



# City Council

## Inclusionary Housing Policy

July 14, 2020

## Existing Voluntary Inclusionary Housing Program

- LBMC Section 21.60, Division IV includes a Voluntary Incentive Program to Create Housing for Very-Low and Low-Income Households.
- Provides a density bonus of up to 25% in projects with 5 or more units that:
  - Set aside 25% of the bonus units as very low-income units, or
  - Set aside 50% of the bonus units as low-income units.
- There are no records that any affordable units have ever been produced by this voluntary program.

# BACKGROUND

- In May 2017, the City Council adopted 29 policy recommendations to encourage the production of affordable and workforce housing.
- Policy 3.2 directs staff to develop an Inclusionary Housing policy.
- Staff recommends that the existing voluntary Inclusionary program be replaced with a new mandatory incentive-based Inclusionary Housing Program.
- Staff contracted with LeSar Development Consultants and Keyser Marston Associates to prepare economic analyses, conduct public outreach, and develop the framework for a city-wide Inclusionary Housing policy.

The economic analysis evaluates the feasibility of imposing an Inclusionary requirement in Long Beach, estimates supportable in-lieu fee amounts, and provides:

- An overview of existing Inclusionary programs in California.
- An overview of relevant State laws and requirements.
- An overview of State density bonus incentives.
- Baseline recommendations and options for a Long Beach Inclusionary Housing policy.

# ECONOMIC ANALYSIS - STATE LAW OVERVIEW

- In September 2017, the State enacted Assembly Bill 1505, providing jurisdictions with the ability to adopt Inclusionary Housing policies that impose affordable housing requirements on residential development.
- Key elements of AB 1505:
  1. Inclusionary requirements should not act as a constraint to development.
  2. Requirements cannot deprive a property owner of a fair and reasonable return and cannot be confiscatory.
  3. Economic analysis required for programs requiring more than 15% of units to be restricted to Low-Income (80% of the Area Median Income); such programs are subject to State review.
  4. Inclusionary Housing programs must include alternative means of compliance.

# ECONOMIC ANALYSIS

## 2020 INCOME CHART

Household Size		1-Person	2-Person	3-Person	4-Person
Very Low-Income	50% AMI	\$39,450	\$45,050	\$50,700	\$56,300
Low-Income	60% AMI	\$47,300	\$54,060	\$60,800	\$67,560
Moderate-Income	110% AMI	\$64,900	\$74,200	\$83,500	\$92,700

## Maximum Supportable Inclusionary Percentages

### RENTAL RESIDENTIAL DEVELOPMENT

Single Income Affordability Alternatives	Financially Feasible Inclusionary Percentage
100% Very Low Income (VLI)	11%
100% Low Income (LI)	12%
100% Moderate Income (MOD)	19%

Mixed Income Affordability Alternatives	Financially Feasible Inclusionary Percentage
20% VLI & 80% LI	12%
80% VLI & 20% LI	11%
30% LI % 70% MOD	14%

### OWNERSHIP RESIDENTIAL DEVELOPMENT

Income Category	Financially Feasible Inclusionary Percentage
Moderate Income	19%

## Maximum Allowable In-Lieu Fees

### RENTAL RESIDENTIAL DEVELOPMENT

Unit Affordability Alternative	In-Lieu Fee per Affordable Unit
Very Low Income	\$383,000
Low Income	\$356,000
Moderate Income	\$223,000

### OWNERSHIP RESIDENTIAL DEVELOPMENT

Unit Affordability Alternative	In-Lieu Fee per Affordable Unit
Moderate Income	\$270,400



# RHNA REQUIREMENTS & PROGRESS

- State Housing Element Law requires local jurisdictions to adequately zone land to accommodate housing production as determined by the Regional Housing Needs).
- The market is currently producing very few moderate- and low-income units.
- Dedicated 100% affordable projects have access to funding sources that help achieve deeper affordability than an inclusionary requirement can support.
- These government funding sources target units at very low-income and below and provide only a small amount of funding for low-income units resulting in fewer low-income units being produced.

5 <sup>th</sup> Cycle RHNA	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
RHNA Allocation (Units)	1,773	1,066	1,170	3,039	7,048
Progress (Permitted Units)	436	191	28	2,600	3,255

6 <sup>th</sup> Cycle RHNA Allocation	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
RHNA Allocation (Units)	7,122	4,038	4,149	11,131	26,440

# RHNA REQUIREMENTS & HOUSING ELEMENT UPDATE

- Future (6<sup>th</sup> Cycle) housing requirements will considerably increase the City's mandatory goals for affordable and market-rate housing production. Planning for this requirement is underway in the form of the Housing Element Update.
- Recent changes in state law require the City to identify specific programs and land that will facilitate construction of its very-low, low and moderate-income housing goals.
- An Inclusionary Program is the best available mechanism to substantially address the requirements of the Housing Element Update.

# AFFORDABLE UNITS UNDER CONSTRUCTION

Project Name	Total Affordable Units	Extremely Low Income	Very Low Income	Low Income	Moderate Income
<b>The Beacon</b> 1201 Long Beach Blvd.	158	51	107	0	0
<b>Vistas Del Puerto</b> 1836 Locust Ave.	47	11	0	36	0
<b>The Spark at Midtown</b> 1900 Long Beach Blvd.	94	47	0	47	0
<b>Las Ventanas</b> 1795 Long Beach Blvd.	101	18	22	61	0
<b>Bloom at Magnolia</b> 469 W. Pacific Coast Highway	39	39	0	0	0
<b>TOTAL</b>	<b>439</b>	<b>166</b>	<b>129</b>	<b>144</b>	<b>0</b>

# PROPOSED INCLUSIONARY HOUSING POLICY COMPONENTS

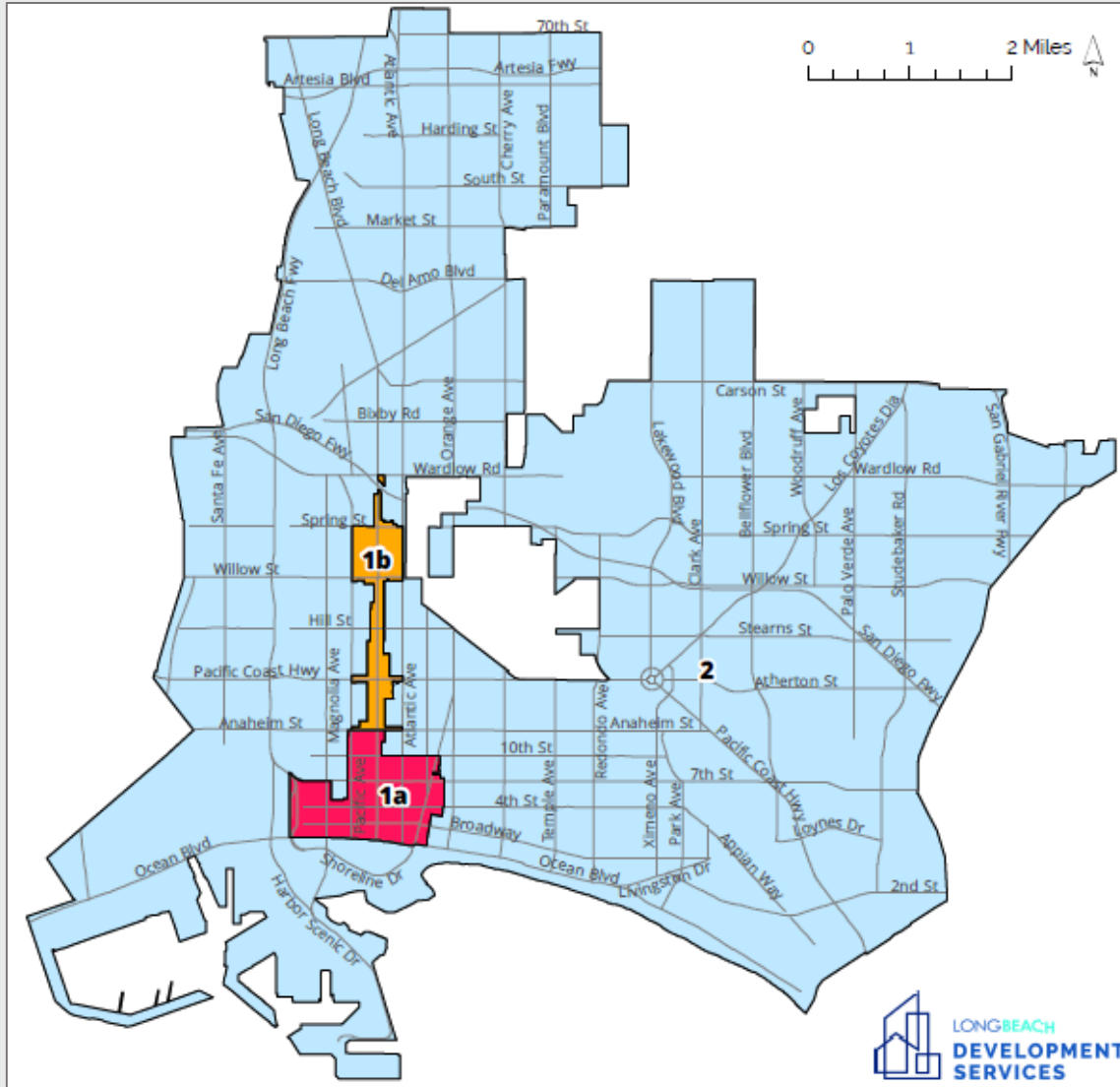
**I. Submarket Designations**



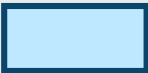
**II. Mandatory/Incentive-Based Inclusionary Requirements**

**III. Alternative Means of Compliance**

**IV. General Program Requirements**

# PROPOSED SUBMARKET AREAS



-  **Area 1a**  
Downtown (PD-30)
-  **Area 1b**  
Midtown (SP-1)
-  **Area 2**  
Remainder of City

- Area 1 has experienced robust residential development activity.
- Area 2 Almost no residential development over multiple real estate development cycles – development is constrained.
- Area 1 and 2 require different policy approaches

# AREA 1 POLICY COMPONENTS

Area 1 consists of the Downtown Plan Area (1a), and the Midtown Plan Area (1b).

- A mandatory Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with 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.
- Requirements will take effect January 1, 2021. 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.

# AREA 2 POLICY COMPONENTS

Area 2 includes all areas of the City outside of Area 1. Development in Area 2 is constrained and requires a different policy approach than Area 1.

An Inclusionary Housing requirement is triggered upon the development of new rental or ownership housing units in projects with 10 units or greater when an action requiring a legislative approval or exception is required (discretionary approval). The requirements will focus on:

- Mixed-use zoned properties that are compatible with higher density residential development; and
- Commercially zoned properties that are not currently zoned for residential development.
- Provisions will take effect on January 1, 2021 following the completion of an Enhanced Density Bonus and Incentive Ordinance Update.
- An Enhanced Density Bonus Program will encourage development with Inclusionary Housing requirements.

# INCLUSIONARY HOUSING POLICY COMPONENTS

## Inclusionary Requirement Options Presented to Planning Commission

Inclusionary Requirement Options	
<b>Rental Housing Option A</b>	10% of Total Project Units 20% Very Low Income and 80% Low Income
<b>Rental Housing Option B</b>	12% of Total Project Units 50% Low Income and 50% Moderate Income
<b>Rental Housing Option C</b>	14% of Total Project Units 30% Low Income and 70% Moderate Income
<b>Ownership Housing</b>	10% of Total Project Units 100% Moderate Income



# INCLUSIONARY HOUSING POLICY COMPONENTS

## Inclusionary Requirement Options Revised by Planning Commission

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

This revised inclusionary structure is feasible within the Economic Analysis.

# INCLUSIONARY HOUSING POLICY COMPONENTS

Inclusionary Requirement Options for City Council Consideration	
<b>Rental Housing Option A</b>	10% of Total Project Units 20% Very Low Income and 80% Low Income
<b>Rental Housing Option B</b>	12% of Total Project Units 50% Low Income and 50% Moderate Income
<b>Rental Housing Option B Revised</b>	12% of Total Project Units 25% Very Low 25% Low and 50% Moderate
<b>Rental Housing Option C</b>	14% of Total Project Units 30% Low Income and 70% Moderate Income
<b>Ownership Housing</b>	10% of Total Project Units 100% Moderate Income

# INCLUSIONARY HOUSING POLICY COMPONENTS

## STAFF RECOMMENDATION

### Rental Housing Option B (Revised)

12% of Total Project Units  
25% Very Low Income, 25% Low Income, and  
50% Moderate Income

### Ownership Housing

10% of Total Project Units  
100% Moderate Income

# INCLUSIONARY HOUSING POLICY COMPONENTS

## Recommended Phasing Schedule

Year	Rental (12%)	Ownership (10%)
	Required Percentage of Total Project Units	
2021	5%	4%
2022	6%	5%
2023	8%	7%
2024	12%	10%

# INCLUSIONARY HOUSING POLICY COMPONENTS

## Alternative Means of Compliance

Alternative means of compliance are required by State law. The Proposed Policy includes the following alternative means of compliance:

### 1. On-Site within a Market-Rate Project

- Units shall be dispersed and be of equal size, mix, access to amenities, and quality to base market-rate units.
- Mandatory for projects with 21 or more units.

### 2. In-Lieu Fee Payment Option

- Allowed by-right for projects up to 20 units.
- Allowed by-right for all ownership projects.
- Allowed by-right for fractional Inclusionary Housing requirements.
- Fee schedule shown at right.

### 3. Off-Site Production

- City has approval rights.
- Inclusionary percentage increased by 20% above the otherwise required percentage.
- Units must begin construction prior to market-rate.

Unit Type & Income Level	In-Lieu Fee per Unit
Rental Moderate Income	\$223,000
Rental Low Income	\$356,000
Rental Very Low-Income	\$383,000
Ownership Moderate Income	\$270,000

## Other Development Incentives

The following incentives are also recommended:

- A. The City offers developer impact fee exemptions for low-income units through the Long Beach Municipal Code, for transportation improvement, park and recreation facilities, police facilities, and fire facilities development impact fees.
- B. Projects including affordable units incorporated within the market-rate project will be provided priority plan check review status without the cost of expediting fees.
- C. Projects including a level of affordable units beyond the base inclusionary requirements will receive 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.

# CONDOMINIUM CONVERSION REQUIREMENTS

If a rental project converts to a condominium at a later time, the developer may choose one of the following upon conversion:

1. Maintain the units as affordable rental units;
2. Market the units for sale at moderate-income levels and offer the existing tenant a first right of option to purchase; or
3. Relocate the tenants under the terms imposed by LBMC 20.32 and sell the units at a price affordable to moderate-income households.

When an Inclusionary for-sale unit is originally sold, the buyer must enter into a covenant agreement with the City.

# STATE DENSITY BONUS REQUIREMENTS

State Density Bonus Law requires jurisdictions to:

- Provide density bonuses and other development concessions in exchange for restricted affordable housing units.
- Require demolished lower-rent units to be replaced.
- Agree to apply the affordable units used to fulfill these requirements to the Inclusionary Housing requirements that will be imposed on a project.



# ADDITIONAL REQUIREMENTS

## Required Affordability Covenant Periods

- **55 Years** for Rental Units
- **45 Years** for Ownership Units

Rental units shall be subject to the City's Affordable Housing Monitoring Fee.

In-Lieu Fees will be deposited into a new Inclusionary Housing Fund.

- Use of the funds will be restricted for new construction affordable housing development.
- Up to **30% of the funds may be used for moderate-income housing** (up to 120% of AMI).
- A **minimum of 70% of the funds must be used for lower-income housing** (80% AMI and below).

Annual reporting of the program will be incorporated into the **Housing Element Annual Progress Report**.

An initial program review will occur after three years. The entire program will be **re-evaluated every 5 years**.

An **administrative manual** will be prepared and updated as needed to reflect changes that are made to the program.

# Community Engagement



## Comments

Key takeaways gathered from public comment and stakeholder engagement efforts:

- Broad support from housing advocacy groups and residents for encouraging or requiring on-site production.
- Desire from housing advocacy groups for mandatory citywide policy.
- Potential negative impacts to development throughout the city as a result of the imposition of inclusionary requirements.
- Development community expressed desire for flexible, voluntary approach.
- Broad support for multiple affordability levels in a single project.

The proposed Inclusionary Housing Policy has been determined to not be subject to CEQA based on the following findings:

1. This project is within the scope of the previous Program Environmental Impact Report prepared for the General Plan Land Use Element update. None of the conditions requiring a new subsequent or supplemental environmental impact report, as stated in Section 21166 of the Public Resources Code or in Sections 15162 or 15163 of the CEQA Guidelines, are present.
2. Pursuant to Section 15061(b)(3) of the State CEQA Guidelines, the project has been determined to be categorically exempt since CEQA applies only to projects that have the potential for causing a significant effect on the environment. This project establishes a requirement on future residential development but will not on its own result in physical development of any new units.

# STAFF RECOMMENDATION

That the City Council:

1. Determine that no further environmental analysis is needed, and that the project is categorically exempt pursuant to Section 15061(b)(3) of the State CEQA Guidelines.
2. Request the City Attorney to draft an Ordinance based on staff's recommended policy components, amending Title 21 of the Long Beach Municipal Code to:
  - i. Repeal Title 21.60, Division IV – Voluntary Incentive Program.
  - ii. Adopt a new Citywide mandatory incentive-based Inclusionary Housing Program based on staff's recommended policy components.

# NEXT STEPS

- An Ordinance will be prepared following direction on the policy by City Council.
- The Ordinance will be presented to City Council for adoption in October 2020 (first/second reading).
- An Update to the City's Density Bonus Ordinance will be completed in 2020.



Thank you

**Oscar W. Orci**  
**Director of Development  
Services**

