

HOUSING LB

Proposal to Create a \$26 Million Housing Trust Fund (1-19-07)

The City of Long Beach should create a \$26 million Housing Trust Fund (HTF).

- Long Beach is experiencing a critical housing crisis. The creation of a well funded HTF will help address the housing needs of LB's *existing residents*.
- It costs approximately \$300,000 to build one unit of affordable housing.
- HTF dollars, on average, are leveraged with other public and private resources at a rate of 6 to 1.
- This means that a \$26 million HTF will create \$156 million in investment for LB.

To be viable, a HTF must have *diversified dedicated revenue sources*. The City of LB should create a \$26 million HTF from:

- **16 Million from Commercial Linkage Fees** -- David Rosen's 2003 Study of LB's commercial development market indicated that such fees would bring in over \$16 million in revenue (with a fee of \$10/sq. ft.). While the 2003 study needs to be updated, we can assume that such fees would still bring in \$16 million, as the commercial development market has improved over the last 4 years.
- **\$4 Million from RDA** -- By increasing the redevelopment housing set aside from the minimum required amount of 20% to 25%, this would create \$4 million in revenue. Many redevelopment agencies in California have increased their redevelopment housing set aside above the legally required minimum of 20% to address local housing shortages (E.g., the cities of L.A., Folsom and Buellton set aside 25%; Anaheim sets aside 30%; and San Francisco sets aside 50%.)
- **\$1.5 Million from TOT (bed tax)** -- A Study prepared by Coalition members indicates that the homeless pay \$2.2 million a year in bed taxes. The homeless have been paying bed taxes for years. The City's proposal to dedicate only \$500,000 from the TOT is not sufficient. The City should dedicate \$1.5 million.
- **\$1 Million from Real Estate Transfer Tax (RETT)** -- This transfer tax reflects the vitality of the housing market in LB. Dedicating a portion of this revenue to the HTF enables the City to be responsive to the housing needs of *all* LB residents. (We propose to take a portion of existing revenues, not to increase this tax.)
- **\$1 Million from Port Tax Increment** -- In 2006, in recognition that this money should benefit the entire City, \$1.3 million in port tax increment was deposited in the General Fund. This money, instead, should be deposited in the HTF.
- **\$3 Million from Condo Conversion Fees** -- The City's proposed 1.5% conversion fee is too low. Conversions deplete rental units from our housing stock. LB should adopt a 5% fee to help mitigate the negative effects of conversions. A 5% fee would bring in well over \$3 million a year, even if the pace of conversions slows or average sales prices dip. (In 2005, the average condo sales price was \$343,000. A 5% fee would have been \$17,150 per unit. With 262 conversions in 2005, a 5% fee would have brought in nearly \$4.5 million.)

The City should adopt a mandatory Mixed Income Housing Ordinance, without in lieu fees, to obtain affordable units in new housing developments.

- By not allowing in lieu fees, the City will ensure the production of affordable units and the creation of mixed income communities.
- It will also ensure that affordable units are dispersed in an equitable manner, as opposed to concentration in areas where land prices are cheapest.
- It will also avoid the many inherent problems with in lieu fees, which include: locating land on which to build; neutralizing potential neighborhood opposition to affordable units; and coping with the decreasing value of in lieu fees over time in a housing market with rising costs, as it typically takes years to build off-site.

David Rosen's 2003 Study must be updated.

- In 2003, Mr. David Rosen completed a study for the City of LB re: inclusionary housing and commercial linkage fees. Mr. Rosen undertook extensive research of LB's housing and commercial development markets in his Study. This Study is 4 years old and must be updated to reflect current market trends.
- The housing and commercial development markets in Long Beach have improved over the last 4 years. Although construction costs have risen, profits have risen at a faster pace. The 2003 Study must be updated to reflect these market changes.
- Mr. Rosen's 2003 Study only examined inclusionary housing and commercial linkage fees. Mr. Rosen's update should be expanded to include a review of the condo conversion market and redevelopment agency funds.
- Mr. Rosen's update should also examine lost opportunities over the last 4 years.

**Housing Trust Funds in California
With
Developer Fees**

Jurisdiction	Revenue Source	Annual Revenue Generated
Alameda County	Developer impact fees	
Berkeley	Developer impact fees	\$1,200,000
Citrus Heights	Developer impact fees; Inclusionary zoning	\$3,125,000
Cupertino	Developer impact fees	\$1,000,000
Elk Grove	Developer impact fees	\$4,000,000
Livermore	Inclusionary zoning	
Marin County	Developer impact fees	\$12,683,000
Menlo Park	Developer impact fees	
Napa County (and some participating cities)	Developer impact fees	\$6,529,000
Oakland	Developer impact fees	\$3,500,000
Palo Alto	Developer impact fees	
Pasadena	Developer impact fees	
Petaluma	Developer impact fees; Inclusionary zoning	\$5,050,000
Sacramento	Developer impact fees	\$1,782,039
Sacramento County	Developer impact fees	\$1,651,965
San Diego	Developer impact fees	\$3,000,000
San Francisco	Developer impact fees; Inclusionary zoning	\$15,000,000

San Jose	Inclusionary zoning	\$1,900,000
Santa Cruz	Inclusionary zoning	
Santa Monica	Developer impact fees; Inclusionary zoning	
Santa Rosa	Inclusionary zoning	\$7,478,318*
Sonoma County (and some participating cities)	Developer impact fees	
West Hollywood	Developer impact fee	\$2,307,783

* Includes other funding sources.

** Information based on 2007 survey of housing trust funds.

*** Many funds have other sources of funding providing additional revenues.

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