

PROPOSED INCLUSIONARY HOUSING POLICY
February 2020

RECOMMENDED POLICY COMPONENTS

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

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

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

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

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

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

Effective Date and Exemptions

In **Area 1**, requirements shall take effect October 1, 2020. Any project that has submitted a complete application for site plan review, a tentative tract map or other major entitlement prior to the effective date is exempt from these requirements.

In **Area 2**, these provisions shall take effect following a 2020 update to the City's Density Bonus Ordinance (January 2021). Any project that has completed site plan review prior to the date that the 2020 Density Bonus Ordinance update takes effect is exempt from these requirements.

Inclusionary Production Options (Areas 1 and 2)

Table 1. Inclusionary Requirements	
Rental Housing Option A	10% of Total Project Units 20% Very Low Income and 80% Low Income
Rental Housing Option B	12% of Total Project Units 50% Low Income and 50% Moderate Income
Rental Housing Option C	14% of Total Project Units 30% Low-income and 70% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

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

STAFF RECOMMENDATION – AREAS 1 & 2

Rental Housing Option B	12% of Total Project Units 50% Low Income and 50% Moderate Income
Ownership Housing	10% of Total Project Units 100% Moderate Income

Phased Implementation

Table 2. Inclusionary Requirement Phasing Schedule				
Year	Rental Option A (10%)	Rental Option B (12%)	Rental Option C (14%)	Ownership (10%)
	<i>Required Percentage of Total Project Units</i>			
2020/2021	4%	5%	6%	4%
2022	5%	6%	7%	5%
2023	7%	8%	10%	7%
2024	10%	12%	14%	10%

Alternative Means of Compliance

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

Condominium Conversion and Ownership Units

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

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

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

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

General Program Provisions

The following general provisions will be required:

Covenant Periods

Rental 55 years
Ownership 45 years

Monitoring Fees

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

Use of In-Lieu Fees Collected

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

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

Regular Review of Citywide Inclusionary Housing Program

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

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

Inclusionary Administrative Manual

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

Density Bonus Incentives

A tool that is commonly used to reduce the financial impact associated with the imposition of Inclusionary Housing requirements is the density bonus provided by California Government Code Section 65915-65918 (Section 65915). Section 65915 requires jurisdictions to provide density bonuses based on a sliding scale ranging from 5% to 35% depending on the magnitude of the income restrictions being imposed. The City must agree to apply the affordable units used to fulfill the Section 65915 requirements to the Inclusionary Housing requirements that will be imposed on a project.

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

Other Development Incentives

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