

Issue Brief

# MELLO ACT CASES IN COASTAL LOS ANGELES

Prevalence of Mello Act Cases for Building Permits in the Coastal Zone of  
the City of Los Angeles

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**MESSAGE FROM THE PRESIDENT OF PACIFIC URBANISM**

Pacific Urbanism is a community serving enterprise that specializes in policy research and evaluation, data modeling, and community building. Our mission is to serve as a resource to communities throughout California for data driven and multidisciplinary planning support tools. Our goals are environmental justice, public health, safety and welfare of all peoples, regardless of income, ethnicity, gender identity, national origin, religion, age, or ability. We believe that by working together, these goals are well within the reach of the communities that we serve.

The primary objective of this paper is to evaluate what the impacts of changes to the Mello Act would be within the Coastal Zone in the City of Los Angeles. Accordingly, this paper performs the following objectives regarding the Mello Act.

- 1. Survey public perception of Mello Act policy and identify potential issues for further analysis;
- 2. Code and regulation literature review along with data gathering;
- 3. Analysis of empirical data for purposes of policy evaluation.
  - Indicate where there are discrepancies in cases expected and those observed.
  - Identify geographically unequal applications and results of codes and regulations.
  - Explore causal factors of the above.
- 4. Identification of specific cases for further study.

The *big question* of this paper is whether the Mello Act is disproportionately applied in different regions. Several Community Plan Areas (CPAs) within the Coastal Zone in the City of Los Angeles were analyzed to make this determination. Our results show a **higher prevalence of Mello Cases (as a portion of building permits) in the Venice CPA** than in any other area of the Coastal Zone in the City of Los Angeles. Some CPAs, such as **Palms - Mar Vista - Del Rey, Wilmington - Harbor City, and the Port of Los Angeles did not see any Mello Cases** during the same period from 2013-2020.

Sincerely,  
Dario Rodman-Alvarez



AREA	MELLO CASES	BUILDING PERMITS	RATIO OF MELLO CASES TO BUILDING PERMITS
Venice	267	5,973	0.045
Brentwood - Pacific Palisades	129	3,269	0.039
City of Los Angeles Coastal Zone	422	12,352	0.034
Westchester - Playa del Rey	19	564	0.034
San Pedro	19	1,507	0.013
Palms - Mar Vista - Del Rey	0	853	0
Wilmington - Harbor City	0	13	0
Port of Los Angeles	0	173	0



# Executive Summary

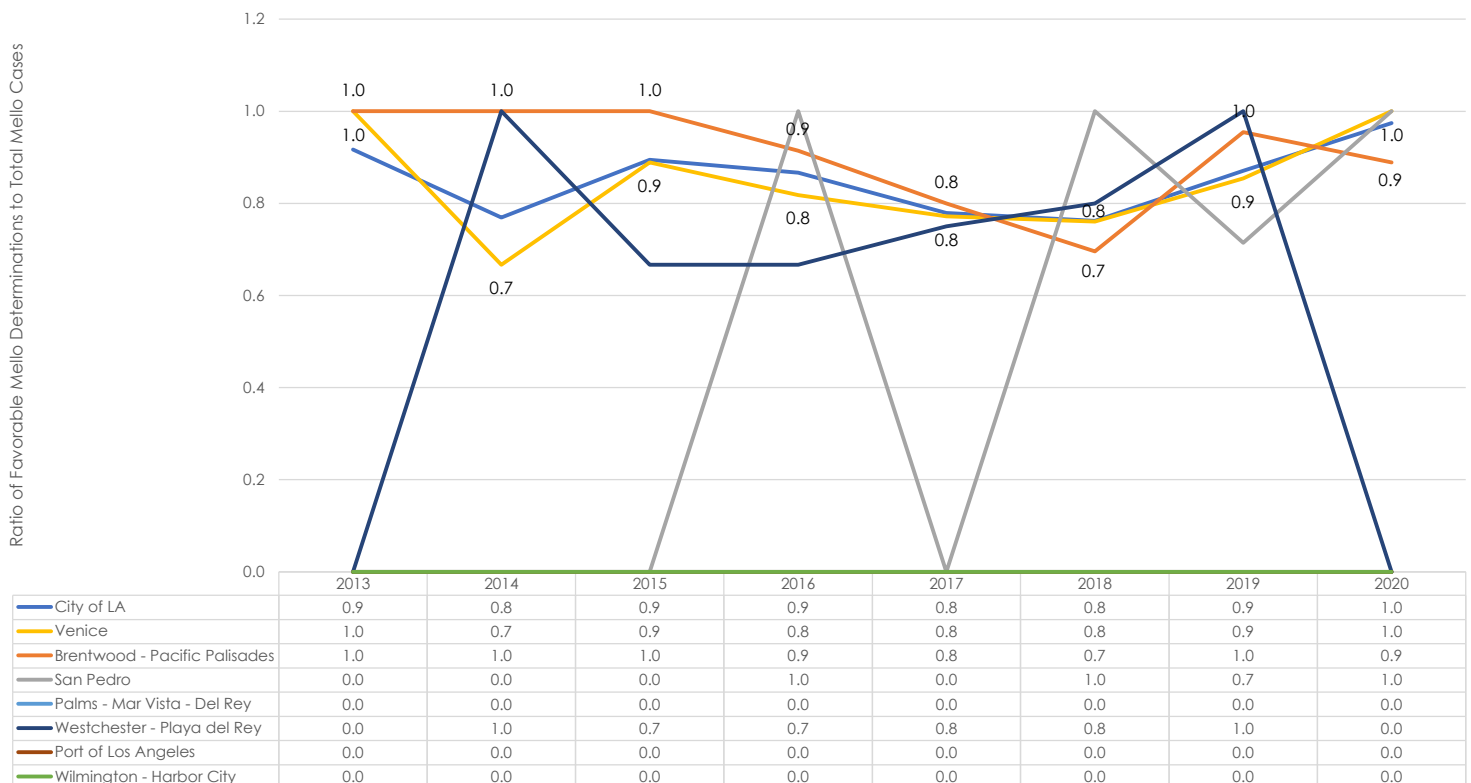
In order to ensure the preservation of affordable units in the California Coastal Zone, the Mello Act was adopted in 1982 in California Government Code Section 65590-65590.1. The Mello Act sets requirements for the demolition, conversion and construction of housing in the Coastal Zone and applies to the Coastal Zone throughout the entire state of California. Its intent is to preserve and or replace low and moderate income housing units in Coastal communities. Its requirements are as follows:

1. Existing residential units shall be maintained unless residential use is no longer feasible at the location
2. Converted or demolished affordable residential units shall be replaced on a one-for-one basis
3. New Housing Developments shall provide Inclusionary Residential Units, if feasible

**This paper intends to test a specific hypothesis: that the Brentwood-Pacific Palisades Community Plan Area (CPA) receives a greater percentage of favorable Mello determinations than the rest of the Coastal CPAs in Los Angeles.** This hypothesis was developed as a result of surveying public opinion. The data pool included a subtotal of all building permits for new, addition, alteration/repair, and demolition.

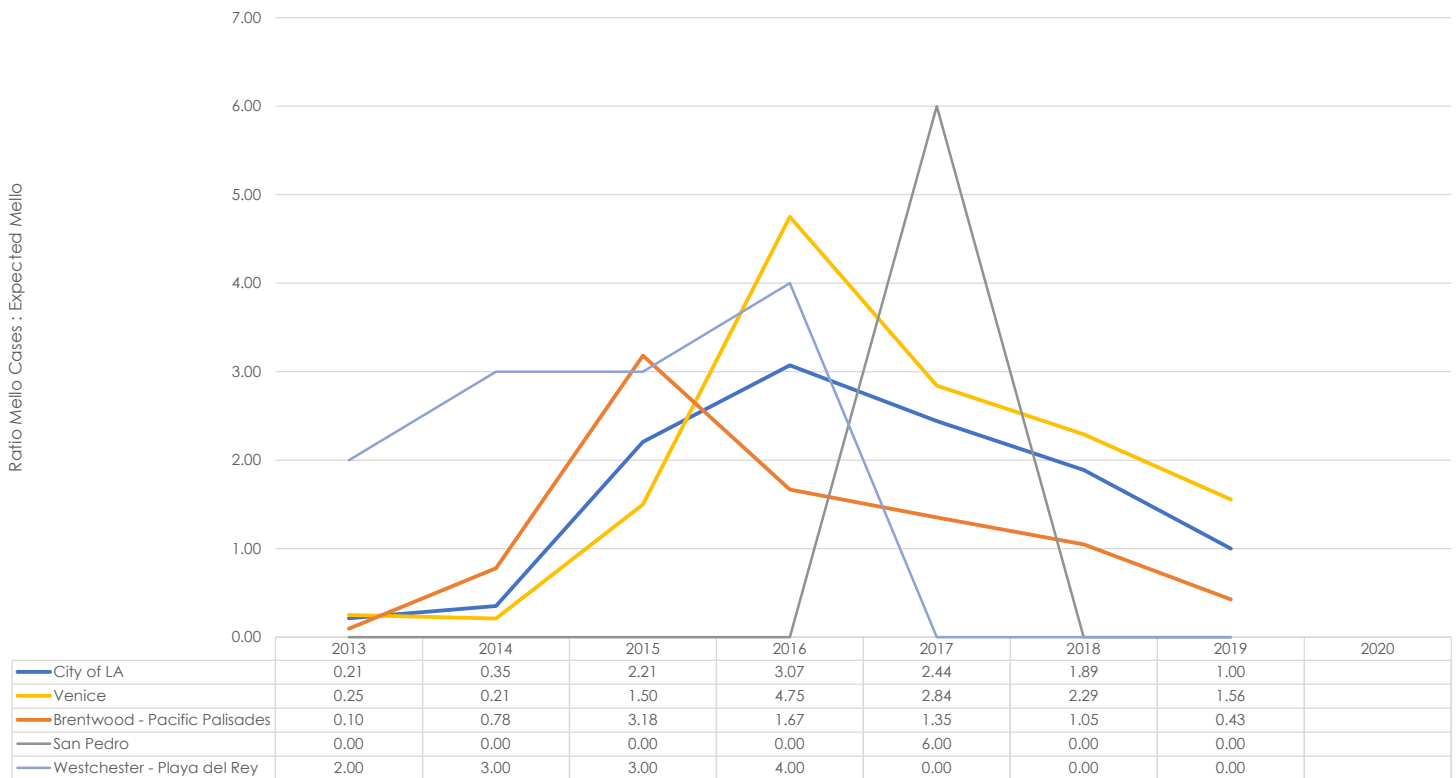
For the past five out of eight years, **Brentwood-Pacific Palisades CPA has received the highest rate of favorable determinations as a portion of all Mello cases.** Our results also suggest a relationship between Mello applicable cases and total Building Permit applications. For example, in Venice, an **increase in total Building Permits is associated with a decline in Mello applicable building permits**, which may be a symptom of a chilling effect to projects that involve the removal of units or production of 10 or more. In other words, as total building permits increase, the amount of proposed projects which would trigger a Mello review decreases.

**Rate of Favorable Mello Determinations  
City of Los Angeles 2013-2020**



# Methods

Ratio of Mello Cases from Previous Year to Expected Mello Applicable Building Permits  
City of Los Angeles 2013-2020



As a result of surveying public perception, the following hypotheses were developed for testing:

1. Brentwood-Pacific Palisades experiences a greater percentage of favorable Mello determinations than the rest of the Coastal Community Plan Areas in the City of Los Angeles.

2. There is a directly proportional relationship between Mello cases and subsequent Mello applicable building permits, in other words, as Mello cases increase, Mello applicable cases will increase as well.

The data pool used in this study includes a *subtotal* of all building permits for new, addition, alteration/repair, & demolition.

For purposes of this study, the following project characteristics were reviewed for analysis:

### Options for replacement

- Cash in Lieu
- Replacement of unit within 3 miles of Coastal Zone.

### New units shall include affordable units.

- Except New projects with 9 or less Housing Units.
- If a unit is unoccupied for 365 days prior to case filing, the unit will not be considered an existing affordable unit.

### Categorical exemptions, etc.

- Building deemed to be Public Nuisances
- Owner occupied SFD to be replaced with new SFD

### Feasibility.

- Projects shall be denied if the scope is removal of existing residential units with no new residential, unless it is determined residential use is no longer feasible in location.

### Affordability.

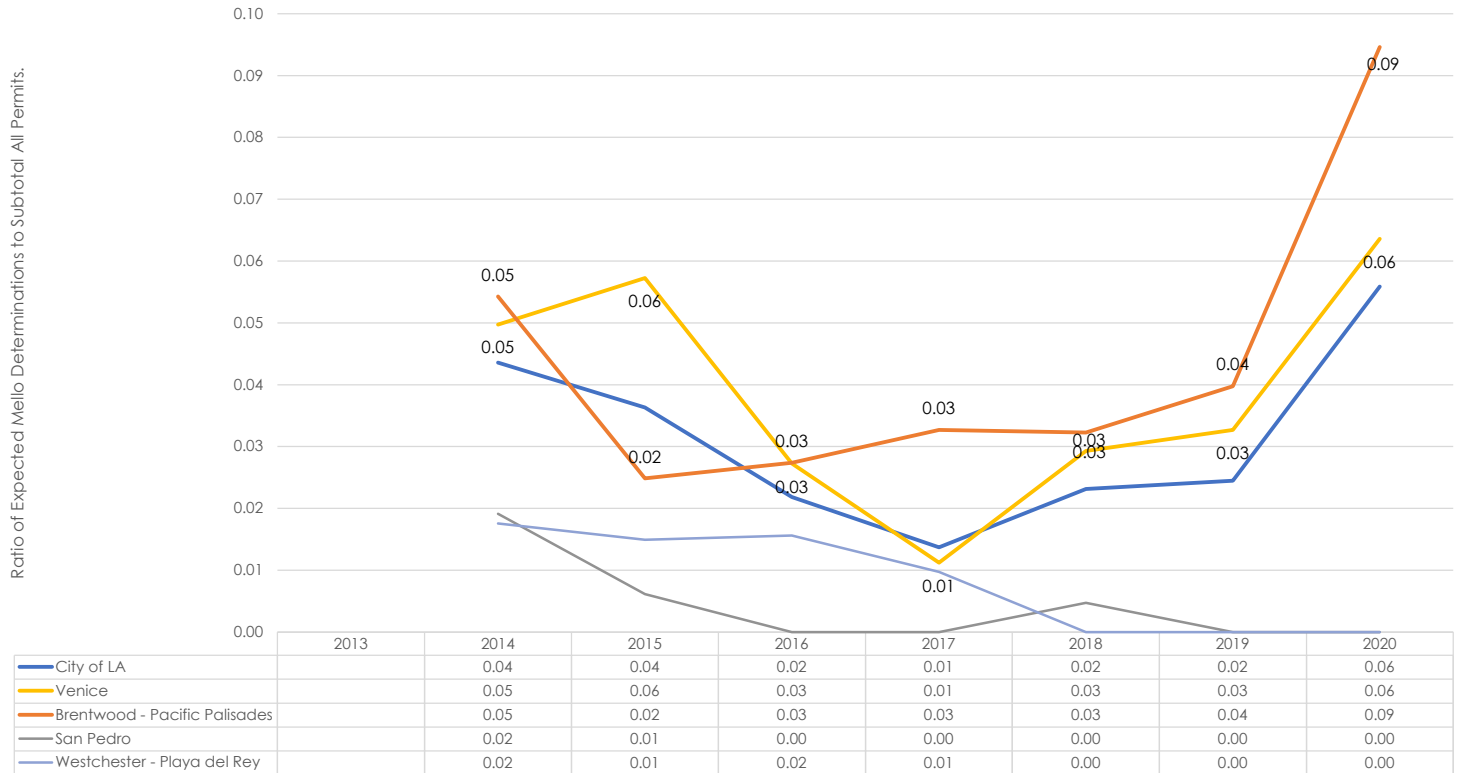
- Housing Department determines if units are considered "affordable,"
- If none are identified this stops the MELLO review process.
- Housing Department determines occupant income based on rental cost of unit per month over 3 years

### Categories of building permit characteristics (instances) where a Mello review is expected:

- Removal of residential unit
- Any 10+ new residential units
- Addition (only if removing one or more, whether demolition or COU, or if adding 10+)
- Alteration/Repair (only if removing one or more, whether demolition or COU, or if adding 10+)
- Demolition (only if removing one or more, i.e. any)
- New (only if removing one or more, whether demolition or COU, or if adding 10+)

# Results

Ratio of Expected Mello from previous year to Subtotal All Permits  
City of Los Angeles 2013-2020



## Results sought:

1. Identify all Building Permits where Mello is expected to have been under review (this is the Expected Cases value.)
2. Geographically locate all Building Permits in the Coastal Zone.

## Results:

**12,352 Building Permits** issued in Coastal Zone since start of 2013.

317 of those Building Permits involve the removal of at least one unit, or the production of 10 or more units.

## Approximately 2.57% Expected Cases for Mello review.

The Entitlements Data Pool includes all Coastal Development Permit (CDP) cases with MEL suffix from 2009 through end 2019.

520 Mello (“MEL”) cases in Coastal Zone since 2009

475 of 520 total Mello cases were successfully geolocated (91.35%).

**82.1% of all Mello cases geolocated (91.35% of total Mello cases) are favorable.** In other words 17.9% are unfavorably denied, withdrawn, failure to act, etc.

Mello cases are counted by determination date as a requirement for building permit issuance. It is important to note that some Mello determinations may not result in a building permit, such as *withdrawn*, *denied the appeal*, *failure to act*, and *terminated*.

**Venice CPA has received the greatest amount of Mello cases as a portion of subtotal building permits since 2013**, with 4.5% of all subtotal building permits receiving a Mello review. Brentwood - Pacific Palisades CPA, on the other hand, received Mello reviews on 3.9% of all subtotal building permits during the same period of years.

However, among the building permits which did trigger a Mello review, those **cases within Brentwood-Pacific Palisades saw the highest rates of receiving favorable determinations in 2013, 2014, 2015, 2017, and 2019.** Mello cases in Venice, in comparison, were only more likely to receive favorable determinations in 2018 and 2020.

# Background and Literature Review

## MELLO ACT

### Description

- Adopted in 1982 (CA Govt. Code Section 65590-65590.1)
- Applies to the Coastal Zone throughout entire state of California
- Sets requirements for the demolition, conversion and construction of housing in the Coastal Zone
- Intent to preserve and replace low and moderate income housing units in Coastal Communities

### Requirements

- Existing residential units shall be maintained unless residential use is no longer feasible at the location
- Converted or demolished affordable residential units shall be replaced on a one-for-one basis
- New Housing Developments shall provide Inclusionary Residential Units, if feasible

### Conversion or Demolition for Non-Residential uses

- Applies to the conversion or demolition of existing residential units for Non-Residential Uses
  - Unless residential use no longer feasible
  - Unless non residential use is Coastal Dependent or Coastal Related

### Replacement of Affordable Units

- Required for all low and moderate income units
- Required on site or 3 miles within Coastal Zone

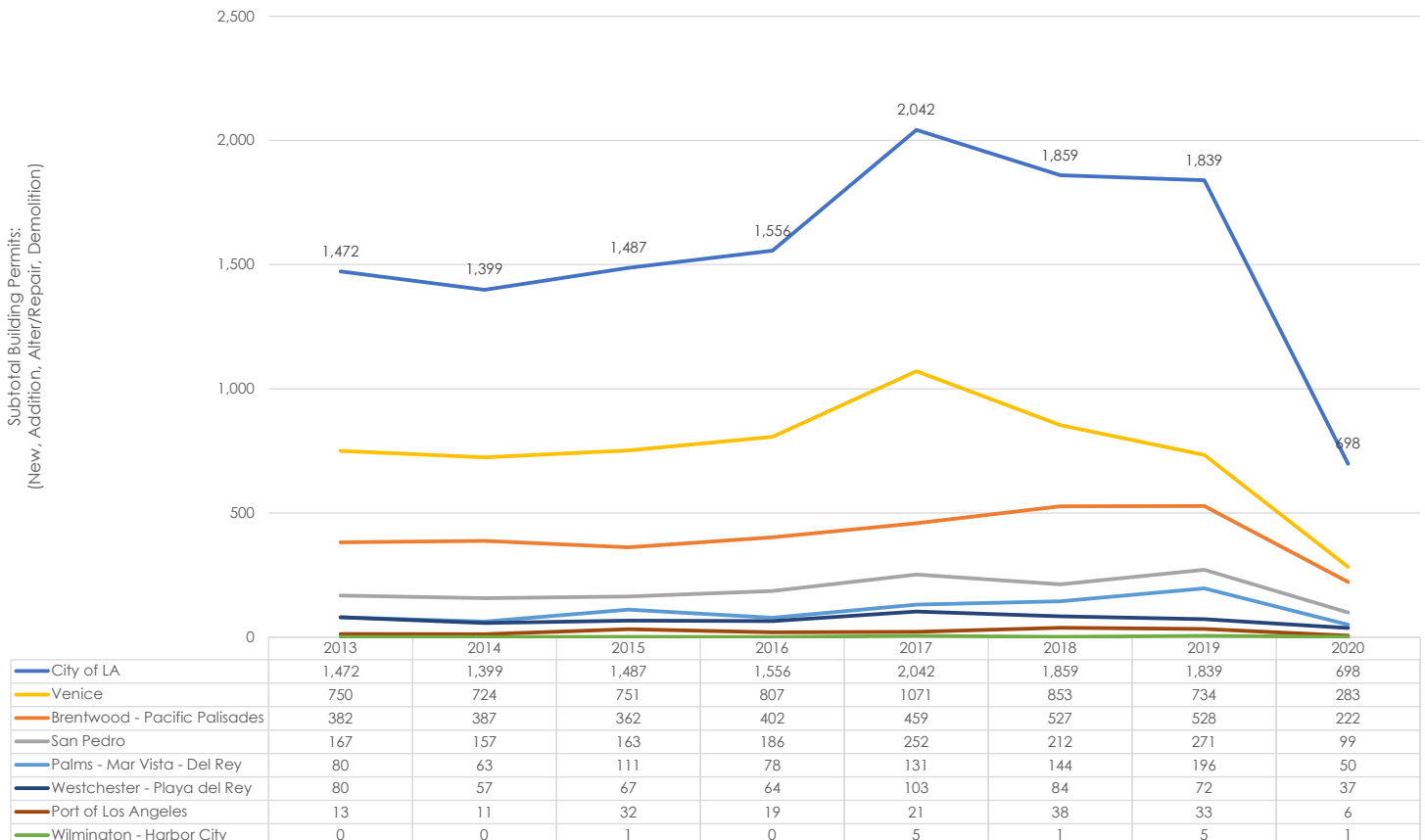
### New Housing Developments

- Required incorporation of low and moderate income housing (inclusionary units)
- Requires on-site or within 3 mile replacement if existing units are demolished
- Allows the establishment of in-lieu fees

### Community Plan Areas within the Coastal Zone in the City of LA include:

- Brentwood - Pacific Palisades
- Palms - Mar Vista - Del Rey
- Port of Los Angeles
- San Pedro
- Venice
- Westchester - Playa Del Rey
- Wilmington - Harbor City

Building Permits in Coastal Zone  
City of Los Angeles 2013-2020



## INTERIM ADMINISTRATIVE PROCEDURES (IAP)

- Adopted in 2000 by City of Los Angeles
- Guidelines that expanded on State code
- Covenant and agreement required
- Department of Building and Safety is responsible for the initial screening and routing of Non-Discretionary Applications
- The Department of City Planning is responsible for the initial screening and routing of Discretionary Applications
- Targets established for very low income households
- Inclusionary Requirements
  - Low and Very Low - 20%
  - Very Low - 10%

## HCIDLA Affordability Assessment

1. Send general notice to all building occupants
2. Identify long-term vacant residential units
3. Determine occupant income based on monthly cost or actual income data
4. Verify accuracy of occupant income based on monthly housing cost data
5. Identify and determine if any evictions were for the purpose of evading the Mello Act
6. Inform the Department of City Planning, Zoning Administration Division (DCP/ZAD) of the results of its occupancy income determination process

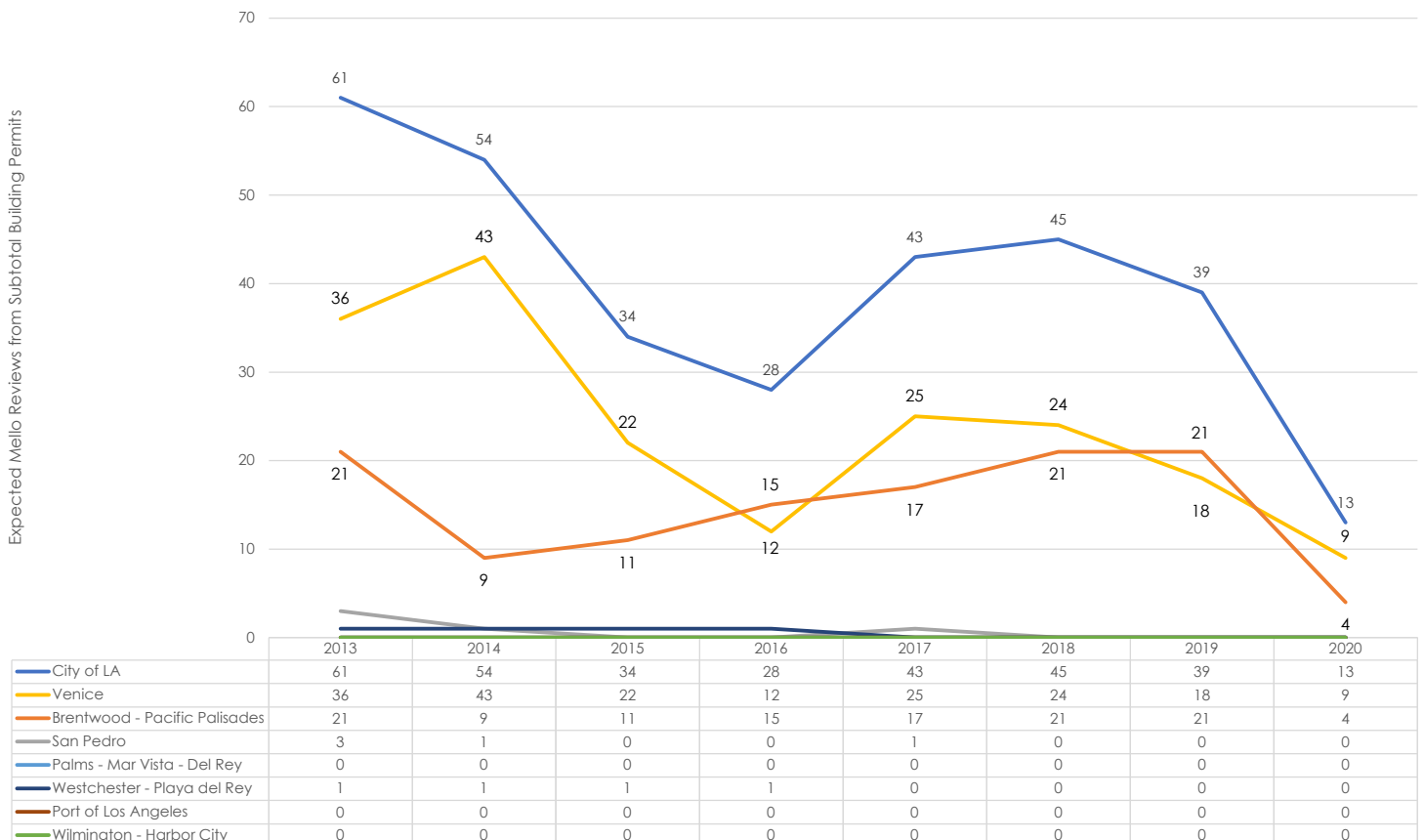
## Mello Act Compliance Procedures

1. Identify Community Plan Area  
If in Brentwood-Pacific Palisades, Venice, Palms-Mar Vista-Del Rey, Westchester-Playa Del Rey, San Pedro or Wilmington-Harbor City, go to Step Two
2. Determine Coastal Zone Location  
If Application is in the Coastal Zone, go to Step Three
3. Identify Conversions, Demolitions and New Housing Developments  
If Demolitions, Conversions or New Housing Developments are identified, go to Step Four
4. Identify Categorical Exemptions
5. Send Notice of Categorically Exempt Applications
6. Route Non-Categorically Exempt Application to the Department of City Planning, Zoning Administration Division (DCP/ZAD) for further Mello Act Compliance Review and Processing

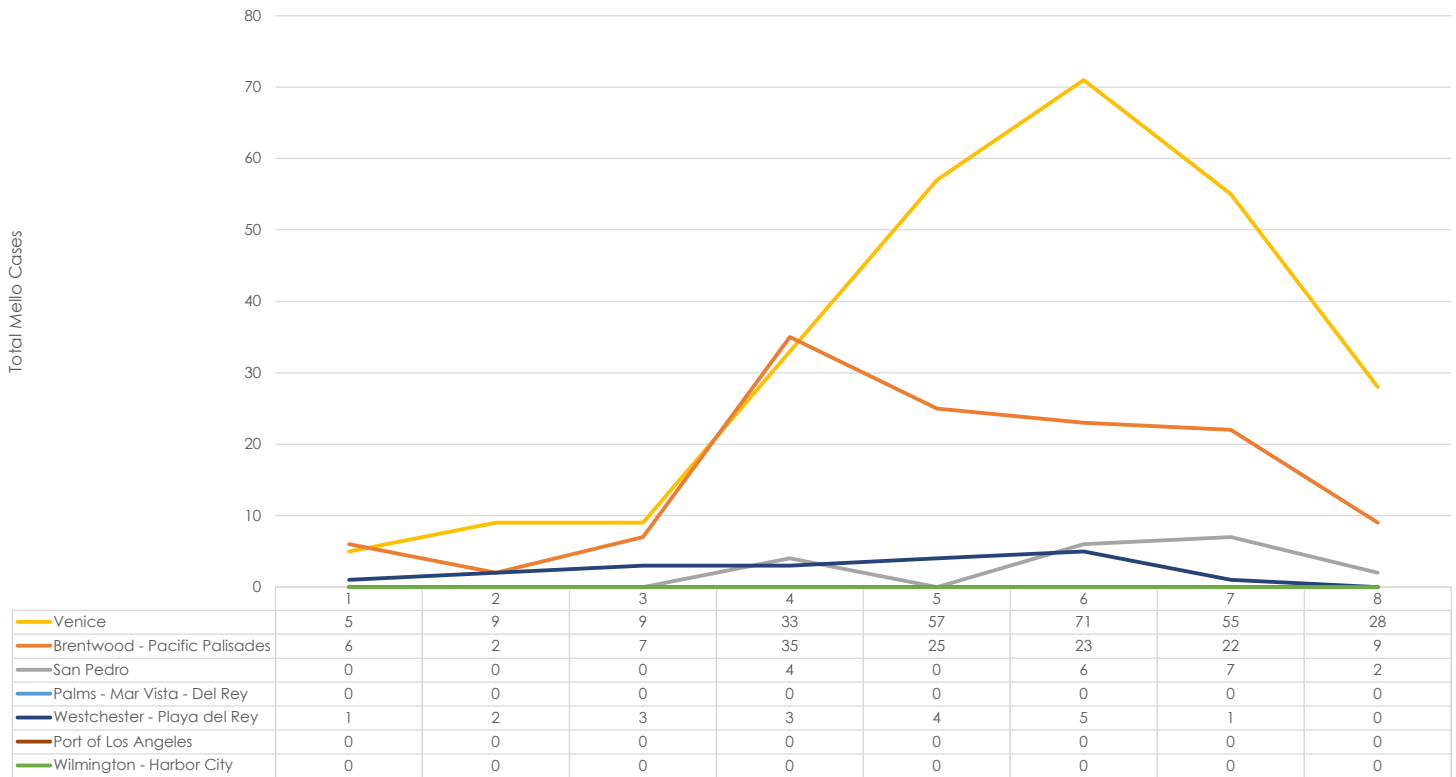
## Demolitions and New Housing Developments on the Same Site

If an applicant proposes to demolish Affordable Existing Residential Units, and build a New Housing Development on the same site, the Mello Act's replacement and inclusionary requirements are both triggered

Mello Expected Cases from Building Permits  
City of Los Angeles 2013-2020



**Mello Review Cases  
City of Los Angeles 2013-2020**



**PROPOSED DRAFT MELLO ACT ORDINANCE (AMENDMENT TO L.A.M.C. SECTION 12.21.H)**

**Timeline of Draft Ordinance**

August 2019	Motion Adopted
December 2019	Draft Ordinance Released
January 2020	Information Sessions
July 2020	Public Hearing

**Conversion/Demolition to Non-Residential**

- Conversion or demolition of any Residential Unit or residential use, for purposes of a non-residential use that is not Coastal Dependent, is prohibited, unless a residential use is no longer feasible at that location
- Applies to all Residential Units and uses, regardless of the income of the tenants, the form of ownership, rental rates, for sale price, or appraised value
- Continued feasibility of a residential use with the same number of Residential Units is presumed by the City.
- Applicants have the burden of proof that residential use is not feasible

**Conversion or Demolition of Affordable Existing Residential Units**

- Affordable Existing Residential Units to be preserved and replaced as determined by the Housing and Community Investment Department of Los Angeles (HCIDLA)
- All Residential Units subject to the Rent Stabilization Ordinance, currently or within the last 5 years, as well as unpermitted dwelling units will be presumed to be affordable to Very Low Income Households

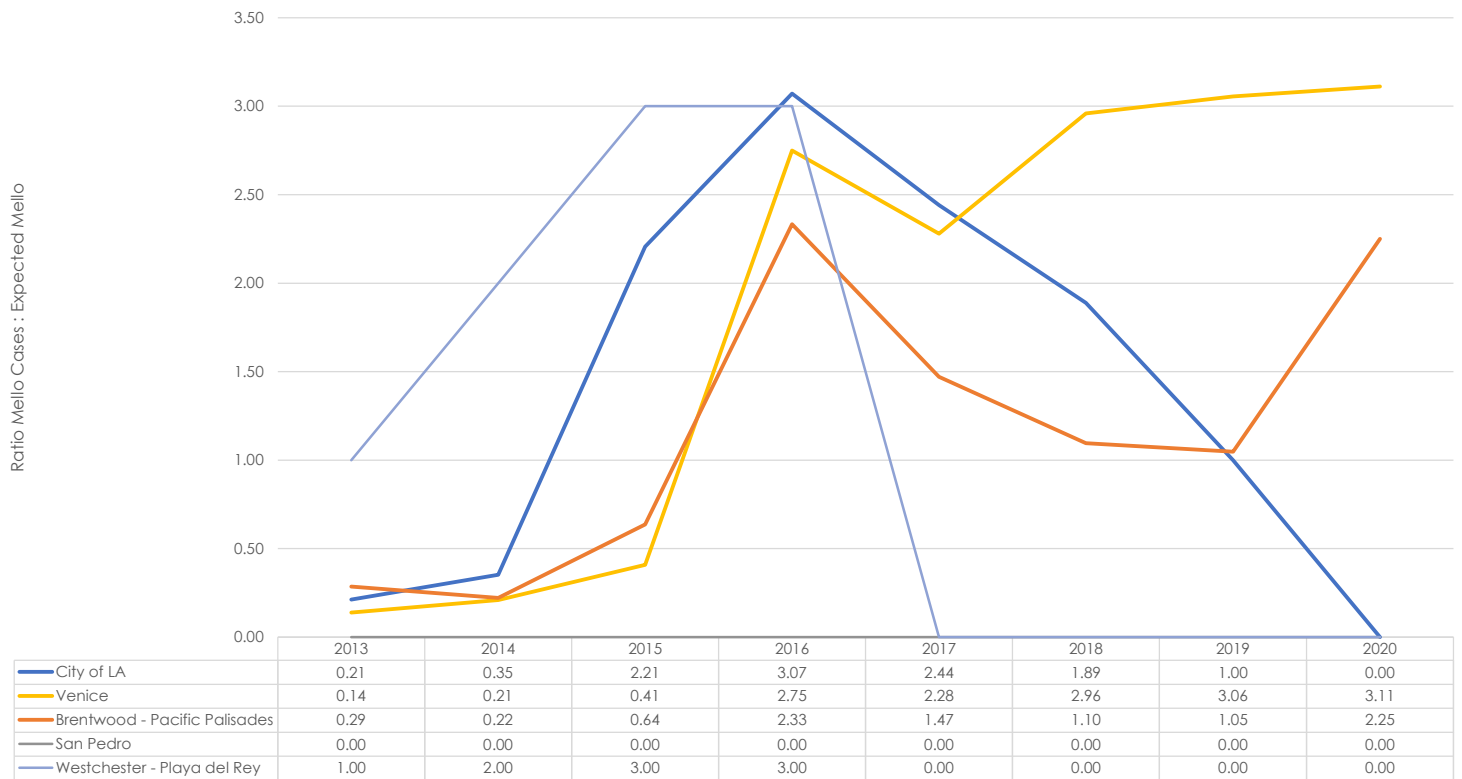
- Notices to Vacate, Evictions, or “cash-for-keys” agreements conducted within the five years before the HCIDLA Mello Act affordability analysis will be presumed to have been conducted for the purposes of evading compliance with the Mello Act and be considered as Affordable Existing Units to Very Low Income Households
- Residential Units that can be shown to have been vacant for 5+ years before the filing of an application for a Mello Act Compliance Review will not be considered affordable
- HCIDLA will determine the number, level of affordability, and number of bedrooms and bathrooms for each Affordable Replacement Unit required to be provided by the project.
- An Affordable Replacement Unit will contain the same number of bedrooms and bathrooms as the unit it is replacing
- In-lieu fee for Affordable Replacement Units is only applicable when Affordable Existing Units are located on a site containing a maximum of two residential units, and is determined by HCIDLA that locating the Affordable Replacement Units on-site is not feasible.

**New Housing Developments**

- Required to reserve a percentage of the total on-site units as Inclusionary Residential Units.
- Requirement can be fulfilled by one of the following:
  - 8% of extremely low income
  - 10% very low income
  - 20% low income
- Requirements monitored and enforced by HCIDLA



**Ratio of Mello Cases to Expected Mello Applicable  
City of Los Angeles 2013-2020**



- In-lieu fee applicable for fractional units only:
  - >0.5 round up to 1 unit (i.e. 4.6 units = 5 units on site)
  - <0.5% pay the in lieu fee (i.e. 1.3 affordable units = 1 on site unit + 0.3 in-lieu fee)
- No off-site affordable units permitted

**Exceptions**

- Public nuisance
- Owner-occupied dwelling

**Mello Act Compliance Review**

- Issued by Director of City Planning
- Residential use feasibility
- Replacement obligations
- Inclusionary requirements
- In-lieu fee determination
- Agreeable to Area Planning Commission

**HCIDLA Mello Act Determination**

- Assess affordability level using data from past 5 years
- Individual & household rental rates
- Level of affordability determination
- Document number of bedrooms and bathrooms
- Maintain existing dwelling units on-site
- Incorporate into Director of Planning determination

**Feasibility Study**

- Applicants claiming infeasibility will pay fee to HCIDLA who will then hire only an approved third party consultant to conduct the study
- Allowed only under 2 circumstances

- Replacement of Affordable Existing Units that are located in a single family dwelling or an attached duplex, located on a site containing no more than two residential units
  - Reduction in the number of Inclusionary Units
- Includes analysis of maximum number of affordable units feasible for project
- Study transmitted to Director of City Planning

**Feasibility Study Methodology**

- Standardized study
- Standardized factors for review
- Feasibility for sale units
  - Return on cost = Profit/Total Development Cost
  - Threshold determined by HCIDLA based on a minimum of 5 reputable for sale developers and active real estate firms
- Feasibility for rental units
  - Yield on cost = Annual Net Operating Income/Total Development Cost
  - Threshold determined by going-in cap rate percentage index for new apartments in LA region from real estate industry report

**City Planning Contacts**

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# Discussion and Areas for Further Research

The Coastal Zones evaluated in this paper include the Mello districts in the City of LA: Venice, Brentwood-Pacific Palisades, Palms-Mar Vista-Del Rey, Westchester - Playa Del Rey, Port of Los Angeles, and Wilmington-Harbor City.

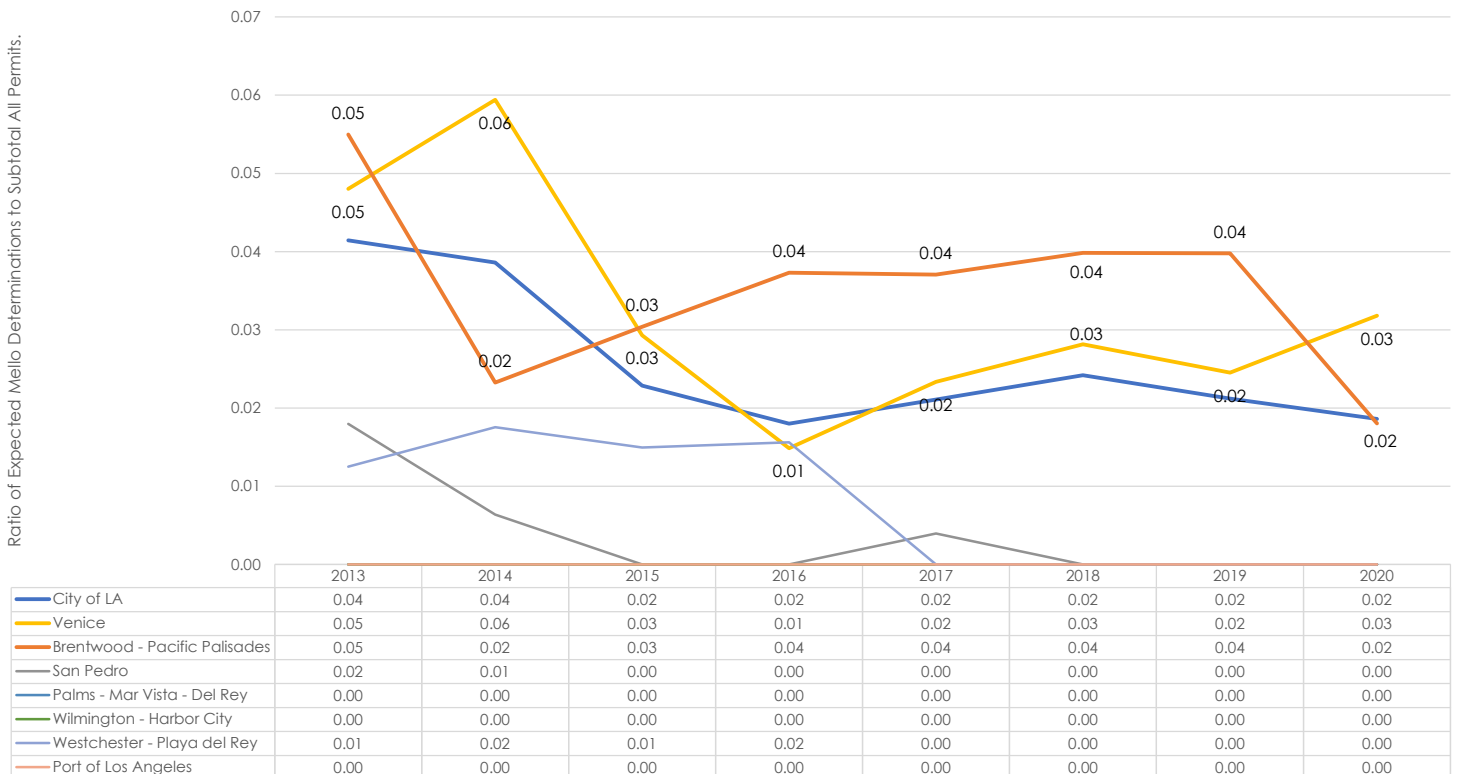
According to the Ratio of Mello To Subtotal Building Permits, different patterns were observed in the analyzed areas. **Brentwood- Pacific Palisades peaked at the highest point in 2014 of all studied areas with a rate of 0.087.** Venice, in contrast, experienced a steady incline, beginning at 0.007 in 2013 and culminating at 0.099 in 2020. Palms - Mar Vista - Del Rey also experienced a (lesser) but nonetheless steady incline similar to Venice. The City of LA rose slightly between 2013 and 2015 (0.008 and 0.013) but fell to 0.056 in 2020.

When looking at the Ratio of Expected Mello to All Permits, Venice and Brentwood-Pacific Palisades both start in 2013 at 0.05 and whereas in 2014 Venice rises to 0.06, Brentwood falls to 0.02. Venice drops further to 0.01 in 2016 but then gains some ground to reach 0.03 in 2020. Brentwood drops to 0.02 in 2014 and then holds steady at 0.04 through 2019, dropping in 2020 to 0.02. The City of LA commenced in 2013 at 0.04 and fell to 0.02 from 2015-2020. Westchester - Playa del Rey falls from 0.02 in 2014 to 0.00 in 2016 - 2020.

Within the Ratio of Mello Cases to Expected Mello Applicable in the City of Los Angeles from 2013-2020 the five highlighted areas in Mello - City of Los Angeles, Venice, Brentwood, San Pedro, and Westchester - Playa del Rey all begin in 2013 with relatively low rates of 0.21, 0.14, 0.29, 0.00 and 1.00 which then rise considerably in 2016 to 3.07, 2.75, 2.33, 0.00, and 3.00 respectively. In 2017, Venice and Brentwood-Pacific Palisades fell slightly and then rise to 3.11 and 2.25 in 2020. The City of LA, however, experiences a constant decline from 2016 to land on 0.00 in 2020. Westchester-Playa del Rey takes an even more precipitous fall after 2016, falling from 3.0 in 2016 to 0.00 in 2017.

Further research on this topic should include an identification of omitted Coastal Development Permits (CDPs) among the Expected Cases building permit data pool. Next steps in analyzing these trends could be to compare to population and population density trends in the areas reviewed.

Ratio of Expected Mello to Subtotal All Permits  
City of Los Angeles 2013-2020



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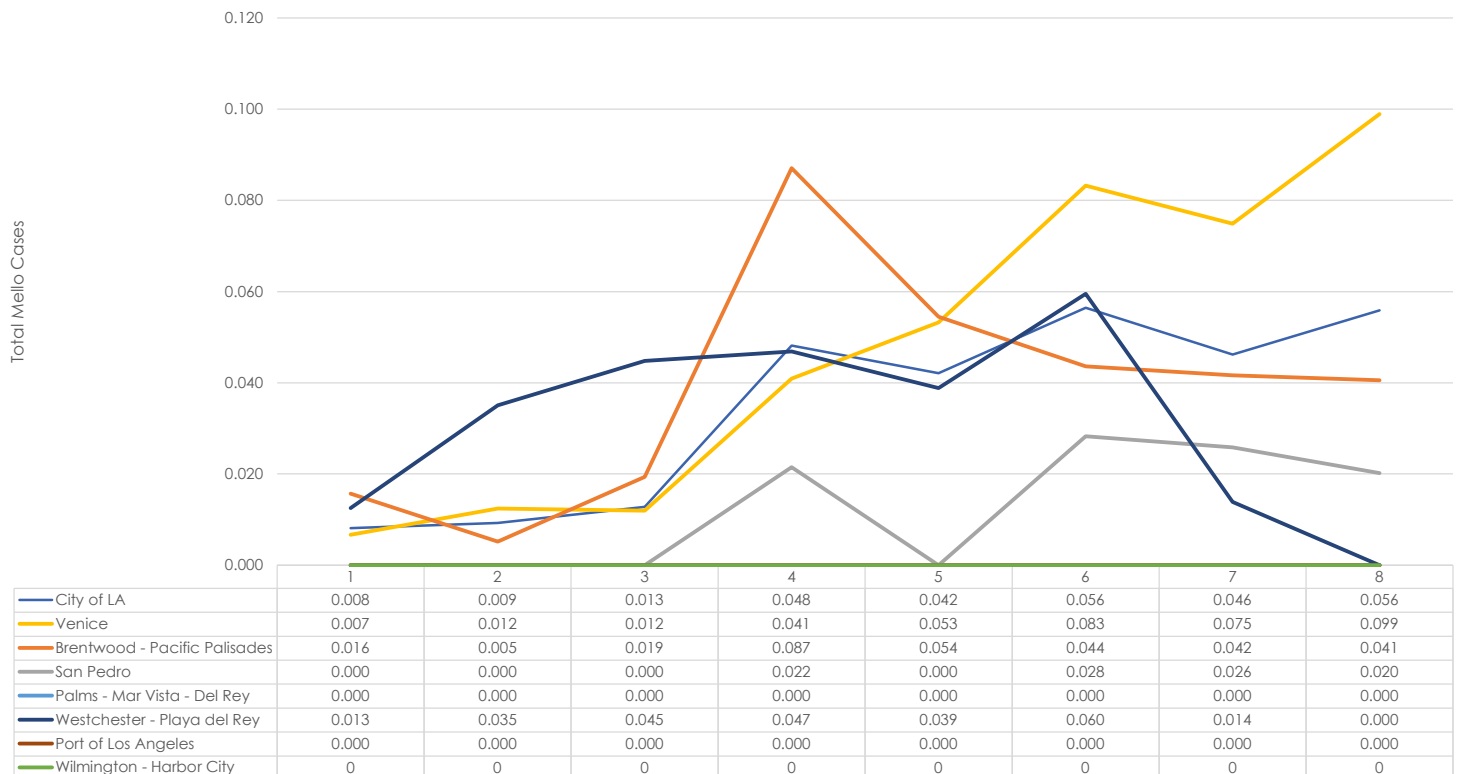
## INTERIM ADMINISTRATIVE PROCEDURES FOR COMPLYING WITH THE MELLO ACT IN THE COASTAL ZONE PORTIONS OF THE CITY OF LOS ANGELES (2000)

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## MELLO ACT (1982)

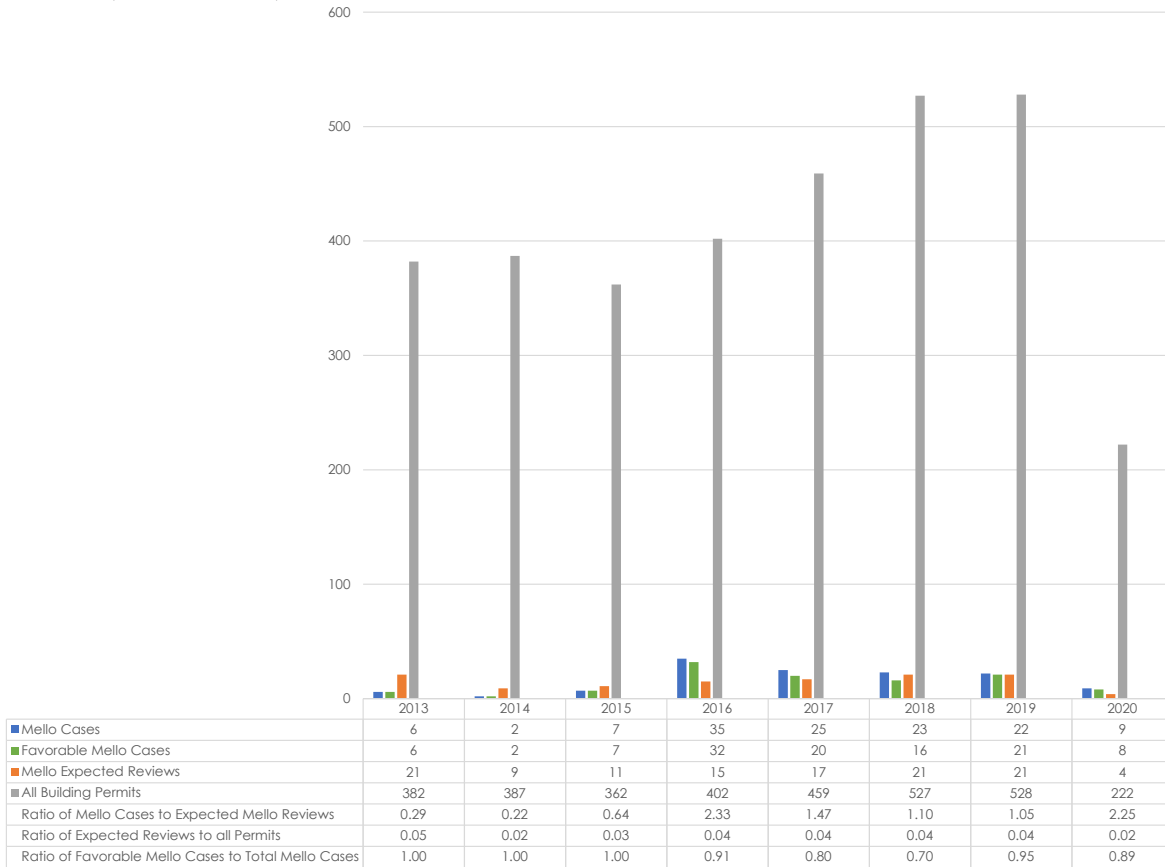
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Ratio of Mello to Subtotal Building Permits  
City of Los Angeles Coastal Zone 2013-2020

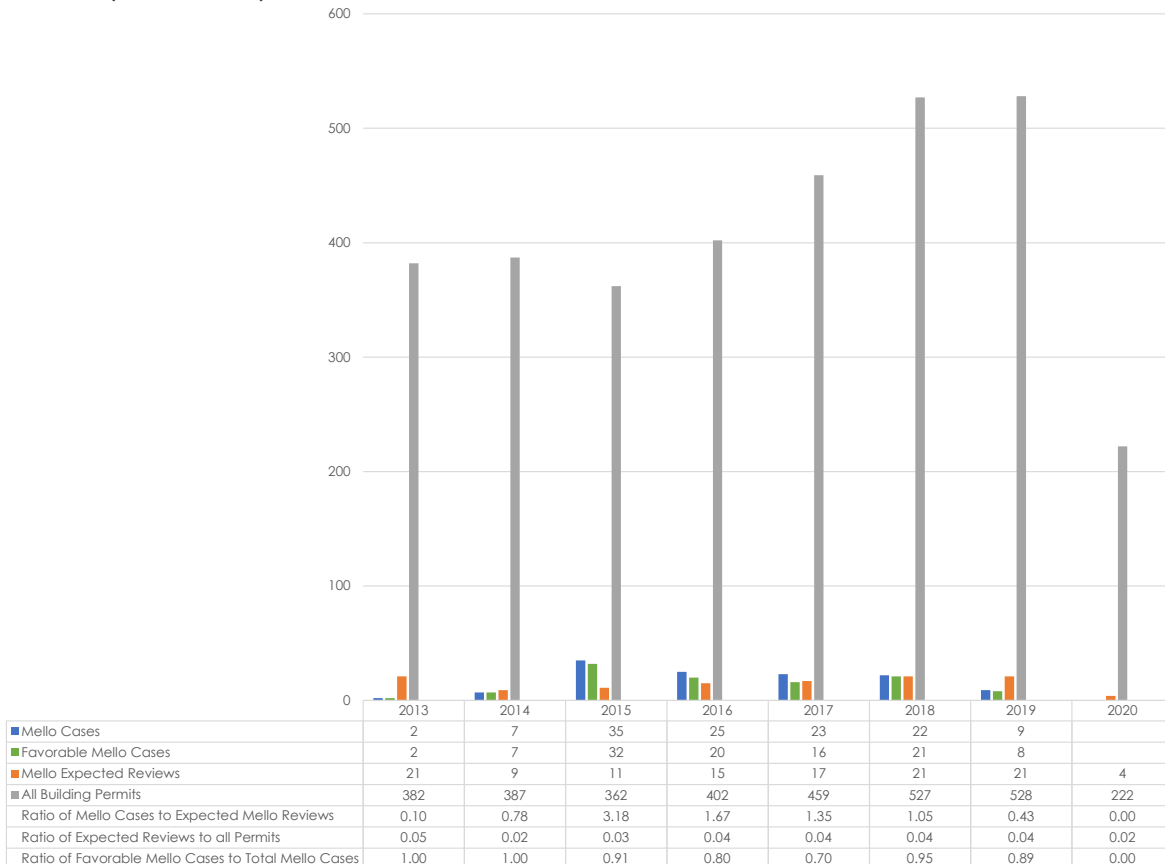


# Appendix: Full Results

## BUILDING PERMITS AND MELLO CASES IN BRENTWOOD-PACIFIC PALISADES COMMUNITY PLAN AREA (SAME YEAR)

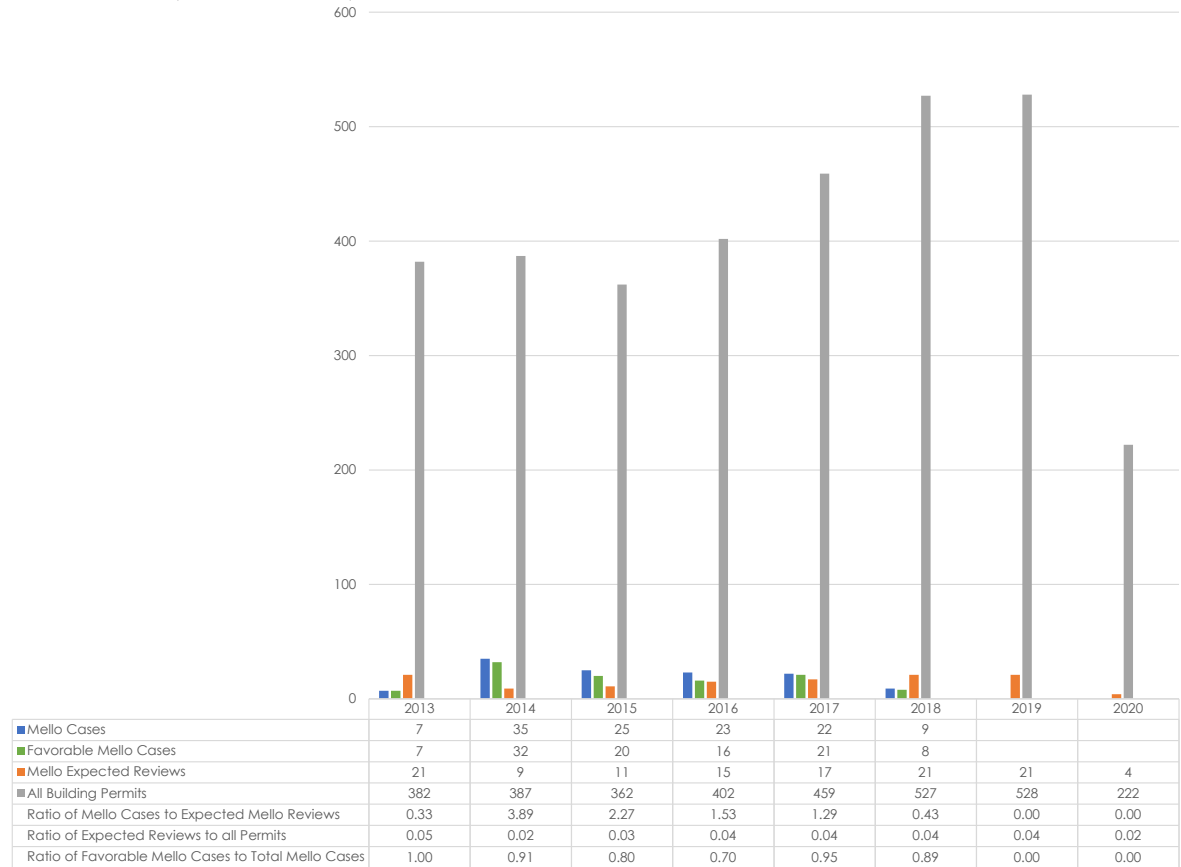


## BUILDING PERMITS AND MELLO CASES IN BRENTWOOD-PACIFIC PALISADES COMMUNITY PLAN AREA (ONE YEAR)

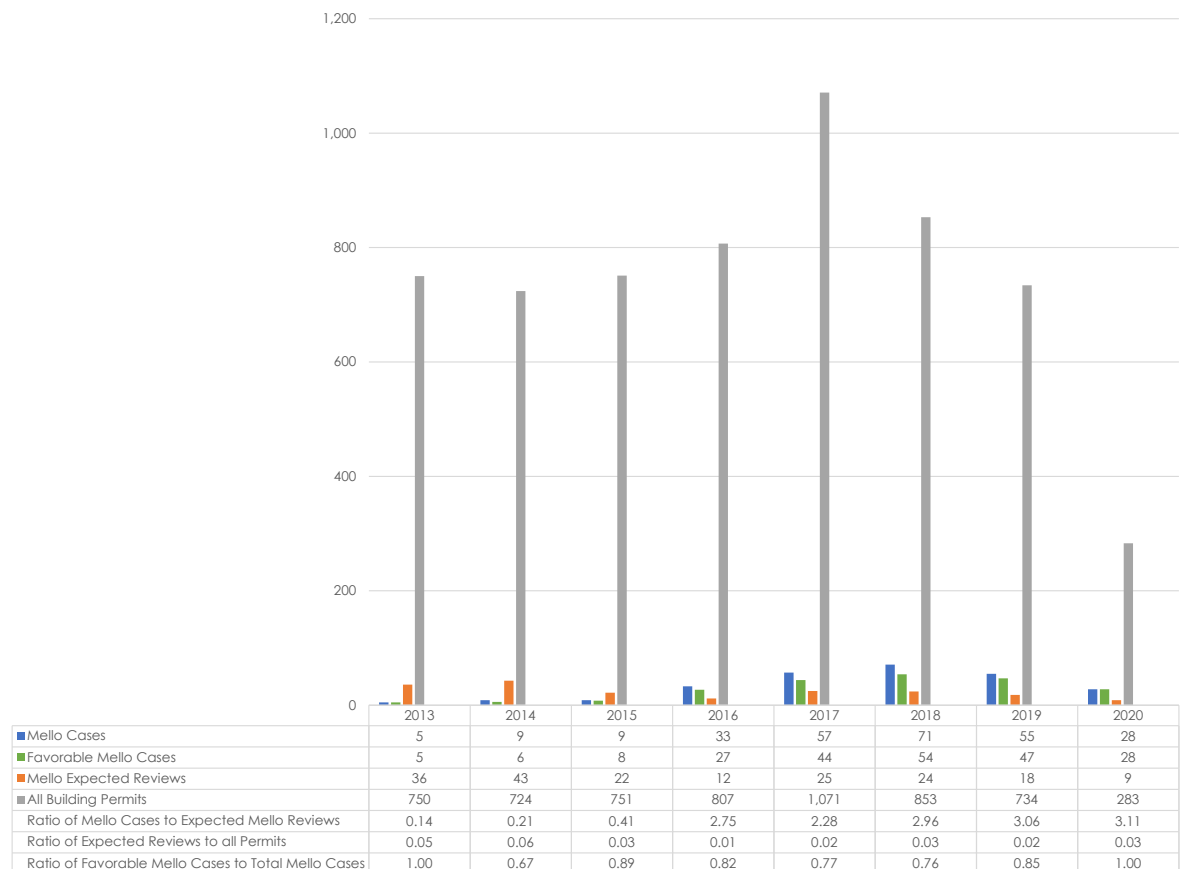




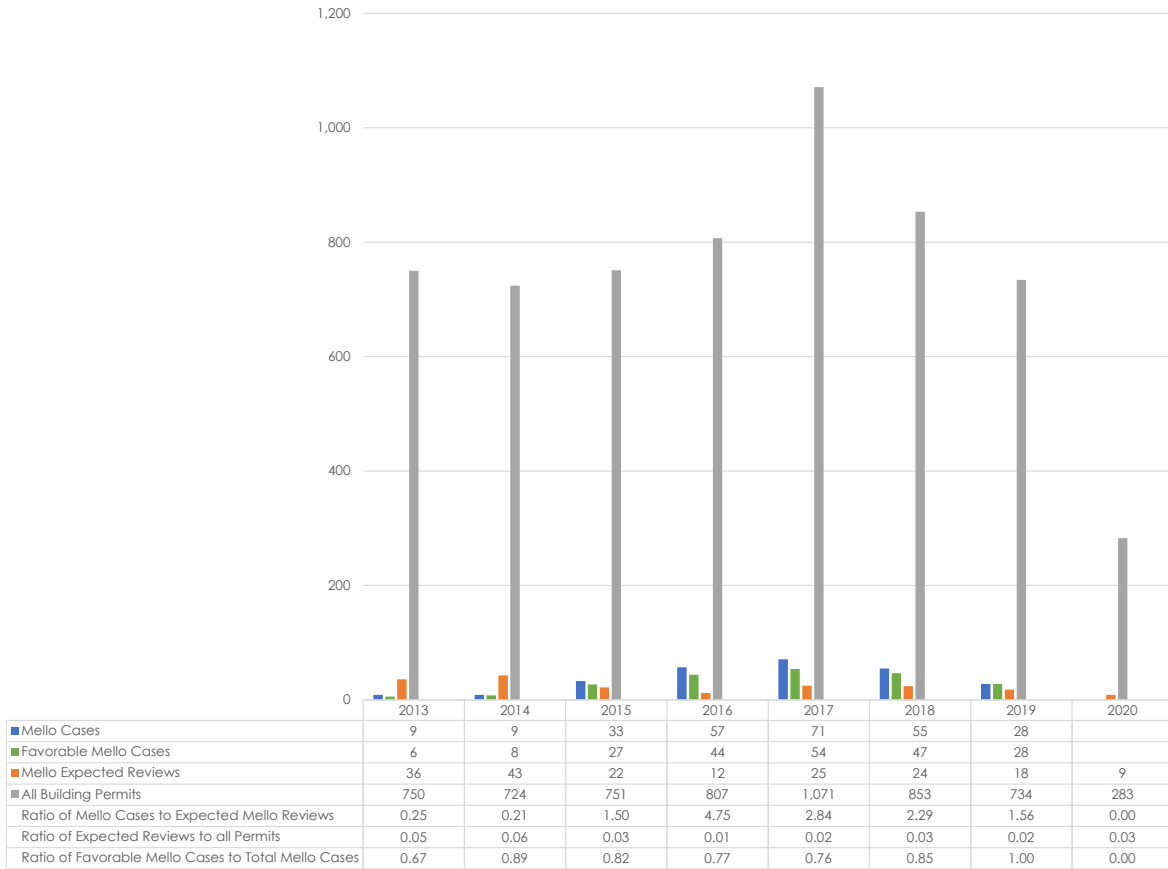
## BUILDING PERMITS AND MELLO CASES IN BRENTWOOD-PACIFIC PALISADES COMMUNITY PLAN AREA (TWO YEARS)



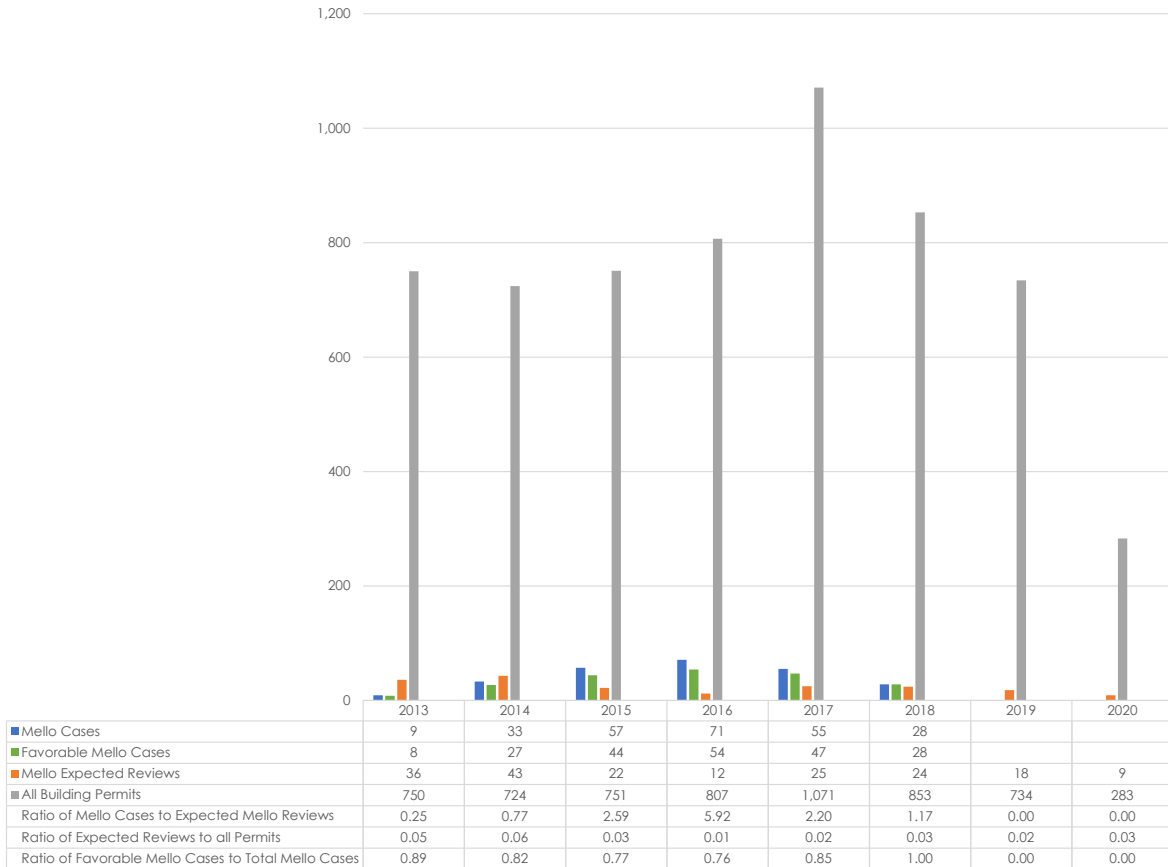
## BUILDING PERMITS AND MELLO CASES IN VENICE COMMUNITY PLAN AREA (SAME YEAR)



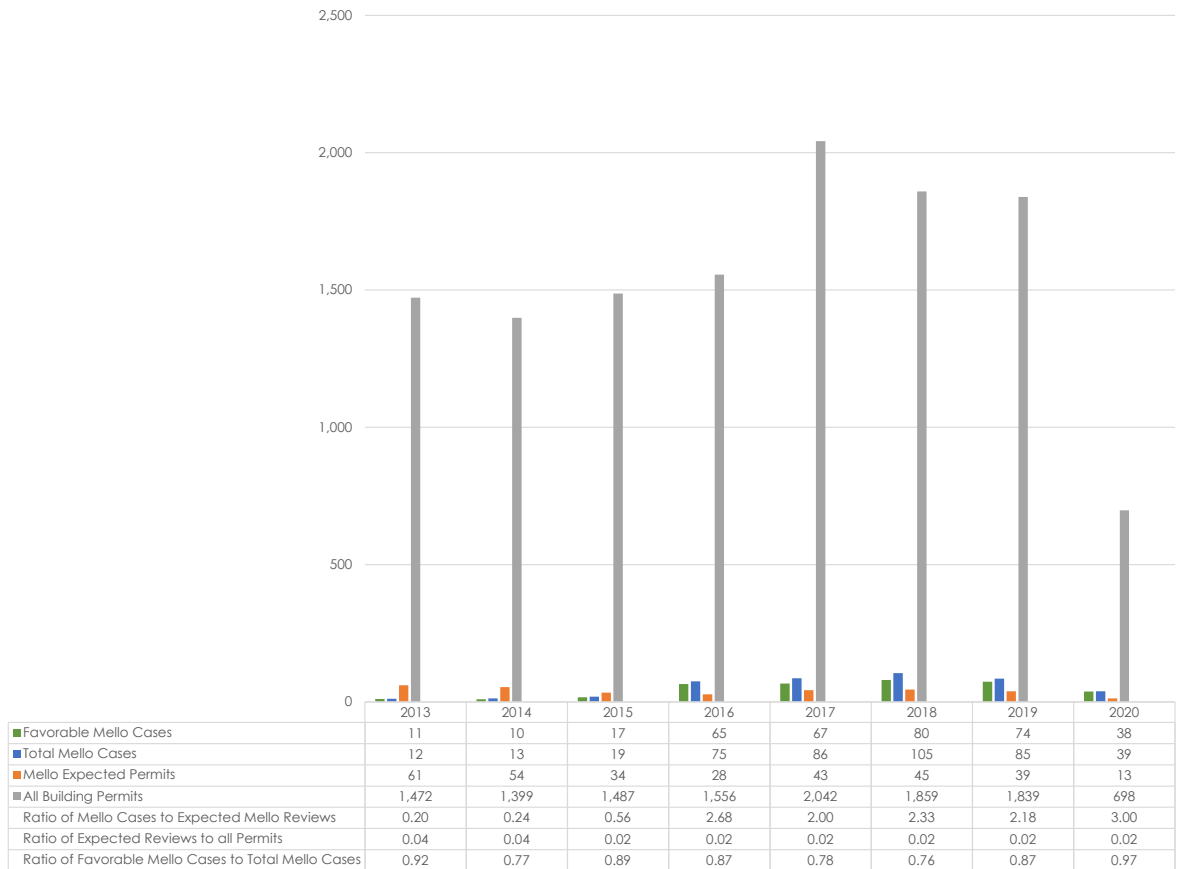
## BUILDING PERMITS AND MELLO CASES IN VENICE COMMUNITY PLAN AREA (ONE YEAR)



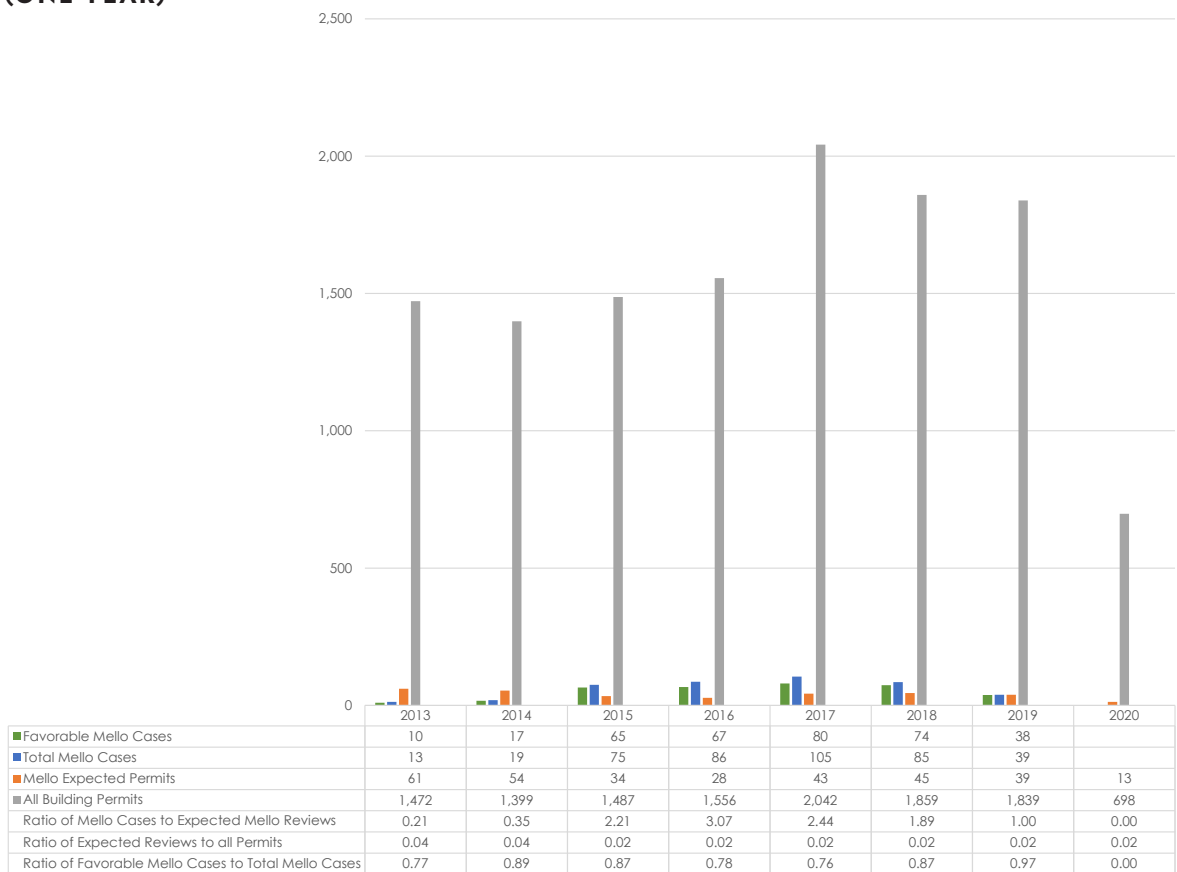
## BUILDING PERMITS AND MELLO CASES IN VENICE COMMUNITY PLAN AREA (TWO YEARS)



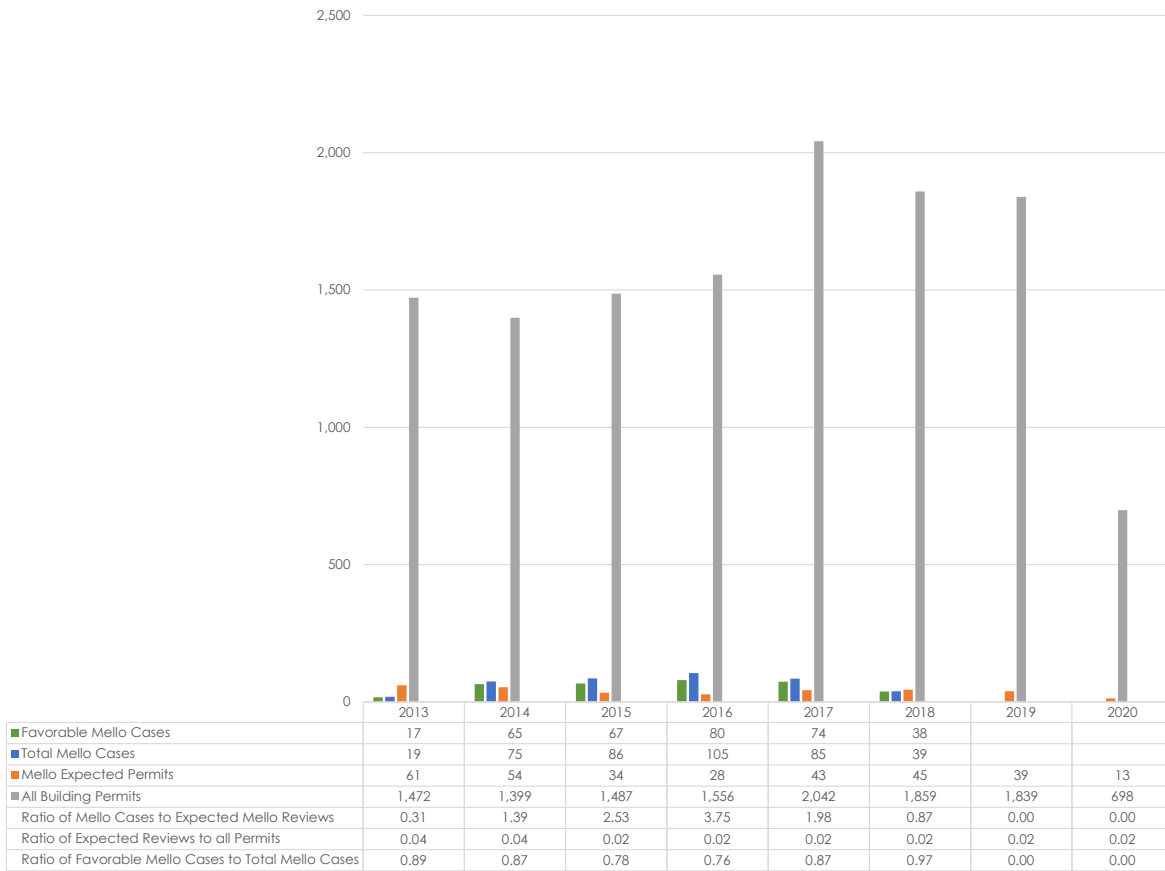
## BUILDING PERMITS AND MELLO CASES IN THE CITY OF LOS ANGELES COASTAL ZONE (SAME YEAR)



## BUILDING PERMITS AND MELLO CASES IN THE CITY OF LOS ANGELES COASTAL ZONE (ONE YEAR)



## BUILDING PERMITS AND MELLO CASES IN THE CITY OF LOS ANGELES COASTAL ZONE (TWO YEARS)







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