

**PROPOSED INCLUSIONARY HOUSING POLICY**  
**April 2020**

**RECOMMENDED POLICY COMPONENTS**

Area 1 shall consist of Area 1a – the Downtown Plan Area, and Area 1b – the Midtown Plan Area.

In Area 1, a mandatory Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with a threshold project size of 10 units or greater upon any action requiring site plan review. Consistent with State Density Bonus Law all fractional numbers, including inclusionary requirements, round up.

Submarket Area 2 includes all areas of the City outside of Area 1.

An Incentive based Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with a threshold project size of 10 units or greater when an action requiring a legislative approval or exception is required (discretionary approval).

The Area 2 requirements shall focus on the following property types:

1. Residentially or mixed-use zoned properties that are compatible with higher density residential development; and,
2. Commercially zoned properties that are not currently zoned for residential development

**Effective Date and Exemptions**

Requirements for both Areas 1 and 2 shall take effect **January 1, 2021**.

In **Area 1**, any project that has submitted a complete application for site plan review, a tentative tract map or other major entitlement prior to the effective date is exempt from these requirements.

In **Area 2**, these provisions shall take effect following a 2020 update to the City's Density Bonus Ordinance, Any project that has completed site plan review prior to the date that the 2020 Density Bonus Ordinance update takes effect is exempt from these requirements.

**STAFF RECOMMENDATION – AREAS 1 & 2**

<b>Rental Housing Option B</b>	<b>12% of Total Project Units</b> 25% Very Low Income, 25% Low Income, and 50% Moderate Income
<b>Ownership Housing</b>	<b>10% of Total Project Units</b> 100% Moderate Income

The percentage of total project units refers to the percentage of the total number of units in a project that are required to be made affordable. The income percentage indicates the required income category targeted for the affordable units in the project. For example, under the requirement proposed by staff, a rental project containing 100 total units would be required to provide a total of 12 affordable units by providing 3 very low-income units (25%), 3 low-income units (25%) and 6 moderate-income units (50%). Where there is an uneven split between very low- and low-income units, a higher number of units will be allocated to the very low-income category. For example, a rental project containing 120 units would be required to provide a total of 14.4 affordable units. The developer would pay the in-lieu fee for the fractional unit (.4) and would be required to include 4 very low-income units, 3 low-income units, and 7 moderate-income units.

Very Low-income and rents are set at 50% of AMI, Low-income at 60% of AMI, and Moderate income at 110% of AMI.

**Phased Implementation**

<b>Year</b>	<b>Rental Option B (12%)</b>	<b>Ownership (10%)</b>
	<b><i>Required Percentage of Total Project Units</i></b>	
<b>2020/2021</b>	5%	4%
<b>2022</b>	6%	5%
<b>2023</b>	8%	7%
<b>2024</b>	12%	10%

**Alternative Means of Compliance**

<b>Table 3. Inclusionary Housing – Alternative Means of Compliance</b>	
<b>Option</b>	<b>Description</b>
<b>On-Site within a Market-Rate Project</b>	<ul style="list-style-type: none"> <li>• Units shall be dispersed through the project and be of equal size, mix, access to amenities, and quality to the market-rate units.</li> <li>• On-site development mandatory for projects with 21 or more units.</li> </ul>
<b>In-Lieu Fee Payment Option</b>	<ul style="list-style-type: none"> <li>• Allowed by-right for projects up to 20 units.</li> <li>• Allowed by-right for all ownership projects.</li> <li>• Allowed by-right for any fractional Inclusionary Housing Requirement.</li> </ul>
<i>Rental, Moderate-Income</i>	\$223,000 per unit or \$37.90 per s.f. of GBA.
<i>Rental, Low-Income</i>	\$356,000 per unit or \$37.90 per s.f. of GBA.
<i>Rental, Very Low-Income</i>	\$383,000 per unit or \$38.50 per s.f. of GBA.
<i>Ownership, Moderate-Income</i>	\$270,000 per unit or \$23.80 per s.f. of GBA.
<b>Off-Site Production</b>	<ul style="list-style-type: none"> <li>• May be considered by the City through a discretionary process for projects of 20 units or less.</li> <li>• Site must be within Long Beach, within 1 mi. of the market-rate project, and have appropriate land use designations.</li> <li>• City shall have approval rights.</li> <li>• Inclusionary percentage increased by 20% above the otherwise required percentage.</li> <li>• Off-site units must be rental units.</li> <li>• Inclusionary units must begin construction prior to construction of market-rate units.</li> </ul>

**Condominium Conversion and Ownership Units**

Developers who choose to record a tentative tract map for a residential rental project shall be required to fulfill the rental residential development Inclusionary Housing requirement. If and when the developer chooses to convert the residential rental units to condominiums, the developer must fulfill one of the following requirements:

1. The developer can maintain the residential rental units as rental Inclusionary Housing units at the then current affordable rents; or
2. The developer can market the Inclusionary Housing units for sale based on the income and affordability level that was imposed when the project was originally construct, and give the existing tenant a first right of option to purchase the unit at the affordable sales price; or

3. The developer can relocate the tenants residing in the Inclusionary Housing units under the terms imposed by the City's existing Condominium Conversion Ordinance. If this option is selected, the developer must sell the former rental residential inclusionary housing units to moderate-income households at the then current affordable sales price

When an Inclusionary Housing unit is originally sold, the home buyer must enter into a covenant agreement with the City. To secure the obligation, the home buyer will enter into a loan agreement and deed of trust with the City that carries an original principal balance that is equal to the affordability gap that existed when the home buyer purchased the Inclusionary Housing Unit. The City is not required to contribute any cash to the transaction.

### **General Program Provisions**

The following general provisions will be required:

#### **Covenant Periods**

Rental 55 years  
Ownership 45 years

#### **Monitoring Fees**

Rental projects will be subject to the City's Affordable Housing Monitoring Fee of \$160 per affordable unit per annum.

#### **Use of In-Lieu Fees Collected**

In Lieu Fees will be deposited into a new inclusionary housing fund and will be restricted for affordable housing development (new construction). The fees collected will be targeted as follows:

- Up to 30% of the funds may be used for Moderate-income housing (up to 120% AMI)
- A minimum of 70% of the funds must be used for Lower-income housing (80% AMI and below)

#### **Regular Review of Citywide Inclusionary Housing Program**

Annual reporting of the program shall be incorporated into the Housing Element Annual Performance Report (APR). An initial overall review of the program will be conducted at the end of year 3.

The entire program shall be re-evaluated every 5 years.

#### **Inclusionary Administrative Manual**

An Administrative Manual will be prepared and updated as needed to reflect changes that are made to the Inclusionary Program.

### **Density Bonus Incentives**

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Section 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 35% depending on the magnitude of the income restrictions being imposed. The City must agree to apply the affordable units used to fulfill the Section 65915 requirements to the Inclusionary Housing requirements that will be imposed on a project. The density bonus also requires developers to replace units that were previously occupied by lower-income households that were demolished or vacated prior to a density bonus application. Therefore, Inclusionary unit can be used to fulfill both density bonus and replacement housing requirements.

The Section 65915 Density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. The City is required to grant a developer's request for the statutorily established density bonus along with the requisite number of concessions and incentives, as well as any necessary development standards reductions or waivers. Expanded density bonus incentives will be necessary to implement the Submarket Area 2 requirements. An update to the City's Density Bonus Ordinance will be completed in 2020 so the Submarket Area 2 requirements can be implemented beginning in 2021.

### **Other Development Incentives**

- A. The Long Beach Municipal Code Sections 18.17.130.B.2, 18.18.120.B, 18.23.110.A.5, and 18.22.110.A.5 permit exemptions from the City's transportation improvement, park and recreation facilities, police facilities, and fire facilities development impact fees (DIF) for low-income housing development projects within Long Beach.
- B. Projects including affordable units incorporated within the market-rate project shall be provided priority plan check without the cost of expediting fees.
- C. Projects including a level of affordable units beyond the base inclusionary requirements shall be provided priority entitlement processing.
- D. Once a project is approved, the applicant will receive priority entitlement processing and building permit processing if that same design is used again at an additional location.