## Prototype 2: Consolidating and Developing 2 Vacant C-2 Lots

Prototype 2 assumes that two small C-2 lots, adjacent to one another, could be consolidated and developed as a mixed-use center. The two lots together total less than 8,000 square feet, or only about one-fifth of an acre. Our pro-forma analysis compares the development of a 3,000-square-foot traditional strip center with 5 housing units and a 2,600-square-foot neighborhood retail center.

The mixed-use alternative yields a higher ROI (4.6% as opposed to 3.2%), primarily because of the reduced parking ratios. Although it includes 5 residential units, the mixed-use project requires the same number of parking spaces as the retail-only project. This project could be more successful if the density bonuses for developing vacant lots and consolidating lots applied to commercial as well as residential parcels.

It is important to note, however, that the project is too small to be feasible for an actual developer. Adjacent vacant commercial parcels are hard to find. In all likelihood, a developer would combine these parcels with other underutilized commercial parcels to create a larger site.

**Table 3-2: Prototype 2 (Vacant C-2 Lots) Pro Forma Analysis**

	<b>Conventional Shopping Center</b>	<b>Mixed-Use Center</b>
Parcel Size (Sq Ft)	7,876	7,876
New Retail (Sq Ft)	3,028	2,679
New Housing (Units)	0	5
Stories	1	0
Underground Parking?	0	0
Parking Spaces	9	9
Land Cost	\$ 315,000	\$ 315,000
Demolition Cost	-	-
Construction Cost	\$ 340,243	\$ 1,055,272
Consultants/Entitlements	\$ 40,829	\$ 126,633
Parking Cost	\$ 25,518	\$ 31,658
Total Cost	\$ 721,590	\$ 1,528,563
Total Annual Rent	\$ 38,603	\$ 104,640
Total Ann'l Op Cost	\$ 15,350	\$ 34,045
Net Operating Income	\$ 23,253	\$ 70,595
Return on Investment	3.2%	4.6%

### Prototype 3: Consolidating 3 R-3 Lots

Prototype 3 is a high-density residential project in which three R-3 lots are combined and additional units are placed on the single-family parcels. This is a feasible alternative in many parts of the TOD Ordinance area.

The developer gains only 2 units by developing the three parcels together, with the 15% lot consolidation bonus. Thus, the increase in the ROI is small, from 4.6% to 4.8%. It is important to note, however, that the consolidated project is probably far more feasible than a 4 or 5-unit project on each parcel. In other words, a consolidated three-parcel project is much more likely to actually be undertaken by a developer in any event, and the 2-unit increase because of the lot consolidation bonus will increase the potential profit.

It is important to note that an additional density bonus for affordable housing - bringing the total density bonus to 50% - increases the ROI only slightly, to 4.9%, because rents must be heavily discounted (by approximately 40%) to meet current income guidelines. If affordable rents could be subsidized from some other funding source, as is often the case in affordable housing projects, the developer's ROI would increase even more.

**Table 3-3: Prototype 3 (R-3 Lots) Pro Forma Analysis**

	No Consolidation	Consolidation	Consolidation w/Aff Density Bonus
Parcel Size (Sq Ft)	20,832	20,832	20,832
New Retail (Sq Ft)	0	-	-
New Housing (Units)	14	16	21
Stories	3	3	3
Underground Parking?	0	0	0
Parking Spaces	14	14	19
Land Cost	\$ 833,280	\$ 833,280	\$ 833,280
Demolition Cost	\$ 83,280	\$ 83,280	\$ 83,280
Construction Cost	\$ 1,710,450	\$ 1,911,679	\$ 2,515,367
Consulting/Entitlement	\$ 205,254	\$ 229,401	\$ 301,844
Parking Cost	\$ 43,013	\$ 37,347	\$ 56,596
Total Cost	\$ 2,875,277	\$ 3,094,987	\$ 3,790,367
Total Annual Rent	\$ 184,729	\$ 206,461	\$ 260,340
Total Ann'l Op Cost	\$ 51,313	\$ 57,350	\$ 75,461
Net Operating Income	\$ 133,416	\$ 149,111	\$ 184,879
Return on Investment	4.6%	4.8%	4.9%

*Density Bonus Scenario assumes average rent of \$745 rent for a 2 bedroom apartment on 10% of the units, compared with \$1,200 market rent on all other units.*

#### **Prototype 4: Consolidating and Developing 2 Vacant R-2 Lots**

The TOD Ordinance provides considerable incentives to develop residential land if lots can be consolidated and the lots are already vacant and/or hold nonconforming uses. Prototype 4 assumes the consolidation and development of two adjacent R-2 parcels totaling 16,000 square feet, or about 0.4 acres.

Conventional development of the R-2 parcels would permit construction of six units with (under the TOD ordinance) five parking spaces. The consolidated project would qualify for a 40% density bonus for consolidating lands and building on vacant lots, permitting construction of nine units with eight parking spaces. (A 40% density bonus would produce 8.4 units, but fractional units are rounded up to the next whole number.) This would increase ROI from 3.8% to 4.5%.

The addition of affordable housing in this case would provide no additional density. A 50% density bonus would also produce a nine-unit project, but one of the units would have to be affordable. However, the affordable housing component would trigger a staff review rather than a conditional use permit, creating some cost savings. (We assumed that a staff review saves six months, which translates into 3% of project cost assuming 80% of the funding is borrowed.) This does not offset lost revenue for the affordable unit, however. We estimate the ROI on this project would be 4.3%

The relatively low density in the R-2 zone (17 units per acre) makes it difficult for an affordable project to show a reasonable ROI unless (as is often the case in affordable housing projects) other funding sources are used.

Although this prototype represents a promising opportunity, it is an unusual situation. Very few vacant residential parcels exist in the TOD areas, much less two such parcels adjacent to one another.

**Table 3-4: Prototype 4 (R-2 Lots) Pro Forma Analysis**

	No Consolidation	Consolidation	Consolidation W/Affordable Density
Parcel Size (Sq Ft)	16,000	16,000	16,000
New Retail (Sq Ft)	0	-	-
New Housing (Units)	6	9	9
Stories	3	3	3
Underground Parking?	No	No	No
Parking Spaces	5	8	8
Land Cost	\$ 651,200	\$ 651,200	\$ 651,200
Demolition Cost	\$ -	\$ -	\$ -
Construction Cost	\$ 720,769	\$ 1,074,601	\$ 1,074,601
Consulting/Entitlements	\$ 86,492	\$ 128,952	\$ 128,952
Parking Cost	\$ 16,217	\$ 24,179	\$ 24,179
Total Cost	\$ 1,474,678	\$ 1,878,932	\$ 1,878,932
Staff Review (6 mos)			\$ (56,368)
Real Cost	\$ 1,474,678	\$ 1,878,932	\$ 1,822,564
Total Annual Rent	\$ 77,843	\$ 116,057	\$ 111,221
Total Ann'l Op Cost	\$ 21,623	\$ 32,238	\$ 32,238
Net Operating Income	\$ 56,220	\$ 83,819	\$ 78,983
Return on Investment	3.8%	4.5%	4.3%

*Density Bonus Scenario assumes average rent of \$745 rent for a 2 bedroom apartment on on unit, compared with \$1,200 market rent on all other units.*

### Prototype 5: Consolidating and Developing 3 Mixed C-2/R-3-P Parcels

The final prototype involves a typical parcel situation in the TOD neighborhoods – parcels that run all the way from a commercial street to an adjacent residential street and are split between C-2 and R-3-P zoning. This prototype assumes the consolidation of three such lots, creating a parcel of 13,000 square feet, or approximately one-third of an acre.

Our analysis compares the development of a separate retail project on the commercial street and residential project on the residential street with a combined mixed-use project. The combination project generates a 25% parking ratio reduction for retail on the mixed-use project, plus a 15% lot consolidation density bonus on the residential portions of the property. In addition, the mixed-use project qualifies for a director’s review, while the other residential project would require a conditional use permit.

The ROI on the two individual projects is 4.6%, while the ROI on the combined mixed-use project is 5.4% ~ a significant increase. This figure would be higher if the conventional residential-only project did not also qualify for reduced parking ratios under the TOD Ordinance.

**Table 3-5: Prototype 5 (C-2/R-3-P Lots) Pro Forma Analysis**

	<b>No Consolidation</b>	<b>Consolidation</b>
Parcel Size (Sq Ft)	13,000	13,000
New Retail (Sq Ft)	3,850	4,800
New Housing (Units)	4	9
Stories	1	3
Underground Parking?	No	No
Parking Spaces	16	20
Land Cost	\$ 350,000	\$ 350,000
Demolition Cost	\$ 35,000	\$ 35,000
Construction Cost	\$ 987,754	\$ 1,746,151
Consulting/Entitlements	\$ 118,382	\$ 209,538
Parking Cost	\$ 45,456	\$ 56,750
Total Cost	\$ 1,536,592	\$ 2,397,439
Staff Review (6 mos)		\$ 35,962
Real Cost	\$ 1,536,592	\$ 2,361,477
Total Annual Rent	\$ 105,815	\$ 187,576
Total Ann'l Op Cost	\$ 35,558	\$ 61,028
Net Operating Income	\$ 70,257	\$ 126,548
Return on Investment	4.6%	5.4%

## Appendix A: Pro Forma Assumptions

Financial assumptions were based on existing Calthorpe Fregonese analysis of Hawthorne Green Line Station neighborhood, amended after discussions with members of the Los Angeles County Housing Advisory Committee. These are rough estimates designed to give a general idea of costs and revenues. Actual project costs and revenues vary widely depending on individual circumstances.

### Project Costs

#### Parking

Area per parking space	375 square feet
Cost Per Parking Space	
Surface Parking	\$8 per square foot
Structured Parking	\$25 per square foot
Underground	\$35 per square foot

Land \$40 per square foot

Construction Costs \$120 per square foot

Demolition Cost 10% of Construction Cost

#### Consultant & Entitlement

Costs 12% of Project Cost

### Revenues (per square foot per month)

#### Residential Rent

Market-Rate	\$1.20
Affordable	\$0.745
Average Size of Unit	1,000 square feet

Retail \$1.25

### Operating Costs (per square foot per month)

Residential	\$0.30
Retail	\$0.45