AB 2097 Will Not Undermine the State Density Bonus or the Los Angeles Transit Oriented Communities Program

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Abstract: The primary criticism of AB 2097 is that it will undermine the production of affordable housing, by weakening the appeal of mixed-income projects in the state Density Bonus and the Los Angeles Transit Oriented Communities (TOC) Program. We show, both theoretically and empirically, that this concern is baseless. Theoretically, the purpose of providing parking reductions in affordable housing programs is not to offer an incentive for developers, but rather to ensure that developers can make use of the programs’ real incentive, which is the ability to build extra units. Empirically, we see that developers who use the Density Bonus have strongly preferred extra density to parking reductions, and that when cities repeal parking requirements housing development of all kinds, including mixed-income development, rises substantially. We also note that most cities in California never use the Density Bonus, that most Density Bonus units come from 100-percent affordable buildings, and that fully 86 percent of all Density Bonus projects constructed from 2015-2017 were in cities that had an additional inclusionary housing law. Thus even if AB 2097 was to reduce participation in the mixed-income Density Bonus (and the evidence suggests it will not), it is not the case that a large share of affordable housing would be lost (because the vast majority of affordable housing is produced in other ways) and not even the case that affordable unit production would automatically fall (since many developments would still be covered by other inclusionary laws). We conclude that the risk AB 2097 poses to affordable housing production is minimal and quite possibly nonexistent. These small-to-nonexistent costs should be weighed against the substantial and well-documented benefits of removing minimum parking requirements.

Introduction
AB 2097 (Friedman) is a bill that would largely abolish minimum parking requirements in areas near transit. We are supporters of this bill, and in what follows we will respond to claims made in a letter of opposition, dated August 22, 2022, from the Western Center on Law and Poverty, the Public Interest Law Project, and the California Rural Law (hereafter Western Center et al). The Western Center et al letter opposes AB 2097 on grounds that it will be a “a significant step

1 Under certain conditions, AB 2097 allows developers to require some parking, in the absence of affordable housing.
backwards that undermines both state Density Bonus Law and Los Angeles’ highly successful Transit-Oriented Communities program.” This claim is not correct. We wish to explain why.

It is important to emphasize, at the outset, that the letter from Western Center et al offers no evidence, citations or even reasoning to support its statements. This absence is surprising. The central concern of the letter—that parking reform could undermine the Density Bonus—is by now over ten years old, and we need not rely, in evaluating it, solely on assertion or supposition. Over the years advocates of parking reform have put forward various arguments, buttressed by evidence, strongly supporting the notion that parking reform will not undermine the Density Bonus. Yet the letter from Western Center et al neither engages with that evidence and attempts to refute it, nor puts forward any evidence to affirmatively advance its own position. This is unfortunate; housing policy should be based on evidence.

In the remainder of this analysis we first discuss, conceptually, why parking reform does not undermine the Density Bonus, and then summarize the empirical evidence to that effect.

Theory: Could Parking Reform Undermine the Density Bonus Law?

Both the state Density Bonus Law and the Los Angeles Transit-Oriented Communities (TOC) program offer market rate developers an array of regulatory concessions in exchange for setting aside some units as affordable. The most prominent of these concessions is density—the developer can build more units—but both programs also offer reductions in required parking. So for instance a qualifying developer in Los Angeles could, on a parcel zoned for 40 units with a parking requirement of one space per unit, actually build 60 units and in some cases provide no parking at all, if in exchange they provided a certain amount of deed-restricted affordable housing. (Both also offer developers other incentives as well, such as relief from height limits).

That trade—regulatory leniency in exchange for affordable housing—is what creates the concern about parking reform: if parking is an important carrot that leads developers to build affordable housing, then abolishing parking requirements would also abolish the carrot, giving market rate developers less reason to set aside units as affordable.

That’s an intuitive narrative. Why wouldn’t it be the case? The answer is that from a developer’s perspective, the incentives in TOC and the Density Bonus aren’t all created equal. The true carrot in these programs is density: extra units. The reason is simple: units are what generate revenue, so more units imply more income. Permission to build an extra ten units, in a high-demand area, almost automatically implies more profit. Permission to build less parking does not. The option to build less parking can be very valuable, because parking can be expensive to build, but parking is also an amenity that many consumers want, so in deciding to provide less parking a developer needs to weigh the savings in construction against the prospect of lost rental income when the units are complete. This tradeoff is particularly important in a Density Bonus or TOC program, because the market rate units that get built need to not just pay for themselves but also subsidize the affordable units. As a result of this obligation, the project’s market rate units need
to command the highest rents possible, and in most California markets that means including at least some parking.

This reasoning raises two questions. First, if density is what developers want, why are parking concessions even in the Density Bonus or TOC laws? Second (and related), if developers are just concerned about density and will build parking either way, why do we even need parking reform? We can answer these below.

Parking’s Role in the Density Bonus Law, and in Development

Developers want extra density, but extra density is only valuable if it can be used. Suppose a city offers a developer the right to build (for example) ten more market rate units in exchange for some affordable housing. Those ten extra units are only valuable if they legally fit on the site the developer owns. If the extra units do not fit—because they would require a fourth floor and the city has a three story height limit, or they would require a wider building that violates the city’s yard and setback standards, or because each new unit would require two parking spaces and there is no room on the parcel to put that parking—then the extra density is valueless and the exchange falls through. The Density Bonus would fail (and for many communities that wanted neither market rate nor affordable multifamily development, this was the desired outcome).

When the state Density Bonus Law was first passed, in 1979, its authors recognized this problem, and thus allowed developers not just to claim extra density in return for building subsidized units, but also to selectively claim relief from regulations on height, Floor Area Ratio (FAR, yards and parking requirements—not because that relief was intrinsically valuable, but because it gave developers an assurance that they would be able to use what they really wanted, which was the density. A 2017 amendment to the California Housing Accountability Act (HAA) made clear that this was the program’s original goal, and further suggested that the goal remained elusive:

The Legislature’s intent in enacting this section in 1982 and in expanding its provisions since then was to significantly increase the approval and construction of new housing for all economic segments of California’s communities by meaningfully and effectively curbing the capability of local governments to deny, reduce the density for, or render infeasible housing development projects and emergency shelters. That intent has not been fulfilled.²

Imagine going to a farmer’s market and a vendor tells you can have ten extra apples as long as you can carry them. That seems like a great deal. Then he hands you a small sandwich bag. Now the deal isn’t as good. Right at that moment you’d appreciate a bigger bag, not because the bag is valuable on its own (you didn’t come to the market because you wanted a bag, you came for apples) but because a bigger bag is essential for you to get what it is you really value. A parking reduction, in the context of the Density Bonus and the TOC, is a bigger bag. Which means that abolishing parking requirements does not remove an incentive, it makes the true incentive more

² See AB 678, 2017.
valuable. More developments, on more types of parcels, will be able to take advantage of the extra density the Density Bonus offers.

This reasoning also suggests why removing parking requirements can be hugely important, even when parking spaces can be valuable to developers. There are two issues here. Parking requirements are often much higher than the market demand for parking. If it is most profitable for a building to have one space per unit but the local zoning mandates two, the developer is forced to squander money and space on excess parking.

The second issue relates to how parking is produced. Parking is like pizza: it can be sold individually, but needs to be created in bulk. It isn’t practical to build just one parking space in an apartment building. Parking, far more often, occupies an entire floor, and it is very unusual for a project’s required parking to line up perfectly with a multiple of whole floors. Consider a 65-unit apartment in a city that requires two parking spaces per unit. The building would require 130 parking spaces. Now suppose, not implausibly, that the building site has a geometry such that a single parking deck (one floor) can hold 60 spaces. The developer could dedicate two whole floors to parking decks, but still be ten spaces short. To comply with the zoning, the developer would have to either (a) build an entire third deck just for ten spaces (at a cost of perhaps another $1 million and yielding a surplus of 50 parking spaces); (b) reduce the number of apartments to 60, so the amount of parking on two decks satisfies the law (at a cost to the developer or less income and to the community of less housing); or (c) reduce the parking requirement by 10 spaces so the developer can build the maximum density (65 units) without an excessive investment in parking spaces.

Put another way: parking is often an important amenity that housing developers want to offer. Like all amenities, however, its value varies with context, and more isn’t always better. Strict mandated minimums for parking can tip parking from something that enhances the value of a project to something that jeopardizes the project itself. When the latter occurs, developers may well use parking reductions when they participate in mixed-income incentive programs. The mere fact of developers taking such reductions, however, is not evidence that reduced parking was a decisive factor in the decision to participate. It is much more likely (as we discuss below) that developers need reduced parking requirements to make projects more feasible, and Density Bonus projects are no exception: in the absence of parking requirements generally, all housing production, including Density Bonus, increases.

Some Predictions

The discussion above has been conceptual. But it yields testable implications, which we can study with data. Specifically, our reasoning suggests that developers producing mixed-income projects with either the Density Bonus or TOC projects should be drawn primarily to extra density. These projects may well take some parking reductions, but parking reductions are likely to be smaller, and less common, than developers taking extra density. A further implication of our reasoning is that removing parking requirements should make the Density Bonus more rather than less appealing. With these predictions in mind, we can turn to the evidence.
Evidence: How Do Developers Use the Density Bonus and TOC?

Our first piece of evidence is older. In 2011, Assemblymember Nancy Skinner proposed AB 710, a law similar in many respects to AB 2097. Opponents then raised concerns similar to those of AB 2097’s opponents now: limited parking requirements would undermine the Density Bonus (which at that time had recently been augmented via 2005’s SB 1818). To examine this concern, in 2011 we examined all SB 1818 projects that had been completed in Los Angeles from 2005-2010. The vast majority (93 percent) of affordable units produced using SB 1818 in this period were built in 100 percent affordable projects, but there were about 240 affordable units in mixed-income projects. We focus here on those projects.

We found that 43 percent of the market rate projects that used SB 1818 took no parking reduction at all—they heavily used the extra density, but did not apply for parking relief. Another 36 percent of projects took a parking reduction, but used it only for their subsidized units. This finding aligns with the idea that in a mixed-income project, where the market rate rents must subsidize the affordable units’ operation, it makes financial sense for the market rate units to have the highest possible rents, and to have the affordable units impose lower production costs. Hence developments where the market rate units have conventional levels of parking and the affordable units have less.

Only eight SB 1818 projects, representing just 26 affordable units, used a project-wide parking reduction (i.e., a parking reduction that applied to the market rate units). Even if we assume that without the parking reduction developers would not have used the Density Bonus (and we cannot simply assume that, because these projects also availed themselves of extra density) had that occurred the city would have lost 4 units of affordable housing per year, or less than 1 percent of total affordable housing produced using the density bonus during that time. In exchange, it would have freed development projects everywhere from being forced to provide parking.

Much has changed since 2005, of course. Among other things, Los Angeles has moved away from Density Bonus projects and toward the TOC. In 2021, however, the debate about AB 1401 (AB 2097’s predecessor) raised concerns about parking reform’s impact on TOC, so we examined TOC projects in the same way, and found essentially the same pattern. We examined all 254 discretionary TOC projects approved from 2018-2020. As was the case with Density Bonus projects years before, the vast majority of affordable units these buildings produced were in 100 percent affordable projects. All-affordable TOC projects accounted for about 43 percent

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3 This analysis, “AB 710 Will Reduce the Cost and Increase the Supply of Affordable Housing” was co-authored with Donald Shoup, and was submitted to the legislature in support of AB 710. It is also available from the authors.

4 This pattern is replicated throughout the state: the vast majority of Density Bonus development in California takes place in projects that are 100 percent affordable. Because recent changes to Density Bonus law abolish parking requirements for many of these projects, we do not focus on them here. But it is important to keep in mind that when Western Center et al say that AB 2097 will undermine the Density Bonus, they are referring, even if they are correct, to a small minority of Density Bonus activity.

5 For a more detailed summary of this study (co-authored with Anthony Dedousis) see this article. The full report, “LA’s TOC Program Likely to Benefit from AB 1401” is here.

6 We did not examine TOC projects approved by-right because the records for these did not include parking data.
of all affordable units approved in Los Angeles in 2020. Mixed-income TOC projects accounted for just 12 percent.

As we did with SB 1818 projects, we focus our discussion here on mixed-income projects. Once again, these projects heavily used extra density. The 254 discretionary mixed-use TOC projects we examined used, in the aggregate, fully 94 percent of the potential bonus density the TOC offered. Market rate developers left almost no density on the table. In contrast, they left a lot of parking parking reductions on the table. These projects provided an average of 180% of the minimum parking TOC required. This level of parking was less than what conventional zoning (without TOC concessions) would have required—suggesting that LA’s parking requirements are too high—but much more than what TOC allowed. The real value in TOC is the extra density.

Were it the parking, developers would have maxed out on parking, and they did not (again, likely because the market rate units had to charge market-topping rents). Similarly, if parking was truly what was valuable and decisive, we would expect to see numerous instances where developers took nothing but parking reductions. But such instances were almost nonexistent.

Los Angeles is just one city (albeit the state’s largest), so perhaps it is an outlier? We have not conducted a permit-level analysis from any other cities, but in 2021 researchers from UC Berkeley’s Terner Center for Housing Innovation used survey data to examine if statewide use of the Density Bonus would be undermined by AB 1401. The survey data Terner used is less precise than the granular permit data we employed in LA, but the results are broadly consistent. In cities that reported having any Density Bonus projects between 2015-2017, about 60 percent said that “most” of those density bonus projects used a parking exemption. (Closer to 70 percent said that most Bonus projects took extra density). Note that these data cannot let us see the intensity with which developers took each concession, e.g., if they took some parking but a lot of density, as in LA, or vice-versa. So they are not dispositive.

The Terner data do show us something that the LA data cannot, however, which is the intense geographical concentration of Density Bonus use in California, and the strong overlap it has with other inclusionary zoning policies. Fifty-five percent of the jurisdictions surveyed by the Terner Center reported having no Density Bonus projects at all between 2015 and 2017. Another 32 percent had only 1-2 projects over those three years. Ten percent had 3-5 projects, and only 4 percent had 6 projects or more. Density Bonus activity, in short, is highly concentrated in a small number of jurisdictions. In addition, the majority of those jurisdictions have some sort of inclusionary zoning ordinance beyond the Density Bonus law. Fully 86 percent of all Density Bonus projects built in California from 2015-2017 were constructed in cities that have another inclusionary housing policy, which strongly suggests that even if parking reform made use of the Density Bonus fall, it is not automatically the case that affordable unit construction would fall, because at least some projects would be covered under another inclusionary ordinance.

Los Angeles is a good example here. The city has an affordable housing linkage fee program that charges market rate developers more than $18 per square foot in much of the City to fund

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8 See the Terner Center’s descriptive data on Density Bonus use here
affordable housing. Participation in TOC exempts developers from this requirement. If abolishing parking requirements made the TOC program less attractive, any development that moved forward would be forced to pay the linkage fee.

This raises two points. First, the existence of the linkage fee by itself makes TOC attractive, parking requirements or no. Suppose AB 2097 is implemented. A developer in Los Angeles building near transit would face no parking requirements, with or without TOC participation. The developer could choose to avoid TOC, and pay a linkage fee (upwards of $20,000 per unit or more), while getting no bonus density in return. Or they could participate in TOC, and in exchange for their affordable housing contribution get additional income-earning units. This decision seems simple, so long as one assumes developers prefer greater profit.

The second point is that even if developers for some reason decide not to participate in TOC, it isn’t the case that they wouldn’t contribute to affordability. They would have to pay the linkage fee. So even if TOC participation fell, market rate developers’ contributions to affordable housing in Los Angeles would not.

Evidence: What Happens When Parking Requirements are Abolished?

In 2019, San Diego completely abolished parking requirements for housing near transit—essentially carrying out at a city scale what AB 2097 proposes to do for much of the state. Because San Diego’s reform was essentially AB 2097 writ small, it offers arguably the clearest test of how AB 2097 would affect the Density Bonus. And the evidence is clear. Parking reform did not undermine San Diego’s Density Bonus program. To the contrary, it was accompanied by a large increase in both Density Bonus use and housing production overall.

San Diego’s reforms took place in two steps. The first occurred in 2016, when the city strengthened its density bonus program. The city’s reform increased the number of extra units that could be built in density bonus projects and reduced – but didn’t eliminate – parking requirements (specifically, it lowered required parking to 0.5 parking spaces per bedroom in mixed-income projects near transit, and 0.5 parking spaces per housing unit in 100% affordable projects near transit).

The 2016 reforms made the density bonus program much more attractive to developers. In 2018, San Diego permitted over 2,000 units in density bonus projects, up from just 145 units in 2016 (a

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9 See here for detailed fee schedule.

10 In fact, as of the most recent accounting, the Linkage Fee has generated less than 20% of the annual revenues that were projected when the City of L.A. approved the fee in 2017. This underperformance is almost certainly due, in part, to developers preferring to use the TOC instead – and receiving bonus market-rate density TOC offers. (Note that TOC is only available in transit-rich areas, so currently some projects have no alternative to the Linkage Fee).

11 Discussion in this section is drawn from Dedousis, Manville and Smith “Parking Requirements are not a Useful Bargaining Chip for Increasing Affordable Housing” Streetsblog CA, and from Jason O’Sullivan and Colin Parent, “Home Run For Homes” Circulate San Diego.
paltry 15 of which were affordable) in 2016. This success was achieved during a period of falling overall housing production in the city.

In 2019, San Diego enacted its second reform: it stopped requiring parking for any housing near transit, density bonus projects and non-density bonus projects alike. If the logic of Western Center et al is correct, this reform to San Diego’s parking standards should have discouraged use of the Density Bonus: abolishing parking requirements would remove a valuable carrot for developers.

The opposite occurred: in 2020, one year after comprehensive parking reform was implemented, there was a fivefold increase in the total number of homes permitted through San Diego’s density bonus program. A record-high 3,283 homes were built using the density bonus in 2020 — nearly half of all new housing permitted in the city that year. Total housing production citywide also rose, by 24 percent, to almost 6,000 units. The Density Bonus program produced over 1,500 affordable homes in 2020 – six times more than in 2019. Between 2016 and 2019, the program had never produced more than 300 affordable homes in one year.

While most of this growth in affordable units occurred in 100-percent-affordable buildings (consistent, again, with Density Bonus use statewide) affordable housing production in mixed-income density bonus projects also rose fivefold, to 241 units, its highest number in five years.

Can we be sure that eliminating parking requirements was the direct cause of this new housing, and this new density bonus use? No. But there were no other major changes to San Diego’s project approval process in those years. The city strengthened its inclusionary housing policy, and one could argue that this steered more projects to the Density Bonus, but the changes to the inclusionary law were minor, and didn’t go into effect until July of 2020, when the surge in development and Density Bonus use was well underway. Adjustments to the inclusionary law, moreover, cannot explain why all forms of development increased in the areas where parking requirements were abolished—it makes more sense to conclude that removing parking requirements made homebuilding of every kind more appealing, Density Bonus projects included. That’s not to say that San Diego’s inclusionary policies played no role in 2020’s affordable housing production, only that the affordable housing production corresponds much better, in timing and magnitude, to changes in parking requirements than it does to changes in inclusionary.

As we did above, we will reiterate now that even if abolishing parking requirements made the Density Bonus program less attractive (and the evidence strongly suggests it did not) San Diego, like the jurisdictions that produce the vast majority of California’s Density Bonus units, has an inclusionary program. Developers who don’t use the Density Bonus do not automatically avoid an obligation to produce affordable units.

A true skeptic might argue that not every city with Density Bonus activity has an inclusionary ordinance, and/or that some existing inclusionary ordinances might be repealed. Again, no evidence suggests that parking reform would undermine the density bonus, and no evidence that
we are aware of suggests that many existing inclusionary policies are in any jeopardy. But let’s, for the sake of argument, entertain the worst case scenario: parking reform drives participation in the mixed-income Density Bonus to zero, and local inclusionary picks up none of the slack. The state would lose a small share of its affordable housing production. This would be a real cost. At the same time, the state would gain a lot of market rate development, and this would be a benefit. Market rate development helps control housing costs regionally, and helps slow the growth of rent in the neighborhoods where it is built. It also helps prevent displacement. The UC Berkeley Urban Displacement Project has estimated that while a new subsidized housing unit is just over twice as effective, on average, as a new market rate development at reducing neighborhood displacement, both do help. And while “twice as effective” sounds like a large magnitude, it means that two market rate units do roughly the same work of one subsidized unit—that a project with 30 market rate units has almost the same association with reduced displacement as a project with 20 market rate units and five subsidized units. A skeptic, of course, may not believe these numbers. But it behooves skeptics to indicate what numbers they do believe. Is there any amount of infill market rate housing whose benefits would be worth the costs of a single lost subsidized unit? Or does the sanctity of one small part of the Density Bonus trump all other state housing goals?

Conclusion: Realism and Empiricism in Housing Policy

To summarize: a large majority of cities in California have virtually no Density Bonus activity. In the small minority of places where Density Bonus activity is concentrated, most of the affordable unit production does not come from mixed-income projects, but instead from 100 percent affordable projects. When cities are asked about the minority of Density Bonus projects that are mixed-income developments, most (but not all) say that most (but not all) of these projects used a parking concession. When we examine the largest of these cities in detail, we see clear evidence that extra density is far more valuable than reduced parking. When we examine another large city that abolished parking requirements near transit, we see that development of all kinds, including mixed-income Density Bonus projects, rose substantially. We also see that market rate development, which offers its own protective effect for affordability, rose as well.

12 San Diego’s reform yielded an increase of almost 2,000 market rate units. Similarly, parking reform in LA’s Downtown, under the Adaptive Reuse Ordinance, yielded thousands of units in a short period of time, in an area that had previously not seen development for decades. See for instance “Home Run for Homes”, cited above, and Michael Manville, “Parking Requirements and Housing Development,” Journal of the American Planning Association, 2013 (shorter version here).
15 The UDP authors, for what it’s worth, cannot reasonably be accused of being biased toward market rate development, or against affordability requirements. One of them, in 2015, called Redwood City a “villain” in the housing crisis because it planned to rezone its downtown to hold thousands more market rate units without any inclusionary ordinance.
We thus have little reason to believe that abolishing parking requirements would jeopardize participation in the Density Bonus or TOC. And even if it did, the overwhelming majority of Density Bonus units in California are produced in jurisdictions that have some other form of inclusionary zoning, meaning that lower participation in the Density Bonus will not automatically mean lower levels of affordable housing production.

A desire to protect the Density Bonus is laudable, but public policy invariably involves tradeoffs. If theory and evidence both suggested that parking reform posed a grave danger to the production of subsidized housing, while delivering few benefits, then parking reform would be worth rethinking. But that’s not the case. Little theory and no evidence suggests that abolishing parking requirements would undermine the Density Bonus. Most theory and evidence instead suggests the opposite.

An overwhelming amount of theory and evidence, furthermore, suggests that parking requirements undermine affordability, prevent infill and missing middle housing, and encourage a car-centric form of development that increases driving, congestion, pollution and crashes, while making walking, cycling and transit use more difficult and more dangerous. These costs of parking requirements fall on all Californians, but fall most heavily on lower-income residents who rely on non-auto modes of travel and suffer most from housing insecurity. And the harms of parking requirements are felt in virtually all California cities. The Density Bonus, in contrast, is used in very few cities (and—we can’t say this enough— the evidence suggests parking reform would not undermine it). Parking reform’s potential benefits thus would be very large, and its potential costs very small.

Perhaps we are wrong. However, nothing we have presented here is new. All of it has been circulated widely, and some of it is now over ten years old. To our knowledge no one has ever put down in writing why any of it is incorrect. We have spelled out our assumptions and shown our work, and we have happily shared our data with anyone who doubts our conclusions. But it is no longer enough to simply refuse to believe it. California is a huge state with a huge problem. Its governance needs to be based on more than just gut reactions.

A final point. The Density Bonus is an important law, and we are glad that parking reform would not undermine it. But an affordability strategy premised on defending the Density Bonus from all threats, real or imagined, is in the long run untenable and contradictory. The Density Bonus only has appeal, and can only work, when housing is scarce and expensive. A California where the Density Bonus remains robust forever is, by definition, a California where rents are high forever. That cannot be California’s future. Our rents are too high, and too many of our renters are too vulnerable. We need policies that will steer us toward housing abundance while still allowing the Density Bonus to function in the short term. Parking reforms like AB 2097 offer a path toward that goal. We hope all advocates for affordability will support this legislation.

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16 The literature here is voluminous. See Donald Shoup, 2011, *The High Cost of Free Parking* (Routledge/Planner’s Press) for a comprehensive overview. Also here, here, here, here, here and here, among others.