



COUNCILWOMAN  
JEANNINE PEARCE

**R-58**

**Date: November 17, 2020**

**To: Honorable Mayor and Members of the City Council**

**From: Councilwoman Jeannine Pearce, District 2  
Councilwoman Mary Zendejas, District 1  
Councilmember Rex Richardson, District 9**

**Subject: Middle-Income Workforce Housing Program**

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**RECOMMENDATION:**

Direct the City Manager to work with Development Services and the City Attorney to study the benefits of the CSCDA Middle Income Workforce Housing Program, analyze the process enacted by other California cities for adoption, and return at the next City Council meeting with a proposed draft resolution authorizing the same.

**DISCUSSION**

The California Statewide Communities Development Authority ("CSCDA") is a joint powers authority founded and sponsored by the League of California Cities ("League") and the California State Association of Counties ("CSAC"). CSCDA was created by the League and CSAC in 1988 to enable local government and eligible private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California. CSCDA comprises more than 530 cities, counties and special districts, including the City of Long Beach, which has been a member since 1992. CSCDA has issued more than \$63 billion through 1,600 plus transactions across its diverse public benefit financing programs.

CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, and make access available to quality healthcare. The City regularly participates in a number of CSCDA's finance programs including its affordable housing bond program and 501c3 nonprofit bond program.

The Authority, an affiliate joint powers authority, was created to enable CSCDA to continue to broaden its program offerings by being able to acquire public benefit oriented capital projects through the issuance of tax-exempt governmental purpose bonds. Through the Authority's Workforce Housing Program, it issues government bonds to acquire market-rate apartment buildings. These properties are then converted to income and rent-restricted units for



moderate/middle income households, which are generally households earning 80% to 120% of AMI. Additionally, annual rent increases would be capped at no more than 4%, which is less than the rent limits under AB1482, the recently adopted State tenant protection legislation. No existing tenants would be displaced under the program.

If a property is acquired by the Authority, the City would execute a Public Benefit Agreement. Under the Public Benefit Agreement, the City, at its sole discretion, may force a sale of the property between Year 15 and Year 30 (the end of the life) of the bonds, and the City, along with certain other taxing agencies (including the County and School District) would receive a portion of the net sale proceeds.

The Authority is a public entity separate and apart from its members, and any debts, liabilities, and obligations incurred by the Authority will not constitute debts, liabilities, or obligations of its member agencies. Bonds issued for any particular project will be indebtedness solely of the Authority, and payable only from revenues of the project. No financial expenditures, liabilities, or obligations are created by joining the Authority or executing any public benefit agreement.

In the last few months, several California Cities including the Cities of San Jose, Anaheim and Carson have either joined or have expressed interest in joining the CSCDA's "Middle-Income Workforce Housing Program" by becoming members of the CSCDA "Community Improvement Authority". Participation in this program would provide an opportunity for the City of Long Beach to similarly achieve its middle-income rental housing goals as enumerated in the City's 2017 report *Revenue Tools And Incentives For The Production of Affordable And Work Force Housing*.

The City encourages and supports a full range of housing options affordable to different income levels. There are currently limited Federal, State or local subsidies or programs to produce or preserve the growing shortfall of below market rate rental housing for moderate and middle-income households. To date, affordable housing programs in California have almost exclusively focused on providing housing for low income households, which are households that earn at or below 80% of area median income ("AMI"). State and federal funding sources are almost exclusively targeted to households at or below 60% of AMI. This has left a "missing middle," comprising households that earn too much to qualify for traditional affordable housing programs but not enough to afford market rate housing.

### **FISCAL IMPACT**

If a property is purchased by the Authority, the property may be exempt from paying property taxes, resulting in an initial loss of revenue to the City. The property tax loss would be a relatively insignificant reduction in revenue to the City and enables the financial feasibility of acquiring properties to create housing opportunities for middle-income residents that might not otherwise



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exist. Under the terms of the public benefit agreement, if a property generates surplus cash flow through the proceeds of the sale of a property, the City will receive a portion of the surplus revenue, which could well exceed the amount of tax benefit lost in the short term.