



Date: January 7, 2020

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

From: Councilmember Rex Richardson, Ninth District *lh*
Councilwoman Mary Zendejas, First District *mz*
Vice Mayor Dee Andrews, Sixth District *da*

Subject: 2020 Housing Measure/Affordable Housing Assessment

RECOMMENDATION:

Direct the City Attorney to prepare a Resolution, and any related documents, for the November 3, 2020 ballot for voters to consider a \$298 million housing bond at \$25 per \$100,000 assessed valuation for the creation of affordable housing in Long Beach, with funds available for extremely low, very low, low, moderate, and workforce housing, crisis shelters and homeless services facilities, motel conversion programs, and other solutions to address the housing and homelessness crisis in Long Beach.

Direct the City Manager to prepare a report on affordable housing needs in Long Beach, strategies to address housing affordability and homelessness, potential types of projects that could be funded with a housing bond, estimates on the number of units that could be constructed with a revenue source dedicated to affordable housing, and report back to the City Council within 90 days.

DISCUSSION:

Homelessness and affordable housing are the top challenges facing communities across California, and Long Beach is no different. While Long Beach has been a leader in the creation of affordable housing and addressing homelessness through a seamless Continuum of Care approach, significantly more resources are needed to create more housing opportunities in the City.

An Ongoing Conversation

Long Beach has been proactive in addressing the crisis of homelessness and affordable housing. On May 2, 2017, the City Council started the discussion of identifying a new revenue source to address the housing shortage through the adoption of 29 recommendations on revenue tools and incentives and strategies to produce affordable and workforce housing. On September 25, 2017, City staff returned to the City Council with one such option for a revenue source, outlining the cost of benefits of a housing bond that could meet some of the affordable housing needs in our city. Additionally, on December 11, 2017, the City Council launched the "Everyone In" Economic Inclusion Initiative - a call to action to Long Beach leaders and stakeholders to implement industry best practices and policies that emphasize economic inclusion for the region to create a local economy that includes and benefits every Long Beach resident.



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In 2018, the City adopted Everyone Home Long Beach - a plan to address homelessness and housing in Long Beach. Everyone Home Long Beach is designed to build on the City's comprehensive homeless services and affordable housing efforts already underway and to identify innovative approaches to provide new pathways into housing and prevent residents from falling into homelessness. The plan resulted in recommendations in seven goal areas, and chief among them was a call for dedicated revenue to expand housing opportunities. In August 2018, the City Council considered several options as potential funding sources as a result of the Everyone Home Long Beach plan, and appropriated \$50,000 in the FY 19 budget to continue the effort to research opportunities and solicit additional input from the community on the best funding solution.

Affordable Housing and Homelessness are Top Priorities

Affordable housing and addressing homelessness have arisen time and again as the top City priorities. In a 2018 survey of the Long Beach community, 75 percent of those surveyed identified the cost of housing as an extremely or very serious problem, and 84 percent identified homelessness as an extremely or very serious problem. The Everyone Home Long Beach plan identified the need – nearly 4,000 individuals and families experience homelessness at some time during the year, with 1,275 living unsheltered on the streets. Over 21,000 households (nearly 58,700 people) are precariously housed – meaning their household income is only 30 percent of area median incomes (approximately \$16,545 for a household), or they pay over 90 percent of their income for housing.

According to the Everyone Home Long Beach plan, it is estimated that to meet the needs of those falling into homelessness each year, the City would need an additional 500 emergency shelter beds, 2,400 additional units that accept rental subsidies, and 450 rapid rehousing units. The current Regional Housing Needs Assessment (RHNA) production goal for the City of Long Beach is for 2,839 low and very low-income units. Currently, there are 806 affordable units in the development pipeline, with the potential for 1,170 additional affordable units identified under RHNA. The Everyone Home Long Beach plan specifically recommended a need of \$217 million in capital costs for 2,000 low income units and buildings to support shelter opportunities and other programming.

Creating housing opportunities before people fall into homelessness is a far more effective method of solving the problem – upstream prevention is key and affordable units for a variety of income levels is paramount.

Funding Mechanism

A housing bond would provide a dedicated and restricted source of funding to increase and improve affordable housing and homeless housing opportunities in the City. Long Beach has not had a General Obligation bond since the 1960s. Other communities have created opportunities for their residents through housing bonds, most notably, the City of Los Angeles with the passage of the \$1.2 billion Measure HHH in 2016. The proposed Long Beach bond would assess property at approximately \$25 per \$100,000 in Assessed Valuation, resulting in a total bond proceeds of \$298 million for costs associated with affordable housing projects. This would equate to an annual tax of \$125 for a home worth \$500,000, or \$0.34 per day. The property tax revenue generated would be approximately \$463 million (principal and



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interest) and would be dedicated and restricted to affordable housing. To pass, the ballot question would require approval of 67 percent of voters as would any City bond measure. Individual projects and funding formulas would be determined through the annual budget and appropriation process and City Council action. Most communities establish a Bond Oversight Committee to provide an independent citizen review of projects and City Council action. It is important to note that a housing bond cannot be used for services, but can fund the following types of programs:

- Construction loans for affordable ownership housing developments
- Construction loans for affordable rental and supportive housing developments
- Rental acquisition and rehabilitation loans
- Preservation of affordable housing with expiring affordability covenants
- Acquisition of motel and other sites for housing purposes
- Land purchase loans
- Adaptive reuse for affordable housing purposes
- Homeless projects (must be used for property, not services)
- Housing or facilities for mental health programs, substance abuse programs etc.
- Homebuyer down payment and second mortgage assistance programs

Recommendation for a Report

As part of the motion, it is requested that the City Manager work with the necessary City departments, and review any information provided by the community, to provide the City Council with a report within 90 days outlining the potential and recommended use of funds, recommended programs to best address housing affordability and homelessness, estimates on the number of housing units that could be constructed with the new revenue stream, suggested allocations for the various types of affordable housing, amount of funds for homeless facilities, fiscal implications of the bond, estimated costs for administration and sources of funds for administration, and any other recommendations on how to structure a potential housing bond program for the City Council to consider. Staff are requested to also review the inclusion of a Project Labor Agreement (PLA) with local hire provisions on housing and capital projects with a recommended threshold for inclusion, as well as potential exemptions for low-income seniors and disabled individuals. Additionally, staff are requested to estimate the amount needed to fund the capital cost of land and shelter facilities to be able to shelter all those experiencing homelessness.

FISCAL IMPACT:

Creation of a housing bond would infuse a large sum of money into the City's programs for addressing affordable housing. It would also likely require significant additional investment in staffing and programs to effectively manage the resulting expanded affordable housing program. Potential sources of funding include limited funding from the bond measure itself, and a potential for Measure H funding as is the case for the City of Los Angeles. Substantial funding may be needed for administration from other funding sources such as the General Fund. City staff will provide an estimate of the fiscal and operational impacts



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as part of the report. It is estimated that to complete the requested report within 90 days, it will require a significant staff workload, requiring a shifting of priorities for the other affordable housing recommendations previously approved by the City Council and potentially away from other bond projects already in process and intended to save money. However, if approved by voters, this bond would create significant financial opportunity to implement the City's affordable housing plan. Staff also expect to utilize any remaining funds from the \$50,000 allocated by the City Council in the FY 19 budget for affordable housing revenue source development for the review and creation of this report and bond measure.

This matter was reviewed by Deputy City Attorney Amy Webber and Finance Director/CFO John Gross on December 30, 2019.