Development Services
411 West Ocean Boulevard, 3rd Floor Long Beach, CA 90802
(562) 570-5237

H-19

July 13, 2021

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Determine that the project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and that it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts (CE20-090);

Declare an Ordinance amending Title 21, Zoning Regulations (Zoning Code), of the Long Beach Municipal Code to amend Chapter 21.61 (Maintenance of Low Income Housing in the Coastal Zone) to limit exceptions to the requirements to replace affordable units and to increase the in-lieu fees for Coastal Zone areas of Long Beach, read the first time and laid over to the next regular meeting of the City Council for final reading; and,

Adopt a Resolution authorizing the Director of Development Services to submit amendments to the Long Beach Zoning Regulations to the California Coastal Commission for its review, approval, and certification. (Citywide)

DISCUSSION

In 2014, the City Council adopted the current 2013-2021 General Plan Housing Element. The document identifies several actions to be completed during the 2013-2021 period including Program 4.4 related to Affordable Housing Funding Opportunities. One of the implementing actions for that program involves an update to the Coastal In-Lieu Fees that developers are required to pay if a lower-income unit is demolished within the Coastal Zone. Along with the updating of the fees to reflect current market costs, this action will remove a one- to two-unit exemption from the fee requirements that is no longer consistent with State law and best practices.

In 1981, the California legislature enacted Government Code Section 65590, the Mello Act, which prohibits the demolition of lower-income housing units within the Coastal Zone unless a provision is made for those units to be rebuilt onsite or within a certain distance or to be replaced through the payment of in-lieu fees. Between 1981 and 2014, the City of Long Beach (City) received over $2 million in in-lieu fees related to demolitions and condo conversions within the Coastal Zone. These fees supported the construction of 393 affordable units to offset the loss of 111 affordable units.

Around 2008, City and Coastal Commission policy began to evolve alongside changes in market and regulatory conditions in Long Beach. The payment of in-lieu fees is no longer desirable when considering the rapidly increasing cost of developing affordable housing units. Preservation of existing housing or replacement onsite are superior options under current conditions. No Mello Act fees have been collected since 2014; however, it remains a legal requirement to offer in-lieu fees as an alternative means of compliance with the Mello Act.

Proposed Ordinance

On January 19, 2021, a proposed Ordinance was presented to City Council to amend Chapter 21.61 (Maintenance of Low-Income Housing in the Coastal Zone) to limit exceptions to the requirements to replace affordable units and to increase the in-lieu fees for Coastal Zone areas of Long Beach. During that hearing, the City Council approved a motion directing staff to revise the Ordinance based on feedback from the community and the City Council (Attachment A - January 19, 2021 City Council Letter and Ordinance). The proposed Ordinance has since been revised to incorporate additional changes to better ensure it aligns with the proposed Inclusionary Housing and No Net Loss policies the City adopted in February 2021. The proposed changes to the Ordinance (Attachment B - Findings) include extending the affordability covenants on new units for the life of the project, requirements for the onsite construction of new affordable housing units in the Coastal Zone as the only alternative to paying in-lieu fees, and removing the option that proposed allowing the construction, rehabilitation, or conversion of offsite units to meet the obligation. A new provision has been added to require all replacement units be provided at either the same or a greater level of affordability as the existing affordable unit being replaced. Finally, in the event of a project triggering Mello Act requirements in the city, Development Services staff is proposing to develop a pilot program to monitor the implementation of affordability requirements that are defined by looking at both the rent and income levels of tenants. Findings in support of the proposed Zoning Code Amendment are attached to this report (Attachment C - Draft Code Amendment).

Public Notice

Notice of this public hearing was published in the Long Beach Press-Telegram on June 28, 2021, in accordance with provisions of the Zoning Code (Title 21). Notices were provided to City libraries and notice posting was provided at City Hall and at three public locations in the Coastal area. A notice of the proposed Zoning Code amendment was distributed through the City's LinkLB e-mail blast system and to individual stakeholders who have requested notification on this item. No responses were received as of the date of preparation of this report. Any comments received prior to the City Council hearing will be provided at the hearing.

Environmental Review

In accordance with CEQA Guidelines, the proposed Ordinance is exempt from CEQA pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts.

This matter was reviewed by Assistant City Attorney Michael J. Mais on June 23, 2021 and by Budget Management Officer Rhutu Amin Gharib on June 22, 2021.

TIMING CONSIDERATIONS

City Council action is requested on July 13, 2021, to allow sufficient time to implement the revised fees for Fiscal Year 2022.

FISCAL IMPACT

When levied, the revised Mello Act in-lieu fees will result in additional revenue to help offset the development of affordable housing units in the Coastal Zone. The revenue impact of the Mello Act in-lieu fees is anticipated to be limited. In the past decade, there has been a lack of development in the Coastal Zone to trigger Mello Act fees, and an estimate of new revenues generated cannot be estimated with accuracy at this time. Implementation of the Mello Act update has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS: ORDINANCE
RESOLUTION
ATTACHMENT A – JANUARY 19, 2021 CITY COUNCIL LETTER AND ORDINANCE
ATTACHMENT B – FINDINGS
ATTACHMENT C – DRAFT CODE AMENDMENT

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AMENDING THE LONG BEACH MUNICIPAL CODE BY AMENDING CHAPTER 21.61 RELATING TO MAINTENANCE OF LOW INCOME HOUSING IN THE COASTAL ZONE

The City Council of the City of Long Beach ordains as follows:

Section 1. Chapter 21.61 of the Long Beach Municipal Code is amended to read as follows:

CHAPTER 21.61

MAINTENANCE OF LOW INCOME HOUSING IN THE COASTAL ZONE

21.61.010 Purpose.

The purpose and intent of this Chapter is to maintain the present number of very low, low and moderate income housing units within the coastal zone and to require that any applicant for a coastal development permit, as a condition of permit issuance, be responsible for replacing existing very low, low and moderate income housing on a one-to-one basis.

21.61.020 Definitions.

Very low, low and moderate income households and housing units are defined in Chapter 21.15 (Definitions).

21.61.030 Applicability of this Chapter.

Any applicant proposing to remove existing affordable housing in the

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coastal zone shall be responsible for replacing on a one-to-one basis all existing very low, low and moderate income housing removed. This provision shall not apply in the following instances:

If the residential structure has been condemned and would require the expenditure of fifty percent (50%) or more of the improvement value, not including land value, to meet applicable building codes or regulations.

21.61.040 Administration.

A. Authority. The administration of the replacement housing requirement and in-lieu fee payments is delegated to the Director of Development Services. The Development Services Department shall adopt appropriate guidelines for program administration consistent with the intent of this Chapter and consider both the rent and income levels of displaced tenants to make a determination about the affordability level of displaced units. Any fees assessed in connection with the administration of this Chapter shall be established by the City Council by resolution.

B. Determination.

1. It shall be the responsibility of the Director of Development Services to make all determinations regarding the very low, low and moderate cost housing displaced. In order to avoid short-term actions by the owner to disqualify housing from the very low, low and moderate income definitions, the Department of Development Services shall develop procedures to average rental levels over a three (3) year period and to establish fair market sales values based upon prior sales and assessment records.

2. Determinations made by the Director of Development Services shall be attached by the applicant to the coastal development permit application and shall become a public record in all proceedings and

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hearings related to that application. The Department of Development Services shall verify the rent/sales value history and insure that there have been no price changes made for the purpose of circumventing this Chapter or these regulations.

3. When the units provided under this program are not under the ownership and control of the City, the Director of Development Services shall act to insure that the units continue to be made available to very low, low and moderate households. The City and the property owner shall enter into an agreement and shall cause necessary covenants and deed restrictions to be recorded as provided for in Subsections 21.61.080.E and F.

21.61.050 Responsibility to provide housing.

No coastal permit and no permit to demolish units shall be issued until the applicant has demonstrated compliance with the responsibility to provide replacement units, or has demonstrated the intention to comply with this Chapter prior to occupancy of the new development. No certificate of occupancy shall be issued prior to the satisfaction of this responsibility.

21.61.060 Method of replacement.

An applicant shall provide replacement housing units by one of the methods outlined in Subsections 21.61.060.A through C:

A. On-site—New Units. The replacement units may be provided on the same site as the units being removed and shall be constructed prior to the issuance of a Certificate of Occupancy for any market-rate units being developed on the site.

B. In-lieu Fees. A developer may choose to pay in-lieu fees rather than provide replacement housing. Fees shall be paid in accordance

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with the provisions of Section 21.61.070. If the in-lieu fee is selected in a redevelopment project area, the developer shall be credited with the amount of relocation benefit actually paid to displaced residents, up to a maximum of four thousand five hundred dollars ($4,500.00) per unit, provided that the relocation payments made to displaced residents by the redevelopment agency are subsequently reimbursed by the developer.

C. Affordability Replacement Requirement. All units determined to be very low, low and moderate cost housing in accordance with Subsection 21.61.040.A above shall be replaced on a one-for-one basis. All replacement units must be provided at either the same or greater level of affordability as the existing affordable unit being replaced.

21.61.070 In-lieu fees.

A. Payment Schedule. In-lieu housing replacement fees shall be paid in accordance with the schedule indicated in Table 61-1 and escalated each year at the rate of the Construction Cost Index (CCI) to reflect current market cost. The fee shall be paid to the Director of Development Services for deposit in the Housing Trust Fund, or any similar successor fund, and shall be based on the number, size and income groups served by the displaced units. The schedule in Table 61-1 shall be adjusted annually in accordance with the current Construction Cost Index for the Los Angeles metropolitan area.

B. Dispensation of In-lieu Fees. The Director of Development Services shall place all in-lieu funds received into the Housing Trust Fund, or any similar successor fund, for the purpose of funding for very low, low and moderate income housing. The funds must be dispensed by the Director of Development Services or designee within three (3) years from the date of receipt.

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Table 61-1
In-Lieu Fee Schedule

Number of Bedrooms in Displaced Unit	Very-Low Income	Low Income	Moderate Income
Studio	$241,000	$222,000	$127,000
1 Bedroom	$296,000	$272,000	$155,000
2 Bedrooms	$350,000	$322,000	$183,000
3+ Bedrooms	$404,000	$372,000	$212,000

C. Inventory of Properties. The Director of Development Services shall maintain an inventory of properties suitable for rehabilitation, new construction or acquisition within the area specified in Subsection 21.61.080.B.

D. Priority.

The Director of Development Services shall seek housing opportunities funded by in-lieu fees in accordance with the following order of priority:

1. Rehabilitation of existing substandard units.

2. Conversion of existing standard market rate units to housing for very low, low and moderate income persons.

3. Construction of new housing for very low, low and moderate income persons.

The intent of this priority order is to maximize the number of affordable units produced so that the number produced will approximate or exceed the number of units lost to displacement. The authority Director of Development Services may alter this priority as deemed reasonable to accomplish the objectives of this Chapter. The Authority Director shall

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attempt to reproduce affordable units in a mix proportional to the City-wide housing need, as established by the most current adopted general plan housing element and housing assistance plan.

E. Annual Report Required. The Development Services Department shall make an annual report to the City Council on its progress in this program. The report shall include annual and cumulative figures, in size and cost, for the number of housing units lost and the number of units provided by the program, as well as the relationship between program achievements and existing housing needs as established by the Housing Element and housing assistance plan. This reporting may be integrated into overall annual reporting to the City Council regarding the Housing Element.

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21.61.080 Conditions on replacement housing.

A. Equivalency. An applicant shall provide replacement housing units which are equivalent to the units displaced in terms of size, measured by the number of bedrooms and income range served, for persons of very low, low and moderate incomes. Subject to the approval of the Director of Development Services, and upon a showing that provision of equivalent units is not feasible, an applicant may provide replacement housing in a mix of household sizes and incomes. The mix shall be proportional to the City-wide housing need, as established in the most current General Plan Housing Element and housing assistance plan.

B. Location.

1. Any affordable housing produced through this program shall be located within the City of Long Beach anywhere south of the following line:

Beginning at the Los Angeles River and Anaheim Street; thence east along Anaheim Street to Pacific Coast Highway; thence southeast along

Pacific Coast Highway to Seventh Street; thence east along Seventh Street to West Campus Drive; thence north along West Campus Drive to the common boundary between Cal. State Long Beach and the Veterans Administration (VA) Hospital on the north side of the hospital; thence west, north, east and south around the Cal. State Long Beach property line, returning to Seventh Street along East Campus Drive; thence east along Seventh Street to the boundary line between Los Angeles and Orange Counties.

2. The Director of Development Services shall attempt to achieve a reasonable distribution throughout this area in accordance with City General Plan Housing Element policies.

C. Income Requirements.

1. Housing units produced through the replacement program shall be available to households of very low, low and moderate income. To achieve this, each new tenant of rental property and each new buyer of for sale property shall first be qualified by the Director of Development Services or designee in accordance with procedures set forth by HUD under Section 8 of the Housing Act of 1937, as amended, or similar procedures which take into account annual household income and total household assets.

2. Applicants shall be qualified as very low income, low income and moderate income, corresponding to the three (3) classes of housing units (very low, low and moderate) defined in Chapter 21.15 (Definitions).

D. Guarantee. An applicant shall guarantee that replacement housing provided pursuant to Section 21.61.040 will continue to be provided for very low, low and moderate income households. The applicant shall enter into a recorded agreement or covenant with the City as specified in

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Subsections 21.61.060.C and D.

E. Rental Units Guarantee. Affordable housing developed as rental units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the Director of Development Services to assure that all units will continue to be rented at prices affordable to very low, low and moderate income renters. The agreement shall bind the developer and any successor in interest to the real property being developed. The agreement shall be recorded as a covenant running with the land, with no prior liens, other than tax liens, for a period extending fifty-five (55) years from the date the agreement is recorded or for the life of the project, whichever is longer. The agreement shall provide that either:

a. The unit rents shall be fixed at a level affordable to very low, low and moderate income households. The rent may be adjusted annually to reflect changes in the median income. Tenants must qualify as meeting the definition of very low, low and moderate income; or

b. The units shall be rented at the fair market rent for new construction as established by the Department of Housing and Urban Development (HUD). The units shall be rented to persons who either meet the standards for rent subsidy established by HUD pursuant to Section 8 of the Housing Act of 1937, as amended, or to persons who meet the requirements of other rent subsidy or funding program that provides rental housing for low income households.

c. The developer and all successors in interest shall be subject to affordable housing covenant monitoring fees as may be established by the City Council by resolution.

2. The developer shall make best efforts to accomplish the intent of this Chapter. Those efforts shall include, but not be limited to,

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entering into contracts offered by HUD, the Housing Authority, or other such agency administering a rent subsidy program; or, refraining from taking any action to terminate any rent subsidy programs entered into.

3. In the event that any time within the life of the project after the agreement is recorded housing subsidies are not available, the developer or their successor shall maintain the rental levels for the unit at amounts no higher than those affordable to persons within the appropriate income categories described in this Title. In the event that so-called Section 8 or comparable maximum rental levels are no longer published by the federal government or local governmental agencies, maximum rental levels shall be a base rent established by the last rental ceiling published for the Section 8 program, adjusted by a percentage to reflect the percentage increase or decrease in median income.

F. Sale Unit Guarantee. Affordable units developed as sale units shall be subject to the following:

1. Prior to the issuance of a certificate of occupancy, the developer shall enter into an agreement with the Housing Authority Director of Development Services to assure that subsequent sales following the initial sale of the unit will be at a price affordable to households earning substantially the same percentage of the median income as the initial purchasers. The agreement shall bind the developer, any successor in interest and all subsequent purchasers of the unit. The agreement shall be recorded as a covenant running with the land, with no prior liens other than tax liens. The agreement shall provide as follows:

a. The applicant, his successors and any subsequent purchasers shall give the City and Department of Development Services Housing Authority an option to purchase the units. The City may assign this option to an individual private purchaser who qualifies as a very low, low or moderate income person and who falls within substantially the same income group as the person for whom the initial sales price was originally established.

2. Whenever the applicant or any subsequent owner of the unit wishes to sell or transfer the unit, the applicant shall notify the Authority Director of Development Services of his intent to sell. The authority City shall have the right to exercise the option cited in Subsection 21.61.080.F.1 within one hundred and eighty (180) days of the initial sale of the unit by the developer, or within ninety days for subsequent sales. Following the exercise of the option, escrow shall be opened and closed within ninety (90) days after delivery of the notice to exercise the option.

3. The option price paid by the authority City or its designee shall be the original sales price of the unit plus an amount which reflects any increase in the median income since the time of original sale.

4. Following the notice of intent to sell the unit, the authority City shall have the right to inspect the premises to determine whether repair or rehabilitation beyond the requirements of general or deferred maintenance is necessary. If such repair or maintenance is necessary, the authority City shall determine the cost of repair, and the cost shall be deducted from the purchase price. The repair costs shall be paid to the authority City, its designee, or contractors chosen by the authority City to carry out the deferred maintenance, and the money received shall be expended in making repairs.

5. The purchaser shall not sell, lease, rent, assign or otherwise transfer the property without the expressed written consent of the Housing Authority Director of Development Services. This provision shall not prohibit encumbering the property for the sole purpose of securing financing. However, in the event of foreclosure or sale by deed of trust or

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other involuntary transfer, title to the property shall be taken subject to the recorded agreement.

21.61.090 First option.

Any resident displaced by new construction or condominium conversion in the coastal zone shall have the first option to rent or buy affordable housing.

Section 2. The City Clerk shall certify to the passage of this ordinance by the City Council and cause it to be posted in three (3) conspicuous places in the City of Long Beach, and it shall take effect on the thirty-first (31st) day after it is approved by the Mayor.

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Long Beach. CA 90802

I hereby certify that the foregoing ordinance was adopted by the City Council of the City of Long Beach at its meeting of ____________, 20_____, by the following vote:

Ayes:	Councilmembers:	________________
		________________
		________________
		________________
Noes:	Councilmembers:	________________
		________________
Absent:	Councilmembers:	________________
		________________
Recusal(s):	Councilmembers:	________________
		________________

____
City Clerk

Approved: ________________ (Date) ________________ Mayor

OFFICE OF THE CITY ATTORNEY
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411 W. Ocean Boulevard, 9th Floor
Long Beach. CA 90802

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE DIRECTOR OF DEVELOPMENT SERVICES TO SUBMIT AMENDMENTS TO THE LONG BEACH ZONING REGULATIONS TO THE CALIFORNIA COASTAL COMMISSION FOR ITS REVIEW, APPROVAL AND CERTIFICATION

WHEREAS, the City Council of the City of Long Beach amended certain provisions of the Long Beach Zoning Regulations, Title 21, of the Long Beach Municipal Code;

WHEREAS, it is the desire of the City Council to submit the above referenced zoning regulation amendments to the California Coastal Commission for its review and certification;

WHEREAS, the Planning Commission and City Council gave full consideration to all facts and the proposals respecting the amendments to the zoning regulations at properly noticed and advertised public hearings;

WHEREAS, the City Council, in accordance with the recommendation of the Planning Commission, approved the proposed amendments to the zoning regulations by adopting amendments to Title 21. The proposed zoning regulation amendments are to be carried out in a manner fully consistent with the Coastal Act and become effective in the Coastal Zone immediately upon Coastal Commission certification and approval;

WHEREAS, the City Council hereby finds that the proposed zoning amendments will not adversely affect the character, livability or appropriate development in the City of Long Beach and that the amendments are consistent with the goals, objectives and provisions of the City's General Plan and the California Coastal Act.

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Long Beach, CA 90802

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The amendment to the Long Beach Zoning Regulations of the City of Long Beach, a copy of which is attached hereto as Exhibit "A", is hereby submitted to the California Coastal Commission for its earliest review as to that part of the ordinance that directly affects land use matters in that portion of the California Coastal Zone within the City of Long Beach.

Section 2. The Director of Development Services of the City of Long Beach is hereby authorized to and shall submit a certified copy of this resolution, together with appropriate supporting materials, to the California Coastal Commission with a request for its earliest action, as an amendment to the Local Coastal program that will take effect automatically upon Coastal Commission approval pursuant to the Public Resources Code or as an amendment that will require formal City Council adoption after Coastal Commission approval.

Section 3. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802

I certify that this resolution was adopted by the City Council of the City of Long Beach at its meeting of ____________________, 2021, by the following vote:

Ayes: Councilmembers: ____

____

____

Noes: Councilmembers: ____

____

Absent: Councilmembers: ____

____

Recusal(s): Councilmembers: ____

____

____

City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802

Attachment A

CITY OF
LONGBEACH

Development Services
411 West Ocean Boulevard, 3rd Floor Long Beach, CA 90802
(562) 570-5237

H-13

January 19, 2021

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Determine that the project is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and that it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts (CE20-090);

Declare an Ordinance amending Title 21, Zoning Regulations (Zoning Code), of the Long Beach Municipal Code to add Chapter 21.61 (Maintenance of Low Income Housing in the Coastal Zone) to limit exceptions to the requirements to replace affordable units and to increase the in-lieu fees for Coastal Zone areas of Long Beach, read the first time and laid over to the next regular meeting of the City Council for final reading; and,

Adopt a Resolution authorizing the Director of Development Services to submit amendments to the Long Beach Zoning Regulations to the California Coastal Commission for its review, approval, and certification. (Districts 1, 2, 3)

DISCUSSION

In 2014, the City Council adopted the current 2014-2021 General Plan Housing Element. The document identifies several actions to be completed during the 2014-2021 period including Program 4.4 related to Affordable Housing Funding Opportunities. One of the actions involves an update to the Coastal In-Lieu Fees that developers are required to pay if a lower-income unit is demolished within the Coastal Zone. Along with the updating of the fees to reflect current market costs, this action will remove a one- to two-unit exemption from the fee requirements that is no longer consistent with State law and best practices.

In 1981, the California legislature enacted Government Code Section 65590, the Mello Act, which prohibits the demolition of lower-income housing units within the Coastal Zone unless a provision is made for those units to be rebuilt onsite or within a certain distance or to be replaced through the payment of in-lieu fees. Between 1981 and 2014, the City of Long Beach (City) received over $2 million in in-lieu fees related to demolitions and condo conversions within the Coastal Zone. These fees supported the construction of 393 affordable units to offset the loss of 111 affordable units.

Around 2008, City and Coastal Commission policy began to evolve alongside changes in market and regulatory conditions in Long Beach. The payment of in-lieu fees is no longer desirable when considering the rapidly increasing cost of developing affordable housing units. Preservation of existing housing or replacement onsite are superior options under current conditions. No Mello Act fees have been collected since 2014; however, it remains a legal requirement to offer in-lieu fees as an alternative means of compliance with the Mello Act.

Proposed Ordinance

On October 1, 2020, the Planning Commission approved the staff recommendation and recommended that the City Council adopt the proposed Ordinance to increase in-lieu fees (Attachment A). Unlike other development impact fees, Mello Act fees exist within the Zoning Code and must be modified by amending Title 21 of the Long Beach Municipal Code (LBMC). This action will match the fee to the full financial gap associated with the construction of affordable units, as demonstrated in a technical study from Keyser Marston Associates (Attachment B). Below are the proposed updated in-lieu fees:

In-Lieu Fee Schedule			
Number of Bedrooms in Displaced Unit	**Very-Low Income**	**Low Income**	**Moderate Income**
Studio	$241,000	$222,000	$127,000
1 Bedroom	$296,000	$272,000	$155,000
2 Bedrooms	$350,000	$322,000	$183,000
3+ Bedrooms	$404,000	$372,000	$212,000

The proposed ordinance will also eliminate exceptions for projects involving one and two units that exist in the current code provisions (Attachment C). As the number of individuals renting single-family homes, duplexes and accessory dwelling units has increased, it is no longer appropriate to exempt those properties from the requirements of the Mello Act. Findings in support of the proposed Zoning Code Amendment are attached to this report (Attachment D).

<u>Public Notice and Environmental Compliance</u>

Notice of this public hearing was published in the Long Beach Press-Telegram on December 21, 2020, in accordance with provisions of the Zoning Code (Title 21). Due to the declared state of emergency, notices were not provided to City libraries (they are closed), notice posting was provided at City Hall but not at multiple locations. A notice of the proposed Zoning Code amendment was distributed through the City's LinkLB e-mail blast system and to individual stakeholders who have requested notification on this item. No responses were received as of the date of preparation of this report. Any comments received prior to the City Council hearing will be provided at the hearing.

In accordance with the California Environmental Quality Act (CEQA) Guidelines, the proposed Ordinance is exempt from CEQA pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts.

This matter was reviewed by Assistant City Attorney Michael J. Mais on December 15, 2020 and by Budget Analysis Officer Julissa José-Murray on December 19, 2020.

SUSTAINABILITY

There is no sustainability impact associated with this recommendation.

TIMING CONSIDERATIONS

City Council action is requested on January 19, 2021, to allow sufficient time to implement the revised fees for the current Fiscal Year 2021.

FISCAL IMPACT

When levied, the revised Mello Act in-lieu fees will result in additional revenue to help offset the development of affordable housing units in the Coastal Zone. The revenue impact of the Mello Act in-lieu fees is anticipated to be limited. In the past decade, there has been a lack of development in the Coastal Zone to trigger Mello Act fees, and an accurate estimate of new revenues generated cannot be estimated with accuracy at this time. Implementation of the Mello Act update has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

THOMAS B. MODICA
CITY MANAGER

ATTACHMENTS: CITY COUNCIL ORDINANCE
CITY COUNCIL RESOLUTION
A – Planning Commission Staff Report
B – KMA Nexus Study
C – Draft Code Amendment
D – Findings

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AMENDING THE LONG BEACH MUNICIPAL CODE BY AMENDING CHAPTER 21.61 RELATING TO MAINTENANCE OF LOW INCOME HOUSING IN THE COASTAL ZONE

The City Council of the City of Long Beach ordains as follows:

Section 1. Chapter 21.61 of the Long Beach Municipal Code is amended to read as follows:

CHAPTER 21.61

MAINTENANCE OF LOW INCOME HOUSING IN THE COASTAL ZONE

21.61.010 Purpose.

The purpose and intent of this Chapter is to maintain the present number of very low, low and moderate income housing units within the coastal zone and to require that any applicant for a coastal development permit, as a condition of permit issuance, be responsible for replacing existing very low, low and moderate income housing on a one-to-one basis.

21.61.020 Definitions.

Very low, low and moderate income households and housing units are defined in Chapter 21.15 (Definitions).

21.61.030 Applicability of this Chapter.

Any applicant proposing to remove existing affordable housing in the

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coastal zone shall be responsible for replacing on a one-to-one basis all existing very low, low and moderate income housing removed. This provision shall not apply in the following instances:

If the residential structure has been condemned and would require the expenditure of fifty percent (50%) or more of the improvement value, not including land value, to meet applicable building codes or regulations.

21.61.040 Administration.

A. Authority. The administration of the replacement housing requirement and in-lieu fee payments is delegated to the Director of Development Services. The Development Services Department shall adopt appropriate guidelines for program administration consistent with the intent of this Chapter. Any fees assessed in connection with the administration of this Chapter shall be established by the City Council by resolution.

B. Determination.

1. It shall be the responsibility of the Director of Development Services to make all determinations regarding the very low, low and moderate cost housing displaced. In order to avoid short-term actions by the owner to disqualify housing from the very low, low and moderate income definitions, the Department of Development Services shall develop procedures to average rental levels over a three (3) year period and to establish fair market sales values based upon prior sales and assessment records.

2. Determinations made by the Director of Development Services shall be attached by the applicant to the coastal development permit application and shall become a public record in all proceedings and hearings related to that application. The Department of Development Services shall verify the rent/sales value history and insure that there have

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been no price changes made for the purpose of circumventing this Chapter or these regulations.

3. When the units provided under this program are not under the ownership and control of the City, the Director of Development Services shall act to insure that the units continue to be made available to very low, low and moderate households. The City and the property owner shall enter into an agreement and shall cause necessary covenants and deed restrictions to be recorded as provided for in Subsections 21.61.080.E and F.

21.61.050 Responsibility to provide housing.

No coastal permit and no permit to demolish units shall be issued until the applicant has demonstrated compliance with the responsibility to provide replacement units, or has demonstrated the intention to comply with this Chapter prior to occupancy of the new development. No certificate of occupancy shall be issued prior to the satisfaction of this responsibility.

21.61.060 Method of replacement.

An applicant shall provide replacement housing units by one of the methods outlined in Subsections 21.61.060.A through E:

A. On-site—New Units. The replacement units may be provided on the same site as the units being removed.

B. Off-site—New Units. Replacement units may be provided at an off-site location as approved by the Director of Development Services. The new units shall be completed and ready for occupancy within three (3) years of issuance of a coastal development permit. To assure performance, the applicant shall post a performance bond in favor of the City in an amount equal to the applicable in-lieu fee required for the number of units

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being replaced.

C. Off-site—Rehabilitated Units. Replacement units may consist of rehabilitated existing residential units at a site approved by the Director of Development Services. The units to be rehabilitated shall have been cited as substandard by the City Building Official. Also one (1) of the following shall apply:

1. The units to be rehabilitated must, in the opinion of the Director of Development Services or designee, require an investment equal to at least twenty-five percent (25%) of the improvement value (total value less land value) of the units to correct the substandard conditions; or

2. The applicant may rehabilitate two (2) units for each unit displaced, provided that the existing units are substandard and require an investment equal to at least twelve and one-half percent (12½%)of the improvement value of the units to correct the substandard condition.

D. Off-site—Unit Conversion. Replacement units may be provided through the permanent conversion of existing units to housing for very low, low and moderate income households. The existing units, prior to conversion, must be renting or selling at least twenty percent (20%) above the affordable housing limit of very low and low income housing units displaced and fifteen percent (15%) above the limit of moderate income units displaced.

E. In-lieu Fees. A developer may choose to pay in-lieu fees rather than provide replacement housing. Fees shall be paid in accordance with the provisions of Section 21.61.070. If the in-lieu fee is selected in a redevelopment project area, the developer shall be credited with the amount of relocation benefit actually paid to displaced residents, up to a maximum of four thousand five hundred dollars ($4,500.00) per unit, provided that the relocation payments made to displaced residents by the redevelopment

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agency are subsequently reimbursed by the developer.

21.61.070 In-lieu fees.

A. Payment Schedule. In-lieu housing replacement fees shall be paid in accordance with the schedule indicated in Table 61-l. The fee shall be paid to the Director of Development Services for deposit in the Housing Trust Fund, or any similar successor fund, and shall be based on the number, size and income groups served by the displaced units. The schedule in Table 61-1 shall be adjusted annually in accordance with the current Construction Cost Index for the Los Angeles metropolitan area.

B. Dispensation of In-lieu Fees. The Director of Development Services shall place all in-lieu funds received into the Housing Trust Fund, or any similar successor fund, for the purpose of funding for very low, low and moderate income housing. The funds must be dispensed by the Director of Development Services or designee within three (3) years from the date of receipt.

Table 61-1
In-Lieu Fee Schedule

Number of Bedrooms in Displaced Unit	Very-Low Income	Low Income	Moderate Income
Studio	$241,000	$222,000	$127,000
1 Bedroom	$296,000	$272,000	$155,000
2 Bedrooms	$350,000	$322,000	$183,000
3+ Bedrooms	$404,000	$372,000	$212,000

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C. Inventory of Properties. The Director of Development Services shall maintain an inventory of properties suitable for rehabilitation, new construction or acquisition within the area specified in Subsection 21.61.080.B.

D. Priority.

The Director of Development Services shall seek housing opportunities funded by in-lieu fees in accordance with the following order of priority:

1. Rehabilitation of existing substandard units.

2. Conversion of existing standard market rate units to housing for very low, low and moderate income persons.

3. Construction of new housing for very low, low and moderate income persons.

The intent of this priority order is to maximize the number of affordable units produced so that the number produced will approximate or exceed the number of units lost to displacement. The authority Director of Development Services may alter this priority as deemed reasonable to accomplish the objectives of this Chapter. The Authority Director shall attempt to reproduce affordable units in a mix proportional to the City-wide housing need, as established by the most current adopted general plan housing element and housing assistance plan.

E. Annual Report Required. The Development Services Department shall make an annual report to the City Council on its progress in this program. The report shall include annual and cumulative figures, in size and cost, for the number of housing units lost and the number of units provided by the program, as well as the relationship between program achievements and existing housing needs as established by the Housing Element and housing assistance plan. This reporting may be integrated into

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overall annual reporting to the City Council regarding the Housing Element.

21.61.080 Conditions on replacement housing.

A. Equivalency. An applicant shall provide replacement housing units which are equivalent to the units displaced in terms of size, measured by the number of bedrooms and income range served, for persons of very low, low and moderate incomes. Subject to the approval of the Director of Development Services, and upon a showing that provision of equivalent units is not feasible, an applicant may provide replacement housing in a mix of household sizes and incomes. The mix shall be proportional to the City-wide housing need, as established in the most current General Plan Housing Element and housing assistance plan.

B. Location.

1. Any affordable housing produced through this program shall be located within the City of Long Beach anywhere south of the following line:

Beginning at the Los Angeles River and Anaheim Street; thence east along Anaheim Street to Pacific Coast Highway; thence southeast along Pacific Coast Highway to Seventh Street; thence east along Seventh Street to West Campus Drive; thence north along West Campus Drive to the common boundary between Cal. State Long Beach and the Veterans Administration (VA) Hospital on the north side of the hospital; thence west, north, east and south around the Cal. State Long Beach property line, returning to Seventh Street along East Campus Drive; thence east along Seventh Street to the boundary line between Los Angeles and Orange Counties.

2. The Director of Development Services shall attempt to achieve a reasonable distribution throughout this area in accordance with

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City General Plan Housing Element policies.

C. Income Requirements.

1. Housing units produced through the replacement program shall be available to households of very low, low and moderate income. To achieve this, each new tenant of rental property and each new buyer of for sale property shall first be qualified by the Director of Development Services or designee in accordance with procedures set forth by HUD under Section 8 of the Housing Act of 1937, as amended, or similar procedures which take into account annual household income and total household assets.

2. Applicants shall be qualified as very low income, low income and moderate income, corresponding to the three (3) classes of housing units (very low, low and moderate) defined in Chapter 21.15 (Definitions).

D. Guarantee. An applicant shall guarantee that replacement housing provided pursuant to Section 21.61.040 will continue to be provided for very low, low and moderate income households. The applicant shall enter into a recorded agreement or covenant with the City as specified in Subsections 21.61.060.C and D.

E. Rental Units Guarantee. Affordable housing developed as rental units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the Director of Development Services to assure that all units will continue to be rented at prices affordable to very low, low and moderate income renters. The agreement shall bind the developer and any successor in interest to the real property being developed. The agreement shall be recorded as a covenant running with the land, with no prior liens, other than tax liens, for a period extending

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fifty-five (55) years from the date the agreement is recorded. The agreement shall provide that either:

a. The unit rents shall be fixed at a level affordable to very low, low and moderate income households. The rent may be adjusted annually to reflect changes in the median income. Tenants must qualify as meeting the definition of very low, low and moderate income; or

b. The units shall be rented at the fair market rent for new construction as established by the Department of Housing and Urban Development (HUD). The units shall be rented to persons who either meet the standards for rent subsidy established by HUD pursuant to Section 8 of the Housing Act of 1937, as amended, or to persons who meet the requirements of other rent subsidy or funding program that provides rental housing for low income households.

c. The developer and all successors in interest shall be subject to affordable housing covenant monitoring fees as may be established by the City Council by resolution.

2. The developer shall make best efforts to accomplish the intent of this Chapter. Those efforts shall include, but not be limited to, entering into contracts offered by HUD, the Housing Authority, or other such agency administering a rent subsidy program; or, refraining from taking any action to terminate any rent subsidy programs entered into.

3. In the event that any time within fifty five(55) years after the agreement is recorded housing subsidies are not available, the developer or their successor shall maintain the rental levels for the unit at amounts no higher than those affordable to persons within the appropriate income categories described in this Title. In the event that so-called Section 8 or comparable maximum rental levels are no longer published by the federal government or local governmental agencies, maximum rental levels

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shall be a base rent established by the last rental ceiling published for the Section 8 program, adjusted by a percentage to reflect the percentage increase or decrease in median income.

F. Sale Unit Guarantee. Affordable units developed as sale units shall be subject to the following:

1. Prior to the issuance of a certificate of occupancy, the developer shall enter into an agreement with the Housing Authority Director of Development Services to assure that subsequent sales following the initial sale of the unit will be at a price affordable to households earning substantially the same percentage of the median income as the initial purchasers. The agreement shall bind the developer, any successor in interest and all subsequent purchasers of the unit. The agreement shall be recorded as a covenant running with the land, with no prior liens other than tax liens. The agreement shall provide as follows:

a. The applicant, his successors and any subsequent purchasers shall give the City and Department of Development Services Housing Authority an option to purchase the units. The City may assign this option to an individual private purchaser who qualifies as a very low, low or moderate income person and who falls within substantially the same income group as the person for whom the initial sales price was originally established.

2. Whenever the applicant or any subsequent owner of the unit wishes to sell or transfer the unit, the applicant shall notify the Authority Director of Development Services of his intent to sell. The authority City shall have the right to exercise the option cited in Subsection 21.61.080.F.1 within one hundred and eighty (180) days of the initial sale of the unit by the developer, or within ninety days for subsequent sales. Following the exercise of the option, escrow shall be opened and closed

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within ninety (90) days after delivery of the notice to exercise the option.

3. The option price paid by the authority City or its designee shall be the original sales price of the unit plus an amount which reflects any increase in the median income since the time of original sale.

4. Following the notice of intent to sell the unit, the authority City shall have the right to inspect the premises to determine whether repair or rehabilitation beyond the requirements of general or deferred maintenance is necessary. If such repair or maintenance is necessary, the authority City shall determine the cost of repair, and the cost shall be deducted from the purchase price. The repair costs shall be paid to the authority City, its designee, or contractors chosen by the authority City to carry out the deferred maintenance, and the money received shall be expended in making repairs.

5. The purchaser shall not sell, lease, rent, assign or otherwise transfer the property without the expressed written consent of the Housing Authority Director of Development Services. This provision shall not prohibit encumbrancing the property for the sole purpose of securing financing. However, in the event of foreclosure or sale by deed of trust or other involuntary transfer, title to the property shall be taken subject to the recorded agreement.

21.61.090 First option.

Any resident displaced by new construction or condominium conversion in the coastal zone shall have the first option to rent or buy affordable housing.

Section 2. The City Clerk shall certify to the passage of this ordinance by the City Council and cause it to be posted in three (3) conspicuous places in the City of

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Long Beach, and it shall take effect on the thirty-first (31st) day after it is approved by the Mayor.

I hereby certify that the foregoing ordinance was adopted by the City Council of the City of Long Beach at its meeting of ____________, 20_____, by the following vote:

Ayes: Councilmembers: ______________________________

____

____

____

Noes: Councilmembers: ______________________________

____

Absent: Councilmembers: ______________________________

____

Recusal(s): Councilmembers: ______________________________

____

____
City Clerk

Approved: ____________________ ______________________________
(Date) Mayor

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE DIRECTOR OF DEVELOPMENT SERVICES TO SUBMIT AMENDMENTS TO THE LONG BEACH ZONING REGULATIONS TO THE CALIFORNIA COASTAL COMMISSION FOR ITS REVIEW, APPROVAL AND CERTIFICATION

WHEREAS, on _______________, 2021, the City Council of the City of Long Beach amended certain provisions of the Long Beach Zoning Regulations, Title 21, of the Long Beach Municipal Code; and

WHEREAS, it is the desire of the City Council to submit the above referenced zoning regulation amendments to the California Coastal Commission for its review and certification; and

WHEREAS, the Planning Commission and City Council gave full consideration to all facts and the proposals respecting the amendments to the zoning regulations at properly noticed and advertised public hearings; and

WHEREAS, the City Council, in accordance with the recommendation of the Planning Commission, approved the proposed amendments to the zoning regulations by adopting amendments to Title 21. The proposed zoning regulation amendments are to be carried out in a manner fully consistent with the Coastal Act and become effective in the Coastal Zone immediately upon Coastal Commission certification and approval; and

WHEREAS, the City Council hereby finds that the proposed zoning amendments will not adversely affect the character, livability or appropriate development in the City of Long Beach and that the amendments are consistent with the goals, objectives and provisions of the City's General Plan and the California Coastal Act.

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NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The amendment to the Long Beach Zoning Regulations of the City of Long Beach adopted on _______________, 2021, by Ordinance No. ORD-21-____________, a copy of which is attached to and incorporated in this resolution as Exhibit "A", is hereby submitted to the California Coastal Commission for its earliest review as to that part of the ordinance that directly affects land use matters in that portion of the California Coastal Zone within the City of Long Beach.

Section 2. The Director of Development Services of the City of Long Beach is hereby authorized to and shall submit a certified copy of this resolution, together with appropriate supporting materials, to the California Coastal Commission with a request for its earliest action, as an amendment to the Local Coastal program that will take effect automatically upon Coastal Commission approval pursuant to the Public Resources Code or as an amendment that will require formal City Council adoption after Coastal Commission approval.

Section 3. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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I certify that this resolution was adopted by the City Council of the City of Long Beach at its meeting of ____________________, 2021, by the following vote:

Ayes: Councilmembers: ______________________________

____

____

Noes: Councilmembers: ______________________________

____

Absent: Councilmembers: ______________________________

____

Recusal(s): Councilmembers: ______________________________

____

____

City Clerk

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411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802

Attachment A

AGENDA ITEM No. 2

CITY OF LONG BEACH

Development Services
Planning Bureau
411 West Ocean Boulevard, 3rd Floor Long Beach, CA 90802
562.570.6194

October 1, 2020

CHAIR AND PLANNING COMMISSIONERS
City of Long Beach
California

RECOMMENDATION:

> Recommend that the City Council determine that the project is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines and none of the exceptions in 15300.2 apply, and that it is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts. (CE20-090); and

> Recommend that the City Council adopt Zoning Code Amendment ZCA20-014, consisting of changes to Title 21 of the Long Beach Municipal Code (LBMC) that would amend section 21.61 (Maintenance of Low Income Housing in the Coastal Zone) to limit exceptions to the requirements to replace affordable units and to modify the in-lieu fees for Coastal Zone areas of the City. (CD 1,2 and 3)

APPLICANT: City of Long Beach, Development Services Department
411 West Ocean Boulevard, 3rd Floor
Long Beach, CA 90802
(Application No. 2009-04)

BACKGROUND

In 2014, the City adopted the current 2014-2021 General Plan Housing Element. That document identifies several actions to be completed during the 2014-2021 period including Program 4.4 related to Affordable Housing Funding Opportunities. One of those actions involves an update to the Coastal In-Lieu Fees that developers are required to pay if a lower-income unit is demolished within the Coastal Zone. Along with the updating of the fees to reflect current market costs, this action will remove a one to two unit exemption from the fee requirements that is no longer consistent with state law and best practices.

DISCUSSION

In 1981, the California legislature enacted Government Code Section 65590, the Mello Act, which prohibits the demolition of lower-income housing units within the Coastal Zone unless provision is made for those units to be rebuilt on-site, within a certain distance, or through the payment of in-lieu fees. Between 1981 and 2014 the City of Long Beach received over two million dollars in in-lieu fees related to demolitions and condo conversions within the Coastal Zone. These fees supported the construction of 393 affordable units to offset the loss of 111 affordable units.

Around 2008, City and Coastal Commission policy began to evolve alongside changes in market and regulatory conditions in Long Beach. The payment of in-lieu fees is no longer desirable when considering the rapidly increasing cost of developing affordable housing units. Preservation of existing housing or replacement on-site are superior options under current conditions. No Mello fees have been collected since 2014. It remains however a legal requirement to offer in-lieu fees as an alternative means of compliance with the Mello Act.

Staff proposes to increase in-lieu fees to match the full financial gap associated with the construction of affordable units, as demonstrated in a technical study from Keyser Marston Associates (Exhibit A). Unlike other development impact fees, Mello fees exist within the Zoning Code and must be modified by ordinance. As part of the proposed ordinance, staff also recommends deleting an exemption to the Mello Act that is no longer appropriate for Long Beach. As the number of individuals renting single-family homes, duplexes and accessory dwelling units has increased, it is no longer appropriate to exempt those properties from the requirements of the Mello Act.

PUBLIC HEARING NOTICE

In accordance with public hearing notification requirements for a Zoning Code Amendment in Long Beach Municipal Code (LBMC) Section 21.21.302.C, notice of this public hearing was published in the Long Beach Press-Telegram on September 17, 2020. Due to the declared state of emergency, notices were not provided to City libraries (they are closed), notice posting was provided at City Hall but not at multiple locations. A notice of the proposed zoning code amendment was distributed through the City's LinkLB e-mail blast system and to individual stakeholders who have requested notification on this item. Copies of the public notice were also forwarded to the California Coastal Commission.

ENVIRONMENTAL REVIEW

In accordance with the California Environmental Quality Act (CEQA) and the CEQA Guidelines, the Zoning Code Amendment is exempt from CEQA under Section 15305 (Minor Alterations to Land Use Limitations) and Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and none of the exceptions in Section 15300.2 apply. Section 15305 exempts projects that consist of minor alterations in land use limitations in areas with an average slope of less than 20%, which do not result in any changes in land use or density. The properties affected by this ZCA have an average slope of less than 20%.

The ZCA is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts. The Zoning Code Amendment does not change any physical conditions in the environment because it is limited to amendment of the Zoning Code to specify fees for otherwise permitted development, where residential uses are currently permitted. The proposed ordinance does not change the height, intensity of land use, or allowable land uses currently permitted by the underlying planned development district zoning or specific plan. Finally, projects seeking approval subsequent to this Zoning Code Amendment will be subject to individual CEQA review, as appropriate. Individual projects in the Coastal Zone, including demolitions, require a local coastal development permit (LCDP), which is a discretionary action subject to CEQA.

Respectfully submitted,

ALEJANDRO SANCHEZ- LOPEZ
PROJECT PLANNER

PATRICIA DIEFENDERFER, AICP
ADVANCE PLANNING OFFICER

CHRISTOPHER KOONTZ, AICP
DEVELOPMENT SERVICES DEPUTY DIRECTOR

OSCAR W. ORCI
DEVELOPMENT SERVICES DIRECTOR

OO:CK:PAD:asl

Attachments:

Exhibit A – KMA Nexus Study
Exhibit B – Findings
Exhibit C – Draft Code Amendment

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Patrick Ure, Housing Development Officer
City of Long Beach

From: Kathleen Head

Date: May 20, 2019

Subject: Mello Act: Replacement Housing In-Lieu Fee Analysis

In accordance with your request, Keyser Marston Associates, Inc. (KMA) prepared an analysis of the replacement housing obligations imposed by the Long Beach Municipal Code Chapter 21.61 – Maintenance of Low Income Housing in the Coastal Zone (Chapter 21.61). The purpose of the KMA analysis is to assist the City of Long Beach Housing Services Bureau (City) in updating the in-lieu fee schedule to be included in Chapter 21.61.070.

BACKGROUND STATEMENT

The City enacted Chapter 21.61 to comply with the Mello Act, which was adopted by the State of California (State) in 1982, and is codified in Government Code Section 65590 (Section 65590). One requirement imposed by Section 65590 is that the conversion or demolition of existing residential units in the "Coastal Zone", that are occupied by low or moderate income households, triggers a replacement housing obligation.

Chapter 21.61.060 details the methods that can be applied to fulfill the replacement housing obligation. These methods include on-site construction, off-site construction, the substantial rehabilitation of existing units, the conversion of existing market rate units, and the payment of an in-lieu fee.

The City engaged KMA to prepare an analysis of the financial gaps associated with replacing very-low, low and moderate income units under the defined criteria. These analyses are then used as the basis for creating a recommended in-lieu fee schedule to be included in Chapter 21.61.070.

SCENARIOS TESTING

It is a fundamental assumption that the in-lieu fee amount should provide sufficient revenue to fulfill the defined replacement housing obligations. In order to make this determination, KMA prepared conceptual pro forma analyses to estimate the financial gaps associated with the following scenarios:

1. The conversion of quality market rate apartment units into income restricted units subject to long-term income and affordability covenants.

2. The development of new apartment units under the following financing scenarios:

    a. A project that is structured to be competitive for the award of the 9% Low Income Housing Tax Credit (9% Tax Credit);

    b. A project that is financed with Tax-Exempt Multifamily Bonds (Bonds) and the automatically awarded 4% Low Income Housing Tax Credits (Bond/4% Tax Credits); and

    c. A project that is financed with a conventional permanent loan and the private equity supported by the project's stabilized net operating income (Unleveraged Scenarios).

3. The acquisition of an existing market rate apartment project that requires substantial rehabilitation as defined in Chapter 21.61.060. The financing scenarios are:

    a. A 9% Tax Credit project;

    b. A Bonds/4% Tax Credit project; and

    c. Unleveraged Scenarios.

EXECUTIVE SUMMARY

Based on the conceptual pro forma analyses prepared by KMA, the financial gaps associated with providing very-low, low and moderate income units are as follows:

Financial Gap Summary			
<u>Range of Gaps</u>			
Very-Low Income Units	$137,000	-	$390,000
Low Income Units	$98,000	-	$364,000
Moderate Income Units	$41,000	-	$233,000
<u>Average Gap</u>			
Very-Low Income Units	$281,000		
Low Income Units	$252,000		
Moderate Income Units	$163,000		

The low end of the gaps is related to the scenarios that include the competitively awarded 9% Tax Credit. The high end of the gaps is related to the scenarios that do not include any outside funding assistance. KMA evaluated the various scenarios tested in this analysis and concluded that the Substantial Rehabilitation: Unleveraged Scenario represents the best proxy for the replacement housing costs. This conclusion was reached for the following reasons:

1. It is likely that the replacement housing obligations generated by the majority of projects will be too small to make effective use of 9% Tax Credits or Bonds/4% Tax Credits.

2. The financial gaps associated with the Substantial Rehabilitation: Unleveraged Scenarios are most comparable to the average financial gaps derived from the seven scenarios tested in the KMA analysis.

3. The in-lieu fees generated under this structure should allow the City to provide sufficient assistance to the developers that agree to fulfill the replacement housing obligations and can make use of outside leveraging sources.

The recommended in-lieu fee schedule is presented in the following table:

Recommended In-Lieu Fee Schedule			
	Very-Low Income	Low Income	Moderate Income
Studios	$241,000	$222,000	$127,000
One Bedroom	$296,000	$272,000	$155,000
Two Bedrooms	$350,000	$322,000	$183,000
Three Bedrooms +	$404,000	$372,000	$212,000

The in-lieu fee schedule applied in Chapter 21.61.070 should be updated regularly to keep pace with changes in economic conditions. KMA recommends that the fee be adjusted annually based on changes in the Construction Cost Index. Then, once every five years, a new in-lieu fee analysis should be undertaken to keep pace with changes in the real estate and affordable housing markets.

METHODOLOGY

The conceptual pro forma analyses include development cost estimates, projections of stabilized net operating income and estimates of the funding sources that are potentially available to fund the project costs. The difference between the available funding sources and the estimated development costs represents the financial gap associated with providing the affordable units. This "affordability gap" is then translated into the financial gap associated with providing very-low, low and moderate income replacement housing units.

The results of the conceptual pro forma analyses are presented in a Summary Table that follows this memorandum. The supporting documentation is presented in the following Appendices and Exhibits:

Appendices and Exhibits	
Appendix A:	Market Rate Conversion
Appendix B:	New Development Scenarios
Exhibit I	9% Tax Credit Scenario
Exhibit II	Bonds/4% Tax Credit Scenario
Exhibit III	Unleveraged Scenario

Appendices and Exhibits	
Appendix C:	Substantial Rehabilitation Scenarios
Exhibit I	9% Tax Credit Scenario
Exhibit II	Bonds/4% Tax Credit Scenario
Exhibit III	Unleveraged Scenario
Appendix D:	Background Information
Exhibit I	Apartment Sales Survey
Exhibit II	Apartment Rent Survey

BASIC ASSUMPTIONS

The conceptual pro forma analyses are based on the key assumptions identified in the following sections of this memorandum.

Unit Mix

Each of the scenarios is based on a 50-unit project. The unit mixes applied in the analyses are presented in the following table:

Unit Mix Assumptions		
	9% Tax Credit Scenarios [1]	All Other Scenarios
Unit Type	Percentage of Units	
Studios	10%	15%
One Bedroom	30%	40%
Two Bedrooms	30%	40%
Three Bedrooms	30%	5%

[1] A project must include at least 30% three-bedroom units to be competitive for 9% Tax Credits.

Estimated Development Costs

The key assumptions applied in the development cost estimates are as follows:

Property Acquisition Costs

1. The acquisition cost for the market rate conversion project is estimated at $433,000 per unit. This value represents the weighted average sales prices for the Class A and B apartment buildings included in Appendix D – Exhibit I.

2. KMA performed a survey of residential land sales and set the property acquisition cost for the new development scenarios at $205 per square foot of land area.

3. Using the weighted average of the Class C apartment sales prices listed in Appendix D – Exhibit I, the property acquisition cost for the substantial rehabilitation scenarios is estimated at $267,000 per unit.

Direct Costs

The direct cost estimates applied in the new development and substantial rehabilitation scenarios are based on the assumption that prevailing wage requirements will not be imposed on the project. In both sets of scenarios, the contractor related costs are set at 16% of construction costs, and a direct cost contingency allowance equal to 5% of other direct construction costs is applied. The balance of the direct cost assumptions can be detailed as follows:

<u>New Construction Scenarios</u>

1. The project density is set at 125 units per acre.

2. An allowance of $20 per square foot of land area is provided for site improvement costs.

3. It is assumed that 1.25 parking spaces per unit are provided, with the cost for first level subterranean spaces estimated at $35,000 per space and the second level subterranean spaces estimated at $45,000 per space.

4. Building costs are estimated at $125 per square foot of gross building area (GBA).

Substantial Rehabilitation Scenarios

The direct building costs for the substantial rehabilitation scenarios are estimated at $55,000 per unit. This comports with the requirements imposed by Chapter 21.61.060.

Indirect Costs

1. The architecture, engineering and consulting; and taxes, insurance, legal and accounting costs are estimated based on industry standard percentages of direct costs.

2. The public permits and fees cost estimates are based on other affordable housing projects that KMA has analyzed for the City. These costs are estimated as follows:

    a. For the new development scenarios the public permits and fees costs are estimated at $20,000 per unit. These fee estimates are reduced by a $5,303 fee waiver for every very low and low income unit included in the development scenario.

    b. The public permits and fees costs are estimated at $2,500 per unit in the substantial rehabilitation scenarios.

3. A $5,000 per unit allowance is provided for marketing and leasing costs.

4. The Developer Fee is estimated based on the following assumptions:

    a. The Developer Fee for the 9% Tax Credit Scenarios is subject to the following requirements:

        i. In the new development scenario the Developer Fee is equal to the lesser of $2.0 million or 15% of eligible construction costs.

        ii. For the substantial rehabilitation scenario the maximum Developer Fee is equal to 15% of the eligible rehabilitation costs plus 5% of eligible property acquisition costs.

b. The Developer Fee for the Bonds/4% Tax Credit Scenarios is subject to the following requirements:

i. For the new development scenario the maximum Developer Fee is equal to 15% of eligible construction costs. No cap is applied.

ii. For the substantial rehabilitation scenario the maximum Developer Fee is equal to 15% of the eligible rehabilitation costs plus 5% of eligible property acquisition costs.

c. In the Unleveraged Scenarios the Developer Fee is set at 5% of total construction costs.

5. A soft cost contingency allowance equal to 5% of other indirect costs is provided.

Financing Costs

1. Construction period interest:

a. The interest rate on the construction loan is set at 3.6%.

b. The construction period is set at 18 months for the new development scenarios and 12 months for the substantial rehabilitation scenarios.

2. The loan origination fees are estimated as follows:

a. The fees for the conventional financing scenarios are set at 2.0 points.

b. The fees for the Bonds/4% Tax Credit scenarios are set a 2.5 points for the Series A Bonds, and 4.0 points for the Series B Bonds.

3. In accordance with the Tax Credit regulations, a three month reserve for operating expenses and debt service is provided.

4. Tax Credit fees include a $2,000 application fee and a $410 per unit monitoring fee. In addition a fee equal to 4% of the gross Tax Credit proceeds for one year is applied to the 9% Tax Credit Scenarios, and a 1% fee is applied to the Bonds/4% Tax Credit Scenarios.

Stabilized Net Operating Income

Rent Revenue

Chapter 21.15 provides definitions of the maximum household income for very-low, low and moderate income households, but it does not define a standardized rent calculation methodology. For the purposes of this replacement housing analysis, KMA applied the calculation methodology defined in California Health and Safety Code Section 50053 (H&SC 50053).

The gross rents applied in each scenario are set at the more stringent of the H&SC 50053 standard or the rent standards imposed by the outside assistance source. The gross rent is then reduced by the monthly utilities allowances for energy efficient apartments that were put into effect by the Long Beach Housing Authority on December 12, 2018:[2]

Utilities Allowances	
Studios	$34
One Bedroom	$40
Two Bedrooms	$47
Three Bedrooms	$54

<u>9% Tax Credit Scenarios</u>

The rents applied in the 9% Tax Credit scenarios are set to maximize the number of points received in the Tax Credit award competition. To achieve this, and to fulfill the replacement housing obligations, the rent levels are set based on the following standards:

[2] The utilities allowances assume electric heating, cooking, water heater; other electric; and air conditioning.

Rent Calculation Assumptions – 9% Tax Credit Scenarios		
H&SC Standard	Percentage of Tax Credit Median Income	Percentage of Units
Very-Low Income	30%	30%
Low Income	50%	50%
Moderate Income	60%	20%

The weighted average rent across the units mix is $910 per month. This equates to 42% of the Tax Credit median income and 60% of the area median income (AMI) published by the California Department of Housing and Community Development (HCD).

Bonds/4% Tax Credit Scenarios

To meet the requirements imposed by the Bonds/4% Tax Credit Scenarios, KMA allocated 20% of the units to very-low income households. The unit mix is presented in the following table:

Rent Calculation Assumptions – Bonds/4% Tax Credit Scenarios		
H&SC Standard	Percentage of Tax Credit Median Income	Percentage of Units
Very-Low Income	50%	20%
Low Income	60%	40%
Moderate Income	60%	40%

The weighted average rent across the unit mix is $983. The translates to 48% of the Tax Credit median income and 67% of the AMI published by HCD.

Unleveraged Scenarios

The Unleveraged Scenarios assume that the only funding sources available to the project are conventional debt financing and the supportable private equity contribution. For analysis purposes, KMA set the income and affordability mix as follows:

Rent Calculation Assumptions – Unleveraged Scenarios		
H&SC Standard	Percentage of HCD AMI	Percentage of Units
Very-Low Income	50%	20%
Low Income	60%	40%
Moderate Income	110%	40%

Vacancy Allowance and Operating Expenses

1. A 5% allowance is provided for vacancy and collection costs.

2. The general operating expenses are estimated at $5,000 per unit per year.

3. A $200 per unit per year allowance for social services costs is provided in the 9% Tax Credit Scenarios to enhance the project's competitiveness for a Tax Credit award.

4. The property tax expenses are estimated as follows:

   a. For the 9% Tax Credit and Bonds/4% Tax Credit Scenarios it is assumed that the development team would include a member that is entitled to receive the property tax abatement accorded to non-profit organizations that own and operate apartment projects restricted to low income households.

   b. For the Unleveraged Scenarios, the property tax expense is based on the property's value estimated using a 5.5% capitalization rate, and a 1.1% property tax rate.

5. Deposits to a reserve for capital repairs are set at $250 per unit per year for the 9% Tax Credit and Bonds/4% Tax Credit Scenarios, and $150 per unit per year for the Unleveraged Scenarios.

Underwriting Assumptions

The underwriting assumptions applied in the various scenarios can be described as follows:

1. The supportable permanent debt is estimated based on a 125% debt service coverage ratio applied against the stabilized net operating income. The interest rate is set as follows:

   a. For the conventional financing scenarios the interest rate is set at 6.0%; and

   b. For the Bonds/4% Tax Credit Scenarios the interest rate is set at 5.0%.

2. The equity contribution to the project is estimated as follows:

   a. The eligible basis in the 9% Tax Credit Scenarios is voluntarily reduced as needed to generate at least a 45% tiebreaker score in the competitive process. The net Tax Credit equity is estimated based on a syndication rate equal to $.98 per gross Tax Credit dollar.

   b. The net Tax Credit equity for the Bonds/4% Tax Credit Scenarios is based on a $.98 per gross Tax Credit dollar syndication rate.

   c. The supportable equity contribution for the Unleveraged Scenarios is based on the stabilized net operating income minus the annual debt service on the permanent loan, capitalized at an 8% rate.

3. Deferred Developer Fees are potentially available as funding sources in the 9% Tax Credit and Bonds/4% Tax Credit Scenarios. The Developer Fee deferral assumptions used in this analysis are:

   a. In the 9% Tax Credit Scenarios it is assumed that the developer will defer the portion of the Developer Fee that cannot be included in the Tax Credit eligible basis.

   b. In the Bonds/4% Tax Credit Scenarios it is assumed that the developer will defer any Developer Fee amount in excess of $2.5 million.

FINDINGS/RECOMMENDATIONS

Conceptual Pro Forma Analyses

The purpose of the KMA analysis is to identify an in-lieu fee amount that will provide sufficient revenue to fulfill the replacement housing obligations imposed by Section 65590, as codified in Chapter 21.61. The conceptual pro forma analyses described in the preceding section of this analysis provide order-of-magnitude estimates of the financial gaps associated with each scenario being tested.

The results of the conceptual pro forma analyses are summarized in the following table:

Conceptual Pro Forma Summary			
	Estimated Development Costs	Available Funding Sources	Estimated Financial Gap
Market Rate Conversion	$21,650,000	$4,467,000	$17,183,000
New Development Scenarios			
9% Tax Credit	$22,121,000	$13,568,000	$8,553,000
Bonds/4% Tax Credits	$23,025,000	$9,264,000	$13,761,000
Unleveraged	$20,860,000	$4,467,000	$16,393,000
Substantial Rehabilitation Scenarios			
9% Tax Credit	$19,560,000	$13,674,000	$5,886,000
Bonds/4% Tax Credits	$19,988,000	$8,436,000	$11,552,000
Unleveraged	$18,624,000	$4,467,000	$14,157,000

The total financial gaps are translated into the gaps per unit in the following table:

Total Financial Gap and Financial Gap Per Unit		
	Total Financial Gap	Financial Gap Per Unit
Market Rate Conversion	$17,183,000	$343,700
New Development Scenarios		
9% Tax Credit	$8,553,000	$171,100
Bonds/4% Tax Credits	$13,761,000	$275,200
Unleveraged	$16,393,000	$327,900
Substantial Rehabilitation Scenarios		
9% Tax Credit	$5,886,000	$117,700
Bonds/4% Tax Credits	$11,552,000	$231,000
Unleveraged	$14,157,000	$283,100

Using a pro rata distribution based on the rent levels supported at each of the household income levels being evaluated, KMA estimated the per unit financial gaps by income category as follows:

Financial Gap by Income Category			
	Very-Low Income	Low Income	Moderate Income
Market Rate Conversion	$390,000	$364,000	$233,000
New Development Scenarios			
9% Tax Credit	$190,000	$151,000	$94,000
Bonds/4% Tax Credits	$295,000	$271,000	$214,000
Unleveraged	$375,000	$348,000	$217,000
Substantial Rehabilitation Scenarios			
9% Tax Credit	$137,000	$98,000	$41,000
Bonds/4% Tax Credits	$251,000	$227,000	$170,000
Unleveraged	$330,000	$304,000	$173,000

As can be seen in the preceding table, the financial gaps fall within the following ranges:

1. Very-low income units at $137,000 to $390,000 per unit;

2. Low income units at $98,000 to $364,000 per unit; and

3. Moderate income units at $41,000 to $233,000 per unit.

The wide range of financial gaps is directly related to the impacts created by the use of outside leveraging sources. As would be expected, the lowest financial gaps are generated by the 9% Tax Credit Scenarios and the highest gaps are associated with the Unleveraged Scenarios.

For reference purposes, the average gaps per unit are estimated as follows:

1. Very-low income units at $281,000 per unit;

2. Low income units at $252,000 per unit; and

3. Moderate income units at $163,000 per unit.

Recommended In-Lieu Fee Schedule

KMA evaluated the characteristics of the scenarios tested in this analysis and concluded that the Substantial Rehabilitation: Unleveraged Scenario is a good surrogate to use in setting in-lieu fees for replacement housing costs. KMA reached this conclusion based on the following factors:

1. It is the KMA assumption that small projects will make up the majority of the projects that incur replacement housing obligations under Chapter 21.61. Outside leveraging sources are most typically used for larger scale projects that are undertaken by non-profit and for-profit developers with significant affordable housing experience.

2. The estimated financial gap for the Substantial Rehabilitation: Unleveraged Scenario is fairly comparable to the average financial gaps generated by the seven scenarios being tested.

3. The City will have the flexibility to use in-lieu fees revenue to provide assistance to projects being developed by experienced affordable housing developers. The recommended in-lieu fee amounts should be sufficient to fill the financial gaps associated with affordable housing projects that are also accessing outside leveraging sources.

KMA created a recommended in-lieu fee schedule based on the number of bedrooms in the unit. The allocation is based on a combination of the relative size of the units and the rent generated by the units. The recommended in-lieu fee schedule is presented in the following table:

Recommended In-Lieu Fee Schedule			
	Very-Low Income	Low Income	Moderate Income
Studios	$241,000	$222,000	$127,000
One Bedroom	$296,000	$272,000	$155,000
Two Bedrooms	$350,000	$322,000	$183,000
Three Bedrooms +	$404,000	$372,000	$212,000

In-Lieu Fee Updates

The in-lieu fee schedule applied in Chapter 21.61.070 should be updated periodically to keep pace with changes in economic conditions. Administrative objectives that should be taken into consideration in selecting an appropriate index for updating the in-lieu fee schedule are as follows:

1. The update methodology should be simple and easily administered;

2. The terms of the update should be clear and objective, not subject to interpretation; and

3. The update should be tied to a readily accessible and neutral third-party published source.

The following table identifies common indices that could be used to adjust the in-lieu fee schedule each year:

Index	Concept / Description	Advantages	Disadvantages
Construction Cost Index (CCI)	Fees go up or down based on changes in building construction costs Published by Engineering News Record (ENR) Available as a national average for 20 cities, including Los Angeles	Very well established Consistent fee burden is imposed relative to changes in construction costs	May not trend with changes in development cost components such as land and soft costs May not trend with the cost associated with producing affordable units
Building Cost Index (BCI)	Also published by ENR and similar to the Construction Cost Index, but with weighting towards structural costs	Very well established Consistent fee burden is imposed relative to changes in construction costs	The CCI is likely the more appropriate of the two ENR indices since it is more closely tracks labor costs
Consumer Price Index (CPI)	Published by the United States Bureau of Labor Statistics. Available for major metropolitan areas	Very well established Tracks with inflation generally Produced by a neutral government agency	May not trend with construction costs, or the cost to produce affordable housing units

Based on the identified advantages and disadvantages of the three common indices, KMA recommends that the CCI be used to adjust the in-lieu fee schedule each year. Then, at set intervals such as every five years, a new replacement housing in-lieu fee analysis should be prepared.

SUMMARY TABLE

MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

	Scenario		Development Cost Per Unit	Financial Gap Per Affordable Unit		
				Very-Low Income	Low Income	Moderate Income
I.	MARKET RATE CONVERSION	[1]	$433,000	$390,000	$364,000	$233,000
II.	**NEW DEVELOPMENT**					
A.	9% TAX CREDIT SCENARIO	[2]	$442,400	$190,000	$151,000	$94,000
B.	BONDS/4% TAX CREDIT SCENARIO	[3]	$460,500	$295,000	$271,000	$214,000
C.	UNLEVERAGED SCENARIO	[1]	$417,200	$375,000	$348,000	$217,000
III.	**SUBSTANTIAL REHABILITATION**					
A.	9% TAX CREDIT SCENARIO	[2]	$391,200	$137,000	$98,000	$41,000
B.	BONDS/4% TAX CREDIT SCENARIO	[3]	$399,800	$251,000	$227,000	$170,000
C.	UNLEVERAGED SCENARIO	[1]	$372,500	$330,000	$304,000	$173,000

IV. Affordablility Gaps Per Unit

A. Range

Very-Low Income	$137,000	- $390,000
Low Income	$98,000	- $364,000
Moderate Income	$41,000	- $233,000

B. Average

Very-Low Income	$281,000
Low Income	$252,000
Moderate Income	$163,000

V. Recommended In-Lieu Fee Per Replacement Unit [4]

	Very-Low Income	Low Income	Moderate Income
Studios	$241,000	$222,000	$127,000
One Bedroom	$296,000	$272,000	$155,000
Two Bedrooms	$350,000	$322,000	$183,000
Three Bedrooms +	$404,000	$372,000	$212,000

[1] The income mix is: H&SC Very-Low Income; H&SC Low Income; and H&SC Moderate Income.
[2] The income mix is: H&SC Very-Low Income/ 30% TC Median; H&SC Low Income/ 50% TC Median; and H&SC Moderate Income/ 60% TC Median.
[3] The income mix is: H&SC Very-Low Income/ 50% TC Median; H&SC Low Income/ 60% TC Median; and H&SC Moderate Income/ 60% TC Median.
[4] Based on the SUBSTANTIAL REHABILITATION - UNLEVERAGED SCENARIO as adjusted for unit size.

APPENDIX A

PRO FORMA ANALYSIS
MARKET RATE CONVERSION
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX A - TABLE 1

STABILIZED NET OPERATING INCOME
MARKET RATE CONVERSION
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 Rents	[1]	50	Units	$1,143	/Unit/Month	$686,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(34,000)	
	Effective Gross Income							$652,000
II.	**Operating Expenses**							
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Property Tax Expense	[2]	50	Units	$1,312	/Unit	66,000	
	Reserves Deposits	[3]	50	Units	$150	/Unit	8,000	
	Total Operating Expenses		50	Units	$6,480	/Unit		$324,000
III.	**Stabilized Net Operating Income**							$328,000

[1] Based on 2019 income information. Assumes a weighted average rent equal to 78% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

[2] Based on the stabilized net operating income capitalized at a 5.5% rate and a 1.1% property tax rate.

[3] Based on the contributions applied to typical market rate projects.

APPENDIX A - TABLE 2

ESTIMATED FINANCIAL GAP
MARKET RATE CONVERSION
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**							
A.	**Supportable Permanent Loan**							
	Stabilized Net Operating Income		See APPENDIX A - TABLE 1			$328,000		
	Income Available for Mortgage		125%	DSCR	$262,000	Debt Service		
			6.00%	Interest Rate	7.19%	Mtg Constant		
	Total Available Funding Sources						$3,642,000	
B.	**Supportable Equity Contribution**		$66,000	Avail Cash Flow	8%	Return	$825,000	
	Total Available Funding Sources		50	Units	$89,000	/Unit		$4,467,000
II.	**Property Acquisition Costs**	[1]	50	Units	$433,000	/Unit		($21,650,000)
III.	**Estimated Financial Gap**		50	Units	($343,700)	/Unit		($17,183,000)

[1] See APPENDIX D - EXHIBIT I. The property acquisition costs are based on the weighted average of the Class A and, B Buildings.

APPENDIX B - EXHIBIT I

PRO FORMA ANALYSIS
NEW DEVELOPMENT: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
NEW DEVELOPMENT: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**		17,424	Sf Land	$205	/Sf Land		$3,572,000
II.	**Direct Costs**	1						
	Site Improvement Costs		17,424	Sf Land	$20	/Sf Land	$348,000	
	Parking Costs							
	1st Level Subterranean		32	Spaces	$35,000	/Space	1,120,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		60,000	Sf GBA	$125	/Sf GBA	7,500,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			1,451,000	
	Builder's Risk Insurance		2.0%	Construction Costs			207,000	
	Contingency Allowance		5.0%	Other Direct Costs			601,000	
	Total Direct Costs		50	Units	$252,400	/Unit		$12,622,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8%	Direct Costs			$1,010,000	
	Public Permits & Fees	2	50	Units	$14,697	/Unit	735,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			379,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee		12.6%	Eligible Costs			2,000,000	
	Contingency Allowance		5.0%	Other Indirect Costs			219,000	
	Total Indirect Costs							$4,593,000
IV.	**Financing Costs**							
	Interest During Construction							
	Property Acquisition Costs	3	$3,572,000	Financed	3.60%	Interest	$220,000	
	Construction Costs	4	$18,549,000	Financed	3.60%	Interest	740,000	
	Loan Origination Fees							
	Construction Loan		$18,549,000	Financed	1.00	Points	185,000	
	Permanent Loan	5	$2,738,000	Financed	1.00	Points	27,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			118,000	
	TCAC Fees	6					44,000	
	Total Financing Costs							$1,334,000
V.	**Total Construction Cost**		50	Units	$371,000	/Unit		$18,549,000
	Total Development Cost		50	Units	$442,400	/Unit		$22,121,000

1 Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
2 Based on estimates for other projects within Long Beach. Includes a fee waiver set at $5,303 per unit for very-low and low income units.
3 18 months of construction with a 100% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
4 18 months of construction with a 60% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
5 See APPENDIX B - EXHIBIT I - TABLE 3.
6 Includes a $2,000 application fee; a $410 per unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

APPENDIX B - EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME
NEW DEVELOPMENT: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 & 9% Tax Credit Rents	[1]	50	Units	$910	/Unit/Month	$546,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(27,000)	
	Effective Gross Income							$519,000
II.	**Operating Expenses**							
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Social Services Costs		50	Units	$200	/Unit	10,000	
	Property Tax Expense	[2]	50	Units	$0	/Unit	0	
	Reserves Deposits	[3]	50	Units	$250	/Unit	13,000	
	Total Operating Expenses		50	Units	$5,460	/Unit		$273,000
III.	**Stabilized Net Operating Income**							$246,000

[1] Based on 2019 income information. The rents are the lesser of the amount required by H&SC 50053 and the rents published by TCAC. Assumes a weighted average rent equal to 42% of the Tax Credit Median and 60% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

[2] Assumes that the developer will be entitled to the property tax abatement accorded to non-profit organizations that own and operate apartment projects restricted to low income households.

[3] Based on the minimum contribution required by TCAC.

APPENDIX B - EXHIBIT I - TABLE 3

ESTIMATED FINANCIAL GAP
NEW DEVELOPMENT: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**					
A.	**Supportable Permanent Loan**					
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT I - TABLE 2		$246,000		
	Income Available for Mortgage	125% DSCR	$197,000 Debt Service			
		6.00% Interest Rate	7.19% Mtg Constant			
	Supportable Permanent Loan				$2,738,000	
B.	**Net Tax Credit Value** [1]				$10,230,000	
C.	**Deferred Developer Fee** [2]				$600,000	
	Total Available Funding Sources					$13,568,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT I - TABLE 1				($22,121,000)
III.	**Estimated Financial Gap**	50 Units	($171,100) /Unit			($8,553,000)

[1] Assumes a $11.60 million unadjusted eligible basis, which includes a $6.29 million voluntary basis reduction; a 0% difficult-to-develop premium; a 9.0% Tax Credit rate; and an applicable fraction of 100%. The Syndication Value is set at $0.98/dollar.

[2] Equal to the amount of the Developer Fee that cannot be included in the Project's eligible basis.

APPENDIX B - EXHIBIT II

PRO FORMA ANALYSIS
NEW DEVELOPMENT: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
NEW DEVELOPMENT: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**		17,424	Sf Land	$205.00	/Sf Land		$3,572,000
II.	**Direct Costs**	1						
	Site Improvement Costs		17,424	Sf Land	$20	/Sf Land	$348,000	
	Parking Costs							
	1st Level Subterranean		32	Spaces	$35,000	/Space	1,120,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		60,000	Sf GBA	$125	/Sf GBA	7,500,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			1,451,000	
	Builder's Risk Insurance		2.0%	Construction Costs			207,000	
	Contingency Allowance		5.0%	Other Direct Costs			601,000	
	Total Direct Costs		50	Units	$252,400	/Unit		$12,622,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8%	Direct Costs			$1,010,000	
	Public Permits & Fees	2	50	Units	$14,697	/Unit	735,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			379,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee		15.0%	Eligible Costs			2,369,000	
	Contingency Allowance		5.0%	Other Indirect Costs			237,000	
	Total Indirect Costs							$4,980,000
IV.	**Financing Costs**							
	Interest During Construction							
	Series A Bond	3	$3,570,000	Financed	3.60%	Interest	$132,000	
	Series B Bond	4	19,455,000	Financed	3.60%	Interest	718,000	
	Loan Origination Fees							
	Series A Bond		$3,570,000	Financed	2.50	Points	89,000	
	Series B Bond	5	$19,455,000	Financed	4.00	Points	778,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			126,000	
	TCAC Fees	6					8,000	
	Total Financing Costs							$1,851,000
V.	**Total Construction Cost**		50	Units	$389,100	/Unit		$19,453,000
	Total Development Cost		50	Units	$460,500	/Unit		$23,025,000

1 Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
2 Based on estimates for other projects within Long Beach. Includes a fee waiver set at $5,303 per unit for very-low and low income units.
3 Based on the debt supported by the project's stabilized net operating income. Assumes an 18-month construction period with a 60% average outstanding balance, and a 2.5-month lease-up period with a 100% average outstanding balance.
4 Based on the estimated development costs minus the Series A bond. Assumes an 18-month construction period with a 60% average outstanding balance, and a 2.5-month lease-up period with a 100% average outstanding balance.
5 See APPENDIX B - EXHIBIT II - TABLE 3.
6 Includes a $2,000 application fee; a $410 per unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

APPENDIX B - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME
NEW DEVELOPMENT: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 & 4% Tax Credit Rents	[1]	50	Units	$983	/Unit/Month	$590,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(30,000)	
	Effective Gross Income							$560,000
II.	**Operating Expenses**	[2]						
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Social Services Costs		50	Units	$200	/Unit	10,000	
	Property Tax Expense		50	Units	$0	/Unit	0	
	Reserves Deposits	[3]	50	Units	$250	/Unit	13,000	
	Total Operating Expenses		50	Units	$5,460	/Unit		$273,000
III.	**Stabilized Net Operating Income**							$287,000

[1] Based on 2019 income information. The rents are the lesser of the amount required by H&SC 50053 and the rents published by TCAC. Assumes a weighted average rent equal to 48% of the Tax Credit Median and 67% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

[2] Assumes that the developer will be entitled to the property tax abatement accorded to non-profit organizations that own and operate apartment projects restricted to low income households.

[3] Based on the minimum contribution required by TCAC.

APPENDIX B - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL GAP
NEW DEVELOPMENT: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**							
	A. Supportable Tax-Exempt Multifamily Bond							
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT II - TABLE 2				$287,000		
	Income Available for Mortgage	125%	DSCR	$230,000	Debt Service			
		5.00%	Interest Rate	6.44%	Mtg Constant			
	Supportable Tax-Exempt Multifamily Bond						$3,570,000	
	B. Net Tax Credit Value [1]						$5,694,000	
	C. Deferred Developer Fee [2]						$0	
	Total Available Funding Sources							$9,264,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT II - TABLE 1						($23,025,000)
III.	**Estimated Financial Gap**	50	Units	($275,200)	/Unit			($13,761,000)

[1] Assumes a $18.16 million eligible basis; a 0% difficult-to-develop premium, a 3.2% Tax Credit rate; an applicable fraction of 100%; and a $0.98/dollar Syndication Value.

[2] Equal to the amount by which the Developer Fee exceeds $2.50 million.

APPENDIX B - EXHIBIT III

PRO FORMA ANALYSIS
NEW DEVELOPMENT: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX B - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
NEW DEVELOPMENT: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**		17,424	Sf Land	$205	/Sf Land		$3,572,000
II.	**Direct Costs**	[1]						
	Site Improvement Costs		17,424	Sf Land	$20	/Sf Land	$348,000	
	Parking Costs							
	1st Level Subterranean		32	Spaces	$35,000	/Space	1,120,000	
	2nd Level Subterranean		31	Spaces	$45,000	/Space	1,395,000	
	Building Costs		60,000	Sf GBA	$125	/Sf GBA	7,500,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			1,451,000	
	Builder's Risk Insurance		2.0%	Construction Costs			207,000	
	Contingency Allowance		5.0%	Other Direct Costs			601,000	
	Total Direct Costs		50	Units	$252,400	/Unit		$12,622,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8%	Direct Costs			$1,010,000	
	Public Permits & Fees		50	Units	$14,697	/Unit	735,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			379,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee		5.0%	Total Construction Cost			864,000	
	Contingency Allowance		5.0%	Other Indirect Costs			162,000	
	Total Indirect Costs							$3,400,000
IV.	**Financing Costs**							
	Interest During Construction							
	Property Acquisition Costs	[2]	$3,572,000	Financed	3.60%	Interest	$220,000	
	Construction Costs	[3]	$17,288,000	Financed	3.60%	Interest	690,000	
	Loan Origination Fees							
	Construction Loan		$17,288,000	Financed	1.00	Points	173,000	
	Permanent Loan	[4]	$3,642,000	Financed	1.00	Points	36,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			147,000	
	Total Financing Costs							$1,266,000
V.	**Total Construction Cost**		50	Units	$345,800	/Unit		$17,288,000
	Total Development Cost		50	Units	$417,200	/Unit		$20,860,000

[1] Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
[2] 18 months of construction with a 100% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
[3] 18 months of construction with a 60% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
[4] See APPENDIX B - EXHIBIT III - TABLE 3.

APPENDIX B - EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME
NEW DEVELOPMENT: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 Rents	1	50	Units	$1,143	/Unit/Month	$686,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(34,000)	
	Effective Gross Income							$652,000
II.	**Operating Expenses**							
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Property Taxes	2	50	Units	$1,312	/Unit	66,000	
	Reserves Deposits	3	50	Units	$150	/Unit	8,000	
	Total Operating Expenses		50	Units	$6,480	/Unit		$324,000
III.	**Stabilized Net Operating Income**							$328,000

[1] Based on 2019 income information. The rents are based on the amount required by H&SC 50053. Assumes a weighted average rent equal to 78% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

[2] Based on the stabilized net operating income capitalized at a 5.5% rate and a 1.1% property tax rate.

[3] Based on the contributions applied to typical market rate projects.

APPENDIX B - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL GAP
NEW DEVELOPMENT: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**							
A.	**Supportable Permanent Loan**							
	Stabilized Net Operating Income	See APPENDIX B - EXHIBIT III - TABLE 2				$328,000		
	Income Available for Mortgage	125%	DSCR	$262,000	Debt Service			
		6.00%	Interest Rate	7.19%	Mtg Constant			
	Supportable Permanent Loan						$3,642,000	
B.	**Supportable Equity Contribution**	$66,000	Avail Cash Flow	8%	Return		$825,000	
	Total Available Funding Sources							$4,467,000
II.	**Total Development Cost**	See APPENDIX B - EXHIBIT III - TABLE 1						($20,860,000)
III.	**Estimated Financial Gap**	50	Units	($327,900)	/Unit			($16,393,000)

APPENDIX C - EXHIBIT I

PRO FORMA ANALYSIS
SUBSTANTIAL REHABILITATION: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX C - EXHIBIT I - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBSTANTIAL REHABILITATION: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**	1	50	Units	$267,000	/Unit		$13,350,000
II.	**Direct Costs**	2						
	Building Costs		50	Units	$55,000	/Unit	$2,750,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			385,000	
	Builder's Risk Insurance		2.0%	Construction Costs			55,000	
	Contingency Allowance		5.0%	Other Direct Costs			160,000	
	Total Direct Costs		50	Units	$67,000	/Unit		$3,350,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		5%	Direct Costs			$168,000	
	Public Permits & Fees	3	50	Units	$2,500	/Unit	125,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			101,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee						1,112,000	
	Contingency Allowance		5.0%	Other Indirect Costs			88,000	
	Total Indirect Costs							$1,844,000
IV.	**Financing Costs**							
	Interest During Construction							
	Property Acquisition Costs	4	$13,350,000	Financed	3.60%	Interest	$581,000	
	Construction Costs	5	$6,210,000	Financed	3.60%	Interest	181,000	
	Loan Origination Fees							
	Construction Loan		$6,210,000	Financed	1.00	Points	62,000	
	Permanent Loan	6	$2,738,000	Financed	1.00	Points	27,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			118,000	
	TCAC Fees	7					47,000	
	Total Financing Costs							$1,016,000
V.	**Total Construction Cost**		50	Units	$124,200	/Unit		$6,210,000
	Total Development Cost		50	Units	$391,200	/Unit		$19,560,000

1 See APPENDIX D - EXHIBIT I. The property acquisition costs are weighted estimated at the average of the Class C Buildings.
2 Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
3 Equal to 15% of the eligible construction costs and 5% of eligible property acquisition costs.
4 12 months of construction with a 100% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
5 12 months of construction with a 60% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
6 See APPENDIX C - EXHIBIT I - TABLE 3.
7 Includes a $2,000 application fee; a $410 per unit monitoring fee; and 4% of the gross Tax Credit proceeds for one year.

APPENDIX C - EXHIBIT I - TABLE 2

STABILIZED NET OPERATING INCOME
SUBSTANTIAL REHABILITATION: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 & 9% Tax Credit Rents	1	50	Units	$910	/Unit/Month	$546,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(27,000)	
	Effective Gross Income							$519,000
II.	**Operating Expenses**							
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Social Services Costs		50	Units	$200	/Unit	10,000	
	Property Tax Expense	2	50	Units	$0	/Unit	0	
	Reserves Deposits	3	50	Units	$250	/Unit	13,000	
	Total Operating Expenses		50	Units	$5,460	/Unit		$273,000
III.	**Stabilized Net Operating Income**							$246,000

1 Based on 2019 income information. The rents are the lesser of the amount required by H&SC 50053 and the rents published by TCAC. Assumes a weighted average rent equal to 42% of the Tax Credit Median and 60% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

2 Assumes that the developer will be entitled to the property tax abatement accorded to non-profit organizations that own and operate apartment projects restricted to low income households.

3 Based on the minimum contribution required by TCAC.

APPENDIX C - EXHIBIT I - TABLE 3

ESTIMATED FINANCIAL GAP
SUBSTANTIAL REHABILITATION: 9% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**							
	A. Supportable Permanent Loan							
	Stabilized Net Operating Income		See APPENDIX C - EXHIBIT I - TABLE 2			$246,000		
	Income Available for Mortgage		125% DSCR		$197,000	Debt Service		
			6.00% Interest Rate		7.19%	Mtg Constant		
	Supportable Permanent Loan						$2,738,000	
	B. Net Tax Credit Value	[1]					$10,936,000	
	C. Deferred Developer Fee	[2]					$0	
	Total Available Funding Sources							$13,674,000
II.	**Total Development Cost**		See APPENDIX C - EXHIBIT I - TABLE 1					($19,560,000)
III.	**Estimated Financial Gap**		50	Units	($117,700)	/Unit		($5,886,000)

[1] Assumes a $12.40 million unadjusted eligible basis, which includes a $2.80 million voluntary basis reduction; a 0% difficult-to-develop premium; a 9.0% Tax Credit rate; and an applicable fraction of 100%. The Syndication Value is set at $0.98/dollar.

[2] Equal to the amount of the Developer Fee in excess of $1,400,000.

APPENDIX C - EXHIBIT II

PRO FORMA ANALYSIS
SUBSTANTIAL REHABILITATION: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX C - EXHIBIT II - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBSTANTIAL REHABILITATION: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**	1	50	Units	$267,000	/Unit		$13,350,000
II.	**Direct Costs**	2						
	Building Costs		50	Units	$55,000	/Unit	$2,750,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			385,000	
	Builder's Risk Insurance		2.0%	Construction Costs			55,000	
	Contingency Allowance		5.0%	Other Direct Costs			160,000	
	Total Direct Costs		50	Units	$67,000	/Unit		$3,350,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		5%	Direct Costs			$168,000	
	Public Permits & Fees		50	Units	$2,500	/Unit	125,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			101,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee	3					1,153,000	
	Contingency Allowance		5.0%	Other Indirect Costs			90,000	
	Total Indirect Costs							$1,887,000
IV.	**Financing Costs**							
	Interest During Construction							
	Series A Bond	4	$3,570,000	Financed	3.60%	Interest	$93,000	
	Series B Bond	5	16,418,000	Financed	3.60%	Interest	429,000	
	Loan Origination Fees							
	Series A Bond		$3,570,000	Financed	2.50	Points	89,000	
	Series B Bond	6	$16,418,000	Financed	4.00	Points	657,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			126,000	
	TCAC Fees	7					7,000	
	Total Financing Costs							$1,401,000
V.	**Total Construction Cost**		50	Units	$132,800	/Unit		$6,638,000
	Total Development Cost		50	Units	$399,800	/Unit		$19,988,000

[1] See APPENDIX D - EXHIBIT I. The property acquisition costs are estimated at the weighted average of the Class C Buildings.
[2] Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
[3] Equal to 15% of the eligible rehabiliation costs and 5% of eligible property acquisition costs.
[4] Based on the debt supported by the project's stabilized net operating income. Assumes an 12-month construction period with a 60% average outstanding balance, and a 2.5-month lease-up period with a 100% average outstanding balance.
[5] Based on the estimated development costs minus the Series A bond. Assumes an 12-month construction period with a 60% average outstanding balance, and a 2.5-month lease-up period with a 100% average outstanding balance.
[6] See APPENDIX C - EXHIBIT II - TABLE 3.
[7] Includes a $2,000 application fee; a $410 per unit monitoring fee; and 1% of the gross Tax Credit proceeds for one year.

APPENDIX C - EXHIBIT II - TABLE 2

STABILIZED NET OPERATING INCOME
SUBSTANTIAL REHABILITATION: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**								
	Net H&SC 50053 & 4% Tax Credit Rents	[1]	50	Units	$983	/Unit/Month	$590,000		
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(30,000)		
	Effective Gross Income								$560,000
II.	**Operating Expenses**								
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000		
	Social Services Costs		50	Units	$200	/Unit	10,000		
	Property Tax Expense	[2]	50	Units	$0	/Unit	0		
	Reserves Deposits	[3]	50	Units	$250	/Unit	13,000		
	Total Operating Expenses		50	Units	$5,460	/Unit			$273,000
III.	**Stabilized Net Operating Income**								$287,000

[1] Based on 2019 income information. The rents are the lesser of the amount required by H&SC 50053 and the rents published by TCAC. Assumes a weighted average rent equal to 48% of the Tax Credit Median and 67% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

[2] Assumes that the developer will be entitled to the property tax abatement accorded to non-profit organizations that own and operate apartment projects restricted to low income households.

[3] Based on the minimum contribution required by TCAC.

APPENDIX C - EXHIBIT II - TABLE 3

ESTIMATED FINANCIAL GAP
SUBSTANTIAL REHABILITATION: BONDS/4% TAX CREDIT SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**							
	A. Supportable Tax-Exempt Multifamily Bond							
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT II - TABLE 2				$287,000		
	Income Available for Mortgage	125%	DSCR	$230,000	Debt Service			
		5.00%	Interest Rate	6.44%	Mtg Constant			
	Supportable Tax-Exempt Multifamily Bond						$3,570,000	
	B. Net Tax Credit Value [1]						$4,866,000	
	C. Deferred Developer Fee [2]						$0	
	Total Available Funding Sources							$8,436,000
II.	**Total Development Cost**	See APPENDIX C - EXHIBIT II - TABLE 1						($19,988,000)
III.	**Estimated Financial Gap**	50	Units	($231,000)	/Unit			($11,552,000)

[1] Assumes a $15.52 million eligible basis; a 0% difficult-to-develop premium; a 3.2% Tax Credit rate; an applicable fraction of 100%; and a $0.98/dollar Syndication Value.

[2] Equal to the amount by which the Developer Fee exceeds $2.50 million.

APPENDIX C - EXHIBIT III

PRO FORMA ANALYSIS
SUBSTANTIAL REHABILITATION: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX C - EXHIBIT III - TABLE 1

ESTIMATED DEVELOPMENT COSTS
SUBSTANTIAL REHABILITATION: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Property Acquisition Costs**	[1]	50	Units	$267,000	/Unit		$13,350,000
II.	**Direct Costs**	[2]						
	Building Costs		50	Units	$55,000	/Unit	$2,750,000	
	Contractor Fees/General Requirements		14.0%	Construction Costs			385,000	
	Builder's Risk Insurance		2.0%	Construction Costs			55,000	
	Contingency Allowance		5.0%	Other Direct Costs			160,000	
	Total Direct Costs		50	Units	$67,000	/Unit		$3,350,000
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		5%	Direct Costs			$168,000	
	Public Permits & Fees		50	Units	$2,500	/Unit	125,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			101,000	
	Marketing & Leasing		50	Units	$5,000	/Unit	250,000	
	Developer Fee		5.0%	Total Construction Cost			264,000	
	Contingency Allowance		5.0%	Other Indirect Costs			45,000	
	Total Indirect Costs							$953,000
IV.	**Financing Costs**							
	Interest During Construction							
	Property Acquisition Costs	[3]	$13,350,000	Financed	3.60%	Interest	$581,000	
	Construction Costs	[4]	$5,284,000	Financed	3.60%	Interest	154,000	
	Loan Origination Fees							
	Construction Loan		$5,284,000	Financed	1.00	Points	53,000	
	Permanent Loan	[5]	$3,642,000	Financed	1.00	Points	36,000	
	Operating Reserve		3	Months Operating Expenses/Debt Service.			147,000	
	Total Financing Costs							$971,000
V.	**Total Construction Cost**		50	Units	$105,500	/Unit		$5,274,000
	Total Development Cost		50	Units	$372,500	/Unit		$18,624,000

[1] See APPENDIX D - EXHIBIT I. The property acquisition costs are estimated at the weighted average of the Class C Buildings.
[2] Direct costs assume prevailing wage requirements will NOT be imposed on the Project.
[3] 12 months of construction with a 100% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
[4] 12 months of construction with a 60% average outstanding balance, and 2.5 months of lease up with a 100% average outstanding balance.
[5] See APPENDIX C - EXHIBIT III - TABLE 3.

APPENDIX C - EXHIBIT III - TABLE 2

STABILIZED NET OPERATING INCOME
SUBSTANTIAL REHABILITATION: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Rental Income**							
	Net H&SC 50053 Rents	[1]	50	Units	$1,143	/Unit/Month	$686,000	
	(Less) Vacancy & Collection Allowance		5.0%	Rental Income			(34,000)	
	Effective Gross Income							$652,000
II.	**Operating Expenses**							
	General Operating Expenses		50	Units	$5,000	/Unit	$250,000	
	Property Taxes	[2]	50	Units	$1,312	/Unit	66,000	
	Reserves Deposits	[3]	50	Units	$150	/Unit	8,000	
	Total Operating Expenses		50	Units	$6,480	/Unit		$324,000
III.	**Stabilized Net Operating Income**							$328,000

1 Based on 2019 income information. The rents are based on the amount required by H&SC 50053. Assumes a weighted average rent equal to 78% of the HCD Median. Utilities allowances are set at $34 for studio units, $40 for one-bedroom units, $57 for two-bedroom units and $71 for three-bedroom units.

2 Based on the stabilized net operating income capitalized at a 5.5% rate and a 1.1% property tax rate.

3 Based on the contributions applied to typical market rate projects.

APPENDIX C - EXHIBIT III - TABLE 3

ESTIMATED FINANCIAL GAP
SUBSTANTIAL REHABILITATION: UNLEVERAGED SCENARIO
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

I.	**Available Funding Sources**								
	A. Supportable Permanent Loan								
	Stabilized Net Operating Income	See APPENDIX C - EXHIBIT III - TABLE 2				$328,000			
	Income Available for Mortgage	125%	DSCR	$262,000	Debt Service				
		6.00%	Interest Rate	7.19%	Mtg Constant				
	Supportable Permanent Loan						$3,642,000		
	B. Supportable Equity Contribution	$66,000	Avail Cash Flow	8%	Return		$825,000		
	Total Available Funding Sources							$4,467,000	
II.	**Total Development Cost**	See APPENDIX C - EXHIBIT III - TABLE 1						($18,624,000)	
III.	**Estimated Financial Gap**	50	Units	($283,100)	/Unit			($14,157,000)	

APPENDIX D

BACKGROUND INFORMATION
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

APPENDIX D - EXHIBIT I

APARTMENT SALES SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

Address	Sale Date	Year Built	Number of Units	GBA (SF)	Sales Price Total	Sales Price Per SF GBA	Sales Price Per Unit
			Class A Buildings				
421 W Broadway - IMT Gallery 421	7/5/2018	2010	291	289,247	$124,300,000	$430	$427,148
100 Long Beach Blvd - The Edison	12/4/2017	2016	156	114,000	$65,400,000	$574	$419,231
707 E Ocean Blvd - The Current	7/7/2017	2016	223	225,000	$132,850,000	$590	$595,740
				Minimum	$65,400,000	$430	$419,231
				Maximum	$132,850,000	$590	$595,740
				Weighted Average	$107,517,000	$513	$481,400
			Class B Buildings				
650 Park Avenue	3/28/2019	1941	4	2,729	$1,100,000	$403	$275,000
2222 E 6th Street	2/15/2019	1987	9	6,598	$2,200,000	$333	$244,444
145 W Brodway - Avana on Pine	3/16/2018	1992	211	222,977	$84,200,000	$378	$399,052
1401 E Ocean Blvd	11/22/2017	1940	20	12,890	$2,875,000	$223	$143,750
32 7th Place	11/8/2017	1961	15	19,911	$8,600,000	$432	$573,333
32 Orange Avenue	9/26/2017	1922	10	4,836	$2,100,000	$434	$210,000
6000 Appian Way	9/1/2017	1963	4	4,083	$1,850,000	$453	$462,500
404 Pine Avenue - Griffs	8/31/2017	2003	221	190,282	$79,250,000	$416	$358,597
386 Carrroll Place E	8/4/2017	1903	4	3,200	$1,300,000	$406	$325,000
4035 E Livington Drive	4/20/2017	1923	14	11,844	$5,425,000	$458	$387,500
127 W 6th Street	2/6/2017	2016	11	12,955	$4,850,000	$374	$440,909
				Minimum	$1,100,000	$223	$143,750
				Maximum	$84,200,000	$458	$573,333
				Weighted Average	$17,614,000	$394	$370,500
			Class C Buildings				
595 Pine Avenue	3/29/2019	1987	158	124,514	$48,900,000	$393	$309,494
461 Almond Avenue	3/29/2019	1980	5	4,206	$1,290,000	$307	$258,000
319 Walnut Avenue	3/28/2019	1967	6	6,599	$2,575,000	$390	$429,167
44-58 Argonne Avenue	3/27/2019	1946	24	10,128	$6,100,000	$602	$254,167
421 Almond Avenue	3/27/2019	1913	4	2,446	$1,065,000	$435	$266,250
3356 E 1st Street	3/22/2019	1924	6	4,722	$1,884,500	$399	$314,083
1275 E Broadway	3/21/2019	1920	4	3,308	$1,000,000	$302	$250,000
336 Obispo Avenue	2/28/2019	1927	5	4,940	$1,600,000	$324	$320,000
269-271 Kennebec Avenue	2/7/2019	1960	12	8,288	$3,400,000	$410	$283,333
1153 E Appleton Street	2/7/2019	1932	9	3,088	$1,720,000	$557	$191,111
240 Linden Avenue	2/5/2019	1905	8	3,390	$1,265,000	$373	$158,125
640 Stanley Avenue	1/8/2019	1973	16	14,840	$5,200,000	$350	$325,000
314 Hermosa Avenue	12/27/2018	1986	8	6,516	$2,725,000	$418	$340,625
1828 E 5th Street	12/26/2018	1953	10	7,876	$2,470,000	$314	$247,000
211 Mira Mar Avenue	12/19/2018	1922	6	4,194	$1,675,000	$399	$279,167
669 Stanley Avenue	12/18/2018	1965	7	6,594	$1,820,000	$276	$260,000
1521 E 2nd Street	12/14/2018	1934	12	8,401	$3,999,000	$476	$333,250
4108-4114 E Broadway	12/13/2018	1923	6	3,424	$1,725,000	$504	$287,500

APPENDIX D - EXHIBIT I

APARTMENT SALES SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

					Sales Price		
Address	Sale Date	Year Built	Number of Units	GBA (SF)	Total	Per SF GBA	Per Unit
387-389 Mira Mar Avenue	12/11/2018		5	3,603	$1,515,000	$420	$303,000
737 E 5th Street	11/20/2018	1963	20	12,934	$4,400,000	$340	$220,000
1100 E 7th Street	11/20/2018	1933	10	4,540	$2,050,000	$452	$205,000
429 Magnolia Avenue	11/13/2018	1913	5	4,032	$1,225,000	$304	$245,000
4325-4329 E Ocean Blvd	11/5/2018	1964	10	7,764	$3,450,000	$444	$345,000
440 W 4th Street	10/26/2018	1913	6	4,548	$1,750,000	$385	$291,667
3943 E 4th Stret	10/23/2018	1972	16	10,472	$4,675,000	$446	$292,188
631 Almond Avenue	10/19/2018	1930	16	12,918	$3,775,000	$292	$235,938
1912-1918 E 2nd Street	10/10/2018	1923	19	9,662	$4,120,000	$426	$216,842
405 W 3rd Street	10/1/2018	1922	9	4,320	$1,725,000	$399	$191,667
243 Temple Avenue	9/21/2018	1986	10	8,998	$3,460,000	$385	$346,000
445 Dawson Avenue	9/20/2018	1940	10	4,128	$1,450,000	$351	$145,000
4308 4th Street	9/20/2018	1970	8	5,119	$2,400,000	$469	$300,000
2104 Florida Street	9/12/2018	1928	11	6,242	$2,550,000	$409	$231,818
119 Orange Avenue	9/12/2018	1922	10	7,484	$2,850,000	$381	$285,000
2320 E 6th Street	9/5/2018	1961	9	7,098	$3,250,000	$458	$361,111
2925 E Theresa Street	8/31/2018	1946	8	4,302	$1,625,000	$378	$203,125
138 Elm Avenue	8/24/2018	1914	22	11,744	$5,475,000	$466	$248,864
420 Almond Avenue	8/6/2018	1972	9	5,392	$1,700,000	$315	$188,889
1900 E 7th Street	7/31/2018	1942	8	4,170	$1,385,000	$332	$173,125
1056 E 6th Street	7/27/2018	1955	9	5,570	$2,250,000	$404	$250,000
4600 E 4th Street	7/18/2018	1974	4	4,193	$1,500,000	$358	$375,000
5125 E The Toledo	7/12/2018	1943	5	3,148	$1,450,000	$461	$290,000
1821-1827 E 5th Street	7/10/2018	1960	34	25,056	$7,300,000	$291	$214,706
1001 E 5th Street	7/6/2018	1934	5	3,393	$785,000	$231	$157,000
3921 E Livingston Drive	6/29/2018	1923	13	9,040	$4,000,000	$442	$307,692
338-350 E 7th Street	6/29/2018	1912	8	6,713	$2,272,500	$339	$284,063
5281 E Ocean Blvd	6/28/2018	1950	12	4,866	$3,100,000	$637	$258,333
1116 E 5th Street	6/22/2018	1929	8	6,156	$1,950,000	$317	$243,750
116 Redondo Avenue	6/9/2018	1922	6	3,900	$1,805,000	$463	$300,833
281 Molino Avenue	6/8/2018	1918	6	2,738	$1,600,000	$584	$266,667
3121 E Mariquita Street	5/29/2018	1961	24	15,638	$6,515,500	$417	$271,479
1309 Appleton Street	5/29/2018	1957	12	9,288	$4,000,000	$431	$333,333
315 Cherry Avenue	5/25/2018	1923	8	6,392	$1,775,000	$278	$221,875
2818 E Mariquita Street	5/21/2018	1921	4	3,266	$1,250,000	$383	$312,500
534-540 Maine Avenue	5/18/2018	1924	4	2,850	$950,000	$333	$237,500
620 Coronado Avenue	5/16/2018	1963	18	15,364	$4,850,000	$316	$269,444
1145 E 1st Street	5/16/2018	1955	11	7,171	$2,700,000	$377	$245,455
2333-2401 E 5th Street	5/3/2018	1963	22	13,996	$6,800,000	$486	$309,091
938 E 6th Street	5/3/2018	1987	10	7,897	$2,315,000	$293	$231,500
420 Orange Avenue	5/1/2018	1927	11	8,672	$2,775,000	$320	$252,273
30 N Alboni Place	4/20/2018	1953	14	12,924	$3,850,000	$298	$275,000
1325-1331 Ocean Blvd	4/20/2018	1914	8	8,786	$2,410,000	$274	$301,250
2828 E 6th Street	4/18/2018	1960	9	6,008	$1,850,000	$308	$205,556
445 Rose Avenue	4/12/2018	1963	8	6,810	$1,966,500	$289	$245,813
1115 E Broadway	4/12/2018	1929	8	4,550	$1,490,000	$327	$186,250
600 Almond Avenue	4/10/2018	1964	7	7,387	$1,855,000	$251	$265,000

APPENDIX D - EXHIBIT I

APARTMENT SALES SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

					Sales Price		
Address	Sale Date	Year Built	Number of Units	GBA (SF)	Total	Per SF GBA	Per Unit
455 Rose Avenue	3/20/2018	1963	8	6,810	$1,950,000	$286	$243,750
2619-2625 E 6th Street	3/20/2018	1930	6	3,360	$1,260,000	$375	$210,000
406 E 7th Street	3/16/2018	1911	8	7,323	$1,725,000	$236	$215,625
925 E 5th Street	3/14/2018	1963	12	8,060	$2,500,000	$310	$208,333
727 E 5th Street	3/9/2018	1923	4	5,426	$1,510,000	$278	$377,500
619 Elm Avenue	3/6/2018	1921	16	10,200	$2,350,000	$230	$146,875
338 Cedar Avenue	3/4/2018	1918	17	10,164	$3,590,000	$353	$211,176
2103 E 6th Street	2/23/2018	1980	5	4,403	$1,350,000	$307	$270,000
394 Coronado Avenue	2/22/2018	1963	11	8,688	$3,500,000	$403	$318,182
160-162 Quincy Avenue	2/13/2018	1941	12	5,252	$3,062,000	$583	$255,167
1518 E 3rd Street	2/8/2018	1964	22	16,426	$5,675,000	$345	$257,955
630 Nebraska Avenue	2/7/2018	1981	6	5,400	$1,490,000	$276	$248,333
5914-5924 E Naples Plz	1/26/2018	1930	13	9,648	$4,599,999	$477	$353,846
102 Pomona Avenue	1/25/2018	1928	6	5,567	$2,550,000	$458	$425,000
279 Temple Avenue	1/12/2018	1961	18	13,546	$5,300,000	$391	$294,444
223 Nieto Avenue	1/12/2018	1946	4	3,000	$1,350,000	$450	$337,500
331 Newport Avenue	1/11/2018	1989	4	3,456	$1,540,000	$446	$385,000
355 Coronado Avenue	1/9/2018	1965	24	24,685	$7,600,000	$308	$316,667
1142-1148 E 1st Street	1/5/2018	1956	14	8,965	$3,150,000	$351	$225,000
1940 E Florida Street	1/4/2018	1920	5	5,124	$1,395,000	$272	$279,000
1015 E 5th Street	12/15/2017	1987	8	5,996	$1,985,000	$331	$248,125
1636 E 6th Street	12/12/2017	1985	8	7,388	$2,275,000	$308	$284,375
234 Elm Avenue	12/7/2017	1920	6	3,024	$1,075,000	$355	$179,167
444-452 Magnolia Avenue	12/7/2017	1903	5	5,636	$1,265,000	$224	$253,000
4104-4108 E 7th Street	12/1/2017	1954	9	4,951	$2,450,000	$495	$272,222
419 Cedar Avemie	11/21/2017	1910	6	4,600	$1,250,000	$272	$208,333
2415 E 6th Street	11/20/2017	1974	9	5,699	$2,700,000	$474	$300,000
1246-1248 E 4th Street	11/17/2017	1962	14	9,765	$2,900,000	$297	$207,143
5219 E Ocean Blvd	11/9/2017	1949	8	3,098	$2,062,500	$666	$257,813
615 Cerritos Aveue	11/7/2017	1963	8	6,144	$1,725,000	$281	$215,625
311-315 Junipero	11/1/2017	1962	16	11,316	$5,383,000	$476	$336,438
362 Redondo Avenue	10/31/2017	1964	8	7,463	$2,950,000	$395	$368,750
441 E 5th Street	10/23/2017	1918	4	3,520	$950,000	$270	$237,500
5120-5132 Livingston Drive	10/13/2017	1943	26	25,068	$8,400,000	$335	$323,077
350 Tile Avenue	9/22/2017	1987	4	5,477	$1,450,000	$265	$362,500
2200 E 6th Street	9/20/2017	1964	8	7,302	$2,000,000	$274	$250,000
397 Termino Avenue	9/19/2017	1952	14	8,456	$4,199,000	$497	$299,929
717 E 1st Street	9/18/2017		4	3,904	$1,397,000	$358	$349,250
20 Roycroft Avenue	9/13/2017	1947	7	2,960	$1,750,000	$591	$250,000
3435 E 1st Street	9/6/2017	1948	12	6,928	$3,080,000	$445	$256,667
4799 E Ocean Blvd	9/6/2017	1951	11	7,346	$4,500,000	$613	$409,091
2633 E Broadway	9/6/2017	1923	6	3,944	$1,225,000	$311	$204,167
1217 E Ocean Blvd	8/30/2017	1963	21	16,083	$6,200,000	$386	$295,238
35 Alboni Place	8/9/2017	1925	41	27,776	$8,100,000	$292	$197,561
2310 E 5th Street	8/8/2017	1963	8	6,604	$1,900,000	$288	$237,500
1316-1322 E 3rd Street	8/5/2017	1920	12	10,048	$2,825,000	$281	$235,417
3011 E 4th Street	7/21/2017	1963	8	6,403	$1,961,000	$306	$245,125

APPENDIX D - EXHIBIT I

APARTMENT SALES SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

					Sales Price		
Address	Sale Date	Year Built	Number of Units	GBA (SF)	Total	Per SF GBA	Per Unit
1065 E Ocean Blvd	7/18/2017	1922	16	7,650	$3,580,000	$468	$223,750
1830-1838 E 7th Street	7/7/2017	1921	11	6,054	$1,825,000	$301	$165,909
639 W 4th Street	6/28/2017	1965	14	8,346	$2,400,000	$288	$171,429
1545 E 4th Street	6/9/2017	1913	5	4,770	$1,100,000	$231	$220,000
1175 E 2nd Street	3/31/2017	1964	16	13,109	$4,650,000	$355	$290,625
				Minimum	$785,000	$224	$145,000
				Maximum	$48,900,000	$666	$429,167
				Weighted Average	$3,214,000	$369	$267,200

Note: Sales data from January 2017 - April 2019; Sales are located in the Coastal Zone within Long Beach; Multi-property sales and non-arms length transactions were excluded.

Source: Costar May 2019

APPENDIX D - EXHIBIT II

APARTMENT RENT SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

Name	Address	Number of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Year Built
		Studio Units				
Unnamed	329 Winnipeg Place	1	413	$965	$2.34	1929
Unnamed	208-210 Granada	2	509	$619	$1.22	1948
Belmont Heights Apartment	4035 Livingston Drive	2	600	$1,017	$1.70	1923
Unnamed	944-964 E 5th Street	3	347	$690	$1.99	1909/1920
Unnamed	1102 E 1st Street	4	450	$910	$2.02	1910
Unnamed	32 Orange Avenue	4	375	$910	$2.43	1922
Unnamed	1604 E 3rd Street	8	600	$976	$1.63	1921
Bella Mare 6th Street Lofts	431 E 6th Street	9	605	$1,653	$2.73	2015
Unnamed	65 Roswell Avenue	12	429	$687	$1.60	1923
Griffis Pine Avenue	404 Pine Avenue	15	578	$1,616	$2.80	2003
Pine at Sixth	595 Pine Avenue	15	628	$1,891	$3.01	1987
Unnamed	102-118 Orange Avenue	24	500	$1,114	$2.23	1923
The Current	707 E Ocean Blvd	30	685	$2,584	$3.77	2016
Sofi at Third	225 W 3rd Street	32	484	$1,814	$3.75	1990
Magnolia	527 W 3rd Street	36	438	$1,049	$2.39	1929
AMLI Park Broadway	245 West Broadway	40	767	$2,952	$3.85	2019
442 Residences	442 W Ocean Blvd	43	536	$2,115	$3.95	2019
The Edison	100 Long Beach	48	602	$1,916	$3.18	2016
Avana on Pine	145 Pine Avenue	69	1,163	$2,176	$1.87	1992/2016
		Minimum	347	$619	$1.22	
		Maximum	1,163	$2,952	$3.95	
		Weighted Average	564	$1,455	$2.58	

APPENDIX D - EXHIBIT II

APARTMENT RENT SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

Name	Address	Number of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Year Built
		One-Bedroom Units				
Unnamed	3315 E 2nd Street	1	900	$1,418	$1.58	1958
Unnamed	944-964 E 5th Street	2	500	$763	$1.53	
Unnamed	1918 E 6th Street	2	550	$737	$1.34	1988
Unnamed	2222 E 6th Street	2	499	$1,146	$2.30	1987
Unnamed	329 Winnipeg Place	3	567	$1,052	$1.86	
Unnamed	2333 E 4th Street	4	902	$1,046	$1.16	1923
Unnamed	102-118 Orange Avenue	4	700	$1,200	$1.71	
Unnamed	208-210 Granada	4	612	$943	$1.54	
Unnamed	1102 E 1st Street	5	600	$1,178	$1.96	
Unnamed	1604 E 3rd Street	5	750	$1,017	$1.36	
Unnamed	1821 E 6th Street	5	650	$1,385	$2.13	1988
Unnamed	442-452 Magnolia Avenue	5	1,000	$1,136	$1.14	1903
Unnamed	1217-1223 E Ocean Boulevard	6	992	$1,181	$1.19	1919
Unnamed	32 Orange Avenue	6	556	$1,248	$2.24	
Ocean Villas	3617 E Ocean Boulevard	8	700	$2,231	$3.19	1949
Unnamed	145 Prospect Avenue	8	550	$1,619	$2.94	1958/2010
Bella Mare 6th Street Lofts	431 E 6th Street	15	665	$1,876	$2.82	
442 Residences	442 W Ocean Blvd	27	588	$2,327	$3.96	
The Linden	434 E 4th Street	28	932	$2,931	$3.14	Under Construction
The Edison	100 Long Beach Blvd	56	755	$2,429	$3.22	
Redondo Plaza	645 Redondo Avenue	60	550	$1,102	$2.00	1987
Sofi at Third	225 W 3rd Street	72	610	$1,977	$3.24	
Marina Apartments	5435 Sorrento Drive	82	572	$1,555	$2.72	1947
Lofts at Promenade	225 Long Beach Blvd	88	805	$2,278	$2.83	
Unnamed	210 Third - 255 Long Beach Blvd	88	805	$2,347	$2.92	2008
Avana on Pine	145 W Broadway	91	1,015	$2,209	$2.18	
Pine at Sixth	595 Pine Avenue	122	730	$2,052	$2.81	
Griffis Pine Avenue	404 Pine Avenue	124	733	$1,965	$2.68	
AMLI Park Broadway	245 West Broadway	142	831	$2,876	$3.46	

APPENDIX D - EXHIBIT II

APARTMENT RENT SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

Name	Address	Number of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Year Built
The Current	707 E Ocean Blvd	149	838	$2,852	$3.40	
IMT Gallery	421 W Broadway	164	770	$2,192	$2.85	2010
Camden Harbor View	250-300 W Ocean Blvd	197	1,056	$2,776	$2.63	2003
		Minimum	499	$737	$1.14	
		Maximum	1,056	$2,931	$3.96	
		Weighted Average	728	$1,720	$2.36	
	Two-Bedroom Units					
Unnamed	1604 E 3rd Street	1	1,000	$1,286	$1.29	
Unnamed	944-964 E 5th Street	1	700	$1,280	$1.83	
Unnamed	442-452 Magnolia Avenue	1	1,300	$2,271	$1.75	
Unnamed	208-210 Granada	2	813	$766	$0.94	
Unnamed	145 Prospect Avenue	2	675	$2,037	$3.02	
Unnamed	3315 E 2nd Street	3	1,100	$2,294	$2.09	
Unnamed	116 Bennett Avenue	4	1,046	$1,786	$1.71	1928
Marina Apartments	5435 Sorrento Drive	4	800	$2,227	$2.78	
Unnamed	1821 E 6th Street	5	1,000	$1,503	$1.50	
Bella Mare 6th Street Lofts	431 E 6th Street	6	810	$2,357	$2.91	
Unnamed	1918 E 6th Street	7	900	$921	$1.02	
Unnamed	2222 E 6th Street	7	800	$1,395	$1.74	
Ocean Villas	3617 E Ocean Blvd	8	1,100	$2,497	$2.27	
Unnamed	1215 E 4th Street	9	850	$1,806	$2.12	1988
Belmont Heights Apartment	4035 Livingston Drive	12	950	$1,850	$1.95	
Lofts at Promenade	225 Long Beach Blvd	16	1,247	$3,081	$2.47	
Unnamed	210 Third - 255 Long Beach Blvd	16	1,247	$3,419	$2.74	
Pine at Sixth	595 Pine Avenue	21	1,006	$2,484	$2.47	
The Linden	434 E 4th Street	21	1,182	$3,857	$3.26	
442 Residences	442 W Ocean Blvd	25	1,011	$3,151	$3.12	
Temple Plaza Apartments	689 Temple Avenue	25	1,000	$1,745	$1.75	1987

APPENDIX D - EXHIBIT II

APARTMENT RENT SURVEY
MELLO ACT REPLACEMENT HOUSING
2019 IN-LIEU FEE ANALYSIS
LONG BEACH, CALIFORNIA

Name	Address	Number of Units	Unit Size (SF)	Average Rent Total	Average Rent Per SF	Year Built
Golden Shores	4333 2nd Street	25	1,190	$2,600	$2.18	
Athena Apartments	2925 E 7th Street	30	1,000	$1,716	$1.72	1988
Seacliff Terrace Partners Apartment	1175 E Ocean Blvd	33	900	$1,931	$2.15	1988
AMLI Park Broadway	245 West Broadway	40	1,241	$4,041	$3.26	
The Current	707 E Ocean Blvd	44	1,182	$4,194	$3.55	
The Edison	100 Long Beach Blvd	52	1,176	$3,486	$2.96	
Sofi at Third	225 W 3rd Street	56	938	$2,377	$2.53	
Griffis Pine Avenue	404 Pine Avenue	82	1,109	$2,576	$2.32	
Avana on Pine	145 W Broadway	120	1,005	$2,669	$2.66	
IMT Gallery	421 W Broadway	127	1,111	$2,770	$2.49	
Camden Harbor View	250-300 W Ocean Blvd	341	1,167	$3,099	$2.66	
		Minimum	675	$766	$0.94	
		Maximum	1,300	$4,194	$3.55	
		Weighted Average	1,017	$2,359	$2.32	

Source: CoStar May 2019

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- Red – proposed new text
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CHAPTER 21.61 - MAINTENANCE OF LOW INCOME HOUSING IN THE COASTAL ZONE

21.61.010 - Purpose.

The purpose and intent of this Chapter is to maintain the present number of very low, low and moderate income housing units within the coastal zone and to require that any applicant for a coastal development permit, as a condition of permit issuance, be responsible for replacing existing very low, low and moderate income housing on a one-to-one basis.

21.61.020 - Definitions.

Very low, low and moderate income households and housing units are defined in Chapter 21.15 (Definitions).

21.61.030 - Applicability of this Chapter.

Any applicant proposing to remove existing affordable housing in the coastal zone shall be responsible for replacing on a one-to-one basis all existing very low, low and moderate income housing removed. This provision shall not apply in the following instances:

A. If the residential structure has been condemned and would require the expenditure of fifty percent (50%) or more of the improvement value, not including land value, to meet applicable building codes; or

~~B. If the removal is for the purpose of building two (2) or fewer new residential units, or for converting two (2) or fewer rental units to condominium type units.~~

21.61.040 - Administration.

A. **Authority.** The administration of the replacement housing program and in-lieu fee payment are delegated to the ~~Housing Authority~~ Director of Development Services, subject to its consent as expressed in a resolution of its governing body. The ~~Housing Authority~~ Development Services Department shall adopt appropriate guidelines for program administration consistent with the intent of this Chapter. The authority may also adopt a fee schedule for the administration of this program as reasonably necessary.

B. **Determination.**

1. It shall be the responsibility of the ~~Housing Authority~~ Director of Development Services to make all determinations regarding the very low, low and moderate cost housing displaced. In order to avoid short-term actions by the owner to

disqualify housing from the very low, low and moderate income definitions, the authority shall develop procedures to average rental Levels over a three (3) year period and to establish fair market sales value based upon prior sales and assessment records.

2. Determinations made by the ~~authority~~ Director of Development Services shall be attached by the applicant to the coastal development permit application and shall become a public record in all proceedings and hearings related to that application. The ~~authority~~ Department shall verify the rent/sales value history and insure that there have been no price changes made for the purpose of circumventing these regulations.

3. When the units provided under this program are not under the ownership and control of the ~~Housing Authority~~ City, the ~~authority~~ Director of Development Services shall guarantee that the units continue to be made available to very low, low and moderate households. The City ~~authority~~ and the property owner shall enter into an agreement and shall cause necessary covenants and deed restrictions recorded as provided for in Subsections 21.61.080.E and F.

21.61.050 - Responsibility to provide housing.

No coastal permit and no permit to demolish units shall be issued until the applicant has demonstrated compliance with the responsibility to provide replacement units, or has demonstrated the intention to comply with this Chapter prior to occupancy of the new development. No certificate of occupancy shall be issued prior to the satisfaction of this responsibility.

21.61.060 - Method of replacement.

An applicant shall provide replacement housing units by one of the methods outlined in Subsections 21.61.060.A through E.

A. **On-site—New Units.** The replacement units may be provided on the same site as the units being removed.

B. **Off-site—New Units.** Replacement units may be provided at an off-site location approved by the ~~Housing Authority~~ Director of Development Services. The new units shall be completed and ready for occupancy within three (3) years of issuance of a coastal development permit. To assure performance, the applicant shall post a performance bond in favor of the City in an amount equal to the in-lieu fee as specified in Section 21.61.070 required for the number of units being replaced.

C. **Off-site—Rehabilitated Units.** Replacement units may consist of rehabilitated existing residential units at a site approved by the ~~Housing Authority~~ Director of Development Services. The units to be rehabilitated shall have been cited as substandard by the City Building Official. Also one (1) of the following shall apply:

1. The units to be rehabilitated must, in the opinion of the Building Official, require an investment equal to at least twenty-five percent (25%) of the

improvement value (total value less land value) of the units to correct the substandard conditions; or

2. The applicant may rehabilitate two (2) units for each unit displaced, provided that the existing units are substandard and require an investment equal to at least twelve and one-half percent (12½%)of the improvement value of the units to correct the substandard condition.

D. **Off-site—Unit Conversion.** Replacement units may be provided through the permanent conversion of existing units to housing for very low, low and moderate income households. The existing units, prior to conversion, must be renting or selling at least twenty percent (20%) above the affordable housing limit of very low and low income housing units displaced and fifteen percent (15%) above the limit of moderate income units displaced.

E. **In-lieu Fees.** A developer may choose to pay in-lieu fees rather than provide replacement housing. Fees shall be paid in accordance with the provisions of Section 21.61.070. If the in-lieu fee is selected in a redevelopment project area, the developer shall be credited with the amount of relocation benefit actually paid to displaced residents, up to a maximum of four thousand five hundred dollars ($4,500.00) per unit, provided that the relocation payments made to displaced residents by the redevelopment agency are subsequently reimbursed by the developer.

21.61.070 - In-lieu fees.

A. **Payment Schedule.** In-lieu housing replacement fees shall be paid in accordance with the schedule indicated in Table 61-I. The fee shall be paid to the Housing Trust Fund and shall be based on the number, size and income groups served by the displaced units. The schedule in Table 61-1 shall be adjusted annually in accordance with the current Construction Cost Index for the Los Angeles metropolitan area.

B. **Dispensation of In-lieu Fees.** The Director of Development Services shall place all in-lieu funds received into a special account for very low, low and moderate income housing. The funds must be dispensed within three (3) years from the date of receipt.

Table 61-1
In-Lieu Fee Schedule

Number of Bedrooms in Displaced Unit	**Very-Low Income**	**Low Income**	**Moderate Income**
Studio	$241,000	$222,000	$127,000
1 Bedroom	$296,000	$272,000	$155,000
2 Bedrooms	$350,000	$322,000	$183,000

3+ Bedrooms	$404,000	$372,000	$212,000

~~Number of Bedrooms in Displaced Unit~~	~~REQUIRED FEE Type of Housing~~			
	~~Very Low~~	~~Low~~	~~Moderate I 8O—1OO%~~ ~~[a]~~	Moderate II 100—120% [a]
~~Zero/1~~	~~$20,000~~	~~$15,000~~	~~$10,000~~	$10,000
~~2~~	~~20,000~~	~~20,000~~	~~15,000~~	10,000
~~3~~	~~25,000~~	~~20,000~~	~~20,000~~	15,000
~~4+~~	~~30,000~~	~~25,000~~	~~20,000~~	20,000
~~(a) Percent of County median income.~~				

C. **Inventory of Properties.** The ~~Housing Authority~~ Director of Development Services shall maintain an inventory of properties suitable for rehabilitation, new construction or acquisition within the area specified in Subsection 21.61.080.B.

D. **Priority.** The ~~Housing Authority~~ Director of Development Services shall seek housing opportunities funded by in-lieu fees in accordance with the following order of priority:

1. Rehabilitation of existing substandard units.
2. Conversion of existing standard market rate units to housing for very low, low and moderate income persons.
3. Construction of new housing for very low, low and moderate income persons.

The intent of this priority order is to maximize the number of affordable units produced so that the number produced will approximate or exceed the number of units lost to displacement. The ~~authority~~ Director of Development Services may alter this priority as deemed reasonable to accomplish the objectives of this Chapter. The ~~Authority~~ Director shall attempt to reproduce affordable units in a mix proportional to the City-wide housing need, as established by the most current adopted general plan housing element and housing assistance plan.

E. **Annual Report Required.** The ~~Housing Authority~~ Development Services Department shall make an annual report to the City Council on its progress in this program. The report shall include annual and cumulative figures, in size and cost, for the number of housing units lost and the number of units provided by the program, as well as the relationship between program achievements and existing housing needs as established by the housing element and housing assistance plan. This reporting may be integrated into overall annual reporting to City Council regarding the Housing Element.

21.61.080 - Conditions on replacement housing.

A. **Equivalency.** An applicant shall provide replacement housing units which are equivalent to the units displaced in terms of size, measured in the number of bedrooms and income range served, for persons of very low, low and moderate incomes. Subject to the approval of the ~~Housing Authority~~ Director of Development Services, and upon showing that provision of equivalent units is not feasible, an applicant may provide replacement housing in a mix of household sizes and incomes. The mix shall be proportional to the City-wide housing need, as established in the most current general plan housing element and housing assistance plan.

B. **Location.**

1. Any affordable housing produced through this program shall be located within the City of Long Beach anywhere south of the following line:

   Beginning at the Los Angeles River and Anaheim Street; thence east along Anaheim Street to Pacific Coast Highway; thence southeast along Pacific Coast Highway to Seventh Street; thence east along Seventh Street to West Campus Drive; thence north along West Campus Drive to the common boundary between Cal. State Long Beach and the VA Hospital on the north side of the hospital; thence west, north, east and south around the Cal. State Long Beach property line, returning to Seventh Street along East Campus Drive; thence east along Seventh Street to the boundary line between Los Angeles and Orange Counties.

2. The ~~Housing Authority~~ Director of Development Services shall attempt to achieve a reasonable distribution throughout this area in accordance with City General Plan housing element policies.

C. **Income Requirements.**

1. Housing units produced through the replacement program shall be available to households of very low, low and moderate income. To achieve this, each new tenant of rental property and each new buyer of sales property shall first be qualified by the Housing Authority in accordance with procedures set forth by HUD under Section 8 of the Housing Act of 1937, as amended, or similar procedures which take into account annual household income and total household assets.

2. Applicants shall be qualified as very low income, low income and moderate income, corresponding to the three (3) classes of housing units (very low, low and moderate) defined in Chapter 21.15 (Definitions).

D. **Guarantee.** An applicant shall guarantee that replacement housing provided pursuant to Section 21.61.040 will continue to be provided for very low, low and moderate income households. The applicant shall enter into a recorded agreement with the ~~Housing Authority~~ City as specified in Subsections 21.61.060.C and D.

E. **Rental Units Guarantee.** Affordable housing developed as rental units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the ~~Housing Authority~~ Director of Development Services to assure that all units will continue to be rented at prices affordable to very low, low and moderate income renters. The agreement shall bind the developer and any successor in interest to the real property being developed. The agreement shall be recorded as a covenant running with the land, with no prior liens, other than tax liens, for a period extending ~~thirty~~ fifty five(55 ~~30~~) years from the date the agreement is recorded. The agreement shall provide that either:

   a. The unit rents shall be fixed at a level affordable to very low, low and moderate income households. The rent may be adjusted annually to reflect changes in the median income. Tenants must qualify as meeting the definition of very low, low and moderate income; or

   b. The units shall be rented at the fair market rent for new construction as established by the Department of Housing and Urban Development (HUD). The units shall be rented to persons who either meet the standards for rent subsidy established by HUD pursuant to Section 8 of the Housing Act of 1937, as amended, or to persons who meet the requirements of other rent subsidy or funding program that provides rental housing for low income households.

   c. The developer and all successors in interest shall be subject to period affordable housing covenant monitoring fees as may be established.

2. The developer shall make best efforts to accomplish the intent of this Chapter. Those efforts shall include, but not be limited to, entering into contracts offered by HUD, the Housing Authority, or other such agency administering a rent subsidy program; or, refraining from taking any action to terminate any rent subsidy programs entered into.

3. In the event that any time within ~~thirty~~ fifty five(55 ~~30~~) years after the agreement is recorded housing subsidies are not available, the developer or his successor shall maintain the rental levels for the unit at amounts no higher than those affordable to persons within the appropriate income categories described in this Title. In the event that so-called Section 8 or comparable maximum rental levels are no longer published by the federal government or local governmental agencies, maximum rental levels shall be a base rent established by the last rental ceiling published for the Section 8 program, adjusted by a percentage to reflect the percentage increase or decrease in median income.

F. **Sale Unit Guarantee.** Affordable units developed as sale units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the ~~Housing Authority~~ Director of Development Services to assure that subsequent sales following the initial sale of the unit will be at a price affordable to households earning substantially the same percentage of the median income as the initial purchasers. The agreement shall bind the developer, any successor in interest and all subsequent purchasers of the unit. The agreement shall be recorded as a covenant running with the land, with no prior liens other than tax liens. The agreement shall provide as follows:

    a. The applicant, his successors and any subsequent purchasers shall give the City and Department of Development Services ~~Housing Authority~~ an option to purchase the units. The authority may assign this option to an individual private purchaser who qualifies as a very low, low or moderate income person and who falls within substantially the same income group as the person for whom the initial sales price was originally established.

2. Whenever the applicant or any subsequent owner of the unit wishes to sell or transfer the unit, the applicant shall notify the ~~Authority~~ Director of Development Services of his intent to sell. The ~~authority~~ City shall have the right to exercise the option cited in Subsection 21.61.080.F.1 within one hundred and eighty (180) days of the initial sale of the unit by the developer, or within ninety days for subsequent sales. Following the exercise of the option, escrow shall be opened and closed within ninety (90) days after delivery of the notice to exercise the option.

3. The option price paid by the ~~authority~~ City or its designee shall be the original sales price of the unit plus an amount which reflects any increase in the median income since the time of original sale.

4. Following the notice of intent to sell the unit, the ~~authority~~ City shall have the right to inspect the premises to determine whether repair or rehabilitation beyond the requirements of general or deferred maintenance is necessary. If such repair or maintenance is necessary, the ~~authority~~ City shall determine the cost of repair, and the cost shall be deducted from the purchase price. The repair costs shall be paid to the ~~authority~~ City, its designee, or contractors chosen by the ~~authority~~ City to carry out the deferred maintenance, and the money received shall be expended in making repairs.

5. The purchaser shall not sell, lease, rent, assign or otherwise transfer the property without the expressed written consent of the ~~Housing Authority~~ Director of Development Services. This provision shall not prohibit encumbrancing the property for the sole purpose of securing financing. However, in the event of foreclosure or sale by deed of trust or other involuntary transfer, title to the property shall not be taken subject to the recorded agreement.

21.61.090 - First option.

Any resident displaced by new construction or condominium conversion in the coastal zone shall have the first option to rent or buy affordable housing.

FINDINGS

Maintenance of Low-Income Housing in the Coastal Zone – In-Lieu Fee Zoning Code Amendment (ZCA)
Application No. XXXX-XX (ZCAXX-XXX)
October 1, 2020

The Long Beach Municipal Code (LBMC) does not require specific findings for the adoption of a Zoning Code Amendment. The proposed Zoning Code Amendment, however, is consistent with state law and guidelines and applicable elements of the City's General Plan; will not adversely affect the character, livability, or appropriate development of the City; and is in conformity with public necessity, convenience, general welfare, and good planning practice. The City of Long Beach makes these findings in support of its adoption of the proposed Maintenance of Low-Income Housing in the Coastal Zone – In-Lieu Fee Zoning Code Amendment.

The Zoning Code Amendment is consistent with objectives, principles, and standards of the General Plan. The Zoning Code Amendment (ZCA) would not conflict with the City's General Plan, the 2010 Strategic Plan, local coastal program, or any other applicable land use plans and policies. The ZCA involves updating the in-lieu fee schedule contained in LBMC 21.61 – Maintenance of Low-Income Housing in the Coastal Zone, to match the full financial gap associated with the construction of deed-restricted affordable housing units. The ZCA is consistent with goals, policies, and strategies in the existing Land Use Element (LUE), Housing Element (HE), and Local Coastal Act (LCP) of the General Plan. Additionally, the ZCA is consistent with the 29 policies adopted by the City Council as part of the 2017 Revenue Tools and Incentives for the Production of Affordable and Workforce Housing, specifically Policy 2.3 which directs staff to conduct a financial analysis and nexus study to review the viability of the Coastal Zone In-Lieu Fee (LBMC 21.61) and consider revisions to the fee structure.

The proposed Zoning Code Amendment will not adversely affect the character, livability, or appropriate development of the City, and is in conformity with public necessity, convenience, general welfare, and good planning practice. As the City's current zoning code has not been substantively updated since 1989, there are many sections of the current code that maintain outdated standards, regulations, and references that affect quality of life in the City and inhibit good planning. The existing ordinance requires projects that result in the demolition of lower-income units to be replaced on an one for one basis, but the fee schedule in Table 61-1, adopted in 1988, has not kept pace with the cost of constructing affordable housing since then. As a result, the in-lieu fee option has become comparatively more attractive than on-site replacement, and these in-lieu fees collected are insufficient to assist in the construction of an equivalent number of replacement units. The proposed change will respond to a community need for affordable housing and a diverse housing stock and is consistent with good planning practice as it furthers the public interest to promote development and investment that is consistent with the General Plan.

The proposed Zoning Code Amendment is consistent and compliant with the California Environmental Quality Act. No adverse environmental impacts are expected as a result of the proposed action. The proposed ordinance only modifies the in-lieu fee schedule to match the full financial gap associated with the construction of affordable replacement housing units in the Coastal Zone. The proposed ordinance does not change the height, intensity of land use, or allowable land uses currently permitted by the underlying zoning and therefore does not result in an increase in overall development nor impact the scale or character of affected areas. In accordance with the California Environmental Quality Act (CEQA) and the CEQA guidelines, this ZCA is categorically exempt from the California Environmental Quality Act ("CEQA") pursuant to Section 15305 (Class 5 – Minor Alterations to Land Use Limitations) of the CEQA Guidelines, and none of the exceptions in 15300.2 apply. The ZCA is further exempt pursuant to Section 15308 (Actions by Regulatory Agencies for Protection of the Environment) and Section 15061(b)(3) (Common Sense Exemption), as it will not result directly or indirectly in significant environmental impacts. (CE20-090);

FINDINGS

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Application No. 2009-04 (ZCA20-014)
October 1, 2020

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D. ~~**Off-site—Unit Conversion.** Replacement units may be provided through the permanent conversion of existing units to housing for very low, low and moderate income households. The existing units, prior to conversion, must be renting or selling at least twenty percent (20%) above the affordable housing limit of very low and low income housing units displaced and fifteen percent (15%) above the limit of moderate income units displaced.~~

E. **In-lieu Fees.** Fees shall be paid in accordance with the provisions of Section 21.61.070. If the in-lieu fee is selected in a redevelopment project area, the developer shall be credited with the amount of relocation benefit actually paid to displaced residents, up to a maximum of four thousand five hundred dollars ($4,500.00) per unit, provided that the relocation payments made to displaced residents by the redevelopment agency are subsequently reimbursed by the developer.

F. **Affordability Replacement Requirement.** All units determined to be very low, low and moderate cost housing in accordance with Subsection 21.61.040A above shall be replaced on a one-for-one basis. All replacement units must be provided at either the same or a greater level of affordability as the existing affordable unit being replaced.

21.61.070 - In-lieu fees.

A. **Payment Schedule.** In-lieu housing replacement fees shall be paid in accordance with the schedule indicated in Table 61-I and escalated each year at the rate of the Construction Cost Index (CCI) to reflect current market cost. The fee shall be paid to the Housing Trust Fund and shall be based on the number, size and income groups served by the displaced units. The schedule in Table 61-1 shall be adjusted annually in accordance with the current Construction Cost Index for the Los Angeles metropolitan area.

B. **Dispensation of In-lieu Fees.** The Director of Development Services shall place all in-lieu funds received into a special account for very low, low and moderate income housing. The funds must be dispensed within three (3) years from the date of receipt.

Table 61-1
In-Lieu Fee Schedule

Number of Bedrooms in Displaced Unit	**Very-Low Income**	**Low Income**	**Moderate Income**
Studio	$241,000	$222,000	$127,000
1 Bedroom	$296,000	$272,000	$155,000
2 Bedrooms	$350,000	$322,000	$183,000
3+ Bedrooms	$404,000	$372,000	$212,000

~~Number of Bedrooms in Displaced Unit~~	~~REQUIRED FEE Type of Housing~~			
	~~Very Low~~	~~Low~~	~~Moderate I 80—100% (a)~~	Moderate II 100—120% (a)
~~Zero/1~~	~~$20,000~~	~~$15,000~~	~~$10,000~~	$10,000
~~2~~	~~20,000~~	~~20,000~~	~~15,000~~	10,000
~~3~~	~~25,000~~	~~20,000~~	~~20,000~~	15,000
~~4+~~	~~30,000~~	~~25,000~~	~~20,000~~	20,000
~~(a) Percent of County median income.~~				

C. **Inventory of Properties.** The ~~Housing Authority~~ Director of Development Services shall maintain an inventory of properties suitable for rehabilitation, new construction or acquisition within the area specified in Subsection 21.61.080.B.

D. **Priority.** The ~~Housing Authority~~ Director of Development Services shall seek housing opportunities funded by in-lieu fees in accordance with the following order of priority:

1. Rehabilitation of existing substandard units.
2. Conversion of existing standard market rate units to housing for very low, low and moderate income persons.
3. Construction of new housing for very low, low and moderate income persons.

The intent of this priority order is to maximize the number of affordable units produced so that the number produced will approximate or exceed the number of units lost to displacement. The ~~authority~~ Director of Development Services may alter this priority as deemed reasonable to accomplish the objectives of this Chapter. The ~~Authority~~ Director shall attempt to reproduce affordable units in a mix proportional to the City-wide housing need, as established by the most current adopted general plan housing element and housing assistance plan.

E. **Annual Report Required.** The ~~Housing Authority~~ Development Services Department shall make an annual report to the City Council on its progress in this program. The report shall include annual and cumulative figures, in size and cost, for the number of housing units lost and the number of units provided by the program, as well as the relationship between program achievements and existing housing needs as established by the housing element and housing assistance plan. This reporting may be integrated into overall annual reporting to City Council regarding the Housing Element.

21.61.080 - Conditions on replacement housing.

A. **Equivalency.** An applicant shall provide replacement housing units which are equivalent to the units displaced in terms of size, measured in the number of bedrooms and income range served, for persons of very low, low and moderate incomes. Subject to the approval of the ~~Housing Authority~~ Director of Development Services, and upon showing that provision of equivalent units is not feasible, an applicant may provide replacement housing in a mix of household sizes and incomes. The mix shall be proportional to the City-wide housing need, as established in the most current general plan housing element and housing assistance plan.

B. **Location.**

1. Any affordable housing produced through this program shall be located within the City of Long Beach anywhere south of the following line:

   Beginning at the Los Angeles River and Anaheim Street; thence east along Anaheim Street to Pacific Coast Highway; thence southeast along Pacific Coast Highway to Seventh Street; thence east along Seventh Street to West

Campus Drive; thence north along West Campus Drive to the common boundary between Cal. State Long Beach and the VA Hospital on the north side of the hospital; thence west, north, east and south around the Cal. State Long Beach property line, returning to Seventh Street along East Campus Drive; thence east along Seventh Street to the boundary line between Los Angeles and Orange Counties.

2. The ~~Housing Authority~~ Director of Development Services shall attempt to achieve a reasonable distribution throughout this area in accordance with City General Plan housing element policies.

C. **Income Requirements.**

1. Housing units produced through the replacement program shall be available to households of very low, low and moderate income. To achieve this, each new tenant of rental property and each new buyer of sales property shall first be qualified by the Housing Authority in accordance with procedures set forth by HUD under Section 8 of the Housing Act of 1937, as amended, or similar procedures which take into account annual household income and total household assets.

2. Applicants shall be qualified as very low income, low income and moderate income, corresponding to the three (3) classes of housing units (very low, low and moderate) defined in Chapter 21.15 (Definitions).

D. **Guarantee.** An applicant shall guarantee that replacement housing provided pursuant to Section 21.61.040 will continue to be provided for very low, low and moderate income households. The applicant shall enter into a recorded agreement with the ~~Housing Authority~~ City as specified in Subsections 21.61.060.C and D.

E. **Rental Units Guarantee.** Affordable housing developed as rental units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the ~~Housing Authority~~ Director of Development Services to assure that all units will continue to be rented at prices affordable to very low, low and moderate income renters. The agreement shall bind the developer and any successor in interest to the real property being developed. The agreement shall be recorded as a covenant running with the land, with no prior liens, other than tax liens, for a period extending ~~thirty~~ fifty five(55 ~~30~~) years from the date the agreement is recorded or for the life of the project, whichever is longer. The agreement shall provide that either:

   1. The unit rents shall be fixed at a level affordable to very low, low and moderate income households. The rent may be adjusted annually to reflect changes in the median income. Tenants must qualify as meeting the definition of very low, low and moderate income; or

   2. The units shall be rented at the fair market rent for new construction as established by the Department of Housing and Urban Development (HUD). The units shall be rented to persons who either meet the standards for rent subsidy established by HUD pursuant to Section 8 of the Housing Act of

1937, as amended, or to persons who meet the requirements of other rent subsidy or funding program that provides rental housing for low income households; and

3. The developer and all successors in interest shall be subject to periodic affordable housing covenant monitoring fees as may be established.

2. The developer shall make best efforts to accomplish the intent of this Chapter. Those efforts shall include, but not be limited to, entering into contracts offered by HUD, the Housing Authority, or other such agency administering a rent subsidy program; or, refraining from taking any action to terminate any rent subsidy programs entered into.

3. In the event that any time within ~~thirty~~ ~~fifty five(55 30) years~~ the life of the project after the agreement is recorded housing subsidies are not available, the developer or his successor shall maintain the rental levels for the unit at amounts no higher than those affordable to persons within the appropriate income categories described in this Title. In the event that so-called Section 8 or comparable maximum rental levels are no longer published by the federal government or local governmental agencies, maximum rental levels shall be a base rent established by the last rental ceiling published for the Section 8 program, adjusted by a percentage to reflect the percentage increase or decrease in median income.

F. **Sale Unit Guarantee.** Affordable units developed as sale units shall be subject to the following:

1. Prior to the issuance of an occupancy permit, the developer shall enter into an agreement with the ~~Housing Authority~~ Director of Development Services to assure that subsequent sales following the initial sale of the unit will be at a price affordable to households earning substantially the same percentage of the median income as the initial purchasers. The agreement shall bind the developer, any successor in interest and all subsequent purchasers of the unit. The agreement shall be recorded as a covenant running with the land, with no prior liens other than tax liens. The agreement shall provide as follows:

   a. The applicant, his successors and any subsequent purchasers shall give the City and Department of Development Services ~~Housing Authority~~ an option to purchase the units. The authority may assign this option to an individual private purchaser who qualifies as a very low, low or moderate income person and who falls within substantially the same income group as the person for whom the initial sales price was originally established.

2. Whenever the applicant or any subsequent owner of the unit wishes to sell or transfer the unit, the applicant shall notify the ~~Authority~~ Director of Development Services of his intent to sell. The ~~authority~~ City shall have the right to exercise the option cited in Subsection 21.61.080.F.1 within one hundred and eighty (180) days of the initial sale of the unit by the developer,

or within ninety days for subsequent sales. Following the exercise of the option, escrow shall be opened and closed within ninety (90) days after delivery of the notice to exercise the option.

3. The option price paid by the ~~authority~~ City or its designee shall be the original sales price of the unit plus an amount which reflects any increase in the median income since the time of original sale.
4. Following the notice of intent to sell the unit, the ~~authority~~ City shall have the right to inspect the premises to determine whether repair or rehabilitation beyond the requirements of general or deferred maintenance is necessary. If such repair or maintenance is necessary, the ~~authority~~ City shall determine the cost of repair, and the cost shall be deducted from the purchase price. The repair costs shall be paid to the ~~authority~~ City, its designee, or contractors chosen by the ~~authority~~ City to carry out the deferred maintenance, and the money received shall be expended in making repairs.
5. The purchaser shall not sell, lease, rent, assign or otherwise transfer the property without the expressed written consent of the ~~Housing Authority~~ Director of Development Services. This provision shall not prohibit encumbrancing the property for the sole purpose of securing financing. However, in the event of foreclosure or sale by deed of trust or other involuntary transfer, title to the property shall not be taken subject to the recorded agreement.

21.61.090 - First option.

Any resident displaced by new construction or condominium conversion in the coastal zone shall have the first option to rent or buy affordable housing.