



Venice Neighborhood Council

LAND USE AND PLANNING COMMITTEE

PO Box 550, Venice, CA 90294 www.VeniceNC.org

Email: Chair-LUPC@VeniceNC.org



STAFF REPORT

Report Date: 6/13/2022
Staff: Michael Jensen
LUPC Date: 4/28/2022
VNC Date: 6/21/2022

OVERVIEW

Address: 709 E. Brooks
Applicant: 1458 PH LLC
Case No.: DIR-2019-6455-CDP-MEL

Supporting Documents: [Supporting Documents](#)

Project Description: Demolition of existing duplex, small lot subdivision, and construction of two new single family homes. Applicant is not seeking any waivers or variances for the project.

Note: This case was originally heard in October 2020. The project was incorrectly described at the VNC Board hearing as the demolition of a triplex and replacement by a small lot subdivision with two SFDs. The then-VNC Board voted to reject the project. Motion for reconsideration is brought in light of the Project being inaccurately described to the VNC Board in October 2020.

Requested Entitlement: Applicant is seeking three entitlements:

- (1) Parcel map for Small Lot Subdivision of two parcels within the RD1.5-1 Zone pursuant to Los Angeles Municipal Code (LAMC) Sec. 17.53.
- (2) Coastal Development Permit (CDP) to allow the demolition of all existing structures on-site and the construction of two new residential dwelling units as part of said Small Lot Subdivision pursuant to LAMC Sec. 12.20.2
- (3) Coastal Development Permit and Mello determination under LAMC section 12.20.2.1 to allow the demolition of a duplex and the construction of one new two-story single family residence (slab on grade with shallow footings, new pool, new attached garage and complete landscaping).

Venice Sub-Area: Oakwood, Milwood, Southeast Venice

Lot Size: 5,569 SF

Proposed Subdivision: 2,254 SF (Lot A); 3,257 SF (Lot B)

Proposed SF: 2,506 SF (Unit 1); 3,063 SF (Unit 2)

Proposed Parking: 5 spaces (4 covered tandem, 1 uncovered)

COMMUNITY OUTREACH



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Date: February 11, 2020

Notification Radius: 250 ft.

Summary of Feedback: Applicant hosted an outreach meeting at the project site. One neighbor, who lived across the street attended. She raised concerns about parking during construction because there are currently three or four other construction sites within a block radius.

COMPLIANCE WITH SPECIFIC PLAN

Setbacks: Front yard: 15' | Side yard: 5' | Rear yard: 5'

Height: The Oakwood subarea has a height limit of 25' (flat roof) and 30' feet (varied roof). The proposed height of the pitched roof is 30' with a roof access structure that extends to 33'-10".

Parking: 4 covered parking spaces and 1 uncovered, guest space to be provided.

Zoning Admin. Adjustment/Waiver: None requested.

Mass, Character, and Scale

Brooks is comprised of single-family homes and multi-family that mostly vary between one and two stories. The subarea of Oakwood, Milwood, Southeast Venice also contains a variety of residential buildings that are of similar mass, character, and scale (e.g., 804-812 Brooks Ave., 542-548 Broadway, 709 Broadway, 914 7th St., 619-621 San Juan Ave, and 633 Santa Clara). Per Applicant's streetscape of the block, this would be fourth project that exceeds 30 feet in height. 742-748 Brooks also appear to have roof decks. Applicant's plans propose roof decks for each unit of 385 SF (Unit 1) and 540 SF (Unit 2).¹ Both are set back 5' on each of the sides mitigating view over adjacent properties. The project's FAR is 1.06 (not including roof decks or garage). This project fits the mass, character, and scale of the neighborhood.

Mello Determination

The property is currently improved with a duplex. The Los Angeles Housing and Community Investment Department (HCID) determined that a total of two (2) affordable units exist at the site per the HCID determination letter, dated December 23, 2019 (included in file).

Feasibility Study

Applicant provided a feasibility study, dated July 8, 2020, indicating that one replacement unit is not feasible.² The pro forma attached to Applicant's feasibility study projects a gross profit margin of 21.36% on this development project by selling two units at market price, with no affordable replacement units. (Feasibility Study, p. 7.) Applicant's projected market price is based on \$900 per square foot. (Feasibility Study, pp. 9, 13, 17.)

¹ The roof deck sizes are cited on sheet A0.0. Sheet A.1.4 ostensibly identifies the entire roof size.

² Although the Mello Determination letter concluded two affordable units exist, a feasibility study for two units would only make the development less financially feasible.



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Applicant’s pro forma projects losses in various scenarios of providing replacement units, either onsite, offsite in Venice, or offsite in alternative coastal zone areas. Based on the numbers assumed in Applicant’s calculation on the table below (reproduced from the Feasibility Study), this staff report contains independent calculations in blue, which very slightly from Applicant’s projections.

Project	Total Project Cost (\$)	Net Revenue (\$)	Profit or Loss (\$)	Profit or Loss (%)
Proposed project sold at market rate (2 market rate SFDs)	3,783,727	4,811,616	1,027,889	27.17% ³
Subject Site with Affordable SFD (1 market rate SFD on-site and 1 RAU on-site)	3,783,727	2,924,023	-859,704	-22.72% ⁴
Venice Off-Site Replacement (2 market rate SFDs on-site and 1 RAU off-site)	6,718,684	5,089,207	-1,629,477	-24.25% ⁵
Generic San Pedro Site (2 market rate SFDs on-site and 1 RAU off-site)	5,324,977	5,089,207	-235,770	-4.43% ⁶
Generic Site w/in 3 Miles of Coastal Zone (2 market rate SFDs on-site and 1 RAU off-site)	5,396,317	5,089,207	-307,110	-5.69% ⁷

According to the Feasibility Study, Applicant’s land cost was \$1,652,237. For feasibility projections for replacement units onsite and offsite in Venice, Applicant assumed construction costs of \$310 per square foot and “soft costs” of \$405,100 (onsite) and \$298,000 (offsite). For replacement units elsewhere in the coastal zone, Applicant assumed construction costs of \$300 per square foot and “soft costs” of \$298,000. According to the Feasibility Study, “Soft Costs presented are discounted from applicant’s estimate of soft costs for project to be as conservative as possible in our cost analysis.” (Feasibility Study, Ex. 2, n.3.; Ex. 3 n.3; Ex. 4 n.3.; Ex. 5 n.3; Ex. 6, n.3.).⁸ Further explanation regarding methodology of the soft costs and discounts is required to understand the \$107,100 disparity.

Next, Applicant has assumed a maximum sale price of an affordable unit at \$289,157, based on its calculation of HCID increases on the maximum threshold for “lower income” since the last public sale price of an affordable unit in 2005. According to the Feasibility Study, a two-bedroom unit sold \$147,567 in 2005, while the maximum threshold for “lower income” (80% of AMI) for a family of three was \$47,150. As of 2019, the maximum income threshold is \$75,150, which represents an increase of 59.4%. Applicant then applied this 59.4% increase to the \$147,567 sale price in 2005, resulting in an adjusted price of \$235,214 in 2019. Additionally, Applicant added an increased loan principal due to lower mortgage interest rates in 2005 (5.58%) versus today (3.80%) for 30-year, fixed mortgages. Further explanation regarding this “Present Value Formula” methodology is requested.

³ Applicant projects a return of 21.36% (Feasibility Study, p. 7).

⁴ Applicant projects a return of -29.40% (Feasibility Study, p. 11).

⁵ Applicant projects a return of -32.02% (Feasibility Study, p. 16).

⁶ Applicant projects a return of -4.63% (Feasibility Study, p. 19).

⁷ Applicant projects a return of -6.03% (Feasibility Study, p. 23).

⁸ Soft costs scenarios are also summarized side by side on a table on page 29 of the Feasibility Study; however, the scenario for Venice (offsite) is different from the number in the itemized project cost in Exhibit 4. (Feasibility Study, p. 11).



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Applicant posited two alternative methodologies for calculating the maximum sales price for an affordable unit. First, the City of San Francisco uses a multiplier of 2.5 times the area median income (\$98,500), resulting in \$246,250. Second, HCID's current 30% statutory limit on total housing costs (principal & interest on a mortgage loan, property taxes, HOA fees, insurance costs, etc.), which results in a maximum purchase price of \$313,601.66, assuming a 10% down payment. Given the second alternative method is an HCID requirement, Applicant should explain why this sale price was not used in the Feasibility Study. Finally, Section G.2.a(2) of the Specific Plan provides that density may be increased in the R1.5 zone of Oakwood one additional unit for every 1,500 SF. This lot is 5,569 SF and would allow a third unit (if affordable) to be developed onsite. Applicant's feasibility study does not account for this scenario; it should. Applicant later submitted documents addressing a third unit, which also found the Project to be infeasible.

September 30, 2020 Update

Applicant provided additional documentation in response to staff questions regarding the feasibility study, which are located in the supporting documents (linked above). The documents include:

- [709 Brooks - Staff Report Responses](#)
- [Letter-MikeIrvine-15-Sept](#)
- [Letter from mortgage broker](#)

LUPC HEARING SUMMARY

Public Comment:

No public comment was made regarding the case.

Committee Discussion:

LUPC discussed Mello determination and why applicant was volunteering for affordable determination. Applicant volunteered to deem units affordable and submitted a feasibility study.

Recommended Motion:

LUPC recommends approval of the project as presented.

Maker: Barry Cassilly / Matt Royce

Yea: 6 / Nay: 0 / Abstain: 0 / Recuse: 0 / Ineligible: 0