



# CITY OF LONG BEACH

# R-17 REVISED

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 3rd Floor, Long Beach, CA 90802 (562) 570-5237

May 2, 2017

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

## RECOMMENDATION:

Receive and file the proposed 2017 Report on Revenue Tools and Incentives for the Production of Affordable and Workforce Housing, adopt recommendations, and direct the City Manager to work with the appropriate departments to take necessary steps to implement recommendations. (Citywide)

## DISCUSSION

The issue of housing affordability has become increasingly urgent in California, with rising housing costs and limited supply taking their toll on communities statewide. In January 2016, Mayor Robert Garcia issued a call to action to address the increasingly tenuous challenge of producing affordable and workforce housing for the residents of Long Beach. In February 2016, a group of area housing leaders and advocates were assembled to comprise the ad hoc Affordable and Workforce Housing Study Group (Study Group). The Study Group worked with staff to prepare the attached Report on Revenue Tools and Incentives for the Production of Affordable and Workforce Housing (Housing Report). The goal of the Housing Report is to recommend policies that may increase the production of affordable housing. The Housing Report was developed through a collaborative process that included research, input from the Study Group, community meetings with stakeholders and industry experts, and public study sessions.

The Study Group held over 15 meetings between February 2016 and February 2017 to discuss issues, review data, and formulate a list of potential policy items for consideration. In the fall of 2016, the Study Group and City staff hosted a series of community meetings, which were intended to facilitate conversation between affordable housing advocacy groups, the development community, and the public. Two roundtable meetings were held, one featuring a panel of housing advocates, and another featuring a panel of housing developers. Additionally, a community forum and resource fair offered opportunities for the public to provide comments on housing issues, and learn more about a variety of housing programs and services offered by the Departments of Development Services and Health and Human Services.

On February 21, 2017, City Council held a Study Session on Revenue Tools and Incentives for the Production of Affordable Housing. Staff presented an overview of the Housing Report. City staff and the Study Group described the rationale behind the list of draft recommendations from the Study Group. The presentation was followed by City Council discussion and public comment. A number of issues were requested to be

investigated further and included in the final Housing Report. Staff's research on the following topics can be found in the Housing Report (Exhibit A).

- |  |   |
|--|---|
| A. Housing Tenure                              | M. Shipping Container Construction                            |
| B. Vacancy Rates                               | N. Density Bonus Requirements and<br>Accessory Dwelling Units |
| C. Population Growth                           | O. Condominium Conversion                                     |
| D. Evictions                                   | P. One-For-One Replacement                                    |
| E. Existing Restricted Property<br>Information | Q. Homebuyer Programs   |
| F. Housing Project Entitlements                | R. Real Estate Transaction<br>Recording Fee                   |
| G. California Energy-Efficient<br>Mortgage     | S. Bond Measure for Affordable<br>Housing                     |
| H. Housing Choice Voucher Usage                | T. Code Enforcement Actions                                   |
| I. Veterans Initiative                         | U. Historic Appreciation in Home<br>Sale Prices               |
| J. Homeless Information                        |   |
| K. Utility Turn-off Information                |   |
| L. Micro-Units                                 |   |

Staff has updated the Housing Report to include research on all of these items, except for information on evictions. Staff has been unable to receive timely information despite repeated attempts to do so through the Los Angeles County Court records staff. Staff will continue to seek this information going forward, but was unable to address this information in the Housing Report. Additionally, under separate cover, staff transmitted a Draft Report on Citywide Rental Rates (Rent Report) in response to the City Council's request for staff to conduct additional research on rental rates. The Rent Report contains preliminary information obtained using several rental data sources. Staff will contract with a firm that provides professional real estate data to provide current and accurate rental rates and will transmit to the City Council an updated Rental Report at a later date.

The final Housing Report includes policy recommendations for the City Council's consideration. The recommendations have been separated into three categories that focus on housing production (Exhibit B), as follows:

1. Short-Term Recommendations
2. Mid-Term Recommendations
3. Long-Term Recommendations

If the City Council chooses to adopt these recommendations, staff will take the necessary steps to implement them, including drafting or revising portions of the Long Beach Municipal Code for future City Council consideration.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 11, 2017 and by Budget Management Officer Rhutu Amin Gharib on April 14, 2017.

#### TIMING CONSIDERATIONS

City Council action is requested on May 2, 2017, to allow staff to begin developing and implementing these policies as soon as possible.

FISCAL IMPACT

The Housing Report is a policy document that provides options for increasing the production of affordable housing but does not commit the City Council to expend funds on any particular program or project at this time. The City Council will consider implementation items in future City Council actions. As such, there is no fiscal or local job impact associated with this recommendation.

**SUGGESTED ACTION:**

Approve recommendation.

Respectfully submitted,



AMY J. BODEK, AICP  
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:



PATRICK H. WEST  
CITY MANAGER

AJB:PU:ac:kb

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Attachments: Exhibit A - Report on Revenue Tools and Incentives for the Production of Affordable Housing  
Exhibit B - Policy Recommendations for the Production of Affordable Housing

nearly all stakeholder groups, including residents, housing advocates, developers, and property owners/managers.

The Study Group prepared a list of policy recommendations that is included in Appendix C. Based on the input provided by the Study Group, the City Council, and the data contained in this report, the following housing production policies have been prepared for the City Council's consideration:

### **SECTION 1. POLICIES TO IMPLEMENT IMMEDIATELY**

- 1.1. Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.
- 1.2. Encourage Project-Based Vouchers in new affordable developments.
- 1.3. Continue to waive developer impact fees for new affordable developments in accordance with the Long Beach Municipal Code (LBMC). \*<sup>1</sup>
- 1.4. Promote the City's Density Bonus Program to all multi-family housing developers.\*
- 1.5. Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro, federal, State, county, etc., for affordable housing development, support services, and mobility enhancements and programs that support new housing development.
- 1.6. Explore the potential development of student and workforce housing on school and college/university campuses, and other adequately-zoned sites.
- 1.7. Track federal and State legislative activities and support legislation that increases funding for affordable housing.
- 1.8. Support California Environmental Quality Act (CEQA) reform through City's legislative actions that encourages the production of affordable and workforce housing. \*
- 1.9. Create and maintain a database of publicly held land that may provide opportunities for affordable and workforce housing development.

### **SECTION 2. EXISTING LEGISLATIVE REQUIREMENTS AND PENDING INITIATIVES IN PROCESS**

- 2.1. Adopt an ordinance that supports the development of accessory dwelling units in accordance with new State law.
- 2.2. Implement State law that reduces parking requirements for affordable housing projects near transit.
- 2.3. 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.
- 2.4. Review and update the Condominium Conversion Ordinance (LBMC 21.60); include first-right or opportunity to purchase; limit conversions when vacancy rates are low; consider directing resulting fees into Housing Trust Fund.

### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

- 3.1. Begin exploring a local bond measure as a one-time source to capitalize on the Housing Trust Fund Ordinance.

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<sup>1</sup> ~~Items with an asterisk (\*) have been recommended by the Study Group.~~ \*Denotes policies presented by City Council or staff only.

- 3.2. Immediately begin the development of an inclusionary housing policy to encourage mixed-income housing. Focus an inclusionary ordinance on homeownership units until such time as the legality of rental units is determined.
- 3.3. Investigate the possibility of establishing a local document recording fee to fund affordable housing (Philadelphia model).
- 3.4. Investigate the possibility of dedicating resources from the City to support the production of affordable and workforce housing during the annual budget process.
- 3.5. Modify the Housing Trust Fund Ordinance to include a more equitable distribution of resources amongst income categories (EL, VL, L, and Mod.) in conjunction with the establishment of any new revenue sources. Modernize the Ordinance to ensure that it promotes economic diversity while addresses the needs of the community's most vulnerable residents.
- 3.6. Modify the moderate-income definition from 80% to 120% of area median income (AMI) to 80%-150%.<sup>2</sup>
- 3.7. Encourage the adoption of specific plans with program environmental impact reports (EIRs) as applicable throughout the City, which provide regulatory relief and more rapid entitlement procedures.
- 3.8. Consider expanding one-for-one replacement of lower-income units (currently offered in Coastal Zone only through LBMC 21.61).
- 3.9. Develop and offer first-time homebuyer programs (including Police, Fire, and Teacher, downpayment, and second mortgage) as permitted by new revenue sources.\*
- 3.10. Encourage adoption of regulations to allow and incentivize the use of shipping container construction for housing.\*
- 3.11. Develop a plan to include micro-units as a method for encouraging housing production.\*
- 3.12. Support separate efforts to study the potential for short term rental (vacation rentals) regulations.
- 3.13. In accordance with the adopted Housing Element, ensure sufficient resources remain available to implement the City's Proactive Rental Housing Inspection Program (PHRIP).
- 3.14. Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund Ordinance with new revenue resources for the creation of affordable housing.
- 3.15. Explore and propose an Article 34 referendum to ensure maximum leveraging of State resources for affordable housing developments.
- 3.16. Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by these policy recommendations through the annual budget process as resources allow.

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## **XI. FINAL RECOMMENDATIONS**

The Final Recommendations are a synthesis of research, best practices, and input from City Council, the Study Group, and the public. Based on these factors, City staff is recommending the following housing policies based on potential impact to housing production as well as feasibility. If the City Council chooses to adopt these recommendations, staff will take the necessary steps to implement them, including drafting or revising portions of the Long Beach Municipal Code for future City Council consideration.

### **SECTION 1. POLICIES TO IMPLEMENT IMMEDIATELY**

- 1.1. Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.
- 1.2. Encourage Project-Based Vouchers in new affordable developments.
- 1.3. Continue to waive developer impact fees for new affordable developments in accordance with the Long Beach Municipal Code (LBMC). \*<sup>31</sup>
- 1.4. Promote the City's Density Bonus Program to all multi-family housing developers.\*
- 1.5. Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro, federal, State, county, etc., for affordable housing development, support services, and mobility enhancements and programs that support new housing development.
- 1.6. Explore the potential development of student and workforce housing on school and college/university campuses, and other adequately-zoned sites.
- 1.7. Track federal and State legislative activities and support legislation that increases funding for affordable housing.
- 1.8. Support California Environmental Quality Act (CEQA) reform through City's legislative actions that encourages the production of affordable and workforce housing. \*
- 1.9. Create and maintain a database of publicly held land that may provide opportunities for affordable and workforce housing development.

### **SECTION 2. EXISTING LEGISLATIVE REQUIREMENTS AND PENDING INITIATIVES IN PROCESS**

- 2.1. Adopt an ordinance that supports the development of accessory dwelling units in accordance with new State law.
- 2.2. Implement State law that reduces parking requirements for affordable housing projects near transit.
- 2.3. 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.
- 2.4. Review and update the Condominium Conversion Ordinance (LBMC 21.60); include first-right or opportunity to purchase; limit conversions when vacancy rates are low; consider directing resulting fees into Housing Trust Fund.

### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

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<sup>31</sup> ~~Items with an asterisk (\*) have been recommended by the Study Group. \*Denotes policies presented by City Council or staff only.~~



- 3.1. Begin exploring a local bond measure as a one-time source to capitalize on the Housing Trust Fund Ordinance.
- 3.2. Immediately begin the development of an inclusionary housing policy to encourage mixed-income housing. Focus an inclusionary ordinance on homeownership units until such time as the legality of rental units is determined.
- 3.3. Investigate the possibility of establishing a local document recording fee to fund affordable housing (Philadelphia model).
- 3.4. Investigate the possibility of dedicating resources from the City to support the production of affordable and workforce housing during the annual budget process.
- 3.5. Modify the Housing Trust Fund Ordinance to include a more equitable distribution of resources amongst income categories (EL, VL, L, and Mod.) in conjunction with the establishment of any new revenue sources. Modernize the Ordinance to ensure that it promotes economic diversity while addresses the needs of the community's most vulnerable residents.
- 3.6. Modify the moderate-income definition from 80% to 120% of area median income (AMI) to 80%-150%.<sup>\*32</sup>
- 3.7. Encourage the adoption of specific plans with program environmental impact reports (EIRs) as applicable throughout the City, which provide regulatory relief and more rapid entitlement procedures.
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- 3.12. Support separate efforts to study the potential for short term rental (vacation rentals) regulations.
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- 3.15. Explore and propose an Article 34 referendum to ensure maximum leveraging of State resources for affordable housing developments.
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## **Exhibit B** **Policy Recommendations for the Production of Affordable Housing**

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### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

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MAY 2017

# REVENUE TOOLS AND INCENTIVES FOR THE PRODUCTION OF AFFORDABLE AND WORKFORCE HOUSING

LONG BEACH DEVELOPMENT SERVICES  
HOUSING AND NEIGHBORHOOD SERVICES BUREAU



## ACKNOWLEDGEMENTS

### Mayor and City Council

Honorable Mayor Robert Garcia  
Lena Gonzalez, Councilwoman, 1<sup>st</sup> District  
Jeannine Pearce, Councilmember, 2<sup>nd</sup> District  
Suzie Price, Councilwoman, 3<sup>rd</sup> District  
Daryl Supernaw, Councilman, 4<sup>th</sup> District  
Stacy Mungo, Councilwoman, 5<sup>th</sup> District  
Dee Andrews, Councilman, 6<sup>th</sup> District  
Roberto Uranga, Councilmember, 7<sup>th</sup> District  
Al Austin, Councilmember, 8<sup>th</sup> District  
Rex Richardson, Vice Mayor, 9<sup>th</sup> District

### Affordable and Workforce Housing Study Group

Bonnie Lowenthal, Former Assemblymember, Chair  
Rene Castro, Vice Chair, Facilitation Lab  
Andy Kerr, Homeless Services Advisory Commission  
Brian D'Andrea, Century Housing  
Christine Petit, Building Healthy Communities Long Beach  
James Suazo, Building Healthy Communities Long Beach  
Josh Butler, Housing Long Beach  
Porter Gilberg, The LGBTQ Center Long Beach  
William Moore, California State University, Long Beach

### Roundtable Participants

Alan Greenlee, Southern California Association of Non-Profit Housing  
Alex Pratt, AMCAL  
Brenda Threatt, US VETS  
Cristian Ahumada, Clifford Beers Housing  
Daryl J. Carter, Avanath Capital  
Dr. Elisa Nicholas, The Children's Clinic  
Evangelina Ramirez, Cuidame  
Gail Goldberg, Urban Land Institute, Los Angeles Chapter  
Ginny DuRivage, Long Beach City College  
Joel John Roberts, PATH Ventures  
Johanna Cunningham, Apartment Association, California Southern Cities  
Jonathan Newsome, Long Beach Affordable Housing Coalition  
Kam Babaoff, Ensemble Properties  
Karen Reside, Cultural Advocate, Pacific Tower  
Kasey Burke, META Housing  
Keith Kennedy, Apartment Association, California Southern Cities  
Kim McKay, Bridge Housing  
Leanna Noble, North Pine Neighborhood Alliance  
Martha Cota, Latinos in Action  
Mary Zendejas, DisABLED Professionals Association  
Pat Patterson, Leducor Properties  
Pat Wong, Long Beach Community Investment Company  
Robin Hughes, Abode Communities  
Sean Rawson, Waterford Group  
Steve Pontell, BizFed  
Suny Lay Chang, LINC Housing  
Terry Geiling, American Gold Star Manor

### Office of the Mayor

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### Office of the City Manager

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### City of Long Beach Department of Development Services

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### Special Thanks

Mercedes Marquez, Marquez Consulting



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## **I. EXECUTIVE SUMMARY**

The issue of housing affordability has become increasingly urgent in California, with rising housing costs and limited supply taking their toll on communities statewide. In his State of the City Address in January 2016, Mayor Robert Garcia issued a call to action to address the increasingly tenuous challenge of producing affordable and workforce housing for residents of Long Beach, including working families and recent graduates of Cal State Long Beach trying to purchase their first home in the City.

Thousands of low- and moderate-income households in Long Beach face untenable choices because safe and affordable housing is not available to them. Households with extremely low- and very-low incomes are experiencing a housing crisis, but what is also becoming apparent is that households with moderate-incomes are unable to afford housing in today's market. Public funding for the production of housing for lower-income households is dwindling, and there are currently no public funding programs to assist moderate-income households. The purpose of this report is to stimulate and inform an urgently needed conversation amongst our community and its leaders around the following crucial questions:

- **How will we adequately invest in our City's affordable housing infrastructure?**
- **What policies can be implemented to stimulate housing development?**
- **How can we incentivize developers to build quality and affordable housing for Long Beach residents, workers, veterans, and students?**
- **What revenue sources will we dedicate to adequately meet our City's critical housing needs?**

Local housing leaders and advocates were assembled to comprise an Affordable and Workforce Housing Study Group (Study Group) chaired by former California Assemblywoman Bonnie Lowenthal. The Study Group, along with City staff, participated in multiple discussions on a variety of housing issues, and studied best practices in use throughout the country. The Study Group was tasked with creating a list of potential housing production policies for consideration, and staff focused on a review of best practices.

In fall 2016, the Study Group and staff hosted a series of community meetings led by Mayor Garcia. The community meetings were designed to facilitate conversations between affordable housing advocacy groups, the development community, and the public. Two roundtable meetings were held, one featuring a panel of housing advocacy leaders, and another featuring a panel of leaders from the housing development community. A community forum and resource fair provided the community with an update on current housing production efforts, and an opportunity to comment on housing issues. The resource fair offered an opportunity to learn more about a variety of housing programs and services offered by the City of Long Beach Department of Development Services, and the Department of Health and Human Services.

In total, the meetings were attended by over 200 residents, representing a diverse range of concerns and perspectives on housing issues. A high level of support for increasing the supply of and access to affordable housing in the city was expressed by

nearly all stakeholder groups, including residents, housing advocates, developers, and property owners/managers.

The Study Group prepared a list of policy recommendations that is included in Appendix C. Based on the input provided by the Study Group, the City Council, and the data contained in this report, the following housing production policies have been prepared for the City Council's consideration:

### **SECTION 1. POLICIES TO IMPLEMENT IMMEDIATELY**

- 1.1. Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.
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### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

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- 3.16. Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by these policy recommendations through the annual budget process as resources allow.

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<sup>2</sup> \*Denotes policies presented by City Council or staff only.

## II. BACKGROUND

Housing burdens across the U.S. have increased during the previous decade, with California experiencing particularly large impacts. These housing burdens have impacted low-income households, but the rising cost of both rental and ownership housing has begun to have an adverse effect on moderate- and even above moderate-income households.

According to The United States Department of Housing and Urban Development (HUD), housing is considered affordable to a household if the household is paying less than 30% of its total income on rent or mortgage payments. Households that pay over this amount are considered to have a high housing burden, as it is more likely they will not have enough money to meet other basic needs such as food and medical care.

In order to alleviate this burden, cities take a variety of approaches to ensuring that there is a supply of and access to affordable housing. There are basically two methods Long Beach uses to provide affordable housing stock throughout the City:

1. Housing that is produced or rehabilitated in conjunction with private developers with special financing that allows for below market rents, and includes 45- or 55-year affordability covenants. These include family, senior, supportive, and special needs housing.
2. Direct rental subsidies, such as those provided through the Housing Authority of Long Beach's Housing Choice Voucher (HCV) Program, in which the Housing Authority pays a portion of a tenant's rent to the landlord for a unit of their choice.

Using these two methods, the City is able to assist a number of different types of households and their needs (Figure 1).



Figure 1. Types of Affordable Housing provided by the City of Long Beach

In recent years, a lack of supply, and strong demand for housing have resulted in low vacancy rates, and price and rent increases, leading to more and more middle and lower-income households being priced out of the marketplace. The result has been an ever-widening gap between the cost of housing and the incomes of low- and moderate-income households. This cycle has led to the need to produce more affordable housing units. At the same time, government funding to subsidize affordable housing production and rehabilitation has fallen.

The current housing crisis is not unique to Long Beach. It is a national issue, and it's particularly problematic in the State of California, which was recently ranked as the third most expensive housing market in the nation behind Hawaii and the District of Columbia.<sup>3</sup>

At the national level, more than 43 million Americans live in poverty, and many struggle to afford basic necessities such as housing, according to the National Low Income Housing Coalition (NLIHC). The annual *Out of Reach* report prepared by NLIHC shows that a household with a full-time employee working 40 hours per week for all 52 weeks of the year must earn \$20.30 per hour to afford a two-bedroom apartment. In high cost areas of the country, it's even more. In California, a household with a full-time worker must earn \$28.59 per hour, or nearly \$60,000 annually, to afford an average 2-bedroom apartment at the \$1,487 a month fair market rate defined by HUD. This necessary wage is slightly higher at \$28.65, in the Los Angeles/Long Beach Metropolitan Area. Furthermore, in no state can a full-time worker earning the minimum wage afford even the average cost of a one-bedroom apartment.<sup>4</sup>

In California, the high cost and shortage of housing is well documented. Average housing costs in California have outpaced the nation and more acute problems exist in coastal areas where housing is out of reach, even for moderate-income households. As affordability becomes more problematic, people “overpay” for housing, “over-commute” by driving long distances between home and work, and “overcrowd” by sharing space to the point that quality of life is severely impacted. In extreme cases, people can become homeless, either visibly on the streets or less visibly as they experience housing instability and cope with temporary and unstable accommodations.

The California Department of Housing and Community Development estimates that through 2025 there will be a shortfall of more than one million rental homes affordable to extremely- and very low-income households; and California's homeownership rate has declined to the lowest rate since the 1940s. In addition, California needs more than 1.8 million additional homes by 2025 to maintain pace with projected population growth<sup>5</sup>.

Long Beach, like the rest of California, is experiencing the effects of this housing affordability crisis. A household is said to have a housing cost burden when over 30% of its income is spent on housing, and a severe housing cost burden when they must spend over 50% of its gross income on housing. Over 47% of all Long Beach households, including both renter and owner households, experience a housing cost

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<sup>3</sup> National Low Income Housing Coalition

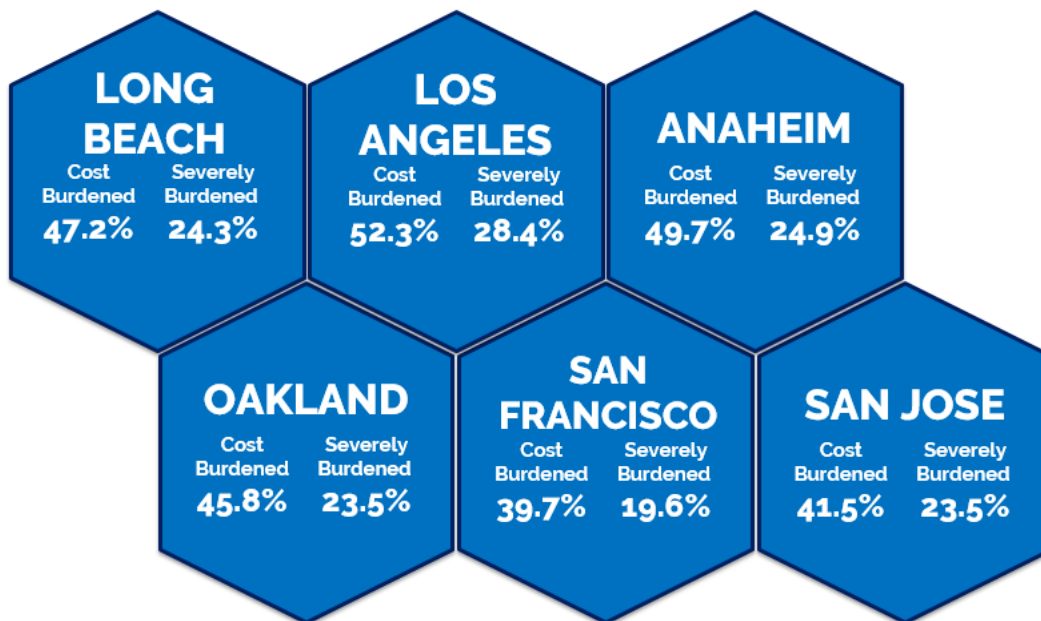
<sup>4</sup> National Low Income Housing Coalition

<sup>5</sup> California Department of Housing and Community Development. “California's Housing Future: Challenges and Opportunities”



burden, and about 24% of all City households experience a severe housing cost burden<sup>6</sup>. This issue is further magnified for low and moderate income households, 70% of whom bear a housing cost burden of over 30%<sup>7</sup>.

While these figures are concerning, they are aligned with larger trends in the State. Long Beach’s 47.1% rate of housing cost burden is comparable to that of San Jose (45.7%) and Oakland (45.8%), and below the rate found in the cities of Los Angeles (52.3%) and Anaheim (49.7%) (Figure 2). A few major cities have a housing cost burden rate lower than 40%, including Irvine, San Francisco, and Torrance<sup>8</sup>. This suggests that the significantly higher income levels in these cities compensates for higher housing costs.



**Figure 2. Housing Cost Burdens, All Households, Selected Cities**

While households may choose to reside in smaller housing units for a number of reasons, including living with extended families or with other unrelated individuals, overcrowding has become increasingly prevalent as households become priced out of the market for units of appropriate size for their household. In Long Beach, the rate of overcrowding is approximately 12%, higher than the California rate of 8.2% and much higher than the national rate of 3.3%. Overcrowding is not only a fair housing concern, but it can strain physical facilities and the delivery of public services, reduce the quality of the physical environment, contribute to parking shortages, and accelerate deterioration of homes.

According to data provided by HUD, 59% of Long Beach households rent as opposed to own, compared to 35% nationwide<sup>9</sup>. Long Beach has historically had a relatively high percentage of renter households. According to the U.S. Census, the percentage of renters was 68.3% in 1940, which dropped to 50.5% in 1960 due to a boom in for-sale

<sup>6</sup> HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

<sup>7</sup> HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

<sup>8</sup> HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

<sup>9</sup> HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

housing in the postwar era<sup>10</sup>. Since 1970, however, the percentage of Long Beach households renting has remained steady at around 58%. The Census shows that the proportion of renters and owners in Long Beach has generally reflected major patterns throughout the state, though Long Beach has historically had a slightly higher percentage of renters than the state as a whole. Detailed tables can be found in Chapter X, Section A. While the City has worked to increase the rate of homeownership through implementation of homebuyer assistance programs and incentives for the construction of affordable ownership housing, Long Beach remains a City of renters, a trend that will continue as the City focuses on meeting Statewide housing needs, particularly for low- and very low-income residents.

The burdens of both housing cost and overcrowding are borne for the most part by this very large renter population in the City of Long Beach. According to HUD, 53.2% of renter households experience a housing cost burden, compared to a rate of 38.4% for owner-occupied households<sup>11</sup>. The rate of overcrowding is also much higher for renter households in Long Beach at 16.2%, compared to only 6.1% for owner-occupied housing. Furthermore, 6.9% of all renter households are severely overcrowded, compared to only 1.6% of owner-occupied households<sup>12</sup>.

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<sup>10</sup> U.S. Census Bureau

<sup>11</sup> HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

<sup>12</sup> American Community Survey, 2010-2014

### III. THE LONG BEACH COMMUNITY INVESTMENT COMPANY AND HOUSING AUTHORITY OF THE CITY OF LONG BEACH

The Long Beach Community Investment Company (LBCIC) was established by the Long Beach City Council to administer the City's affordable housing programs. The LBCIC is a 501 c3 Non-Profit company with the City as its sole member. It is led by a Board of Directors selected by the Mayor and confirmed by the City Council. The Board administers the City's affordable housing production and rehabilitation programs, and advises the City Council on the delivery of housing and neighborhood revitalization services, and Community Development Block Grant funding (HOME, CDBG, and ESG). The City, through The LBCIC, helps to preserve existing affordable housing that is at risk of converting to market rate, and provides loans to developers to facilitate the production or rehabilitation of affordable housing.

Separately, the Housing Authority of the City of Long Beach (Housing Authority) administers the Housing Choice Voucher Program and other special rental assistance programs funded by the U.S Department of Housing and Community Development. The Housing Authority administered approximately \$69 million in FY-16 to provide rental assistance to almost 6,666 extremely low- to very low-income households that are renting privately-owned residences from more than 2,600 Long Beach property owners. Programs administered by the Housing Authority include the Housing Choice Voucher Program, the Project-Based Voucher Program, Veteran's Affairs Supportive Housing (VASH), and Housing Opportunities for Persons Living with AIDS (HOPWA) program, the Shelter Plus Care Program, and a Homeless Assistance Set-Aside Program.

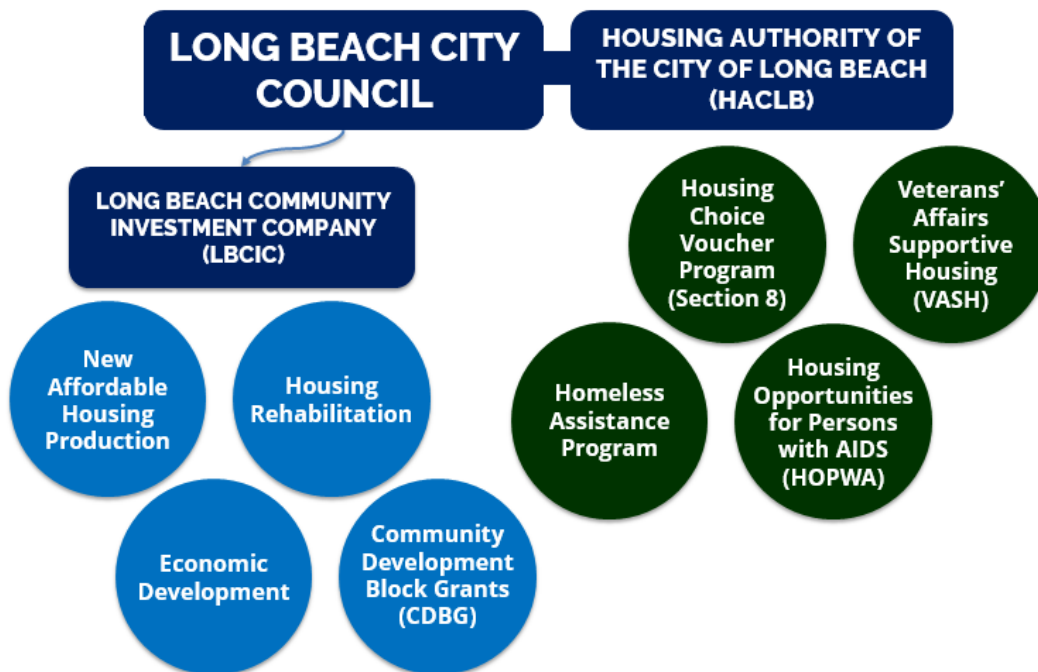


Figure 3. City of Long Beach Housing Programs

#### **IV. EXISTING HOUSING PROGRAMS AND ACCOMPLISHMENTS**

Long Beach has a sizable stock of publicly assisted rental housing. This housing stock includes all multi-family rental units assisted under federal, state, and local programs, including HUD, State/local bond programs, density bonus, and Long Beach redevelopment programs. Assisted rental projects include both new construction and rehabilitated units with long-term affordability covenants. A total of 6,477 publicly assisted multi-family units are located in the City. There are also 713 units of public housing (Carmelitos – owned by the County of Los Angeles), and 6,666 Housing Choice Vouchers that are used citywide, for a total of 13,856 assisted units in the City. This means that about 8.5% of the 163,232 housing units in the City are currently assisted<sup>13</sup>.

In addition, homebuyer assistance programs have helped hundreds of lower-income community members become first-time homebuyers; and homeowner rehabilitation programs have helped hundreds of lower-income homeowners make significant improvements to their homes throughout the City.



**Figure 4. Cabrillo Gateway, 81 units of permanent supportive housing for families in West Long Beach**

The following programs or policies are directly responsible for the existence of these units. The continued protection of these programs will ensure that additional affordable units will continue to be produced. The City Council should remain diligent in ensuring that appropriate resources are allocated to protect and preserve these programs.

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<sup>13</sup>2016 Assessment of Fair Housing

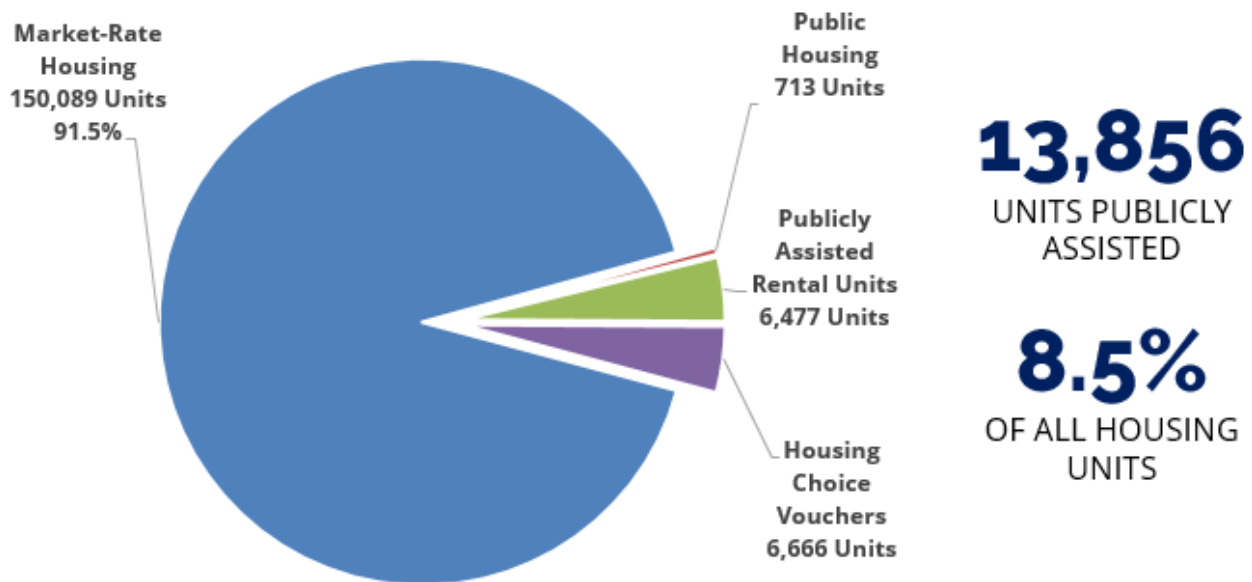


Figure 5. Existing Affordable Housing in Long Beach

**A. Preservation of “At-Risk” Affordable Housing Units**

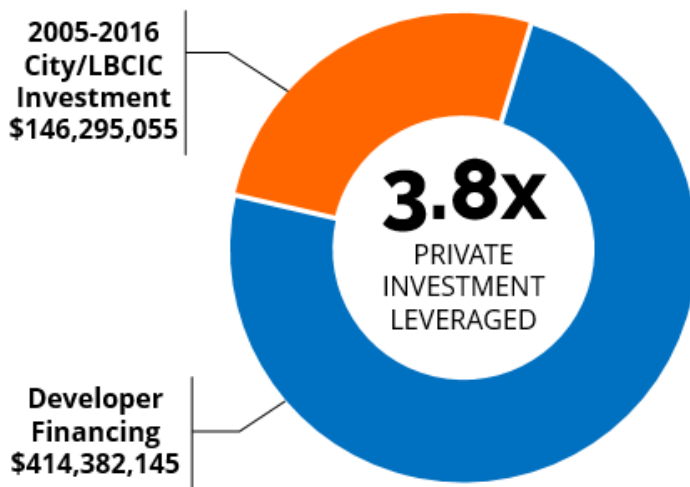
From time to time, covenants expire, and units are at risk of losing their affordability unless long-term rental restrictions are renewed. The adopted 2013-2021 Housing Element of the Long Beach General Plan requires the City to take steps to protect these units from conversion to market-rate units. Restrictions are typically renewed when a project is refinanced and rehabilitated. The City closely monitors these at-risk projects, and provides assistance to help preserve their affordability. Over the past decade, the Housing Authority and The LBCIC have facilitated the preservation of 2,139 affordable units that were at risk of converting to market rate.

**B. New Production and Acquisition/Rehabilitation of Affordable Housing Units**

For many years, the City and The LBCIC have provided financial assistance to developers that acquire, rehabilitate, and convert existing market-rate housing units to affordable units or build new affordable units. These developers specialize in the development of affordable housing, which requires the assembly of a variety of complex and competitive funding sources to fund a project. Since 2007, the City and The LBCIC have invested \$146,295,055 in the development of 1,737 new affordable housing units. A total of 1,395 units have been completed, in addition to 342 that are under construction, or will be by mid-2017. In conjunction with that investment, developers have leveraged \$414,382,145 from outside funding sources, resulting in an investment of \$560,677,200 in affordable housing development over the last decade.

# \$560,677,200

Invested in new Affordable Housing, 2006-2016



- **1,737** Units of New Affordable Housing Produced
- **2,139** Units of Affordable Housing Preserved
- **367** Units Rehabilitated and Newly Restricted
- **335** First-Time Homebuyers Assisted
- **4,578 TOTAL HOUSEHOLDS ASSISTED**

## C. Homebuyer Assistance

The City and The LBCIC have historically offered a variety of homebuyer assistance programs to assist lower-income households purchase their first home. Since 2006, 335 second mortgage loans have been provided to qualified homebuyers. Many of those loans were funded with the special federal Neighborhood Stabilization Program grants, resulting in over 100 homes being removed from the foreclosure rolls during the great recession.

## D. Homeowner Rehabilitation

Home repair and maintenance can be difficult or impossible for lower-income households, especially elderly and disabled households. The City and The LBCIC offer a homeowner rehabilitation loan program that provides loan funds to low-income homeowners to help make repairs to their homes. These loans, which are funded with federal HOME funds and State Department of Housing and Community Development (HCD) CalHome funds, require no ongoing payments, and are repaid when the homeowner sells the property. There are currently over 370 loans outstanding.

## E. Multi-Family Rehabilitation

A great deal of the City's existing multi-family housing stock is older and in need of repairs and upgrades. The City's Multi-Family Rehabilitation Loan Program offers substantial loans to apartment owners to assist with making significant repairs to their properties. These loans are at zero interest, and are typically repaid over a 20-year period. In exchange for the low-cost loans, borrowers must agree to restrict units in their building to lower-income residents at affordable rents. Over the past decade or so, 367 units have been rehabilitated and made affordable to lower-income households.



## **F. Density Bonus Program**

The State of California has adopted density bonus laws which allow developers of residential units to construct at higher densities when a portion of those additional units are rented or sold at rates affordable to low- and moderate-income residents. The City of Long Beach has codified this density bonus law as an incentive for affordable housing (LBMC 21.63). In exchange for the right to build at higher densities, the affordable units shall be guaranteed to be maintained for 30 years.

## **G. Developer Impact Fee Waiver for Affordable Housing**

The City imposes developer impact fees on new development throughout the City. These fees ensure that development bears a proportionate share of the cost of capital facilities and related costs necessary to accommodate such development. These fees are waived for affordable housing developments, typically saving developers hundreds of thousands of dollars in development costs.

## **H. Reduced Parking for Affordable Projects**

The California Legislature recently adopted Assembly Bill 744 (AB744), which allows developers to request reduced minimum parking requirements within affordable housing projects near transit, and amends the parking ratio for affordable and senior housing to require no more than 0.5 parking spaces per unit (0.3 for special needs housing).

## **I. Replacement of Low-income Housing in the Coastal Zone**

It is the City's desire to maintain the present number of very low- to moderate-income housing units within the coastal zone. LBMC Chapter 21.61 requires the replacement of these units upon the application for a coastal development permit. Affordable units may be replaced on site in a new housing development, off site, or through the payment of in-lieu fees. These fees range from \$10,000 to \$30,000 per displaced unit. Staff is currently working on an update to this policy.

## **J. Condominium Conversions**

If a developer proposes to convert apartments affordable to low- or very low-income households to condominiums, LBMC 21.60 requires that low- or very low-income households that would be displaced be given prior written notice of the intended displacement at least 18 months prior to the intended date of displacement. However, developers are eligible to reduce their noticing requirements to only 3 months' notice if they set aside at least 10% of the converted apartments to be affordable to low-income households or at least 5% affordable for very-low income households, for a period of 10 years. Additionally, existing residents must be given an opportunity to purchase a converted unit, and lower-income households may receive relocation benefits.

The relocation assistance program codified in LBMC 21.60 provides a number of benefits for low and very-low income tenants who have been displaced by demolition or by condominium conversion. These benefits include a required 18-month notification of displacement, as well as monetary assistance of up to \$8,441 for relocation costs.

## **K. Housing Authority Programs**

The Housing Authority offers a variety of programs that provide rental assistance to income-qualified participants as follows:

### **i. Housing Choice Voucher Program**

The Housing Choice Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Families issued a housing voucher are responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. A housing subsidy is then paid directly to the landlord by the PHA on behalf of the participating family, who are then responsible for paying the remainder of the market rent charged by the landlord. In Fiscal Year (FY)16, the Housing Authority administered 6,666 Housing Choice Vouchers.

### **ii. Project-Based Voucher Program**

Project-based vouchers are a component of a PHA's Housing Choice Voucher Program. With this program, the Housing Authority enters into a long-term payment contract that guarantees rental assistance for a specified number of units in a housing development. This program guarantees that voucher holders will have an opportunity to live in the development, and the guaranteed revenue stream generated from the Housing Assistance Contract enables the developer to leverage debt to help construct or rehabilitate the development. The Housing Authority is currently under contract to provide 222 Project-Based Vouchers on five projects, and an additional 200 contracts are in process.

### **iii. Veterans Affairs Supportive Housing Program**

The VASH Program combines Housing Choice Voucher rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). The VA provides these services for participating Veterans at the VA medical center and community-based outreach clinics. Since 2008, HUD and VA have awarded these vouchers based on geographic need and PHA administrative performance. In FY16, the Housing Authority administered 705 HUD-VASH vouchers.

### **iv. Housing Opportunities for Persons with AIDS (HOPWA)**

HUD's HOPWA program provides formula allocations and competitively awarded grants to eligible states, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV/AIDS. These resources help clients maintain housing stability, avoid homelessness, and improve access to HIV/AIDS treatment and related care while placing a greater emphasis on permanent supportive housing. In FY16, the Housing Authority leased a total of 21 HOPWA units.

### **v. Shelter Plus Care Program**

The Shelter Plus Care (S+C) program provides rental assistance for people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS), and related diseases. Case management and other services are provided by partner

agencies and coupled with the rental assistance to assist the participants. In FY16, The Housing Authority served a total of 88 homeless people with disabilities.

**vi. Special Set-Aside Vouchers**

The Housing Authority provides special set-aside housing vouchers for cases referred through the Multi-Service Center, for individuals and families at risk of homelessness. These are set aside for homeless individuals, family preservation, and domestic violence cases. In FY16, a total of 105 set-aside vouchers were provided to assist with these cases.

## **V. EXISTING HOUSING PRODUCTION RESOURCES AND TARGETING REQUIREMENTS**

### **A. Housing Asset Funds**

With the dissolution of redevelopment in California, local jurisdictions no longer have the ability to generate funding for housing and community development through tax increment financing. The “dissolution” bills do allow jurisdictions to recapture or retain certain assets under the oversight of a Successor Agency. AB 1484 provides for the following regarding affordable housing:

- **SERAF:** Supplemental Education Revenue Augmentation Fund (SERAF) was authorized by AB x4 26, requiring former redevelopment agencies (RDAs) to shift tax increment revenues to augment the State education funds. In order to meet the payment schedule mandated by AB x4 26, the former Long Beach Redevelopment Agency borrowed \$8,360,439 from the Low and Moderate Income Housing Fund in 2010. With the dissolution of RDAs in California, advances from the Low and Moderate Income Housing Fund must be paid back under the oversight of the Successor Agencies in accordance with AB 1484. The outstanding balance of \$8,360,439 was repaid in FY 14.
- **Downtown Project Area Deferred Set-Aside:** In accordance with AB 1484, the City established an amortization schedule to repay approximately \$16.3 million in debt owed to the Low- and Moderate-Income Housing Fund from the former Downtown Project Area due to deferred set-aside payments. A total of \$5,030,890 was repaid in FY15, and the final payment of \$10,842,868 was paid in FY16. With that payment, the total SERAF and Downtown set-aside debt of \$24,721,890 has been fully repaid.
- **Twenty Percent of Agency Debt Owed to the City:** AB 1484 allows a former redevelopment agency to repay loans received from its host city. Under AB 1484, when this debt is reestablished and payments begin, a portion of the loan repayment, no less than 20%, must be used for low income housing purposes. In January 26, 2016, the Successor Agency requested the Oversight Board to approve the City’s loans to the former Redevelopment Agency as legitimate for redevelopment purposes. On January 27, the Oversight Board adopted a resolution finding the loans to be for legitimate redevelopment purposes. The amount of the debt owed to the City from the former Redevelopment Agency is estimated at \$35 million. Twenty percent of the repayment, or approximately \$7 million of this debt, must be deposited into the Housing Fund. The first payment of \$898,683 was received in FY16, and the balance will be repaid annually through FY20.
- **Other Deposits to the Housing Fund:** Other revenues from general loan repayments, interest income, and miscellaneous revenue is deposited into the Housing Fund on an annual basis. From January 2013, through September 30, 2016, \$9,449,739 in other revenues were deposited into the Housing Fund.

As of September 30, 2016, The Housing Fund had a balance of approximately \$35.1 million. An additional \$6.1 million is estimated to be generated from City/Agency loan repayments through 2020, bringing the total available for affordable housing activities to approximately \$41.2 million.

**Table 1. Housing Asset Fund Resources**

<b>HOUSING ASSET FUND RESOURCES</b>	
<b>REVENUES</b>	<b>AMOUNT</b>
SERAF (repaid)	\$ 8,848,132
Downtown Deferred Set-Aside (repaid)	\$ 15,873,758
Other Loan Repayments, Interest, etc.	\$ 9,449,739
City/Agency Debt (20% to Housing Fund) Received	\$ 898,683
<b>SUBTOTAL (fund balance as of 9/30/16)</b>	<b>\$ 35,070,312</b>
City/Agency Debt receivable (FY-17 to FY-20)	\$ 6,028,373
<b>TOTAL HOUSING ASSET FUNDS</b>	<b>\$ 41,098,685</b>
<b>PENDING COMMITMENTS THROUGH 2018</b>	<b>\$ 26,782,000</b>
<b>NET AVAILABLE HOUSING ASSET FUND RESOURCES</b>	<b>\$ 14,316,685</b>

### **B. Income Targets**

Pursuant to SB 341, Housing Asset Funds must be used to provide affordable housing for households earning 80% or less of the AMI, with the following specific provisions:

- A minimum of 30% of the units must be restricted for occupancy by extremely low income households earning 30% or less of the AMI.
- A maximum of 20% of the units may be restricted for occupancy by low income households earning between 60 and 80% of the AMI.
- The remaining 50% of the units must be restricted for occupancy by low, very low or extremely low income households earning less than 60% of the AMI.
- All affordable units must be restricted for a minimum of 45 years for ownership units or 55 years for rental units.

### **C. HOME Investment Partnership Act (HOME)**

The City of Long Beach is an entitlement jurisdiction eligible to receive HOME funds directly from HUD. In 2016, the City received approximately \$2.2 million in HOME funds. This figure includes annual entitlement and program income, less administration and program delivery costs. In addition, 15 percent of these funds will need to be set aside for Community Housing Development Organization (CHDO) projects/programs. It is important to note that this figure can change annually based on actual entitlement and program income amounts (Figure 7). The HOME funds will be used primarily for the multi-family rehabilitation loan program, but may also be used for acquisition/rehabilitation or new construction activities. The use of these funds is subject to the Consolidated Plan/Annual Action Plan planning process.

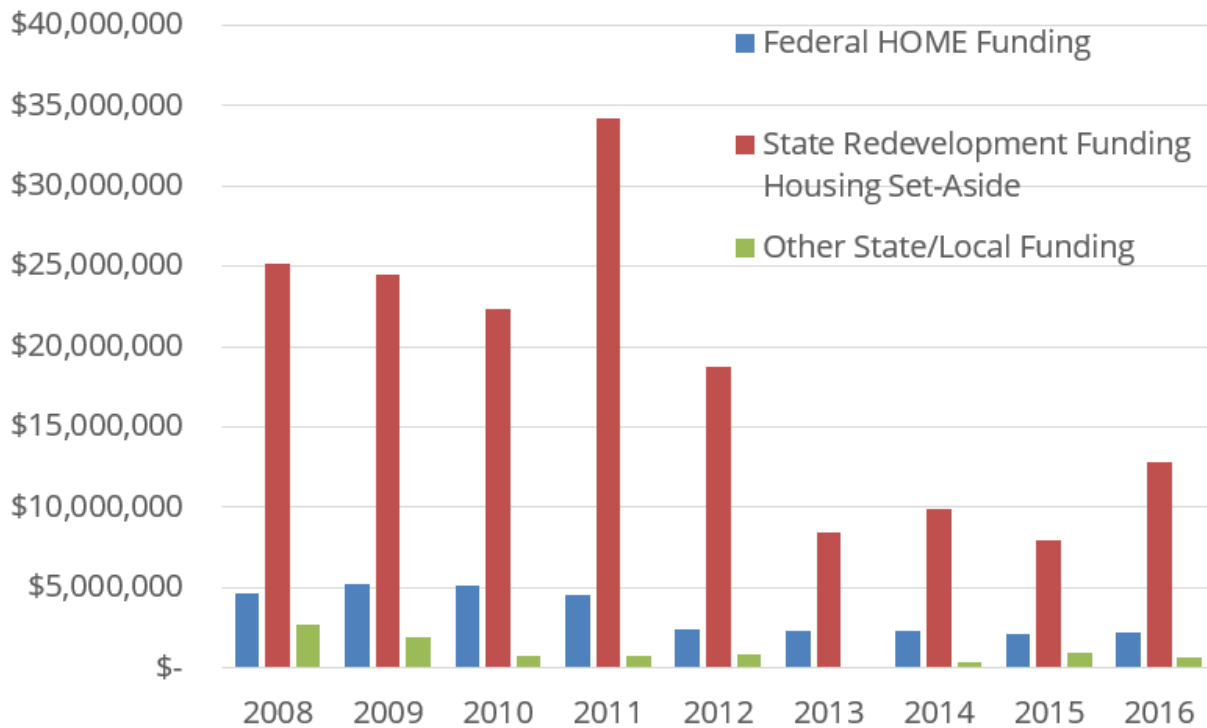


Figure 6. Federal & State Funding Trends, 2008-2016

Table 2. Federal and State Funding Trends, 2008-2016

Fiscal Year	Total Funding
2008	\$32,583,035
2009	\$31,592,694
2010	\$28,323,158
2011	\$39,509,852
2012	\$21,967,406
2013	\$10,837,690
2014	\$12,608,175
2015	\$11,022,952
2016	\$15,689,267

**i. Eligible Activities**

A broad range of activities may be funded with HOME funds. These include:

- Providing home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers.
- Building or rehabilitating housing for rent or ownership.
- "Other reasonable and necessary expenses related to the development of non-luxury housing," such as site acquisition or improvement, demolition of dilapidated housing to make way for a HOME-assisted development, and payment of relocation expenses.



**ii. Income Targets**

As a federal funding program, HOME funds can only be used to benefit households with incomes up to 80% of AMI. However, for rental housing assisted with HOME funds, HUD sets the maximum income limit at 60% of the AMI.

**iii. Long Beach Consolidated Plan Priority**

The use of HOME funds must be consistent with the City’s five-year Consolidated Plan (CP), and Annual Action Plan (AP). The CP is the City’s HUD-required strategic plan for addressing Long Beach’s low- and moderate-income housing and community development needs, and the AP describes the resources, programs, and activities the City will undertake in each of the five years of the CP. The current CP for Long Beach was adopted in July 2012 and covers the planning period of October 1, 2012 through September 30, 2017. The CP established the following priorities for the use of HOME funds:

- Single-Family Residential (Owner-Occupied) Rehabilitation Loan Program
- Multi-Family Residential Rehabilitation Loan Program
- Acquisition and Rehabilitation Program
- Security Deposit/Utility Deposit Assistance

However, with the significant reductions in HOME funds in recent years, and changes in the HOME regulations, the City has suspended using HOME funds for the Single-Family Residential Rehabilitation Loan Program. CalHome funds from the HCD are used to provide assistance to homeowners in making improvements to their homes.

Table 1 illustrates the funding allocations and objectives included in the FY16-17 Annual Action Plan covering the period from October 1, 2016 through September 30, 2017, which was approved by the City Council on July 5, 2016, consistent with the City’s currently adopted CP. The City will be developing a new CP by August 2017 to cover a new five-year period starting October 1, 2017.

**Table 3. Program Allocation for HOME Funds**

<b>Program Allocation for HOME Funds (FY 2016-2017)</b>					
<b>Program</b>	<b>Funding</b>	<b>Objective</b>	<b>Income Target</b>	<b>Tenure Target</b>	<b>Household Type</b>
CHDO Acquisition/Rehabilitation	\$330,222	10 units	60-80% AMI	Owner/ Renter	Households
Multi-Family Residential New Construction/Acquisition/Rehabilitation	\$1,456,111	40 units	60% AMI	Renter	Households
Security/Utility Deposit Assistance	\$195,000	70 households	50% AMI	Renter	Homeless Families

It is important to note that the targeting requirements identified in this section are specifically required by state and federal regulations, and they do not fully address the housing needs in the City. A more detailed discussion of the City’s housing needs can be found in the City’s Certified 2013-2021 Housing Element, which was adopted on

January 7, 2014. Specifically, the Housing Element shows the breakdown of household income for all 161,052 households in the City of Long Beach<sup>14</sup> (Fig. 8).

State housing law mandates that cities provide zoning availability to meet the regional need for housing, which is quantified in the Regional Housing Needs Assessment (RHNA). The need for housing in the RHNA is not a requirement to produce the specified number of housing units within the time period. The RHNA quantifies a City's requirement to provide zoning availability for housing to be built within the time period. The City's certified 2013-2021 Housing Element of the General Plan fulfills this requirement. In this allocation period, the RHNA requires a planning goal of 7,048 units in the City in the following affordability categories.

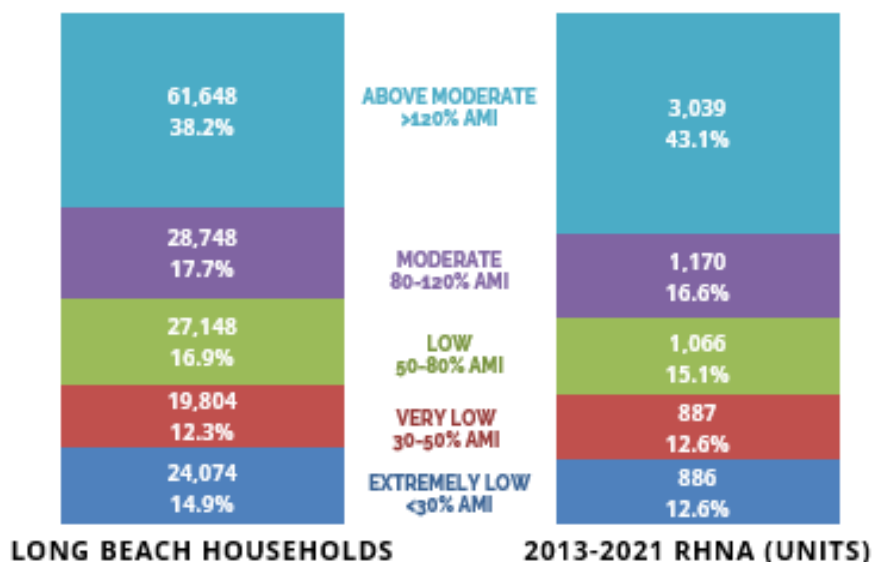


Figure 7. City of Long Beach Households by Income Level, 2013-2021 Regional Housing Needs Assessment

The City of Long Beach is required to submit annual progress reports to the State that show progress of Housing Element implementation, including housing units produced. In the years 2014-2016, for which the certified Housing Element applies, a total of 1,125 units were produced in the City of Long Beach. Of these 1,125, 111 units are affordable to very low-income households, 49 units affordable to low-income households, and 965 affordable to above-moderate income households.

Both the distribution of household incomes in the City, as well as the RHNA reveal that there is a great need in the near future for housing affordable to moderate and above-moderate income households. The housing resources outlined in this section provide assistance to the extremely low- to low-income categories, but there are no options for assisting above moderate households, or more importantly, moderate-income households, which represent 17.7% of the City's population and who are also impacted by the housing crisis. Additional resources are needed to assist the extremely low- to low-income category, and new resources are needed to address the moderate-income category.

<sup>14</sup> American Community Survey, 2005-2009

## VI. PENDING DEVELOPMENT PROJECTS

The City continues to provide assistance to development partners through Notices of Funding Availability (NOFA) and Requests for Proposal (RFP) Processes in accordance with a policy adopted by the LBCIC. As of March 2017, 640 new units are under construction or in the planning and entitlement processes. These include new veterans' housing at the Villages at Cabrillo, acquisition and rehabilitation of at-risk affordable units, and a number of affordable family housing units within the Midtown Specific Plan area.

### A. Development Projects under Construction

The City and The LBCIC's development partners are currently constructing or rehabilitating 342 affordable housing units in four projects. These projects have existing development agreements, have received City/The LBCIC funds, and are included in the 1,773 units that have been developed since 2007 that were noted in Section IV.

Table 4. Housing Projects Under Construction or Nearing Construction

<b>HOUSING PROJECTS UNDER CONSTRUCTION OR NEARING CONSTRUCTION</b>			
<b>PROJECT</b>	<b>DEVELOPER</b>	<b>TYPE</b>	<b>UNITS</b>
The Beacon	Century Affordable Housing Development	Senior, Homeless Veteran	160
Anchor Place	Century Villages at Cabrillo	Homeless Veteran, Special Needs, Family	120
817 Daisy Ave. and 4410 Banner Ave.	HOPE	Special Needs	16
Beachwood Apartments	Century Affordable Housing Development	Special Needs	46
<b>TOTAL</b>			<b>342</b>



<b>THE BEACON</b>	
<b>Developer</b>	Century Affordable Development
<b>Total LBCIC Financial Assistance</b>	\$12,300,000
<b>Total Development Cost</b>	\$80,400,000
<b>Unit Mix</b>	<u>Beacon Pointe: 121 Units</u> 1-Bedroom: 110 2-Bedroom: 11 <u>Beacon Place: 39 Units</u> 1-Bedroom: 30 2-Bedroom: 9
<b>Affordability</b>	Extremely Low: 81 Very Low: 77 Manager: 2

The Beacon at 1235 Long Beach Blvd. will be developed by Century Affordable Development (Century). Century will be constructing a 160-unit mixed population development that will include a 121-unit building serving extremely low-, very low-, and low-income seniors (62+), and a 39-unit supportive housing building serving veterans who are homeless or at risk of being homeless, some of whom may be disabled. The Project will also include a community room with a full kitchen, supportive services space, laundry rooms, computer rooms, a media room, bike storage, a gym, 200 parking spaces and approximately 7,000 square feet of retail space envisioned for eateries, cafes, and public service offices.



All units, except for the two manager units, will be restricted to households earning between 30% and 60% AMI. Project-Based Vouchers will be provided for all non-manager units, so it is anticipated that most households will earn closer to, or even below 30% AMI. Construction will begin on the project in summer 2017.



<b>ANCHOR PLACE APARTMENTS at VILLAGES AT CABRILLO</b>	
<b>Developer</b>	Century Villages at Cabrillo
<b>Total LBCIC Financial Assistance</b>	\$4,000,000
<b>Total Development Cost</b>	\$42,525,000
<b>Unit Mix</b>	120 Units
<b>Affordability</b>	Extremely Low: 49 Very Low: 62 Low: 8 Manager: 1

Anchor Place Apartments is located on the 26-acre Villages at Cabrillo Campus, and is being developed by Century Villages at Cabrillo (Century Villages). The project includes a 120-unit affordable apartment project on a 130,500 square foot site located in the southeast quadrant of the campus. The Project includes 95 one-bedroom units, 20 two-bedroom units and five three-bedroom units. One hundred and eleven (111) units will be restricted to very low-income households, eight to low-income households, and one unrestricted unit will be reserved for an on-site manager. Further, 75 units will be

reserved for veterans and 18 units will be reserved for tenants that exhibit mental health issues as defined by the Mental Health Services Act (MHSA). The Project also includes 90 podium parking spaces, a courtyard, space for supportive service delivery, and a 12,000 square foot park-like area fronting the Project. The on-site supportive services will include case management, physical and mental health services, employment/vocational services, life skills classes, benefits counseling, and general linkages to other community-based services, both on and off-site. This project is under construction and is anticipated to be completed by winter 2017.



<b>BEACHWOOD APARTMENTS</b>	
<b>Developer</b>	Century Affordable Development
<b>Total LBCIC Financial Assistance</b>	\$2,100,000
<b>Total Development Cost</b>	\$14,400,000
<b>Unit Mix</b>	46 Units 1-Bedroom: 32 2-Bedroom: 13
<b>Affordability</b>	Very Low: 7 Low: 38

The LBCIC provided \$2.1 million in funding to Century Affordable Development (Century) to acquire Beachwood Apartments, an existing 45-unit apartment project located at 505 West 6<sup>th</sup> Street and 475 West 5<sup>th</sup> Street (Project). The project, which occupies 1.12 acres, contains two three-story buildings that were constructed in 1984. The two buildings contain a total of 32 one-bedroom units and 13 two-bedroom units.

The project is currently under contract with tHUD for Project-Based Section 8 Housing Assistance Payments (HAP). Consequently, 44 of the units are restricted to disabled households and are subject to Section 8 income and rent restrictions, with one unrestricted unit reserved for an on-site manager. The HAP contract was due to expire on May 31, 2018, which put the project at risk for conversion to unrestricted, market rate apartments. Century purchased the Project and is extending the HAP contract and affordability for an additional 55 years, while also continuing to restrict the units to disabled households.

<b>DAISY &amp; BANNER APARTMENTS</b>	
<b>Developer</b>	Home Ownership for Personal Empowerment (HOPE)
<b>Total LBCIC Financial Assistance</b>	\$1,100,000
<b>Total Development Cost</b>	\$3,200,000
<b>Unit Mix</b>	1-Bedroom: 8 2-Bedroom: 4 shared units
<b>Affordability</b>	Extremely Low (16)

In May 2015, the City, through The LBCIC, published a NOFA announcing the availability of approximately \$1,047,000 in HOME funds. Subsequently, The LBCIC selected and entered into an Agreement to Negotiate Exclusively with Home Ownership for Personal Empowerment (HOPE).

HOPE proposed to use the funds to acquire and rehabilitate two multi-family properties in order to provide homes for sixteen developmentally disabled individuals in two properties, located at 817 Daisy Ave. in the Willmore City neighborhood and at 4410 N. Banner Dr. in the Bixby Knolls neighborhood. All households in these units are extremely low-income and receive case management and rental subsidies through both HOPE and the County of Los Angeles.



Figure 8. 4410 Banner Ave. (L) and 817 Daisy Ave. (R)



## B. Proposed Housing Development Projects

In the past few years, the City and The LBCIC have made funds available primarily through published Notices of Funding Availability or have made The LBCIC-owned properties available for development through published Requests for Proposals. These efforts have resulted in five proposed projects, containing a total of 276 affordable housing units. These projects are in varying early stages of the development process.

LONG BEACH PROPOSED HOUSING PROJECTS			
PROJECT	DEVELOPER	TYPE	UNITS
1950-60 Henderson Ave.	Habitat for Humanity	Family	4
Pacific Ave. & 14 <sup>th</sup> Street RFP	Habitat for Humanity	Family	11
1836 Locust RFP	Clifford Beers Housing	Family, Special Needs	65
Housing NOFA 2016 – 1795 Long Beach Boulevard	AMCAL	Family, Special Needs	100
The Spark at Midtown - 1900 Long Beach Blvd.	LINC Housing	Family, Homeless	95
<b>TOTAL</b>			<b>275</b>

Below are renderings and descriptions for some of these proposed projects. Any projects without descriptions are still in the concept development phase.



1950-1960 HENDERSON AVE.	
<b>Developer</b>	Habitat for Humanity
<b>Total LBCIC Financial Assistance</b>	\$382,000
<b>Total Development Cost</b>	\$1,514,027
<b>Unit Mix</b>	4 Single-Family, 3-BR Homes
<b>Affordability</b>	Low-Income: 4

This condominium project includes the construction of four single-family homes containing three-bedrooms and two-bathrooms on a shared lot that is currently owned by The LBCIC. Each home will be sold to a low-income first-time homebuyer by Habitat for Humanity. A groundbreaking ceremony for this project occurred in March 2017, with construction expected to begin in earnest in summer 2017.





<b>PACIFIC APARTMENTS - 1795 Long Beach Blvd.</b>	
<b>Developer</b>	AMCAL
<b>Total LBCIC Financial Assistance</b>	\$3,500,000
<b>Total Development Cost</b>	\$42,200,000
<b>Unit Mix</b>	100 Units 1-Bedroom: 50 2-Bedroom: 24 3-Bedroom: 25 Manager: 1
<b>Affordability</b>	Extremely Low: 17 Very Low: 32 Low: 50

In 2016, The LBCIC released a NOFA for up to \$3.5 million in affordable housing funds, and subsequently entered into an Agreement to Negotiate Exclusively with AMCAL Multi-Housing Inc. (AMCAL) for the development of 101 affordable housing units to be built at 1795 Long Beach Blvd. (southwest corner of Long Beach Boulevard and Pacific Coast Highway [PCH]).

The proposal submitted by AMCAL includes the development of 101 affordable rental units and 2,000 square feet of ground floor retail space at 1795 Long Beach Blvd., a key transit-oriented development site located at the south west corner of Long Beach Boulevard and PCH. The site, which is directly across from the PCH Blue Line stop, currently contains a vacant commercial building and surface parking lot.

The proposal includes a manager unit and 100 units affordable to households earning between 30% and 60% of the AMI. It is estimated that 15 of the units will be reserved for households with special needs who lack stable housing, and the remaining 86 units will be designed for families. As currently proposed, the development would contain 52 one-bedroom, 24 two-bedroom and 26 three-bedroom units. The development is also proposed to include an on-site resident manager, laundry facilities, a community room

with a kitchen, an outdoor courtyard and tot lot, bicycle storage, and a barbeque area. This project will take advantage of new State law allowing a reduction in parking for affordable projects located adjacent to transit.



<b>THE SPARK AT MIDTOWN - 1900 Long Beach Boulevard</b>	
<b>Developer</b>	LINC Housing
<b>Total LBCIC Financial Assistance</b>	\$3,000,000
<b>Total Development Cost</b>	\$42,200,000 (est.)
<b>Unit Mix</b>	95 Units 1-Bedroom: 47 2-Bedroom: 23 3-Bedroom: 25 Manager: 1
<b>Affordability</b>	Extremely Low: 47 Very Low: 47

On July 28, 2016, The LBCIC released an RFP to solicited development proposals for the LBCIC-owned site located at 1900-1940 Long Beach Boulevard. Subsequently, the LBCIC entered into an Agreement to Negotiate Exclusively with LINC Housing for the development of the site.

The proposal submitted by LINC Housing envisions a vibrant mixed-use development that connects housing for low-income households with ground floor community serving amenities and new retail (Attachment C – Conceptual Site Plan). The housing includes an on-site manager unit and 94 units affordable to extremely low- and low-income households earning between 30% and 60% of the AMI. Half of the units will be reserved for households who are homeless or at-risk of homelessness, and ten of those units will be further reserved for individuals with chronic health issues. The remaining units will

be designed for families. As currently proposed, the development would contain 47 one-bedroom, 23 two-bedroom and 25 three-bedroom units. The residential portion of the planned development will include laundry facilities, social service office space, a computer room, and a large community room inclusive of a kitchen, dining area, game room, television room, and reading area. The development will also contain approximately 11,000 square feet of ground floor commercial/service amenity space designed to meet the needs of area residents, including a new YMCA service center. Furthermore, the development may provide a public parklet, complete with a playground and fitness stations.

## VII. COMPLETED AFFORDABLE HOUSING PROJECTS

Since 2005, The LBCIC has assisted in the construction, preservation, or rehabilitation of over 4,800 affordable housing units in more than 35 projects. These projects serve a diverse range of income levels, household sizes, and special needs populations. Two of the more recent projects are highlighted in this section, with others included in Appendix A.



### **Immanuel Senior Housing** Adaptive Reuse – Senior Housing

Developer  
Thomas Safran & Associates

Total City Financial Assistance  
\$2.6 Million

Total Development Cost \$13.2 Million

Units 25

Affordability  
Extremely Low: 4  
Very Low: 13  
Low: 7  
Manager: 1



### **Cabrillo Gateway** New Construction – Special Needs Rental

Developer  
Century Villages at Cabrillo

Total City Financial Assistance  
Project Based Section 8 Vouchers

Total Development Cost \$34.0 Million

Units 80

Affordability  
Extremely Low: 16  
Very Low: 39  
Low: 24  
Manager: 1



## **VIII. INNOVATIVE AFFORDABLE HOUSING PRODUCTION TOOLS**

City staff conducted a survey of innovative production tools and best practices being used in more than 20 jurisdictions throughout the country. This section of the report provides information on the survey as well as brief description of best practices for each type of development tool. Many agencies use a combination of tools to maximize opportunities for affordable housing development. The programs fall into the following general classifications:

- Inclusionary Housing Policies
- Local Revenue Generating Policies
- Development Incentives
- Homeowner Assistance

A chart summarizing the various housing production tools included in staff's review of best practices being used throughout the country can be found in Appendix B.

### **A. Inclusionary Housing Policies**

Inclusionary zoning requires that a percentage of new units in a housing development project be affordable to lower-income households. Often times the payment of an in-lieu fee is allowed in place of providing the affordable unit on site. This is a popular policy, but it has encountered legal challenges in California. The legal implications of implementing an inclusionary housing policy should be studied further. More than 170 communities in California have inclusionary housing laws, including large cities in high-cost markets such as San Diego and San Jose. However, many of these policies were part of RDAs and may no longer be applicable.

### **B. Local Revenue Generating Policies**

Since the dissolution of California's RDAs in 2012, tax increment financing has not been an option for supporting the construction or rehabilitation of affordable housing in California, including Long Beach. Many other Jurisdictions have begun to implement policies that create new local sources of funding for affordable housing production, including housing impact fees and commercial linkage fees. Often, more than one revenue generating tool is implemented to create a sufficient flow of funding for affordable housing. A nexus study showing a direct relationship between the impacts of new development and the cost of mitigating those impacts is required to implement such fees. Linkage fees may also increase the overall cost of development within a jurisdiction, making it crucial for the jurisdiction to carefully consider the balance between generating new revenues and inadvertently constraining development.

### **C. Development Incentives**

Development incentives, such as developer impact fee waivers, are sometimes offered by communities to stimulate the development of affordable housing in areas of highest need or where existing market conditions make it difficult to obtain financing to construct new affordable housing. Other incentives include tax-relief or tax-sharing incentives, and an expedited permitting process.

#### **D. Homeowner Assistance**

Homeowner assistance programs aim to increase the share of households who own their home or assist existing homeowners in bringing substandard homes up to current safety and health standards. First-time homebuyer assistance can come in the form of a silent second mortgage program that provides down payment assistance. New revenues can be used to provide assistance for rehabilitating single-family homes, helping families to stay in their neighborhoods. Homeowner assistance is not limited to direct assistance to families, however. Cities may provide development incentives that are specifically targeted to motivate developers to build for-sale housing that is affordable to working families.

## **IX. HOUSING STUDY GROUP INPUT AND COMMUNITY PARTICIPATION**

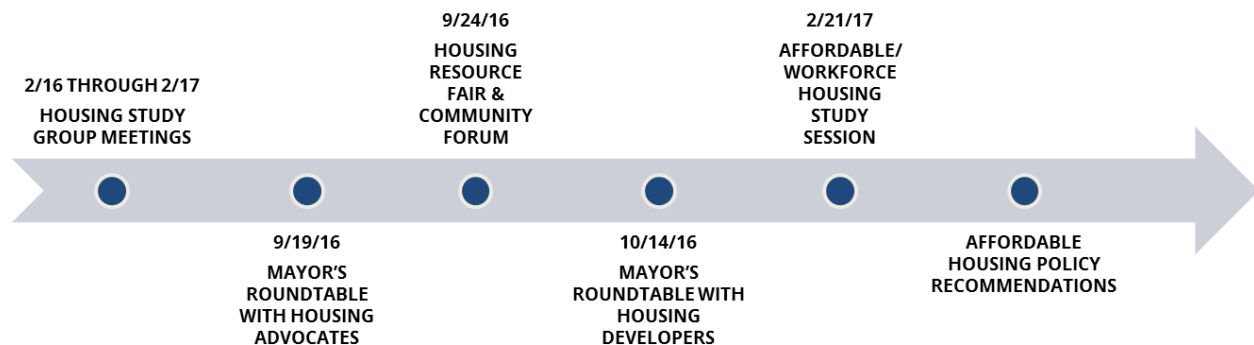
Area housing leaders and advocates were assembled to comprise a Study Group chaired by former California Assemblywoman Bonnie Lowenthal. The following community members were included in the Study Group:

### **Affordable and Workforce Housing Study Group**

Former Assemblywoman Bonnie Lowenthal, Chair  
Rene Castro, Vice Chair, Facilitation Lab  
Andy Kerr, Homeless Services Advisory Committee  
Brian D'Andrea, Century Housing  
Christine Petit, Building Healthy Communities Long Beach  
James Suazo, Building Healthy Communities Long Beach  
Josh Butler, Housing Long Beach  
Porter Gilberg, The LGBTQ Center Long Beach  
William Moore, California State University, Long Beach

The Study Group, along with City staff, participated in multiple discussions about a variety of housing issues, and studied housing production tools in use throughout the country. The Study Group was tasked with creating a list of potential housing production policies for consideration. The Study Group and staff began meeting in February, 2016, and have since held fifteen working meetings.

In fall 2016, the Study Group and staff hosted a series of community meetings led by Mayor Garcia. The community meetings were designed to facilitate conversations between the community, affordable housing advocacy groups, the development community, and the public.



Two roundtable meetings were held, one featuring a panel of housing advocacy leaders, and another featuring a panel of leaders from the housing development community. Panelists were asked a number of questions on a variety of housing-related topics, including:

- Areas of highest need for low-income tenants.
- Potential policy solutions to increase the supply of affordable housing.
- Existing community programs to assist low-income families and special needs residents.

- New funding sources and barriers at the State/Local levels to developing new housing.
- Mixed-income and mixed-affordability housing projects and their impacts in the community.



The events continued with a community input period in which members of the community shared their thoughts on housing issues. The accompanying community forum and resource fair provided the community with an update on current housing production efforts, and an opportunity to comment on housing issues during an open microphone session. The resource fair offered an opportunity to learn more about a variety of housing programs and services offered by the Long Beach Department of Development Services and the Department of Health and Human Services.





In total, the meetings were attended by over 200 residents, who presented a diverse range of concerns and perspectives on housing issues. In public comment sessions as well as in the roundtable discussions with the panelists, a number of common threads emerged, including:

- General support for the need and development of more affordable housing.
- Concerns about overall rising rents and the cost of housing in Long Beach.
- Lack of affordable, quality housing for workers and families.
- Lack of amenities and basic needs near affordable housing developments.
- A need to balance affordable housing with new commercial and market rate housing development.
- Lack of suitable land and a development process that takes too long.
- A desire for mixed-income housing, and housing for people with moderate incomes.
- Allowing and encouraging innovative housing types to address population needs, including micro-units, intergenerational housing, and transit-oriented development.



A high level of support for increasing the supply of and access to affordable housing in the city was expressed by nearly all stakeholder groups, including residents, housing advocates, developers, and property owners/managers. Nearly all participants expressed a consensus to work together to create new solutions to the housing crisis.

The initial recommendations and strategies prepared by the Study Group are included in Appendix C.

## **X. CITY COUNCIL STUDY SESSION – FEBRUARY 21, 2017**

The information and findings of both the Study Group and staff analysis were presented in a draft report during a City Council Study Session on February 21, 2017, where additional discussion was held by both the City Council and members of the public. The Mayor and City Council requested that the following issues be investigated further and be included in the final report:

- Conduct a Citywide rent survey.
- Conduct a renter eviction survey or registry.
- Provide data on rent rates for units that are not on the market.
- Provide data on actively displaced residents.
- Discuss acceptable vacancy rates and number of housing units needed to get to acceptable vacancy rate.
- Discuss Housing Bond—how much can the City support.
- Discuss use of Density Bonus and locations of Density Bonus projects, and if density bonus incentives above and beyond all zoning maximums.
- Discuss lengths of affordability covenants by location.
- Discuss renter/owner ratio over time and when shift occurred from a predominantly owner to renter City.
- Discuss California energy-efficient mortgage.
- Discuss Viability of micro-units.
- Discuss Veteran’s Initiative.
- Discuss cost of shipping container construction.
- Discuss accessory dwelling units.

In addition, the Study Group requested additional research on the following items:

- Review Building permits issued over the past 10 years and provide production/unit count.
- Provide local average rents over the past 10 years.
- Investigate unlawful detainers filed in local courts over the last five years.
- Provide the number of un-deployed Housing Choice Vouchers and percentage of total lease up over the past five years.
- Provide homeless count information over the last five biennial homeless counts.
- Provide current and historical rent burden.
- Provide utility shutoffs from municipal utilities (current vs. prior year).
- Provide information on code enforcement actions for the last five years, including the number of substandard unit brought into compliance from 2009 to present.
- Provide data on influx of new residents.
- Appreciation in home sale prices, 2007-2017.
- Identify low-income tracts adjacent to high-income tracts.

The City Council also indicated support for a number of housing policies as follows:

- Implementation of a Real Estate Transaction Recording Fee to fund affordable housing.

- Expansion of the one-for-one replacement housing provision contained in the Coastal Zone Replacement Housing Program.
- Support joint-use agreements to build affordable housing on school campuses.
- Ease permitting requirements and provide incentives for the use of shipping containers for housing.
- Reduce Parking Requirements for Affordable Housing.
- Update Condominium Conversion Ordinance, include first right of opportunity to purchase and offer mortgage assistance.
- Offer downpayment assistance for police officers and teachers.
- Offer first-time homebuyer downpayment assistance.
- Modify Zoning Code to allow Accessory Dwelling Units.
- Initiate a bond measure to fund affordable housing.
- Modify Zoning Code to allow micro-units.
- Support Veterans Initiative and housing for veterans.

The following section documents the results of this additional research, with the exception of information on rental rates. Information regarding citywide rental rates and rental rates for units not on the market has been provided to City Council in a separate report, dated April 27, 2017.

### **A. Housing Tenure**

The tenure of housing refers to whether a housing unit is owned, rented, or vacant. Tenure is an important indicator of well-being in a given community because it reflects the cost of housing and the ability of residents to own or rent a unit. Tenure often affects several other aspects of the local housing market, including turnover rates and overall housing costs.

According to data available as far back as the 1940 U.S. Census, the City of Long Beach has historically maintained a high percentage of renter-occupied units. In 1940, nearly 70% of units were renter-occupied households. By 1950, this percentage moderately decreased to 55%, and stabilized for the following decades.

Census data available post-1950 shows that the City has since sustained generally steady rental rates. More recently from 1990 to 2000, about 59% of households rented their homes, this slightly decreased to 58% by 2010. Accordingly, 41% owned their homes in 1990 and 2000, and this slightly increased to 42% by 2010 (Table 5).

**Table 5. Housing Tenure, City of Long Beach**

Housing Tenure, City of Long Beach (1940 – 2010)					
	Renter-Occupied Units	%	Owner-Occupied Units	%	Total Occupied Units
1940	39,865	68.3%	18,520	31.7%	58,385
1950	48,840	55.1%	39,725	44.9%	88,565
1960	63,020	50.5%	61,671	49.5%	124,691
1970	80,136	56.2%	62,353	43.8%	142,489
1980	86,591	57.1%	65,020	42.9%	151,611
1990	93,862	59.0%	65,113	41.0%	158,975
2000	96,160	59.0%	66,928	41.0%	163,088
2010	95,582	58.4%	67,949	41.6%	163,531

Source: U.S. Census (1940-2010)

**Table 6. Housing Tenure, California**

Housing Tenure, California (1940-2010)					
	Renter-Occupied Units	%	Owner-Occupied Units	%	Total Occupied Units
1940	1,209,547	56.6%	928,795	43.4%	2,138,342
1950	1,521,722	45.7%	1,811,684	54.3%	3,333,406
1960	2,072,015	41.6%	2,910,093	58.4%	4,982,108
1970	2,962,514	45.1%	3,611,347	54.9%	6,573,861
1980	3,804,614	55.9%	4,825,252	44.1%	8,629,866
1990	4,607,263	55.6%	5,773,943	44.4%	10,381,206
2000	4,956,536	56.9%	6,546,334	43.1%	11,502,870
2010	5,542,127	55.9%	7,035,371	44.1%	12,577,498

Source: U.S. Census (1940-2010)

## B. Vacancy Rates

A certain number of vacant units are needed to moderate the cost of housing, allow sufficient choice for residents and provide an incentive for unit upkeep and repair -- an optimum vacancy rate allows for healthy functioning of the housing market. Vacancy rates are generally higher among rental properties; as rental units have greater attrition than owner-occupied units. The Southern California Association of Governments (SCAG) has identified optimal vacancy rates of 5% for rental housing and 2% of ownership units.

In 2000, the overall vacancy rate in Long Beach was healthy at five percent. In 2010, the vacancy rate was reported at 7.1%; however, the detailed vacancy rate by the Census reported the for-rent vacancy at 7.2% and the for-sale vacancy at two percent. Other units were vacant due to foreclosures, seasonal occupancy, or other reasons (Table 10). However, vacancy rates have dropped drastically since then.

According to the 2011-2015 American Community Survey (ACS), Long Beach has an overall rental vacancy rate of 4.4%. As noted above, this is below the “healthy” overall vacancy rate goal of 5%. To increase the City’s rental vacancy rate – in an effort to achieve an ideal rate (between five and six percent) – it would be necessary to introduce 675 to 1,782 additional “for-rent” units in Long Beach’s rental market (Table 8)<sup>15</sup>. However, these are only estimates based on ACS sample data on vacancy rate over five years and an “ideal” vacancy rate of 5% to 6%. These numbers do not account for the mismatches between housing demand, income/affordability, and existing inventory.

**Table 7. Occupancy Status, 2000-2015**

Occupancy Status (2000-2015)						
Occupancy Status	2000		2010		2011-2015	
	Total	Percent	Total	Percent	Total	Percent
Occupied Housing Units	163,088	95.0%	163,531	92.9%	164,406	94.1%
Vacant Housing Units	8,544	5.0%	12,501	7.1%	10,336	5.9%
Homeownership Vacancy Rate <sup>1</sup>	--	2.2%	--	2.0%	--	1.5%
Rental Vacancy Rate <sup>2</sup>	--	4.2%	--	7.2%	--	4.4%
Total Housing Units	171,632	100.0%	176,032	100.0%	174,742	100.0%

Note:

1. The homeowner vacancy rate is the proportion of the homeowner inventory that is vacant "for sale."

2. The rental vacancy rate is the proportion of the rental inventory that is vacant "for rent."

Source: U.S. Census 2000 (H003, DP-1), 2010 (H3, DP-1), American Community Survey 2011-2015 (DP04)

**Table 8. Rental Vacancy Rate (2011-2015)**

Rental Vacancy Rate (2011-2015)			
	Rental Vacancy Rate <sup>1</sup>		
	2011-2015 (current) <sup>1</sup>	Scenario A	Scenario B
<b>Rental Inventory</b>	103,432	104,107	105,214
Renter-Occupied Units	98,392	98,392	98,392
For Rent Units	4,531	5,206	6,313
Rented, Not Occupied	509	509	509
<b>Rental Vacancy Rate<sup>2</sup></b>	<b>4.4%<sup>1</sup></b>	<b>5.0%</b>	<b>6.0%</b>
<b>New Units Needed</b>	<b>---</b>	<b>675</b>	<b>1,782</b>

Note:

1. According to the 2011-2015 ACS

2. The rental vacancy rate is the proportion of the rental inventory that is vacant "for rent."

Source: American Community Survey 2011-2015 (DP04)

<sup>15</sup> The rental vacancy rate is the proportion of the rental inventory that is vacant "for rent." It is a percentage computed by dividing the total number of vacant units "for rent" by the sum of the renter-occupied units, vacant units that are "for rent," and vacant units that have been rented but not yet occupied.

### C. Population Growth

Table 13 presents population growth trends over the past 25 years in Long Beach and nearby jurisdictions. The California Department of Finance recorded Long Beach’s 2016 population at 484,958 persons. Both the County and City of Los Angeles grew at similar rates during this time.

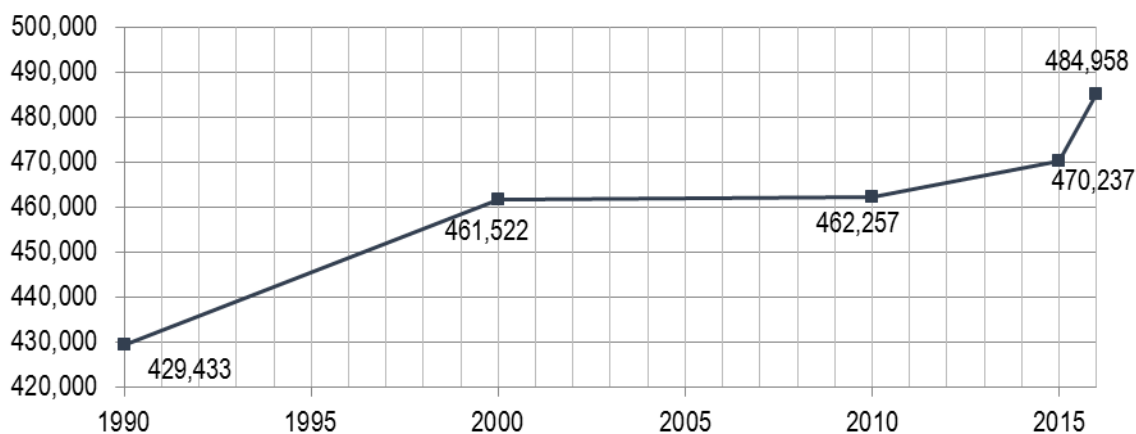
Table 9. Regional Population Growth, 1990-2016

Regional Population Growth (1990 - 2016)									
Jurisdiction	1990 Census	2000 Census	2010 Census	2011-2015 <sup>1</sup> ACS	2016 DOF	Percent Change			
						1990-2000	2000-2010	2010-2015	2015-2016
Long Beach	429,433	461,522	462,257	470,237	484,958	7.5%	0.2%	1.7%	3.1%
Los Angeles	3,485,398	3,694,820	3,792,621	3,900,794	4,030,904	6.0%	2.6%	2.9%	3.3%
Los Angeles County	8,863,052	9,519,330	9,818,605	10,038,388	10,241,335	7.4%	3.1%	2.2%	2.0%

Note: Data from the ACS 2011-2015, 5-year estimate

Source: U.S. Census (1990, 2000, 2010); American Community Survey 2011-2015; California Department of Finance (2016).

Figure 9: City of Long Beach Population Growth (1990 - 2016)



### D. Eviction and Displacement

The Mayor and City Council requested further investigation into a renter eviction survey or registry, data on actively displaced residents, and investigation of unlawful detainers filed in local courts over the last five years.

Under Section 1161 of the California Civil Code, various restrictions are placed on termination of a tenancy based on the length of time the tenant has lived at the unit as well as on the reasons for termination. If a tenant has paid rent and not committed any violations of the agreement or of any applicable laws, the landlord is required to give 60 days’ notice that they wish to terminate the tenancy at the end of the lease agreement if the tenant has lived there for more than a year, and only 30 days’ notice if the tenant has lived in the unit for less than a year. In the case of nonpayment or major violations of the lease agreement or state law, the landlord may issue a three-day notice of eviction.

Eviction is a legal process by which a tenant’s rights to remain on rental property may be terminated by a landlord. Only with the use of a formal court order may the proprietor forcibly remove the tenant from the property. An eviction (unlawful detainer) is a civil case brought by a landlord/owner who is suing a tenant to obtain a court order giving the landlord/owner the right to regain possession of the property from the tenant<sup>16</sup>.

In California, a landlord may be able to evict a tenant if the tenant<sup>17</sup>:

- Fails to pay rent on time.
- Breaks the lease or rental agreement and will not fix the issue.
- Causes property damages that bring down the property’s value.
- Becomes a serious nuisance by disturbing other tenants.
- Uses the property for illegal activities.

The City’s Housing Element consultant, Veronica Tam & Associates (VTA), requested unlawful detainer records from the Los Angeles Superior Court. This request is for full records of all unlawful detainer complaints filed in the City of Long Beach between January 1, 2012 and March 31, 2017, as well as the details and outcomes of each case. After weeks of correspondence, staff was directed to submit a formal written request for the information, along with a request for an estimate of the cost of the research. Staff submitted the request on April 7, 2017.

### E. Existing Restricted Property Information

The City of Long Beach monitors and administers income restriction covenants with 113 multi-family rental properties containing a total of 5,538 affordable rental units. These units are in addition to over 1,000 income-restricted units that are not restricted through a covenant with the City, but are restricted by other federal or state programs that the City was not involved in administering. Table 11 (next page) shows these restricted properties, the number of units restricted in each property, and the ending date of the income restriction<sup>18</sup>. A summary table containing the number of units in each Council District is provided in Table 10.

**Table 10. Income Restricted Rental Units by Council District**

Council District	1	2	3	4	5	6	7	8	9	Grand Total
Number of Income-Restricted Rental Units	1,703	385	0	190	50	901	1,117	933	259	5,538

<sup>16</sup> <http://www.lacourt.org/division/civil/CI0031.aspx>; Superior Court of California, accessed March 7, 2017

<sup>17</sup> <http://www.courts.ca.gov/selfhelp-eviction.htm>; California Courts - Judicial Branch, accessed March 7, 2017

<sup>18</sup> Long Beach Department of Development Services.

**Table 11. Existing Restricted Properties**

<b>Property Address</b>	<b>Council District</b>	<b>Units Restricted</b>	<b>Restriction End Date</b>
1011 Pine Ave.	1	200	4/9/2059
1027 Pacific Ave.	1	7	1/25/2018
1030 Olive Ave.	1	3	In Perpetuity
1044 Maine Ave.	1	11	In Perpetuity
1127 Magnolia Ave.	1	5	10/22/2030
1133 Pine Ave.	1	11	10/8/2029
1240 E. 17 <sup>th</sup> St.	1	12	11/1/2027
1451 Atlantic Ave.	1	75	1/1/2034
1455 Chestnut Ave.	1	4	12/29/2026
1568 Pacific Ave.	1	10	4/1/2024
1585 Chestnut	1	24	4/9/2059
1643 Pacific Ave.	1	41	5/8/2063
200 E. Anaheim St.	1	160	3/27/2069
225 E. 12th St.	1	38	1/1/2013
240 Chestnut Ave.	1	196	1/1/2014
240 W. 7th St.	1	29	12/23/2023
321 W. 7th St.	1	24	1/14/2042
408 Elm Ave.	1	25	9/29/2069
419 W. 5th St.	1	11	2/14/2027
421 W. Broadway	1	26	3/2/2066
425 E. 3rd St.	1	93	In Perpetuity
442 Cedar Ave.	1	22	3/27/2019
475 W. 5th St.	1	21	1/1/2034
505 W. 6th St.	1	23	1/1/2034
518 E. 4th	1	28	In Perpetuity
530 Elm Ave.	1	16	3/16/2064
532 E. Esther St.	1	6	8/7/2029
600 E. 4th St.	1	100	1/1/2068
633 W. 5th St.	1	6	5/21/2024
635 Cedar Ave.	1	1	10/22/2042
641 Cedar Ave.	1	1	2/28/2042
714 Pacific Ave.	1	183	2/1/2014
718 Chestnut Ave.	1	8	7/14/2030
745 Alamos Ave.	1	44	4/9/2059
745 W 3rd St.	1	63	9/9/2065
765 Cerritos Ave.	1	9	3/27/2017
814 Atlantic Ave	1	13	5/7/2033
851 Martin Luther King Ave.	1	2	In Perpetuity
854 Martin Luther King Ave.	1	16	4/9/2059
858 Cerritos Ave.	1	11	4/9/2059
908 Martin Luther King Ave.	1	8	12/26/2029
926 Locust Ave.	1	90	In Perpetuity
956 Locust Ave.	1	15	In Perpetuity
1000 Orange Ave.	2	19	4/9/2059
1060 Walnut Ave.	2	41	In Perpetuity



1128 E 4 <sup>th</sup> St.	2	54	In Perpetuity
1324 Hellman St.	2	4	In Perpetuity
2012 E. 7th St.	2	10	3/12/2043
2340 E. 4th St.	2	93	1/1/2024
310 Lime Ave.	2	14	7/25/2042
319 Hermosa Ave.	2	10	6/6/2029
3215 E. 3rd St.	2	24	In Perpetuity
430 St. Louis Ave.	2	9	1/18/2018
532 Nebraska Ave.	2	14	In Perpetuity
555 Redondo Ave.	2	43	In Perpetuity
645 Redondo Ave.	2	40	In Perpetuity
67 Alamitos Ave.	2	10	8/16/2025
1027 Redondo Ave.	4	12	2/3/2066
1045 Redondo Ave.	4	11	2/3/2066
1131 St. Louis Ave.	4	10	2/3/2029
1134 Stanley Ave.	4	12	2/3/2066
1228-1244 Raymond Ave.	4	6	4/28/2030
1330 Redondo Ave.	4	20	In Perpetuity
1368 Cherry Ave.	4	10	7/18/2028
1528 Freeman Ave.	4	19	12/26/2067
1542 Orizaba Ave.	4	16	12/31/2026
1613 Ximeno Ave.	4	42	12/1/2003
1623 Sherman Pl.	4	10	11/1/2028
2640 E. Anaheim St.	4	13	6/1/2086
350 E. Esther St.	4	9	2/3/2066
3801 E. Willow St.	5	50	1/1/2028
1034 Alamitos Ave.	6	30	4/9/2059
1035 Lewis Ave.	6	20	9/30/2032
1060 Lime Ave.	6	16	4/9/2059
1070 Martin Luther King Ave.	6	20	4/9/2059
1100 Elm Ave.	6	80	In Perpetuity
1120 Atlantic Ave.	6	148	1/1/2081
1150 New York St.	6	140	1/1/2065
1430 E. 17 <sup>th</sup> St.	6	3	In Perpetuity
1483 Martin Luther King Ave.	6	8	8/20/2027
1843 Cedar Ave.	6	16	4/9/2059
1849 Cedar Ave.	6	16	4/9/2059
1855 Cedar Ave.	6	16	4/9/2059
1865 Cedar Ave.	6	16	4/9/2059
1872-1876 Cedar Ave.	6	2	4/1/2045
1880 Pine Ave.	6	11	3/30/2026
1895 Cedar Ave.	6	10	4/9/2059
1895 Pine Ave.	6	13	2/11/2068
1971 Pasadena Ave.	6	2	8/9/2020
2114 Long Beach Blvd.	6	40	1/1/2061
2240 Olive Ave.	6	2	9/8/2018
2266 Locust Ave.	6	8	7/22/2029
2284 Long Beach Blvd.	6	11	10/25/2026

2337 Long Beach Blvd.	6	4	6/20/2026
2355 Long Beach Blvd.	6	36	6/17/2066
325 E. 19th St.	6	4	4/6/2026
327 W. Pacific Coast Hwy.	6	5	4/3/2030
547 E. Dayman St.	6	10	4/22/2025
575 E. Vernon St.	6	65	5/20/2064
630 E Pacific Coast Hwy.	6	50	12/30/2017
699 Burnett St.	6	18	12/1/2006
700 E Esther St.	6	75	7/26/2035
2001 River Ave.	7	80	4/2/2064
2095 W. Spring St.	7	364	12/31/2060
3021 Gold Star Dr.	7	348	7/1/2070
3333 Pacific Pl.	7	296	1/1/2061
3485 Linden Ave.	7	29	In Perpetuity
11 W. 49 <sup>th</sup> St., Unit B	8	94	12/1/2057
225 E. Del Amo Blvd.	8	230	8/31/2044
3945 Virginia Rd.	8	25	In Perpetuity
4676 Long Beach Blvd.	8	58	4/25/2009
5441 Paramount Blvd.	8	526	1/25/2057
1801 E. 68 <sup>th</sup> St.	9	26	12/26/2067
1801 E. 68 <sup>th</sup> St.	9	26	12/26/2067
1823 E. 68th St.	9	36	12/26/2067
3281 E. Artesia Blvd.	9	36	4/9/2059
3290 E. Artesia Blvd.	9	60	7/30/2069
6185 Linden Ave.	9	18	4/9/2059
6301 Atlantic Ave.	9	33	6/25/2069
6371 Linden Ave.	9	24	4/9/2059
<b>TOTAL</b>		<b>5,538</b>	

## F. Housing Project Entitlements

From 2014 to 2016, the City approved entitlements for a total of 2,907 housing units. In addition to these entitlements, 661 units have been proposed and are either pending entitlements or are in the pipeline<sup>19</sup>. Entitlements refer to any kind of permission to use or develop land, and include zone changes, plan amendments, and building permits in general for the development of property. Of this total, 1,125 were given building permits, as reported by the City in the required Housing Element Annual reports for 2014-2016.

Table 12. Number of Entitled Housing Projects, 2014-2016

Type	Number of Units
Single-Family, Market-Rate	287
Multi-Family, Market-Rate	2,648
Single-Family, Affordable	16
Multi-Family, Affordable	617
<b>TOTAL</b>	<b>3,568</b>

## G. California Energy Efficient Mortgage

The California Energy Efficient Mortgage is one of several programs offered by the California Housing Finance Agency (CalHFA). Since 1975, CalHFA has supported the needs of homebuyers by providing financing and programs that create safe, decent and affordable housing opportunities for low to moderate income Californians. CalHFA makes low interest rate loans through the sale of tax-exempt bonds. However, these bonds are repaid by revenues generated through mortgage loans, rather than taxpayer dollars. An overview of CalHFA's first-mortgage programs and down payment assistance programs is provided below. These programs are administered by CalHFA and are available for all households that fulfill CalHFA's eligibility requirements. The City lists these programs on the official website under Homebuyer Programs and refers any interested homebuyers to CalHFA.

### FIRST MORTGAGE PROGRAMS

#### Conventional Loans

- **CalHFA Conventional Loan Program**

The CalHFA Conventional program is a first mortgage loan insured through private mortgage insurance on the conventional market. The interest rate on the CalHFA Conventional is fixed throughout the 30-year term.

- **CalPLUS Conventional Loan Program**

The CalPLUS Conventional program is a conventional first mortgage with a slightly higher fixed interest rate than our standard conventional program. This loan is fully amortized for a 30-year term and is combined with the CalHFA Zero Interest Program (ZIP) for closing costs.

#### Government Insured Loans

- **CalHFA FHA Loan Program**

The CalHFA FHA program is an FHA-insured loan featuring a CalHFA fixed interest rate first mortgage. This loan is fully amortized for a 30-year term.

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<sup>19</sup> City of Long Beach Development Services—Planning Division

- **CalPLUS FHA Loan Program**  
The CalPLUS FHA program is an FHA-insured first mortgage with a slightly higher fixed interest rate than our standard FHA program. This loan is fully amortized for a 30-year term and is combined with the ZIP for closing costs.
- **Cal-EEM + Grant Program**  
The Cal-EEM + Grant program combines an FHA-insured Energy Efficient Mortgage first mortgage loan with an additional Cal-EEM Grant, making energy efficient improvements even easier. The interest rate on the Cal-EEM is fixed throughout the 30-year term.

## **DOWN PAYMENT ASSISTANCE PROGRAMS**

Home down payments are often one of the largest hurdles for first-time homebuyers. CalHFA offers several options for down payment and closing cost assistance. This type of assistance is often called a second or subordinate loan. These loans are known as "silent seconds," meaning payments on this loan are deferred until the home is sold, refinanced, or paid in full.

- **MyHome Assistance Program**  
The MyHome Assistance Program provides a deferred-payment junior loan, up to 3.5% of the purchase price or appraised value, to assist with down payment and/or closing costs.
- **Extra Credit Teacher Home Purchase Program (ECTP)**  
This program is for teachers, administrators, school district employees and staff members working for any California K-12 public school, which includes Charter schools and county/continuation schools. Applicants must also be first-time homebuyers. Offers a deferred-payment junior loan of an amount not to exceed the greater of \$7,500 or 3.5% of the sales price or in CalHFA-defined high cost areas an amount not to exceed the greater of \$15,000 or 3.5% of the sales price. Assistance can be used for down payment and/or closing costs.

## **OTHER PARTNERSHIP & PROGRAM OPTIONS**

- **Mortgage Credit Certificate Tax Credit Program (MCC)**  
A federal credit which can reduce potential federal income tax liability, creating additional net spendable income which borrowers may use toward their monthly mortgage payment. This Mortgage Credit Certificate (MCC) Tax Credit Program may enable first-time homebuyers to convert a portion of their annual mortgage interest into a direct dollar for dollar tax credit on their U.S. individual income tax returns
- **Individual Development Accounts**  
Individual Development Accounts (IDAs) are special savings accounts designed to assist low income borrowers on their path toward ownership of a long-term asset, such as a home, through matched contributions by nonprofit organizations and eligible banks. These organizations may offer up to a 3:1 savings match.

## H. Housing Choice Voucher Usage

The following chart shows lease-up rates for Housing Choice Vouchers as of September 30 of the specified year<sup>20</sup>. In 2016, 6,666 Housing Choice Vouchers were issued. Over the past five years, the average annual lease-up rate is 91%.

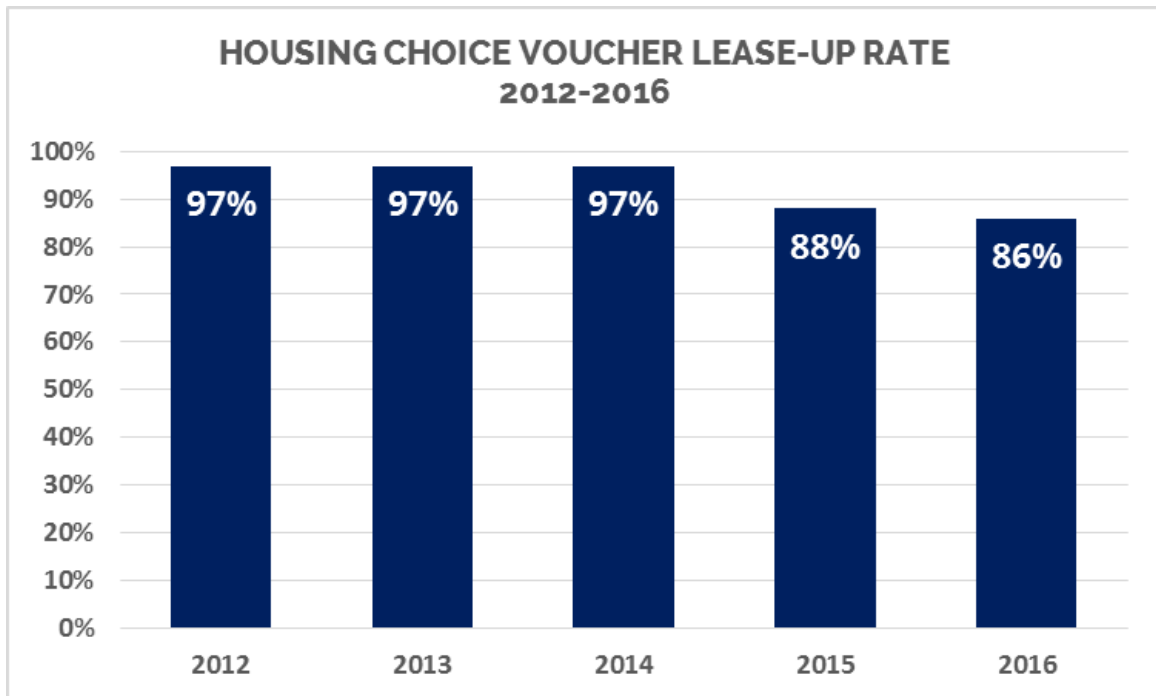


Figure 10. Housing Choice Voucher Lease-Up Rate

## I. Veteran's Initiative

The United States Veterans Initiative (U.S. VETS) is a private non-profit organization providing housing, employment, and counseling services to United States veterans from all branches of the armed forces. Long Beach is one of the largest U.S. VETS sites, located on 26 acres at the Villages at Cabrillo, serving more than 550 veterans daily.

The Long Beach Housing Authority also partners with the Long Beach Veterans Administration Medical Center (VA) to administer the VASH Program, which combines the Housing Choice Voucher assistance for homeless veterans with case management and clinical services provided by the VA at medical centers and in the community. Please refer to Chapter IV, Section K, for other information regarding the VASH program.

Additionally, the City continues to partner with Century Villages at Cabrillo to finance and construct high-quality supportive affordable housing for veterans in Long Beach.

<sup>20</sup> Housing Authority of the City of Long Beach

## J. Homeless Information

Every two years, HUD requires the Long Beach Continuum of Care to conduct a Citywide homeless count. This data is then provided publicly on the Homelessness Data Exchange (HDX). Table 16 provides information from the last three homeless counts in 2011, 2013, and 2015<sup>21</sup>.

**Table 13. Biennial Homeless Count Data**

	2011	2013	2015	2013 & 2015 Comparison
<b>Unsheltered</b>	<b>2203</b>	<b>1879</b>	<b>1513</b>	<b>-19%</b>
<b>Sheltered</b>				
Emergency Shelter	379	389	391	
Transitional Housing	561	555	416	
Safe Haven	21	24	25	
<b>Subtotal</b>	<b>961</b>	<b>968</b>	<b>832</b>	<b>-14%</b>
<b>Total</b>	<b>3,164</b>	<b>2,847</b>	<b>2,345</b>	<b>-18%</b>
<b>Permanent Housing</b>	<b>438</b>	<b>854</b>	<b>1,214</b>	<b>42%</b>
<b>Chronic Homelessness</b>				
Unsheltered	984	910	731	
Sheltered	143	151	196	
<b>Total</b>	<b>1,127</b>	<b>1,061</b>	<b>927</b>	<b>-13%</b>
<b>Veterans</b>				
Unsheltered	309	164	94	-43%
Sheltered	349	363	214	-41%
Permanent Housing	225	583	789	35%
<b>Total</b>	<b>883</b>	<b>1,110</b>	<b>1,097</b>	<b>-1%</b>
	2011	2013	2015	% of 2015
<b>Adults and Children</b>				
Adults	2,793	2,513	2,090	89%
Children	371	334	255	11%
<b>Total</b>	<b>3,164</b>	<b>2,847</b>	<b>2,345</b>	<b>100%</b>

<sup>21</sup> Long Beach Department of Health and Human Services, Homeless Services Division.

<b>Age</b>				
Under Age 18	371	334	255	11%
18 to 24	154	138	134	6%
25 to 34	440	353	352	15%
35 to 44	529	463	375	16%
45 to 54	938	860	658	28%
55 to 61	488	450	382	16%
Over age 62	244	249	189	8%
<b>Total</b>	<b>3,164</b>	<b>2,847</b>	<b>2,345</b>	<b>100%</b>
	<b>2011</b>	<b>2013</b>	<b>2015</b>	<b>% of 2015</b>

<b>Gender - Adults</b>				
Female	771	661	638	31%
Male	2,019	1,851	1,446	69%
Transgender	3	3	6	0%
<b>Total</b>	<b>2,793</b>	<b>2,515</b>	<b>2,090</b>	<b>100%</b>

<b>Ethnicity - Adults</b>				
American Indian or Alaska Native	50	53	34	2%
Asian or Native Hawaiian or Other Pacific Islander	92	81	83	4%
Black or African-American	1,073	844	698	33%
Hispanic or Latino	550	458	470	22%
White	945	992	763	37%
Multiple Races or Other	83	87	42	2%
<b>Total</b>	<b>2,793</b>	<b>2,515</b>	<b>2,090</b>	<b>100%</b>

<b>Other Homeless Subpopulations</b>				
<b>Unsheltered</b>				
Adults with a Serious Mental Illness		476	550	
Adults with a Substance Use Disorder		376	330	
Adults with HIV/AIDS		28	13	
Victims of Domestic Violence		101	108	
<b>Sheltered</b>				
Adults with a Serious Mental Illness	168	216	209	
Adults with a Substance Use Disorder	246	241	127	
Adults with HIV/AIDS	36	34	30	
Victims of Domestic Violence	61	64	97	

**Sheltered** – Emergency, transitional and safe haven beds.

**Chronic homeless** – Persons with disabling condition who has been homeless for a year or more (i.e. living in a place not meant for human habitation and/or residing in a safe haven or an emergency shelter) continuously for at least one year.

**Other Homeless Subpopulations** – By self-report, includes duplicate counts.  
2011 homeless subpopulation information not captured for unsheltered populations.



## **K. Utility Turn-off Information**

Anecdotal evidence suggests an increase in utility turn-offs has occurred over the past three years as a direct result of increased economic pressure due to rising rents. Staff compiled the past three years of billing data as of March 2017 for utility turn-offs, separated by zip code. Long Beach utility billings (gas, water, and refuse) are all billed through the same billing and collections system, and turn-offs refer to account turn-offs rather than specific utility turn-offs, which may vary based on which utilities a household is responsible for paying. Utility turn-offs are divided between “For Non-Payment” (FNP) turn-offs—which occur when an account holder fails to pay their utility bill—and simple account terminations (Regular Account Turn-Offs), which occur whenever a resident moves out of a unit. Citywide, Regular Account Turn-offs have remained consistent over the past three years, showing a year-over-year increase of only 0.6% and an increase of only 0.8% compared to 2014-15. Non-payment turn-offs, on the other hand, have shown a significant decrease since March 2014 of over 50% Citywide. This decrease was observed in every zip code within the City of Long Beach.

These facts countermand the suggestion that there is an increase in utility turn-offs. Instead, operational improvements made by the Long Beach Gas & Oil Department (LBGO) may factor into the significant decrease observed in FNP orders. In 2012 and 2013, LBGO tested and implemented a call-ahead system, Alert Works, which sends reminder calls to customers with pending FNP turn-off notices. This system makes several attempts to connect these calls to customers or their voice-mail systems, and provides notice that there is a past-due bill as well as information on bill payment. The full deployment of Alert Works resulted in fewer FNP orders as the rate of non-payment decreased. Additionally, in late 2013, LBGO implemented a new billing and workforce management system. During this time, no accounts with a pending FNP order were turned off. After the new system was fully implemented, these FNP orders were then fulfilled. This accounts for a relatively high number of FNP counts in 2014-2015.

According to LBGO, the new systems have stabilized and FNP orders are working at their normal schedule, and are continuing to remain at lower numbers than previous years due to Alert Works and other operational improvements.

**Table 14. Regular Account Turn-Offs, 2014-17**

<b>Regular Turn-Offs, Mar 2014 - Mar 2017</b>					
<b>ZIP Code</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>1-Year Change</b>	<b>2-Year Change</b>
90802	3,521	3,553	3,822	7.6%	8.5%
90803	2,893	3,043	2,885	-5.2%	-0.3%
90804	3,021	3,179	3,204	0.8%	6.1%
90805	3,303	3,179	2,987	-6.0%	-9.6%
90806	1,985	1,805	1,792	-0.7%	-9.7%
90807	1,544	1,566	1,641	4.8%	6.3%
90808	1,375	1,514	1,548	2.2%	12.6%
90810	735	715	686	-4.1%	-6.7%
90813	3,273	3,055	3,141	2.8%	-4.0%
90814	1,368	1,339	1,377	2.8%	0.7%
90815	1,987	2,123	2,133	0.5%	7.3%
<b>Total</b>	<b>25,005</b>	<b>25,071</b>	<b>25,216</b>	<b>0.6%</b>	<b>0.8%</b>

**Table 15. For Non-Payment Turn-Offs, 2014-17**

<b>For Non-Payment (FNP) Turn-offs, Mar 2014 - Mar 2017</b>					
<b>ZIP Code</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>1-Year Change</b>	<b>2-Year Change</b>
90802	2,377	1,927	1,406	-27.0%	-40.8%
90803	1,283	791	589	-25.5%	-54.1%
90804	3,070	2,145	1,468	-31.6%	-52.2%
90805	7,354	5,013	3,026	-39.6%	-58.9%
90806	3,214	2,408	1,665	-30.9%	-48.2%
90807	1,792	1,062	675	-36.4%	-62.3%
90808	1,809	948	537	-43.4%	-70.3%
90810	1,602	1,198	715	-40.3%	-55.4%
90813	4,152	3,433	2,540	-26.0%	-38.8%
90814	806	580	378	-34.8%	-53.1%
90815	1,438	955	719	-24.7%	-50.0%
<b>Total</b>	<b>28,897</b>	<b>20,460</b>	<b>13,718</b>	<b>-33.0%</b>	<b>-52.5%</b>

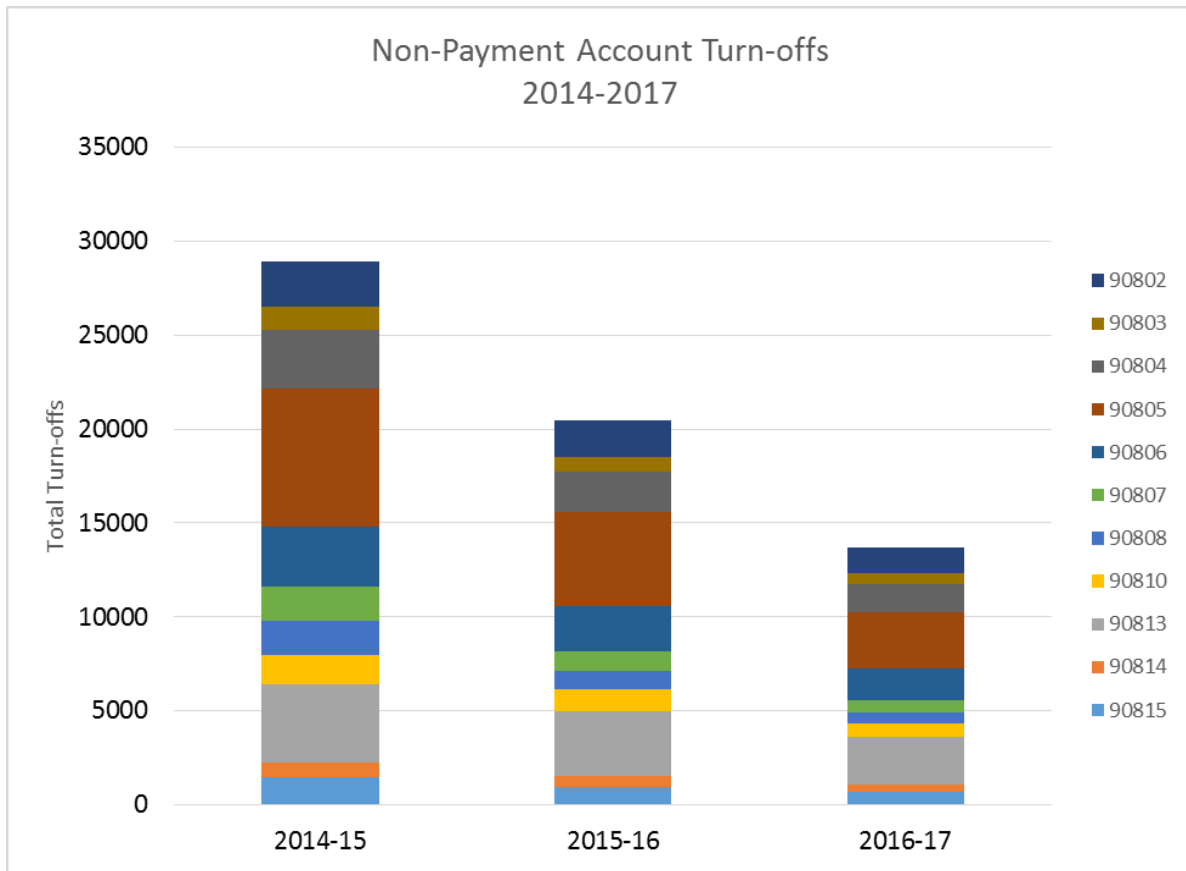


Figure 11. For Non-Payment Turn-Offs, 2014-17

## L. Micro-Units

The Long Beach City Council requested an investigation and further information regarding the feasibility of allowing the development of micro-units as an affordable rental housing solution for single workers.

Although a micro-unit has no standard definition, a working definition is a small studio apartment, typically less than 350 square feet, with a fully functioning and accessibility-compliant kitchen and bathroom<sup>22</sup>. Under this definition, a 160-square-foot single-room occupancy (SRO) unit that relies upon communal kitchen or bathroom facilities does not qualify as a true micro-unit. Micro-units are typically purpose-built, using efficient design to appear larger than their square footage, which are typically 20% to 30% smaller than conventional studios in a given market.

There has been an increased interest in housing, architecture, and urban design circles around the use of micro-units as affordable housing. Micro units have a number of advantages over conventional housing-- the small size of micro units allows them to be built at a lower per-unit cost than a conventional apartment (assuming the same location), and space-saving, flexible designs allow them to function as a larger unit. On the other hand, they are typically found in high-rent locations, offer luxury amenities,

<sup>22</sup> The Macro View of Micro Units. Urban Land Institute, 2014

and charge a premium rent per square foot, all of which may make them a poor fit for low and moderate income families.

A study by the Urban Land Institute found that the smallest units offered in the current generation of housing product (generally less than 500 square feet in size), tended to achieve very high occupancy levels and significant rent per square foot premiums over larger floor plans. A consumer survey of potential renters found that lower rent—compared to conventional studios—as well as desirable location were the top two factors for potential renters' choosing of a micro unit<sup>23</sup>. This study also found that the majority of residents who choose micro-units are young professional singles. Another study, by the NYU Furman Center, found a mismatch between the existing housing stock and changing household compositions, showing that the share of U.S. households consisting of a single person have risen from less than 10% in 1940 to over 25% in 2010<sup>24</sup>. This study also noted perceived or real market demand for affordable family housing and highlighted concerns with the flexibility of micro-units to serve these populations. Further investigation is needed to better understand the changing demographics of the City of Long Beach, particularly compared to the existing and planned housing stock.

A number of cities in the State, including San Francisco, Los Angeles, Santa Monica, and San Jose, have already adopted ordinances that allow for the construction of such units. A number of these ordinances impose minimum square footage requirements and, in some cases, require micro-units to be built alongside traditional multi-family units. Other cities do not have specific legislation that explicitly governs the development of micro-units, but the existing code provides restrictions and guidelines for their development. Table 16 contains a brief overview of ordinances where they exist and other requirements in California and nationwide.

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<sup>23</sup> The Macro View of Micro Units. Urban Land Institute, 2014

<sup>24</sup> Responding to Changing Households: Regulatory Challenges for Micro-Units and Accessory Dwelling Units. NYU Furman Center, 2014.

**Table 16. Micro-Unit Legislation**

CITY/JURISDICTION	ORDINANCE IN PLACE	DETAILS
Santa Monica, CA	Yes	<p>“Average Bedroom Factor” Ordinance passed July 2015. For market-rate unit:</p> <ul style="list-style-type: none"> <li>- At least 15% of units 3-BR;</li> <li>- At least 20% of units 2-BR;</li> <li>- No more than 15% to be Studio units;</li> <li>- Average number of bedrooms for all market-rate units combined shall be between 1.2 and 1.5.</li> <li>- No minimum square footage requirement.</li> </ul>
San Francisco, CA	Yes	<p>Ordinance caps the number of efficiency dwelling units with reduced square footage (minimum size of 150 square feet) that may be approved Citywide at 375 units. After the approval of 325 units, requires a report to the Board of Supervisors for further analysis and approval.</p>
Los Angeles, CA	No	<p>The Greater Downtown Incentive Ordinance (2007) eliminated restrictions on the number of housing units in residential and mixed-use developments while maintaining floor-area ratio and height regulations. This essentially allowed for the creation of micro-units.</p> <p>This elimination of restrictions has been recommended for Los Angeles’ zoning code update.</p>
West Hollywood, CA	No	<p>Allows single-room occupancy, but restricts the number of total units based on square footage and parking requirements</p>
San Jose, CA	Yes	<p>Ordinance passed to allow exceptions to minimum unit size requirements for efficiency units of no less than 220 square feet of floor area, with an additional 100 square feet required for each occupant in excess of two.</p>
Santa Barbara, CA	Yes	<p>2015 New Zoning Ordinance proposes to reduce the minimum usable floor area for a studio unit to 220 square feet of livable floor area.</p>
Seattle, WA	Yes	<p>Classifies micro-units as “Small Efficiency Dwelling Units” and requires that they be at least 220 square feet.</p> <p>Prior to 2014, micro-housing as small as 140 square feet per unit existed. In 2014, new regulations were passed for micro-housing, congregate residences, and similar forms of development, to regulate allowable configurations of micro-units and restricts the zones in which congregate residences are allowed.</p> <p>Design review is required for all micro-housing projects.</p>
New York, NY	No	<p>Legal minimum is 400 square feet, though specific projects have had the minimum waived for projects with units ranging from 275-300 square feet.</p>
Washington, DC	No	<p>220 square foot minimum.</p>
Boston, MA	No	<p>Boston allows development of micro-units within the South Boston Innovation District, with a minimum lot size of 350 square feet; initial construction is limited to 195 units.</p> <p>Citywide, minimum size is 450 square feet.</p>
Portland, OR	No	<p>No minimum square footage requirement for housing units.</p>

## M. Shipping Container Construction

The State of California does not offer specific regulations pertaining to the use of shipping containers as housing within the State Health and Safety Code. However, depending on the process used to convert the containers to housing units, they may be subject to State regulations pertaining to modular, manufactured, or factory-built housing. Advocates for the use of shipping containers cite many benefits, including strength, mobility, and widespread availability of the containers, as well as claims of low per-unit development costs. Staff analysis, however, indicates that reuse of existing shipping containers for housing purposes is more expensive on a per square foot cost basis when compared to new construction. Therefore, the idea that reused shipping containers are an inexpensive building material is patently false. Many examples of shipping container housing are single-family homes or accessory units.

There have been a number of pilot projects that can serve as examples for conversion of shipping containers into multi-family affordable housing. One recent example is the Potter's Lane project in Midway City, developed by American Family Housing. This project consists of 15 studio units for formerly homeless veterans, with rents affordable to households earning 30% to 60% of AMI. Each unit consists of three 20-foot shipping containers and contains 425 square feet of living area. The containers used were prefabricated into modules offsite, and on-site construction took place over a five-month period. Total development cost for the project was \$4,303,070 (\$268,941 per unit, \$632.80 per square foot)<sup>25</sup>. It should be noted that this cost per unit is substantially higher on a per square foot basis than traditional construction; since public funds were used to support this project, the resulting project resulted in less affordable units being constructed than if traditional construction methods were utilized and the budget remained the same (reword this sentence better). The project was supported by the Orange County Community Services' 2016 Permanent Supportive Housing NOFA.



Figure 12. Courtyard at Potter's Lane (Source: KTLA)

<sup>25</sup> Orange County Board of Supervisors

## N. Density Bonus Requirements and Accessory Dwelling Units

### Density Bonus Law – Background

The purpose of the Density Bonus Law (DBL) in California, initially enacted in 1979 by the State Legislature, is to encourage cities and counties to offer concessions or incentives to housing developments that include certain percentages of lower income units. Generally governed by *Government Code Section 65915, Density Bonuses and Other Incentives*, and recognized by California courts, DBL rewards a developer who agrees to build a certain percentage of low-income housing with the opportunity to build more units than would otherwise be permitted by applicable local regulations. By incentivizing developers, DBL promotes the construction of housing for a variety of income levels, including seniors. Under DBL provisions, a city or county must grant a density bonus, concessions and incentives, prescribed parking requirements, as well as, waivers of development standards upon a developer's request when a certain percentage of lower income housing is included within a housing development proposal. In exchange for DBL, the units are restricted by covenant to remain affordable to persons of low-, very low-, or moderate-income for a set period of time, usually 55 years.

Since 1983, the City has approved approximately 204 density bonus units, located within 18 development projects throughout the City. Table 17 provides detail for projects that have used the DBL, including number of density bonus units and the expiration date of the units encumbered by affordability covenants. For-sale projects such as Neo Zoe, Lofts on 4<sup>th</sup>, and Seagate Village may have varying affordability expiration dates per unit based on its sale date. For these projects, a range of dates is shown.

Table 17. Density Bonus Projects, 1983-Present

Density Bonus Projects in City of Long Beach, 1983-Present					
Project Name and Address	Density Bonus Units	Affordable Units	Total Units	Approval Date	Expiration of Affordability
2114 Long Beach Blvd.	10	41	41	2012	1/1/2061
Long Beach and Burnett Apartments (2355 Long Beach Blvd.)	11	36	46	2008	1/1/2064
Gallery421 (421 W. Broadway)	26	26	291	2007	9/20/2062
Neo Zoe (1500 Pine Ave.)	2	22	22	2005	2053-2054
Lofts on 4th (834 4 <sup>th</sup> St.)	9	8	34	2004	2019-2020
838 Pine Ave.	8	8	64	2004	4/30/2029
Vintage Senior Apts. (1330 Redondo Ave.)	5	20	20	1989	In Perpetuity

3485 Linden Ave.	8	29	29	1989	In Perpetuity
Poe Development (2309 E. 17 <sup>th</sup> St.)	3	--	--	1988	In Perpetuity
City Terrace (425 E. 3rd St.)	24	93	93	1987	In Perpetuity
Seagate Village (1450 Locust Ave.)	4	44	93	1986	In Perpetuity
Village Chateau (518 E. 4th St.)	7	28	28	1986	In Perpetuity
Seabreeze Apts. (745 Alamitos Ave.)	12	44	44	1985	1/1/2061
Redondo Plaza (645 Redondo Ave.)	23	40	88	1984	In Perpetuity
1542 Orizaba Ave.	4	16	16	1984	In Perpetuity
Renaissance Terrace (926 Locust Ave)	27	90	102	1983	In Perpetuity
Magnolia Manor (1128 E. 4 <sup>th</sup> St.)	14	54	54	1983	In Perpetuity
3945 Virginia Rd.	6	25	25	1983	In Perpetuity

### **Summary of the Density Bonus Laws Signed by Governor Brown – 2016**

#### **AB 2442. Expands the categories of specialized housing that could qualify a development for a density bonus.**

- Recognizing the Statewide need for certain types of specialized housing, AB 2442 adds that a density bonus of 20% shall be granted where at least 10% of the total housing units are designated for foster youth, disabled veterans, or homeless persons, and are offered at the same affordability levels as very-low income units.

#### **AB 2501. Clarifies and streamlines the implementation procedure at the local level, while restating the objective of producing more housing units.**

- Requires local governments to expeditiously process density bonus applications by (a) adopting procedures and timelines, (b) providing applicants with a list of documents and information required for a density bonus application to be deemed complete, and (c) notifying applicants when applications are deemed complete in accordance with the Permit Streamlining Act. Local governments are prohibited from requiring the preparation of any additional reports or studies for a density bonus application, but may require reasonable documentation to establish eligibility for a requested density bonus, incentives, concessions, waivers, or reduced parking ratios.
- Slightly modifies the eligibility standards for incentives and concessions, and the burden of proof in denying a requested incentive or concession is now expressly on the local government.
- Adds language to make clear that each component of any density calculation, including base density and bonus density, resulting in fractional units shall be separately rounded up to the next whole number.
- Makes clear that developers of density bonus projects may choose to accept no increase in density yet still be eligible to receive incentives and development



standard waivers in exchange for covenanting a prescribed percentage of affordable units.

**AB 2556. Addresses implementation questions related to the replacement of affordable units previously onsite.**

- AB 2222 was adopted in 2014, to ensure that housing units occupied by lower-income persons or households were not being wiped out and replaced with density bonus projects that yielded fewer net affordable units. AB 2556 will revise the definition of “replace” to require a rebuttable presumption that lower income occupants lived in those units in the same proportion as the overall percentage of lower income occupants in the jurisdiction.
- AB 2556 also provides guidance regarding rent-controlled units by giving local government the power to require either (i) replacement with rental units subject to a recorded affordability restriction for at least 55 years, or (ii) replacement with units that remain subject to the local rent or price control ordinance.
- Provides guidance on the definition of "equivalent size" for replacement units, and states that the replacement units must contain at least the same total number of bedrooms as the units being replaced.

**AB 1934. Mixed-Use Projects – Provides certain development bonuses for commercial developers that partner with affordable housing developers in conjunction with their commercial projects.**

- By opening DBL to commercial developers, AB 1934 seeks to address (a) the State’s need for affordable housing, and (b) local government’s desire for increased revenues, by encouraging non-traditional housing developers to enter the market and think outside the box in their developments. This bill creates an opportunity for commercial waivers for qualifying projects, and the commercial developer could also receive a “development bonus.”
- The development bonus includes incentives agreed-upon between the commercial developer and the local government, including, but not limited to, modifications to maximum allowable intensity, maximum floor-area ratio, maximum height limits, minimum parking requirements, upper-floor accessibility regulations, and zoning or land use regulations.
- AB 1934 includes a sunset provision that it will remain in effect only until January 1, 2022.

**Accessory Dwelling Unit (ADU) Law – Background**

The State of California has also used the accessory dwelling unit to address the shortage of housing. Accessory dwelling units, or “second units,” allow an additional housing unit within single-family neighborhoods that permit only one home. State law deems that second units are not an increase in the allowable density.

California first enacted these laws in 1982, which have been amended five times, each time increasing the ease with which second units can be permitted. The amendment in 2002 (AB 1866) was a particular milestone, requiring that second units be permitted by-right, without any discretionary review. The State ADU law has always allowed for local jurisdictions to adopt their own second unit ordinance, crafting customized regulations for unique conditions. The City’s second unit ordinance was last updated in 1988.

**Summary of the ADU Laws Signed by Governor Brown – 2016**

- SB 1069 and AB 2299. Accessory Dwelling Units – Requires that local jurisdictions allow accessory dwelling units when they meet certain standards; allows for jurisdictions to craft their own accessory dwelling unit ordinance.
- SB 1069 and AB 2299 update the State’s existing ADU regulations to require that local jurisdictions ministerially approve accessory units that meet established criteria, such as size limits and setbacks. These twin bills differ from the City’s existing second unit ordinance by allowing greater flexibility, greater size allowances, and parking in certain setbacks. Furthermore, AB 2299 affects the City’s ability to regulate certain provisions pertaining to parking, fire sprinklers and utilities.
- AB 2299 deems existing second unit ordinances null and void if they are more restrictive than the AB 2299 provisions. As such, the City’s existing second unit ordinance is no longer effective and the City must comply with the new regulations. The City may, however, update its local ordinance to comply with AB 2299 requirement and retain or include regulations for accessory dwelling units that are not otherwise preempted by the State.
- AB 2406. Junior Second Units – Enables local jurisdictions to adopt an ordinance permitting “junior” second units.
- Junior units could be permitted in situations where existing properties could not accommodate a full accessory dwelling unit. Junior units may be a maximum of 500 square feet and contain only limited kitchen and bath facilities.
- The City’s existing second unit regulations located in Section 21.51.27 of the LBMC, Secondary Housing Units (“granny flats”) should be updated to reflect the standards of State law. Doing so will allow the City to also include special development standards to respond to the City’s specific characteristics. These standards could include lot size requirements and restriction of accessory dwelling units in certain areas of the City, such as coastal jurisdictions or parking impacted areas.

### **Next Steps for Implementation**

While the City has approved development of 204 density bonus units in 18 projects, no density bonus projects have been entitled since 2012. However, there is no clear basis for this gap as most residential development in the City over the last decade has occurred within and around Downtown. The 2012 adoption of the Downtown Plan—which permits the highest densities in the City—has likely been a factor. Under the Downtown Plan, high-density developments may be financially feasible for an applicant even without the use of the DBL.

Though the DBL has been in effect for more than 35 years, both developers and cities have struggled with its application. As a result, many developers are either unaware of the law, are unsure of how it works, or do not perceive the bureaucratic burden of the process an appropriate tradeoff for additional density. Many cities share this concern and are resistant to attempts to limit their police powers on multifamily development projects. However, as the housing crisis continues unabated, cities are being increasingly forced to limit the regulation of density bonus projects and to approve them either by right or with minimal review.

Given the significant change in the State's DBL, staff recommends a comprehensive update of the City's density bonus, as well as the accessory dwelling unit regulations in order to maintain consistency with State law. Staff further recommends working with the Inter-Governmental Affairs staff in the Office of the City Manager to coordinate a proactive strategy to address likely reintroduction of the Governor's by-right housing proposal. The City should promote legislation that acknowledges the efforts of progressive cities like Long Beach that seek to facilitate housing production and have demonstrated results in achieving the housing production goals established in their Regional Housing Needs Allocations.

#### **O. Condominium Conversion**

LBMC Section 21.60 allows developers who are proposing to convert deed-restricted rental units affordable to low and very-low income households to condominiums to reduce the noticing requirements for the existing tenants of these buildings to no less than three months if at least 10% of the units are set aside for 10 years to be affordable to low-income households or at least 5% of the units are set aside for 10 years to be housing affordable to very-low income households. These requirements for affordable units may be met with the provision of on-site units, off-site units, rehabilitated units, or the payment of an in-lieu fee of \$69,500 per unit, adjusted to reflect construction costs. These requirements apply to all condominium conversions citywide.

As part of the approved work program for the City's certified Housing Element, staff is researching the possible redirection of condominium conversion fees for deposit into the Housing Trust Fund.

#### **P. One-For-One Replacement**

The City Council indicated support for the expansion of the one-for-one requirement to include all affordable housing that is converted or demolished Citywide.

State Housing Element Law requires a review of the City's success in maintaining affordable units in the coastal zone. Pursuant to Government Code (GC) Section 65590, "the conversion or demolition of existing residential dwelling units occupied by persons and families of low or moderate income...shall not be authorized unless provision has been made for the replacement of those dwelling units with units for persons and families of low or moderate income." However, the GC further stipulates several exemptions to the replacement requirement. Specifically, GC 65590(b)(3) provides an exemption for residential structures located within the coastal zone and within a jurisdiction that has less than 50 acres of total land that is vacant, privately owned, and available for residential use.

Long Beach is primarily built out with less than 50 acres of vacant, privately owned, residential land in or within three miles of the Coastal Zone. The most significant opportunities for residential use within three miles of the Coastal Zone are parking lots in the Downtown area, which are owned by the City, not privately held. Therefore, the City was exempt from these requirements, but decided to voluntarily adopt and implement its own ordinance in Municipal Code 21.61 – Maintenance of Low-Income Housing in the Coastal Zone.

The replacement housing obligation can be fulfilled in a number of ways, including on-site construction, off-site construction, substantial rehabilitation of existing units, conversion of existing market-rate units, and the payment of an in-lieu fee. As part of the certified Housing Element work program, City staff is currently conducting a financial analysis and nexus study to review the viability of the current Coastal Zone in-lieu fee and to consider revisions to the fee structure and master fee schedule update.

## **Q. Homebuyer Programs**

Over the years, The LBCIC has provided a number of programs aimed at assisting low- and moderate-income households purchase their first home. These programs were funded by a number of sources, including redevelopment set-aside funds, state housing funds, and federal funds.

The following programs were funded by Housing Set-Aside Funds.

- **Down Payment Assistance Program (DAP):** Provided purchase assistance in the form of a \$10,000 forgivable grant.
- **Interest Rate Reduction Program (IRRP):** Provided eligible first-time buyers earning up to 120% of AMI with a \$3,500 conditional grant to permanently buy-down their interest rate on an approved real estate loan.
- **Second Mortgage Assistance Program (SMAP):** Provided purchase assistance in the form of zero-percent interest second mortgages to qualified moderate-income buyers. These silent second mortgages were dependent on the borrower's household income and home purchase price.

The CalHome and BEGIN Mortgage Assistance programs were State-funded programs applied for by the City and awarded to homebuyers.

- **CalHome:** A mortgage assistance program assisting first-time buyers in purchasing a home by offering second trust deed loans to households earning up to 80% of AMI, with a maximum loan amount of \$57,000.
- **BEGIN Mortgage Assistance Program:** Assisted first-time buyers in purchasing a home at the Olive Court development by offering second trust deed loans to households earning up to 80% of AMI, with a maximum loan amount of \$30,000.

The City also administered three cycles of the Federally-funded Neighborhood Stabilization Program.

- **Neighborhood Stabilization Program (NSP)** promoted neighborhood stabilization through increased home ownership opportunities. This program consisted of three separate program cycles, and consisted of second mortgage assistance in the form of a secured subordinate mortgage with contingent, deferred interest. These loans were restricted for use toward the purchase of homes with the following restrictions:
  - **NSP1:** Any City-owned NSP1 single-family residence.
  - **NSP2:** Any vacant, foreclosed, single-family residence located within a qualifying NSP2 area.
  - **NSP3:** Any City-owned NSP3 single-family residence.

Table 18 shows the total number of loans provided through each of these programs. These homebuyer assistance programs were primarily aimed at low- and moderate-income households. However, the decrease in available funding for homebuyer

assistance programs (including HOME and redevelopment set-aside funds) resulted in the prioritization of assistance programs for extremely-low and very-low income households. In addition, the combination of decreasing available funds and rising property values made it very expensive to provide these programs to potential homebuyers. For example, in order to assist a low-income household of 3 earning \$62,500 annually to purchase a median priced home in Long Beach in 2017 (\$455,000), the City would need to provide a second mortgage subsidy in the amount of \$255,000. These funding sources were instead prioritized for leveraging private investment in construction and rehabilitation of affordable rental housing.

**Table 18. Homebuyer Assistance Programs**

<b>HOMEBUYER ASSISTANCE PROGRAMS, 1993-2017</b>	
<b>Program Type</b>	<b># of Loans</b>
Downpayment Assistance Program	536
Interest Rate Reduction Program	10
Police & Fire Downpayment Assistance Program	6
Olive Court SMAP	44
Neo Zoe SMAP	10
Coronado SMAP	48
Neighborhood Stabilization Program One (NSP1)	31
Neighborhood Stabilization Program Two (NSP2)	113
Neighborhood Stabilization Program Three (NSP3)	1
CalHome Loans	15
<b>TOTAL</b>	<b>814</b>

## **R. Real Estate Transaction Recording Fee**

The City Council indicated support for implementing a Real Estate Transaction Recording Fee or Document Recording Fee to fund affordable housing.

California Senate Bill 2 (Atkins) (SB 2), the Building Homes and Jobs Act, proposes to impose a fee of \$75 to be paid at the time of recording of every real estate instrument, paper, or notice required by law to be recorded, per each single transaction per single parcel of real property, not to exceed \$225. This bill would create a state-mandated local program and require that revenues from the fee be sent to HCD for deposit in the Building Homes and Jobs Fund of the State Treasury. SB2 requires that 20% of the money in this fund be expended for affordable owner-occupied workforce housing, and 10% of the money be spent for housing purposes related to agricultural workers and their families. The bill allows the remainder of funds to be expended on affordable housing activities including, but not limited to, development, acquisition, rehabilitation, and preservation; affordable rental and ownership housing for households at less than 120% of AMI; permanent supportive housing; emergency shelters; and fiscal incentives to local agencies approving new affordable housing. The HCD estimates that revenues from this recording fee would generate approximately \$229 million to \$258 million annually, based on projections of expected document recordation volumes.

SB2 requires the HCD to provide for a geographically balanced distribution of funds and to allocate 50% of the funds directly to local governments, though it is not yet clear if these funds would be allocated on a formula basis or on a competitive basis. In order to receive an allocation, a local government needs to submit a plan detailing the manner in which the fund will be used, have a compliant housing element with the state, and emphasize investments for households at or below 60% of AMI. The remainder of the funds could be allocated through existing HCD programs, which are eligible to be funded under SB2.

In addition to the State-mandated local program created by SB2, staff will investigate the feasibility of creating a separate local recording fee program in order to generate additional local revenues for affordable housing. The City Council could then decide whether to implement a local program if SB2 is approved or not, and whether this fee would require approval by local voters. A local program may be modeled on other successful programs, such as City of Philadelphia's Housing Trust Fund Fee, which is assessed on all mortgage and deed recordings, provided \$11.7 million in flexible funding for the City of Philadelphia in FY15<sup>26</sup>. Since 2006, average annual revenues from the fee were \$10.3 million. Per recording, the fees range from \$91.00 to \$107.00<sup>27</sup>. The revenues are deposited into the Philadelphia Housing Trust Fund, which was created in 2005 and funds new affordable housing and homelessness prevention programs. Funds are distributed through a biannual competitive RFP process. At least 50% of the funding is targeted for households earning 30% of AMI or less, and all projects supported by the Fund must be targeted at incomes at 115% of AMI or lower.

## **S. Bond Measure for Affordable Housing**

Historically, municipalities in California have been involved in financing programs that facilitate the development, expansion, or retention of affordable housing projects. Municipalities have used a variety of methods to finance affordable housing projects including bond financing. There are two primary type of bonds that are utilized to fund affordable housing projects, including general obligation bonds and revenue bonds. The use of these financing vehicles depend solely on the municipality's ability to generate revenues. For municipalities, the primary vehicle to generate revenues is through the issuance of general obligation bonds, which are supported by an increase in property taxes, or a local special tax. In either case, each funding source requires a two-thirds voter approval. Additionally, municipalities maintain full liability for the debt service payments<sup>28</sup>.

In the past, the issuance of revenue bonds by municipalities or by a third party have also been a viable option. However, the issuance of revenue bonds by municipalities have diminished due to the dissolution of redevelopment agencies, which have resulted in a shortage of revenues available to pay debt service payments. Alternatively, the issuance of revenue bonds through a third party have become a practical financing mechanism to fund affordable housing projects. The third party maintains full liability for the debt service payments.

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<sup>26</sup> [www.philadelphiahousingtrustfund.org](http://www.philadelphiahousingtrustfund.org)

<sup>27</sup> City of Philadelphia Department of Records

<sup>28</sup> KNN Public Finance, Memorandum to Staff dated April 3, 2017

## **General Obligation Bonds**

In light of the significant reduction in local revenues available to support affordable housing initiatives, some local agencies in California have recently pursued general obligation bonds as a source of funding for affordable housing projects. Most recently, Alameda County, Santa Clara County, and the City of Los Angeles each sought and received authorization to issue general obligation bonds. General obligation bonds require a bond measure and a two-thirds voter approval. The debt service payments are paid from revenues generated by an increase in property taxes. The type of affordable housing projects that may be financed by general obligation bonds depends on the language specified on the bond measure. Additionally, general obligation bonds also require that the proceeds be used "for the acquisition or improvement of real property." The expenditure of funds must result in some form of public ownership of a property interest. As long as the public ownership restrictions are met, the use of general obligation bonds can support a wide variety of affordable housing initiatives including the following:

- Down payment assistance programs
- Rehabilitation grants/loans
- Land purchase/write-downs
- Grants for construction/acquisition
- Homeless projects (must be used for property, not services)
- Loan programs directed to seniors, veterans, disabled and other targeted groups
- Housing support of mental health programs, substance abuse programs, etc.

## **Municipalities or Third Party Revenue Bonds**

Municipalities and third parties through a Joint Power Authority (JPA) such as the California Municipal Finance Authority (CMFA) or California Statewide Communities Development Authority (CSCDA) have issued revenue bonds to finance new construction, acquisition/rehabilitation, and refinancing. During the past 10 years, the ability for municipalities to issue revenue bonds have diminished due to the dissolution of redevelopment agencies. The dissolution of redevelopment agencies has resulted in a significant reduction in local revenues available to support affordable housing initiatives. Prior to dissolution, 20% of local tax increment revenues generated by redevelopment were dedicated for affordable housing projects.

In recent years, issuing revenue bonds through a third party have become a practical financing mechanism to fund affordable housing projects. The primary beneficiaries have been both non-profit and for-profit developers. The use of tax credits combined with tax-exempt financing has increased the volume of standalone affordable housing financings. However, many of these projects have a limited amount of affordable units due to the need for the market rate units to produce income sufficient to service the debt on the projects. Generally, there are two types of housing projects including multifamily housing and single family housing, both of which may be financed by revenue bonds through a JPA.

- Multi-family Rental Housing Projects: The most prevalent projects that are financed with the assistance of public agencies. The debt service repayment is secured by the rental/mortgage income generated by the project, with the JPA remaining liable. Many of these bond programs are supplemented by the issuers



in the form of grants, tax credits, subordinate loans, contribution of land and annual revenue streams pledged as additional income to support the project.

Other multi-family projects include single room occupancy hotels, transitional housing and homeless facilities. Many of these projects service a population that can afford little or no rent. As a result, income from these projects are barely sufficient to pay operating expenses, let alone debt service requirements. The Municipality's ability to facilitate financing for these types of projects are primarily limited to obtaining/sourcing non-debt financing vehicles including grants, tax credits, special fund balances or special fund revenue streams to pay debt service payments.

- **Single-family Projects:** Tend to be the most difficult housing projects to finance, because the financing is secured by a mortgage on the property, and repaid by the occupant. The JPA maintains full liability for the debt service payments. Financing assistance usually comes in the form of upfront subsidies to the construction costs, in order to reduce the required amount of mortgage financing, or down payment assistance in the form of grants or loans to the ultimate borrower.

The City of Long Beach has supported a significant amount of affordable housing financings issued by the CMFA and the CSCDA. Since 2008, the City has conducted 15 TEFRA hearings to finance \$384.5 million in affordable housing totaling 2,191 units.

As a result of the dissolution of Statewide RDAs, there has been a significant reduction in local revenues available to support affordable housing initiatives. Moreover, the difficulty to secure funding in the form of grants and tax credits further challenges the use of affordable housing revenue bonds. Today, direct local financing of affordable housing will necessitate the use of locally generated revenues. The primary vehicle to generate these local revenues is either the use of voter approved general obligation bonds or a voter approved special tax.

## **T. Code Enforcement Actions**

The Proactive Rental Housing Inspection Program (PRHIP) was codified by the Long Beach City Council in June 2016. As part of the implementation of the program, Council requested improvements to data collection regarding code enforcement actions. The Code Enforcement Bureau has collected additional data on the number of total inspections, cases created, and cases remaining open for both proactive code inspections conducted under the PRHIP program, as well as for the typical re-active code inspections that are conducted after a complaint or call is made to the bureau. Table 15 shows the total number of inspections, cases created after those inspections, as well as the number of cases remaining open after 120 days.

Table 19. Code Enforcement Actions, FY15-16

Code Enforcement Actions, FY15-16			
Type	Reactive Inspections	PRHIP Inspections	Total
Total Inspections	2,290	9,831	12,121
Cases Created	768	2,424	3,192
% of Inspections Resulting in Cases	33.5%	24.7%	26.3%
Cases Remaining Open after 120 Days	58	431	489
% of Cases Remaining Open after 120 Days	7.6%	17.8%	15.3%

Source: Code Enforcement Bureau, March 2017

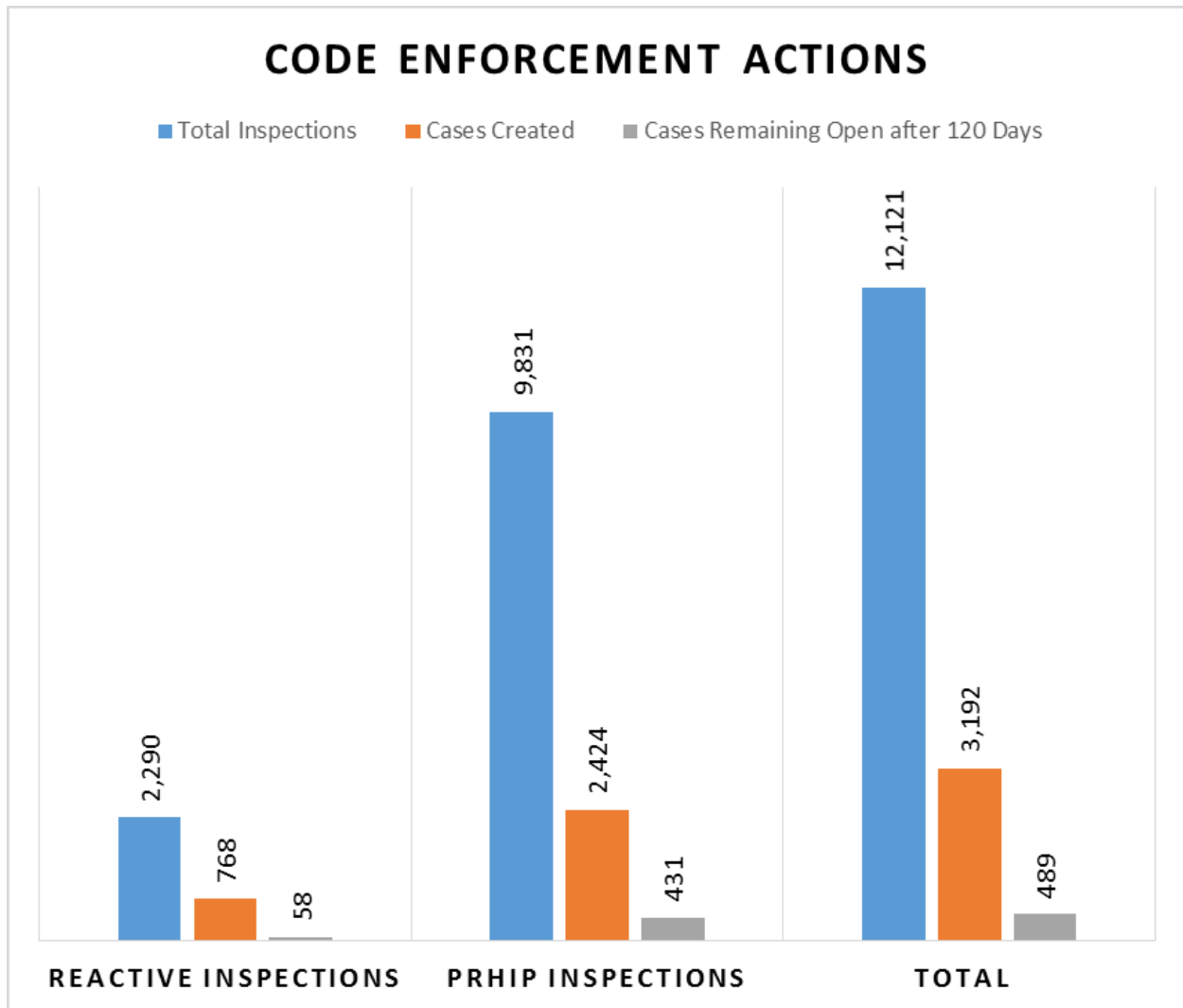


Figure 13. Code Enforcement Actions, FY15-16

## U. Historic Appreciation in Home Sale Prices

The Study Group requested data on the appreciation in sales prices in Long Beach. Figure 11 shows monthly median home sale prices from January 2007 to February 2017 for both the City of Long Beach as well as the County of Los Angeles<sup>29</sup>.

According to data provided by property information firm CoreLogic, the median home sale price in Long Beach fell to a low of \$250,000 in January 2012 from a peak of \$525,000 in November 2007. This has since risen to a median of \$455,000, as of February 2017.

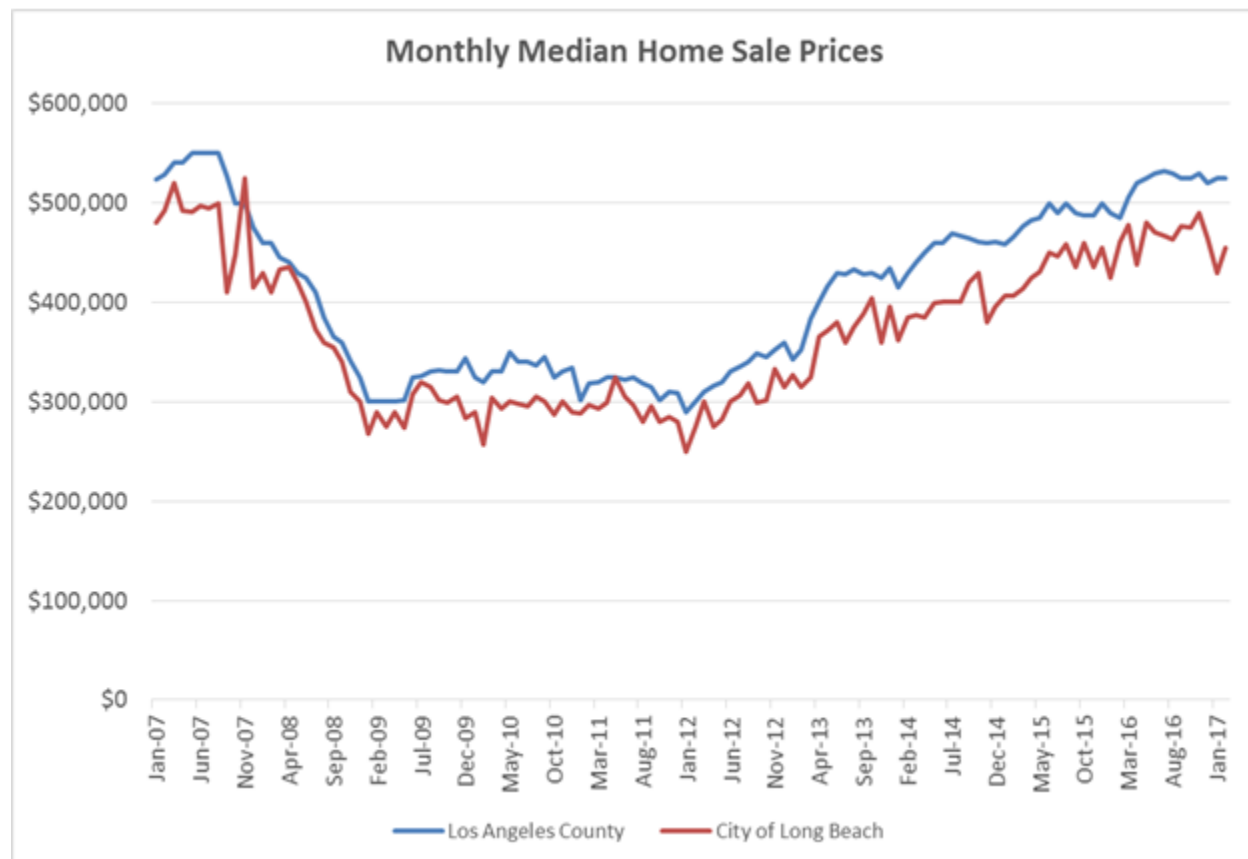


Figure 14. Monthly Median Home Sale Prices, 2007-2017

## V. Article 34 – Public Housing Project Law

On November 7, 1950, the voters of the State of California approved the inclusion of Article XXXIV (Article 34) to the California Constitution, known as the Public Housing Project Law. Article 34 requires that voter approval be obtained before any “state public body” develops, constructs, or acquires a “low rent housing project,” defined as any development composed of urban or rural dwellings, apartments, or other living accommodations for persons of low income, which is financed in whole or part by public funds or which receives another form of assistance from a public agency, such as labor.

<sup>29</sup> CoreLogic, March 2017

However, not all low- and moderate-income housing is classified as a “low rent housing project” under the requirements of Article 34. The following types of developments are specifically exempt from the requirement of voter approval<sup>30</sup>.

- Privately owned housing which is not exempt from property taxation (unless fully reimbursed to all taxing entities) or is exempt from property taxation pursuant to the provisions of Revenue and Taxation Code 214(f) or (g), and in which no more than 49% of the units are occupied by low-income persons.
- Privately owned housing which is not exempt from property taxation by reason of any public ownership and is not financed with direct long-term financing from a public body.
- Housing that is intended for owner occupancy, including cooperative or condominium ownership.
- Housing consisting of newly constructed, privately-owned, one to four family dwellings not located on adjoining sites.
- Housing that consists of existing units leased by a state public body from a private owner.
- Rehabilitation, reconstruction, or replacement of an existing low rent housing project, or a project previously or currently occupied by lower-income households.
- Acquisition, rehabilitation, reconstruction, or improvement of a low rent housing development subject to a contract for federal or state public body assistance if the development maintains or enters into a new assistance contract.

The City of Long Beach has utilized these exemptions in the construction, acquisition, and rehabilitation of a large number of affordable housing developments. However, in order for the City to ensure that it remains eligible to receive state funds for affordable housing, it may be necessary to provide the State with evidence of sufficient Article 34 Authority (Authority) for future housing developments. A local voter referendum may be necessary to update the City’s Authority and ensure continuing eligibility for State funding.

## **W. Annual Status Reports to City Council**

In order to keep the City Council and public informed on the implementation of the policies recommended in this report, staff will provide the City Council with an annual update in April beginning in 2018.

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<sup>30</sup> California Affordable Housing Handbook

## **XI. FINAL RECOMMENDATIONS**

The Final Recommendations are a synthesis of research, best practices, and input from City Council, the Study Group, and the public. Based on these factors, City staff is recommending the following housing policies based on potential impact to housing production as well as feasibility. If the City Council chooses to adopt these recommendations, staff will take the necessary steps to implement them, including drafting or revising portions of the Long Beach Municipal Code for future City Council consideration.

### **SECTION 1. POLICIES TO IMPLEMENT IMMEDIATELY**

- 1.1. Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.
- 1.2. Encourage Project-Based Vouchers in new affordable developments.
- 1.3. Continue to waive developer impact fees for new affordable developments in accordance with the Long Beach Municipal Code (LBMC). \*<sup>31</sup>
- 1.4. Promote the City's Density Bonus Program to all multi-family housing developers.\*
- 1.5. Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro, federal, State, county, etc., for affordable housing development, support services, and mobility enhancements and programs that support new housing development.
- 1.6. Explore the potential development of student and workforce housing on school and college/university campuses, and other adequately-zoned sites.
- 1.7. Track federal and State legislative activities and support legislation that increases funding for affordable housing.
- 1.8. Support California Environmental Quality Act (CEQA) reform through City's legislative actions that encourages the production of affordable and workforce housing. \*
- 1.9. Create and maintain a database of publicly held land that may provide opportunities for affordable and workforce housing development.

### **SECTION 2. EXISTING LEGISLATIVE REQUIREMENTS AND PENDING INITIATIVES IN PROCESS**

- 2.1. Adopt an ordinance that supports the development of accessory dwelling units in accordance with new State law.
- 2.2. Implement State law that reduces parking requirements for affordable housing projects near transit.
- 2.3. 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.
- 2.4. Review and update the Condominium Conversion Ordinance (LBMC 21.60); include first-right or opportunity to purchase; limit conversions when vacancy rates are low; consider directing resulting fees into Housing Trust Fund.

### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

- 3.1. Begin exploring a local bond measure as a one-time source to capitalize on the Housing Trust Fund Ordinance.

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<sup>31</sup> \*Denotes policies presented by City Council or staff only.

- 3.2. Immediately begin the development of an inclusionary housing policy to encourage mixed-income housing. Focus an inclusionary ordinance on homeownership units until such time as the legality of rental units is determined.
- 3.3. Investigate the possibility of establishing a local document recording fee to fund affordable housing (Philadelphia model).
- 3.4. Investigate the possibility of dedicating resources from the City to support the production of affordable and workforce housing during the annual budget process.
- 3.5. Modify the Housing Trust Fund Ordinance to include a more equitable distribution of resources amongst income categories (EL, VL, L, and Mod.) in conjunction with the establishment of any new revenue sources. Modernize the Ordinance to ensure that it promotes economic diversity while addresses the needs of the community's most vulnerable residents.
- 3.6. Modify the moderate-income definition from 80% to 120% of area median income (AMI) to 80%-150%.<sup>\*32</sup>
- 3.7. Encourage the adoption of specific plans with program environmental impact reports (EIRs) as applicable throughout the City, which provide regulatory relief and more rapid entitlement procedures.
- 3.8. Consider expanding one-for-one replacement of lower-income units (currently offered in Coastal Zone only through LBMC 21.61).
- 3.9. Develop and offer first-time homebuyer programs (including Police, Fire, and Teacher, downpayment, and second mortgage) as permitted by new revenue sources.\*
- 3.10. Encourage adoption of regulations to allow and incentivize the use of shipping container construction for housing.\*
- 3.11. Develop a plan to include micro-units as a method for encouraging housing production.\*
- 3.12. Support separate efforts to study the potential for short term rental (vacation rentals) regulations.
- 3.13. In accordance with the adopted Housing Element, ensure sufficient resources remain available to implement the City's Proactive Rental Housing Inspection Program (PHRIP).
- 3.14. Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund Ordinance with new revenue resources for the creation of affordable housing.
- 3.15. Explore and propose an Article 34 referendum to ensure maximum leveraging of State resources for affordable housing developments.
- 3.16. Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by these policy recommendations through the annual budget process as resources allow.

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<sup>32</sup> \*Denotes policies presented by City Council or staff only.

## **APPENDIX A – COMPLETED AFFORDABLE HOUSING PROJECTS**



**2114 Long Beach Blvd.**  
New Construction – Family Rental

Developer  
Meta Housing Corporation

Total LBCIC Financial Assistance  
Project Based Section 8 Vouchers

Total Development Cost \$15.9 Million

Units 41

Affordability  
Extremely Low: 22  
Very Low: 4  
Low: 14  
Manager: 1



**Ramona Park Apartments**  
New Construction – Senior Rental

Developer  
Palm Desert Development Company

Total LBCIC Financial Assistance \$12.4 Million

Total Development Cost \$22.0 Million

Units 61

Affordability  
Very Low: 40  
Low: 20  
Manager: 1



**Belwood Apartments**  
Housing Rehabilitation - Family Rental

Developer  
Hunt Capital Partners, Western Community Housing,  
Davila Properties, Ashwood construction

Total LBCIC Financial Assistance \$5.9 Million

Total Development Cost \$9.2 Million

Units 34

Affordability  
Very Low: 11  
Low: 22  
Manager: 1





**1044 Maine Ave. Apartments**  
Housing Rehabilitation - Senior Rental

Developer  
Long Beach Community Investment Company

Total LBCIC Financial Assistance \$1.8 Million

Total Development Cost \$1.8 Million

Units 11

Affordability  
Very Low: 11



**Evergreen Apartments**  
Housing Rehabilitation - Family Rental

Developer  
Abode Communities

Total LBCIC Financial Assistance \$1.9 Million

Total Development Cost \$24.7 Million

Units 80

Affordability  
Very Low: 43  
Low: 35  
Manager: 3



**Senior Arts Colony**  
New Construction – Senior Rental

Developer  
Meta Housing Corporation

Total LBCIC Financial Assistance \$10.1 Million

Total Development Cost \$68.8 Million

Units 200

Affordability  
Very Low: 67  
Low: 131  
Manager: 2



### **Collage Apartments**

Housing Rehabilitation – Family Rental

Developer

Jamboree Housing Corporation

Total LBCIC Financial Assistance \$5.7 Million

Total Development Cost \$5.7 Million

Units: 14

Affordability

Very Low: 5

Low: 8

Manager: 1



### **Coronado Townhomes**

New Construction – Ownership

Developer

Brookfield Homes

Total LBCIC Financial Assistance \$7.8 Million

Total Development Cost \$15.7 Million

Units 48

Affordability

Moderate: 48



### **Palace Hotel**

Adaptive Reuse – Transitional Youth Rental

Developer

LINC Housing

Total LBCIC Financial Assistance \$3.0 Million

Total Development Cost \$7.0 Million

Units 14

Affordability

Very Low: 13

Manager: 1



**Habitat for Humanity – Scattered Sites**

New Construction and Housing Rehabilitation – Ownership

Developer

Habitat for Humanity of Greater Los Angeles

Total LBCIC Financial Assistance \$1.2 Million + land value

Total Development Cost \$2.5 Million

Units 9

Affordability

Very Low: 3

Low: 6



**Gallery 421**

New Construction – Rental

Developer

Lyon West Gateway, LLC

Total LBCIC Financial Assistance \$5.0 Million

Total Development Cost \$94.0 Million

Units 291

Affordability

Low: 26

Market: 265



**Long Beach & Burnett Apartments**

New Construction – Family Rental

Developer

Meta Housing Corp.

Total LBCIC Financial Assistance \$9.8 Million

Total Development Cost \$21.9 Million

Units 46

Affordability

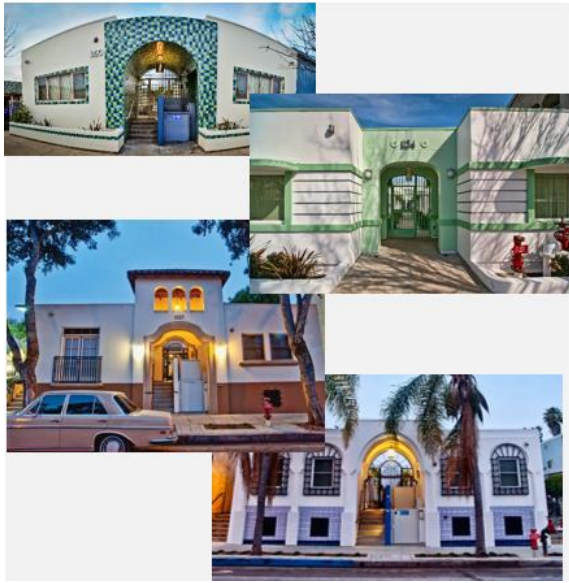
Very Low: 13

Low: 23

Market: 9

Manager: 1





**Courtyards in Long Beach**  
Housing Rehabilitation – Rental

Developer  
Clifford Beers Housing

Total LBCIC Financial Assistance \$2.3 Million

Total Development Cost \$12.9 Million

Units 46

Affordability  
Very Low: 23  
Low: 21  
Manager: 2



**Long Beach Senior Housing**  
New Construction – Senior

Developer  
Menorah Housing Foundation

Total LBCIC Financial Assistance \$4.5 Million

Total Development Cost \$15.6 Million

Units 64

Affordability  
Very Low: 63  
Manager: 1



**Neo Zoe**  
New Construction – Ownership

Developer  
Hughes Development, Inc.

Total LBCIC Financial Assistance \$5.4 Million

Total Development Cost \$7.9 Million

Units 17

Affordability  
Low: 5  
Moderate: 12  
Market: 5



**Family Commons at Cabrillo**  
New Construction – Family Rental

Developer  
Century Villages at Cabrillo

Total LBCIC Financial Assistance \$11.8 Million

Total Development Cost \$30.1 Million

Units 80

Affordability  
Extremely Low: 8  
Very Low: 20  
Low: 51  
Manager: 1



**Olive Court**  
New Construction – Ownership

Developer  
Livable Places

Total LBCIC Financial Assistance \$7.7 Million

Total Development Cost \$24.0 Million

Units 58

Affordability  
Low: 25  
Moderate: 19  
Market: 14



**Pacific City Lights**  
New Construction – Family Rental

Developer  
Squier Properties/ADI Inc.

Total LBCIC Financial Assistance \$4.0 Million

Total Development Cost \$14 Million

Units 41

Affordability  
Very Low: 31  
Low: 9  
Manager: 1





**Puerto Del Sol**

New Construction – Affordable Family Rental

Developer

Jamboree Housing Corporation

Total LBCIC Financial Assistance \$11.9 Million

Total Development Cost \$18 Million

Units 64

Affordability

Very Low: 63

Manager: 1



**Elm Avenue Apartments**

Housing Rehabilitation – Supportive Housing

Developer

Clifford Beers Housing Inc.

Total LBCIC Financial Assistance \$1.8 Million

Total Development Cost \$5.3 Million

Units 16

Affordability

Extremely Low: 7

Very Low: 5

Low: 3

Manager: 1

**Decro Long Beach Apartments (Scattered Sites)**



Developer

Decro

Total LBCIC Financial Assistance \$11 million

Total Development Cost  
\$ 51 million

Units: 320

Affordability

Very Low: 64

Low: 256

## APPENDIX B – SURVEY OF HOUSING PRODUCTION TOOLS

JURISDICTION/ AGENCY	PROGRAM	DESCRIPTION & STRUCTURE
<b>INCLUSIONARY HOUSING POLICIES</b>		
San Diego, CA	Inclusionary Affordable Housing	<p>Inclusionary housing requirement for all new residential development, including condominium conversions, of 2 or more units.</p> <p>Consists of an impact fee calculated per square foot based on the number of units in the proposed development.</p> <p>For-sale developments may choose to fulfill the requirements of the ordinance by setting aside at least 10% of the for-sale units to be affordable to households at less than 100% of AMI.</p> <p>For condominium conversions, fees imposed are equal to 50% of the applicable fee for new development. Condominium conversions may also set aside 5% of the units to be affordable for households earning no more than 100% AMI.</p>
Boston, MA	Inclusionary Development Policy	<p>Inclusionary housing requirement for new projects of 10 or more units that receive:</p> <ul style="list-style-type: none"> <li>- (a) Agency financial assistance.</li> <li>- (b) Agency land.</li> <li>- (c.) zoning relief, in one of three zones. The program in effect requires that each project provide at least 13% affordable housing (15% of market-rate in the project).</li> </ul> <p>In-Lieu fee varies by zone (\$74,000 to \$140,600 per unit); off-site requires 15%-18% inclusionary, varying by zone, but must be in vicinity of original project; rental target is 70%-100% of AMI; ownership target 80%-100% of AMI.</p>



San Jose, CA	Inclusionary Housing Ordinance and Affordable Housing Impact Fee	<p>Applies to all for-sale residential developments of over 20 units, including condominium conversions.</p> <p>To comply with the ordinance, applicants may:</p> <ul style="list-style-type: none"> <li>- Build on-site at least 15% of the units as affordable to households earning no more than 110% of AMI. If the units are for-sale, the homes may be sold to households at less than 120% of AMI.</li> <li>- Build an equal number of units off-site, rentals affordable to 110% of AMI and for-sale affordable to 120% of AMI.</li> <li>- Dedicate residentially zoned land in-lieu of construction.</li> <li>- Utilize in-lieu credits for affordable housing units available for occupancy from another project in the City of San Jose.</li> <li>- Acquire/rehabilitate existing housing stock to be affordable to low/very-low income households.</li> <li>- Enter into an agreement with HUD to restrict units for low/very-low income households.</li> </ul> <p>Or a combination of the above methods to provide inclusionary housing.</p>
Chicago, IL	Affordable Requirements Ordinance	<p>Inclusionary housing requirement for new projects with 10 or more units that:</p> <ul style="list-style-type: none"> <li>- (1) Receive a zone change.</li> <li>- (2) Receive city land.</li> <li>- (3) Receive financial assistance in one of three zones (Downtown, Higher-Income, Lower-Income) 10% of units are required to be affordable, 20% if financial assistance is provided.</li> <li>- (a) 1/4 of required units must be onsite, with exceptions for downtown and higher income areas.</li> <li>- (b) in-lieu fees are \$175,000 downtown, \$125,000 in higher-income areas, and \$50,000 in lower-income areas.</li> </ul>
Jersey City, NJ	Payment in Lieu of Taxes	<p>Tiered tax abatement program that requires inclusionary housing, a project labor agreement, and a project employment agreement in exchange for a tax abatement, which varies in each of 4 zones.</p> <p>Tax abatement terms of 10 to 30 years in exchange for 10% to 15% inclusionary housing; an in-lieu fee can be paid instead of providing the affordable units; includes annual service payment based on a percentage of revenue generated by the project and administrative fee.</p>

Santa Ana, CA	Housing Opportunity Ordinance	<p>Adopted 2012; amended 2015 to change regulations and simplify fee structure.</p> <p>Applies to projects which: increase residential density above applicable zoning; increase percentage of residential for mixed-use above what is allowed; convert commercial or industrial to residential; convert rentals to condos.</p> <p>In 2011 ordinance, 15% of for-sale units are required to be sold to moderate-income or lower; 15% of rental units required to be rented to Low or very-low income households. Fee is calculated based on difference between project value with 100% market rents and the value with the 15% obligation. Alternatives include on-site units; off-site units or rental rehabilitation of below-standard or vacant housing; and in-lieu fee. For 5-20 units, may pay in-lieu fee; for 20+ units, in-lieu fee option must be approved by Council.</p>
Santa Monica, CA	Affordable Housing Production Program	<p>Inclusionary housing requirement for new apartment projects in all zones, and new condominium projects in multifamily zones 2-3-unit condo can pay fee; condos of &gt;4 units must provide 20-25% moderate income units on site; Apartments must include 30% at EL&lt; VL, and L-income/can provide on-or off-site and pay fee. Fee is \$31.25-\$36.51 per s.f.</p>
Seattle, WA	The "Grand Bargain" - Affordable Housing Impact Mitigation Program/Mandatory Inclusionary Housing (MIH)	<p>Commercial Linkage Fee/Inclusionary Housing Commercial Linkage fee paid by developers on every s.f. of new commercial development (\$5-\$7 s.f.); Inclusionary requirement for new multi-family developments requires that 5% to 8% of units be affordable at 60% AMI</p>

**REVENUE GENERATION AND FUNDING VEHICLES**

State of California	SB 2 Building Homes and Jobs Act of 2016	<p>This December 2016 bill imposes a \$75 fee to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, per each single transaction per single parcel of real property, not to exceed \$225. The revenues from this fee will be sent to HCD for deposit in the Building Homes and Jobs Fund, which requires that 20% of the funds be spend for affordable owner-occupied workforce housing and 10% be spent to support housing for agricultural workers and their families.</p>
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Denver, CO	Dedicated Affordable Housing Fund	New ordinance approved in Fall 2016 creating a local fund to generate \$150M over 10 years for affordable housing. Revenue will come from two sources; a property tax already approved by Denver voters, and a one-time fee on commercial and residential development. Goal is to create or preserve 6,000 units of housing.
Boston, MA	Boston Commercial Impact Fee	Established 1983; \$5.00 per square foot payable in 12 years for commercial projects >100,000 s.f.; additional \$1.00 added for job training. Flat fee for all projects; \$8.34/s.f. on floor area in excess of 100,000 s.f.
Los Angeles, CA	Affordable Housing Linkage Fee	<p>A proposed ordinance to impose a local source of funding, with a fee based on identified types of market rate development.</p> <p>Would apply to most residential or commercial development requiring a building permit and creates additional housing units or nonresidential floor area. Exemptions apply, including small multifamily projects, single-family homes, nonresidential projects less than 10,000 square feet, and residential projects that already include a certain percentage of affordable housing units. A nexus study was performed, and draft fees range from \$5 per square foot for commercial use to \$12 per square foot for residential use.</p> <p>Projected revenues are between \$90M and \$130M per year.</p>
Los Angeles, CA	Measure HHH Homeless Services Bond Issue	Measure HHH was approved by City of Los Angeles voters in the November 8, 2016 election. This \$1.2 billion bond issue will fund housing for homeless people and people at risk of becoming homeless, as well as facilities that provide mental care, addiction treatment, and other services. The estimated total debt service for the loan is \$1.893 billion. The average property tax required to repay these bonds is \$9.64 per \$100,000 in assessed value.

<p>County of Los Angeles</p>	<p>Measure H Sales Tax for Homeless Services and Prevention</p>	<p>Measure H was approved by Los Angeles County voters by a two-thirds supermajority vote in the March 7, 2017 election.</p> <p>Measure H authorizes the County to impose a one-quarter percent special transactions and use tax to generate ongoing funding to prevent and combat homelessness in Los Angeles County, consistent with strategies developed through the County's Homeless Initiative.</p> <p>Though Measure H does not specifically designate funds for the construction or rehabilitation of affordable units, Measure H funding may help provide financing for supportive services that are partnered with housing development for extremely-low and very-low income households.</p>
<p>County of Los Angeles</p>	<p>General Fund Commitment</p>	<p>In 2015, the County of Los Angeles Community Development Commission (CDC) recommended a five-year ramp-up of general fund dollars to be dedicated to the production of affordable housing. The initiatives to be explored by the Board of Supervisors includes the following:</p> <ul style="list-style-type: none"> <li>- Developing a bi-annual NOFA process.</li> <li>- Increasing the existing \$2.5M project cap in unincorporated areas.</li> <li>- Implementing strategies for extremely-low income households.</li> <li>- Establishing a process for reviewing and amending service plans.</li> <li>- Setting annual targets for Project-Based Vouchers.</li> <li>- Incorporating recommendations from the Homeless Initiative.</li> <li>- Requiring or incentivizing cities to invest in affordable housing, potentially with a requirement of a match of County funds.</li> <li>- Establishing project-specific social service funding reserves.</li> <li>- Strategies for preserving affordability in existing housing.</li> </ul> <p>Funds held by the CDC for affordable housing development start with \$24M for FY16-17 and ramp up to \$69M in FY20-21.</p>
<p>Oakland, CA</p>	<p>Oakland Jobs/Housing Impact Fee</p>	<p>Established 2002; fee is assessed on office and warehouse/distribution uses fee is assessed on square footage of all projects that exceeds 25,000, for office and warehouse/distribution uses.</p> <p>Rate is \$5.44 per square foot; fee is paid in three installments; As of April 2016, \$1.9M collected.</p>

Palo Alto, CA	Palo Alto Commercial Impact Fee	Established 1977, three years after Palo Alto adopted inclusionary housing policy; funds deposited into what is now the Commercial Housing Fund. Historically, Palo Alto charged \$19.85/s.f. for all commercial uses; effective Aug. 2016, will rise to \$30 for hotel and \$35 per s.f. for office and R&D, in response to large demand by technology industry. Generated approximately \$2.3 million to the fund in 2014-15.
Sacramento, CA	Sacramento Housing Trust Fund Commercial Fee	Enacted to fund construction of affordable housing near new employment centers in response to rapid development. Two separate zones, each with separate land use designations within; per square foot fees range from \$0.68/sq. ft. to \$2.74/sq. ft. Other land uses have fees up to \$3.90 per square foot.
San Diego, CA	San Diego Housing Impact Fee	Establish 1990, multiple revisions up to April 2016. Fees reduced by 50% in 1996 and restored to 1990 levels in 2016. Fees apply to gross square footage of office, hotel, and retail projects, along with discounted fee for R&D projects. Fees range from \$0.80/square foot to \$2.12/square foot; Rehabilitated units pay difference of fees for new and previous use. Deferral possible upon request. Total revenues approx. \$14M total from 2006-2014.
San Francisco, CA	Jobs-Housing Linkage Fee Program	Early commercial impact fee adopted 1981. Comprehensive program established in 2010.  Applies to development projects of >25,000 gross square feet of commercial, exempting grocery, pharmacy, and others. Commercial developers can pay impact fee, based on use type and size (0-\$24.03 per square foot)., payment to a housing developer to construct units, or combination
San Jose, CA	Inclusionary Housing Ordinance/Affordable Housing Impact Fee	Inclusionary requirement for new for-sale developments. Inclusionary requirement upheld in 2016 by U.S. Supreme Court for housing ownership projects.  Impact fee for new rental housing developments Projects with 20 units or more require 15% inclusionary for sale to mod-income (may pay in lieu fee); New rental projects of 3 or more units must pay fee of \$17 per livable square foot (includes pipeline exemption).

Somerville, MA	Linkage Fee, In-Lieu Fee, Property Tax Levy	<p>Three-pronged approach to generating funds for multifamily preservation and development, rentals and homeownership, direct housing assistance for households earning &lt;50% of AMI, homeownership assistance for households at &lt;110% of AMI, and rental housing &lt;80% of AMI.</p> <p>The linkage fee is fully dedicated to affordable housing, and consists of a \$5.15 per square foot charge after the first 30,000 square feet of new and rehabilitated commercial development. Revenues from the Linkage Fees, In-Lieu Fees, and the Property Tax Levy generate a total of \$1.3M annual revenue for affordable housing in Somerville.</p> <p>The 1.5% surcharge on net property taxes was adopted by Somerville and six other Massachusetts communities. Of this new revenue, 45% was determined to be collected for affordable housing.</p>
West Hollywood, CA	West Hollywood Non-Residential Affordable Housing Fee	<p>Established 1989; applies to developments &gt;10,000 net new square foot. Updated fee schedule in 2014 to \$8.00/square foot. on retail, office, and hotel development; fees must be paid prior to permit issuance; Paid into Affordable Housing Trust Fund, to be used on projects &gt;20% affordable to VL households. Updated fee schedule in 2014 to \$8.00/s.f. on retail, office, and hotel development; fees must be paid prior to permit issuance; Paid into Affordable Housing Trust Fund, to be used on projects &gt;20% affordable to VL households.</p>
Oakland, CA	Transportation, Capital Improvements, and Affordable Housing Impact Fees	<p>Adopted 2016. Purpose is to generate revenue to make infrastructure and affordable housing improvements in areas in extremely hot housing markets. Assesses an impact fee for all projects with a complete application, except nonresidential units, secondary residential units, affordable housing units, and additions to existing housing units.</p> <p>Fee is made up of three separate fees earmarked for affordable housing, capital improvements, and transportation. Fees assessed per unit in the eligible housing project, and vary based on location in one of three zones, determined based on market characteristics and economic feasibility.</p> <p>Fees as low as \$710 per unit and as high as \$28,000 per unit. Projected \$18 million in revenues over next 10 years.</p>

Seattle, WA	Seattle Affordable Housing Impact Mitigation Program for Commercial Development	"Grand Bargain" program. Established a link between up zoning and the imposition of a commercial linkage fee. Various payment and performance areas (high, medium, low; cash requirements vary from \$8.00 to \$17.50/square foot of commercial development; lengthy fee schedule makes implementation somewhat complex.
Philadelphia, PA	Document Recording Fees for Housing	Philadelphia's primary source of funding for affordable housing is a portion of local Deed and Mortgage Recording Fees, which generate an average of \$12 million per year.  Funds may be used for production, preservation, repair, or homelessness prevention. At least 50% of funds must be spent to assist households <30% AMI and the remaining for households between 30-115% AMI. At least 50% of the funds must be used to increase production of affordable housing.  Between the years 2005-2012, created 1,362 new units, preserved 8,890, and prevented 5,732 persons from experiencing homelessness.
Portland, OR	TIF Set-Aside Policy	Implemented in 2006. Allocated 30% of TIF funds to the City's designated urban renewal areas for affordable housing uses. Income guidelines governing use of TIF funds in Portland prioritize the most economically viable populations.  In 2012-13, the Portland Housing Bureau invested \$28M of TIF funds in 19 projects to create or preserve 959 units citywide.
Columbus & Franklin County, OH	Hotel and Real Estate Taxes for Housing	Consists of two taxes: the City of Columbus collects a hotel/motel tax, and Franklin County collects a Real Estate Conveyance Tax, both of which fund affordable housing development in the region.  Annual combined revenues average \$4 million, which are used for both rental and ownership housing development. Half of the funds must be used for 60% of AMI or lower housing (equal to Low or Very Low Income)
Miami-Dade County, FL	Homeless and Domestic Violence Tax	A "local option" 1% Homeless and Domestic Violence Tax collected on all food and beverage sales from businesses with over \$400,000 in gross receipts annually.  Annual revenues average \$20 million, and the funds are dedicated toward homeless and domestic violence services and shelters.



Portland, OR	Portland Measure 26-179 (2016)	In 2016, Portland voters approved a \$258.4M bond that will help build or preserve hundreds of affordable apartments for low-income residents. Portland faces a shortfall of 24,000 units, despite 2,000 affordable housing units under construction or in development. Pursuant to a declaration of a state of emergency with regards to housing, the bond calls for building or preserving 1,300 housing units. 600 of these units are set aside for households earning <30% of AMI. The tax bond will be paid through an additional \$0.42 per \$1,000 of assessed value on property.
Seattle, WA	Seattle Housing Levy	Seven-year ballot measure /property tax levy to raise \$290 million for affordable housing. Property taxes will increase by \$61 per year on a home with an assessed value of \$480,000.
Minneapolis, MN	Affordable Housing Trust Fund - Tax Levy, TIF, LIHTC, HOME, & Public/Private Funding	Created in 2003, the Minneapolis AHTF finances the production and preservation of affordable and mixed-income rental housing projects. The City has an annual goal of \$10 million in the fund, which is a combination of city and federal money from a variety of sources. Surplus revenue from tax-subsidy districts, as well as money from other low-income housing initiatives, may be moved into the AHTF by the City Council.
<b>OTHER TOOLS</b>		
State of California	AB 2031 (Bonta)	Establishes Affordable Housing Beneficiary Districts within the same geographical boundaries of the jurisdiction's redevelopment agency successor agencies. This law allows a jurisdiction to redirect its distribution of property tax revenue payable to the city or county from the Redevelopment Property Tax Trust Fund to the affordable housing beneficiary district for as long as the successor agency exists. The jurisdiction is then authorized to issue bonds against the property tax revenue to provide financial assistance in the form of loans, grants and other incentives to develop affordable housing.
State of California	SB 628 (Beall)	Enacts enhanced infrastructure financing districts that can fund housing, transit priority projects, sustainable communities strategies, military base reuse, and brownfields restoration using tax increment financing.
State of California	AB 2 (Alejo) Community Revitalization and Investment Authorities	Enacted via AB2 (Alejo) and provide another way for local governments to fund various types of economic revitalization programs, including low- and moderate-income housing, using tax-increment financing.



## **APPENDIX C – STUDY GROUP RECOMMENDATIONS**

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## *Mayor's Affordable and Workforce Housing Study Group*

# POLICY RECOMMENDATIONS

### **Goal Statement**

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To develop and implement a progressive set of housing policy recommendations that benefit from robust community engagement which deliver both short term relief and long term solutions to residents impacted by our community's housing crisis and deliver on the promise of diverse, inclusive and equitable Long Beach.

### **Statement of Need**

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Thousands of households in Long Beach face untenable choices because safe and affordable housing isn't available to them. Though Long Beach has benefitted from a renaissance of investment, especially in the downtown area, these gains coupled with slower growth in wages and availability have priced many households out of the market leading to displacement and even homelessness for many.

The federal government defines affordable housing as housing that costs no more than 30% of income. This percentage recognizes that—with housing costs at or below 30%—a person will be able to afford basic living expenses like food, clothing, and medical care (Housing Long Beach). Nearly half of Long Beach renters spent more than 35% of their income on rent—forcing almost 130,000 residents to choose between rent, food, and medical expenses each month. This group is disproportionately people of color (Long Beach Community Database [LBCD], 2012). Research demonstrates that over the past 15 years, median rents in LA County have increased by 28% while median renter household income has declined by 8% (adjusted for inflation). These averages are exacerbated in coastal settings like Long Beach. Households across the income spectrum, from extremely low income (less than 30% AMI) through workforce and middle income (150%+ AMI), are adversely affected by this crisis.

In addition, many Long Beach neighborhoods have a high percentage of older housing units. As housing stock ages, neighborhood preservation and improvement continues to be a significant concern. Therefore, Long Beach faces several challenges over the next decade. Challenges include ensuring the quality and affordability of the housing stock, ensuring that suitable housing is available for persons of all economic segments, directing reinvestment in lower income areas, assisting individuals and families with special housing needs, and meeting the needs of a diversifying community (City of Long Beach, Housing Element, 2014).

The time is ripe for the City of Long Beach to both craft and implement a plan that relieves these pressures and promotes a health and equitable Long Beach. The following Strategies and Recommendations are offered as a means to begin a critical dialogue about what can be done within our City to address this crisis.



From the desk of Honorable Bonnie Lowenthal, Assembly Member, 70<sup>th</sup> District (Ret.)

March 3, 2017

Honorable Mayor Robert Garcia and City Council  
City of Long Beach  
333 West Ocean Boulevard  
Long Beach, CA 90802

Honorable Mayor Garcia,

On behalf of the Affordable Housing Study Group I would like to offer my sincerest thanks to you for the opportunity to lend our thinking to the City's efforts to increase the availability of affordable housing for our most vulnerable. Special thanks to City staff for all their efforts to pull community input and this final report together.

We understand that this is the first step determining a long-term plan for building and preserving affordable housing in Long Beach. We also understand that this report, though comprehensive, does not address the significant need to address the vulnerability of local renters to economic displacement. We understand the city is in the process of data collection to better understand and substantiate this challenge and we appreciate these efforts. We look forward to continued discussions on this topic.

Please know our Study Group members are available to you and we look forward to continued involvement in this critical issue for our community.

Respectfully submitted,

Honorable Bonnie Lowenthal, Assembly Member, 70<sup>th</sup> District (Ret.)



Affordable and Workforce Housing Study Group  
**Policy Recommendations**  
FINAL March 3, 2017

## Strategy #1: Plan and Prioritize

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Case making: With a combination of data and story, build the “case” and “shared vision” for investing in tools and resources that create high quality affordable housing in Long Beach. Collect meaningful data to support ultimate policy implementation. Celebrate Long Beach’s successes as it relates to affordable housing. Coalesce and mobilize community support around the “case.”

Synthesize: Synthesize the City’s Housing Action Plan, Housing Element, other relevant City planning documents, and Affordable Housing Study Group Policy Recommendations into unified, coherent “plan” or roadmap for affordable and workforce housing that enjoys broad community support. Consider the plans and priorities of other public agency stakeholders such as the County of Los Angeles and State of California. Modernize the City’s Housing Trust Fund and ensure that it promotes economic diversity while addressing the needs of our community’s most vulnerable residents. Ensure that at least 80% of HTF resources are invested in developments that serve Very Low and Extremely Low Income households.

Systematize: Ensure that the plan is the centerpiece of a Community Investment System that establishes priorities, contemplates a pipeline of opportunities, and promotes the adoption of enabling conditions. Maintain a database of opportunities involving publicly held land (ie, current City owned parcels, Metro owned lots, underutilized publicly owned lots).

Accountability and Impact: Commit to the Community Investment System and Collective Impact methodologies by adopting policies and goals that are “SMART” (Strategic, Measurable, Actionable, Relevant, and Time-Bound). Establish an “interdepartmental” backbone role which features a mechanism for community feedback and public accountability to ensure plan implementation (ie, quarterly and annual reports). Pursue foundation funding (ie, Kresge, POLB) to fund this backbone role.





## **Strategy #2: Protect and Preserve**

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Consider a policy to limit condo conversions under certain circumstances (ie, vacancy rates dropping below a certain percentage).

Ensure one-for-one replacement of all housing lost to redevelopment.

Preserve stock of existing affordable housing within the community.

Analyze, contemplate and enact reasonable policies that address the effect of short term rentals such as Air BnB.

Ensure sufficient resources to implement the City's Proactive Rental Housing Inspection Program (PRHIP).



## Strategy #3 Produce and Promote

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Establish both one-time and recurring revenue sources to capitalize the City's Housing Trust Fund. Study what funding sources other cities throughout California and the nation have adopted or are exploring. Revenue streams should be identified which support housing production across the affordability spectrum, up to and including workforce levels of 150% AMI. These revenue sources could include one or more of the following:

- ✓ *General fund revenue commitment:* Dedication of a percentage of the City's general fund to support the production of affordable and workforce housing. These could be tied to the City's share of boomerang funds.
- ✓ *Linkage fees:* Adoption of a linkage fee (pursuant to a nexus study) that is imposed on commercial developments or new employers based on the need generated for workforce and affordable housing.
- ✓ *"In lieu" fees:* Fees generated from a provision within an inclusionary zoning ordinance that allows a developer to opt out of providing affordable housing within the subject development.
- ✓ *New tax revenues:* Consider new tax revenue streams that could capitalize the Housing Trust Fund on an ongoing basis. These could include document recording fees, transient occupancy taxes, or new sales taxes among others.
- ✓ *Bond issuance:* Consider issuance of a housing bond that would capitalize the City's Housing Trust Fund. This "one time" source of capital would be invested over a finite time period (ie, 10 years) in projects that meet specific local priorities and needs.

Encourage mixed income housing through adoption of an inclusionary housing policy and establishment of incentives for developers. Subsidize or mandate mixed income housing through inclusionary zoning program (ie, 80/20 developments) or payment of adequate "in lieu" fees.

Following the model of the County's Housing for Health Program (ie, Flexible Rental Subsidy Pool), create a local rental subsidy and supportive services program that seeks to house and serve the City's most vulnerable and most frequent users of City resources including (a) public resources such as homeless assistance, police, fire and jail and (b) private resources such as local hospital systems. Resource providers (both public and private) would capitalize this program on an ongoing basis and realize the savings associated with aversion of public service while all community stakeholders would enjoy the benefit of improved public health.



Address zoning and regulatory impediments that serve as barriers to the creation of affordable housing . One successful example is the adoption of specific plans (ie, community plans) that feature master EIRs which provide regulatory relief, greater environmental certainty, and more rapid entitlements.

Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro resources, State AHSC funding, County resources, and other Federal grant/loan programs.

Encourage the project-basing of Section 8 vouchers for supportive housing developments.

Adopt ordinance that paves the way for the development of accessory dwelling units.

Address the housing needs of college students through promotion of student housing on university controlled or university adjacent land.

Communicate the City's State and local legislative priorities as it relates to affordable housing. Promote the engagement of interested City stakeholders in an effort to maximize the flow of external resources into the City.

Pass local Article 34 referendum to ensure maximum leveraging of State resources on local affordable housing developments.

Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund with new resources for the creation of affordable housing.

Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by this set of policy recommendations.



## **Bibliography Background Materials / Appendix**

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- **Exhibit 1:** Closing California’s Housing Gap, McKinsey (October 2016)
- **Exhibit 2:** A Survey of Revenue Tools to Fund Affordable Housing and Services in the Portland Metro Region, Welcome Home (October 2014)
- **Exhibit 3:** Channeling Change: Making Collective Impact Work, Stanford Social Innovation Review (2012)
- **Exhibit 4:** Community Investment: Focusing on the System, Kresge Foundation (March 2015)
- **Exhibit 5:** Confronting LA County’s Rent and Poverty Crisis, California Housing Partnership Corporation (May 2016)
- **Exhibit 6:** Out of Reach Report: California and LA/LB MSA, National Low Income Housing Coalition (2016)
- **Exhibit 7:** Addressing the Housing Affordability Crisis – an Action Plan for San Diego, San Diego Housing Commission (January 2016)
- **Exhibit 8:** The Impacts of Affordable Housing on Health - A Research Summary, Center for Housing Policy (April 2015)
- **Exhibit 9:** A House, A Tent and a Box: Mapping the Gaps between Expert and Public Understandings of Health Housing, FrameWorks Institute (2016)
- **Exhibit 10:** Health in Housing - Exploring the Intersection between Housing and Health Care, Enterprise and CORE (2016)
- **Exhibit 11:** Impact of Affordable Housing on Families and Communities, Enterprise (2014)
- **Exhibit 12:** Health Care’s Blind Side: The Overlooked Connection between Social Needs and Good Health, Robert Wood Johnson Foundation(2011)
- **Exhibit 13:** LA County’s Housing for Health - Flexible Housing Subsidy Pool Program, LA County Department of Health Services (2015)
- **Exhibit 14:** Long Beach Housing Element: 2013-2021, City of Long Beach, Development Services (2014)
- **Others**
  - Research reports
  - Peer city strategies
    - City of LA Linkage Ordinance
    - San Jose Linkage Ordinance









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## **Exhibit B** **Policy Recommendations for the Production of Affordable Housing**

### **SECTION 1. POLICIES TO IMPLEMENT IMMEDIATELY**

- 1.1. Encourage the preservation of existing affordable housing stock, consistent with the City's adopted Housing Element.
- 1.2. Encourage Project-Based Vouchers in new affordable developments.
- 1.3. Continue to waive developer impact fees for new affordable developments in accordance with the Long Beach Municipal Code (LBMC). \*<sup>1</sup>
- 1.4. Promote the City's Density Bonus Program to all multi-family housing developers.\*
- 1.5. Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro, federal, State, county, etc., for affordable housing development, support services, and mobility enhancements and programs that support new housing development.
- 1.6. Explore the potential development of student and workforce housing on school and college/university campuses, and other adequately-zoned sites.
- 1.7. Track federal and State legislative activities and support legislation that increases funding for affordable housing.
- 1.8. Support California Environmental Quality Act (CEQA) reform through City's legislative actions that encourages the production of affordable and workforce housing. \*
- 1.9. Create and maintain a database of publicly held land that may provide opportunities for affordable and workforce housing development.

### **SECTION 2. EXISTING LEGISLATIVE REQUIREMENTS AND PENDING INITIATIVES IN PROCESS**

- 2.1. Adopt an ordinance that supports the development of accessory dwelling units in accordance with new State law.
- 2.2. Implement State law that reduces parking requirements for affordable housing projects near transit.
- 2.3. 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.
- 2.4. Review and update the Condominium Conversion Ordinance (LBMC 21.60); include first-right or opportunity to purchase; limit conversions when vacancy rates are low; consider directing resulting fees into Housing Trust Fund.

### **SECTION 3. NEW INITIATIVES FOR DEVELOPMENT AND IMPLEMENTATION**

- 3.1. Begin exploring a local bond measure as a one-time source to capitalize on the Housing Trust Fund Ordinance.

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<sup>1</sup> \*Denotes policies presented by City Council or staff only.

- 3.2. Immediately begin the development of an inclusionary housing policy to encourage mixed-income housing. Focus an inclusionary ordinance on homeownership units until such time as the legality of rental units is determined.
- 3.3. Investigate the possibility of establishing a local document recording fee to fund affordable housing (Philadelphia model).
- 3.4. Investigate the possibility of dedicating resources from the City to support the production of affordable and workforce housing during the annual budget process.
- 3.5. Modify the Housing Trust Fund Ordinance to include a more equitable distribution of resources amongst income categories (EL, VL, L, and Mod.) in conjunction with the establishment of any new revenue sources. Modernize the Ordinance to ensure that it promotes economic diversity while addresses the needs of the community's most vulnerable residents.
- 3.6. Modify the moderate-income definition from 80% to 120% of area median income (AMI) to 80%-150%.<sup>\*2</sup>
- 3.7. Encourage the adoption of specific plans with program environmental impact reports (EIRs) as applicable throughout the City, which provide regulatory relief and more rapid entitlement procedures.
- 3.8. Consider expanding one-for-one replacement of lower-income units (currently offered in Coastal Zone only through LBMC 21.61).
- 3.9. Develop and offer first-time homebuyer programs (including Police, Fire, and Teacher, downpayment, and second mortgage) as permitted by new revenue sources.\*
- 3.10. Encourage adoption of regulations to allow and incentivize the use of shipping container construction for housing.\*
- 3.11. Develop a plan to include micro-units as a method for encouraging housing production.\*
- 3.12. Support separate efforts to study the potential for short term rental (vacation rentals) regulations.
- 3.13. In accordance with the adopted Housing Element, ensure sufficient resources remain available to implement the City's Proactive Rental Housing Inspection Program (PHRIP).
- 3.14. Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund Ordinance with new revenue resources for the creation of affordable housing.
- 3.15. Explore and propose an Article 34 referendum to ensure maximum leveraging of State resources for affordable housing developments.
- 3.16. Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by these policy recommendations through the annual budget process as resources allow.

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<sup>2</sup> \*Denotes policies presented by City Council or staff only.