



# R-21

VICE MAYOR  
**REX**  
**RICHARDSON**

**Date:** August 17, 2021

**To:** Honorable Mayor Robert Garcia and Members of the City Council

**From:** Vice Mayor Rex Richardson, Ninth District  
Councilmember Roberto Uranga, 7<sup>th</sup> District  
Councilmember Al Austin, 8<sup>th</sup> District  
Councilmember Cindy Allen, 2<sup>nd</sup> District

**Subject:** **Support for SB679 (Kamlager) to create the Los Angeles County Affordable Housing Solutions Agency (LACAHS)**

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## **RECOMMENDATION:**

Request the City Council to support SB679 (Kamlager), which would create a new independent countywide agency to raise public and private funds for renter protections and support programs, affordable housing preservation, and affordable housing production—with a guaranteed seat for the City of Long Beach on the governing board and guaranteed annual funding for the City of Long Beach—and request the City Manager to communicate the City's support to the bill's author and our state legislative delegation.

## **Discussion**

### **Background**

Senate Bill 679 by Senator Sydney Kamlager would create a new, independent countywide agency that has the power to raise public and private revenues to fund renter protections and support programs, affordable housing preservation, and affordable housing production across Los Angeles County.

In a December 30, 2020 memorandum to City Manager Tom Modica, City staff made clear what many previous independent reports and council deliberations have already told us: the 2012 dissolution of Community Redevelopment Agencies eliminated our most dependable source of locally generated revenue for affordable housing preservation and production.<sup>1</sup> Without a local source of revenue for supporting low-income renters and financing affordable housing, Long Beach is at a competitive disadvantage for state and federal programs, and the City lacks the funding certainty necessary to achieve its

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<sup>1</sup> "Report on External Funding for Affordable Housing." Dec 30, 2020, <https://www.longbeach.gov/globalassets/city-manager/media-library/documents/memos-to-the-mayor-tabbed-file-list-folders/2020/december-30--2020---report-on-external-funding-for-affordable-housing>



ambitious affordable housing goals as outlined in the draft Housing Element released this past July.<sup>2</sup>

SB 679, which has been approved by the State Senate on a bipartisan 29-7 vote, now sits in the State Assembly. The bill would create a new independent countywide agency with a 19-member government board—comprised of County Supervisors, large and small city representatives, and housing experts, as well as a Citizens Oversight Committee comprised of housing experts, practitioners, and people with lived experience with homelessness and housing instability. Long Beach would have a dedicated seat on the board, held either by the Mayor or Vice-Mayor, as determined by the Mayor.

The legislation also guarantees that a minimum level of funding would be available directly to the City of Long Beach in the following ways:

### **Renter Protections & Support**

A minimum of 30% of the agency's total annual budget shall be set aside for low-income renter protections and support. Eligible uses include rental assistance and access to legal counsel. The agency is not an enforcement agency and will not play any role in code enforcement or similar programs. 21% will be available for the five largest cities in the county as well as all unincorporated communities and the councils of government. The cities and unincorporated communities will be excluded from the council of government set aside. Within this 21%, the funding will be divided based on the weighted percentage of rent burdened households in the given jurisdiction. The final 9% of this set aside funding will be allocated on an annual at-large basis by the Agency's Citizen Oversight Committee and Governing Board.

### **Affordable Housing Preservation and Production**

A minimum of 40% of the agency's annual budget shall be set aside for 100% affordable housing for households earning between 0% and 80% of area median income. The agency's purpose is to center equity, solutions at scale, and creative non-traditional approaches that reduce cost and increase construction speed. This will include working outside of the traditional tax-credit affordable housing financing system. 28% of this set aside funding will be available for the five largest cities in the county as well as all unincorporated communities and the councils of government. The cities and unincorporated communities will be excluded from the council of government set aside. Within this 28%, the funding will be divided based upon the affordable housing regional housing needs assessment (RHNA) goals for the given jurisdiction. The final 12% of this

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<sup>2</sup> [Draft 2021-2029 Housing Element \(6<sup>th</sup> Cycle\)](#). July 7, 2021.



set aside funding will be allocated on an annual at-large basis by the Agency's Citizen Oversight Committee and Governing Board.

The balance of funding will be allocated annually for the eligible uses outlined above as well as for technical assistance and capacity support related to affordable housing for all jurisdictions within Los Angeles County. There will be a 10% cap on the Agency Administration and Operations Expenses.

Modeled on concepts such as the New York Housing Development Corporation and the Bay Area Housing Finance Authority, the Agency represents an opportunity to use a regional framework to address affordable housing on a local basis. The agency would not have any land use or entitlement authority and is instead focused on creative and sustained financing for a range of programs that support low-income renters, preserve existing affordable housing, and create new affordable housing.

Long Beach has been assigned ambitious housing goals for the next regional housing needs assessment: 26,502 total units by October 2029, with 11,188 of those units for low and very low-income people. SB679 represents a powerful tool to help the City achieve these ambitious goals.

### **Fiscal Impact**

No Financial Management review was able to be conducted due to the urgency and time sensitivity of this item.


### **Equity Statement**

Supporting this legislation would be consistent with the City's stated equity and reconciliation goals – and would be particularly impactful for the 17,000 people in Long Beach who are living in overcrowded and unsafe housing. The Framework for Reconciliation states under Goal 4, Action 3, Strategy K, that the City should, "Participate in policy reform efforts at the State and Federal levels to increase funding for affordable housing." As the draft Housing Element makes clear—now is the time for action. Forty-three percent (43%) of all Long Beach households are housing cost burdened and eighty percent (80%) of very low-income renters are cost-burdened, meaning they spend more than 30% of their income on housing costs. Black and Hispanic renters are 20% and 12% more likely to be cost-burdened than their white counterparts. Without ambitious and urgent action, Long Beach will lose the diversity and opportunity that has helped us grow and thrive.

### **Suggested Action**

Approve recommendation.

Date: December 30, 2020

To: Thomas B. Modica, City Manager 

From: Oscar W. Orci, Director of Development Services 

For: Mayor and Members of the City Council

Subject: **Report on External Funding for Affordable Housing**

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At its January 7, 2020 meeting, the City Council considered placing a bond measure on a future election ballot to fund affordable housing. The City Council declined to move forward at that time and requested staff to research alternative funding sources available to the City through State and federal dollars for affordable housing. Staff have completed that research and have not found external funding other than one-time monies related to COVID-19 that are available and being pursued.

Development Services staff reviewed a 2019 report prepared by Keyser Marston Associates regarding available funding sources for housing, as well as new State or federal funds that became available during 2020. This review did not identify any source of State or federal funds available for affordable housing construction. However, the review confirmed that the City would be able to increase its access to State and federal funds if additional local funds were available as matching funds.

#### Federal Sources

The primary federal funding source for affordable housing is the Low-Income Tax Credit, which is credited directly to the developer of affordable housing. These federal credits are administered through the California Tax Credit Allocation Committee. The relative value of these tax credits has declined as federal taxation rates (and, thus, the need for offsetting credits) have fallen.

Other federal funds such as Community Development Block Grant (CDBG), HOME, and ESG dollars accrue directly to the City to fund programs and investments, including housing and homelessness, to benefit low and moderate-income persons. These funds are combined with the City's local Long Beach Community Investment Corporation (LBCIC) dollars as the City's primary source of affordable housing and housing for the homeless. Federal dollars also fund housing choice vouchers, which are administered through the City's Housing Authority.

#### State Sources

The City has seen some recent improvement in the amount of State assistance toward affordable housing. These funds include a state tax credit to developers, various competitive funding programs through the Department of Housing and Community Development (HCD), as well as direct non-recurring funding to address housing for the homeless. Recent City applications for State funding include the SB 2 Permanent Local Housing Allocation (PLHA),

which is not competitive, and the CalHome program. The City expects to receive approximately \$17,000,000 in PLHA funds over five years and was recently awarded \$4,900,000 in CalHome program funds. The State also administers a housing trust matching program, which is a potential source of additional funds to the City if additional local dollars were invested into the trust fund. The program provides up to \$5,000,000 in dollar for dollar matching funds to local housing trust funds.

#### Other Existing and Potential Funding Programs

The Inclusionary Housing Ordinance recently adopted by the City Council will harness private development to provide approximately 100 to 150 affordable housing units annually without direct public subsidy. Additionally, the program may provide in-lieu fees of up to \$2,000,000 per year once the program is fully phased-in. These fees would be put into the City's Housing Trust Fund and used to subsidize additional affordable housing units.

Enhanced Infrastructure Financing District (EIFDs) and Community Reinvestment Authorities (CRIA) are tools recently authorized by State legislation, which would allow the City to undertake redevelopment-like activities including the financing of affordable housing. These tools have not been broadly implemented and require the consent of other taxing authorities (such as the County, special districts, etc.), as well as the impacted property owners. Theoretically, an EIFD or CRIA would allow the City to accumulate tax-increment to be invested in improved infrastructure as well as affordable housing. Due to substantial start-up costs no estimates are available for the potential benefit of these tools.

A documentary transfer tax increase is another measure called for in the 2017 Affordable and Workforce Housing Study Group recommendations. A documentary transfer is paid on real estate transactions based on the value of the property being sold. This is a distinct tax, different from the document record fee recently enacted by the State, which provides limited funds for affordable housing development. The City receives approximately \$2,300,000 in documentary transfer tax each year that is deposited in the General Fund and used as general revenue for the City's overall budget. Other cities such as Culver City and Los Angeles levy a considerably higher documentary transfer tax of \$4.50 per \$1,000 value compared to the \$0.55 per \$1,000 value rate in Long Beach and most California cities. This tax is paid only at the time a property is sold. Most recently, the City of San Jose placed Measure E on the March 2020 ballot, the now voter-approved measure is expected to raise \$70,000,000 annually for affordable housing in San Jose.

An increase in the document transfer tax in Long Beach could yield up to \$18,000,000 annually in revenue. This revenue would be volatile as it is correlated to the level of real estate transactions and to housing prices. Imposition of the higher tax, like a bond measure, would require a vote of the electorate with the required margin dependent on whether the new tax was general or specific in nature of the use of funds.

#### Need

The City is in the process of updating its Housing Element, which will include a more complete analysis of housing needs. However, the Everyone Home report provides the following

estimation of need based upon the goal of the task force, at that time, of creating 2,000 additional low-income units, 200 permanent supportive units, as well as shelter and storage expansions:

<b>Estimated Funding Need to Meet Goals (In Millions)</b>	
Capitalize the City's Housing Trust Fund. Local funds are critical to leveraging the resources of other public agencies including the County, State and federal resources such as the Low-Income Housing Tax Credit (LIHTC) as administered by California's Tax Credit Allocation Committee.	
2,000 Low-Income Units	\$170
200 Permanent Supportive Housing Units	\$17
<b>Purchase of buildings to support shelter opportunities and other programming</b>	<b>\$30</b>
Resource the coordination and oversight of housing and homelessness citywide, including data infrastructure and support. (Annually)	\$2
<b>Prevention, retention, flexible subsidies, 24x7 outreach, and other health and support services. (Annually)</b>	<b>\$18</b>
Landlord incentives/Homeless Incentive Program for precariously housed. (Annually)	\$2
<b>Emergency Shelter Expansion/Storage Operations. (Annually)</b>	<b>\$2</b>
<b>Approximate Total Capital Costs</b>	<b>\$217</b>
<b>Approximate Total Operational Costs (ongoing)</b>	<b>\$24</b>

In conclusion, while federal funding for affordable housing is stable, and State funding has improved, the total cost of housing needs exceeds the available funding. Should the City Council desire to more fully meet the need for homeless facilities and affordable housing, additional revenue would be required.

To move forward with a bond measure, or any other revenue sources, Development Services staff would require further direction from the City Council. If you have any questions, please contact Christopher Koontz, Deputy Director, at (562) 570-6288.

ATTACHMENT KMA AFFORDABLE HOUSING RESOURCES REPORT AND CHART

- CC: CHARLES PARKIN, CITY ATTORNEY  
 DOUGLAS P. HAUBERT, CITY PROSECUTOR  
 LAURA L. DOUD, CITY AUDITOR  
 LINDA F. TATUM, ASSISTANT CITY MANAGER  
 KEVIN JACKSON, DEPUTY CITY MANAGER  
 TERESA CHANDLER, DEPUTY CITY MANAGER  
 REBECCA GUZMAN GARNER, ADMINISTRATIVE DEPUTY CITY MANAGER  
 MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #20-0019)  
 DEPARTMENT HEADS