



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

October 11, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

- (1) Request the City Attorney to prepare an ordinance establishing a Housing Trust Fund for the City of Long Beach in accordance with the terms and conditions recommended herein; and
- (2) Request the City Attorney to prepare a condominium conversion fee ordinance and refer the ordinance to the Planning Commission for review and recommendation to City Council. (Citywide)

DISCUSSION

On June 11, 2002, the City Council requested the City Manager to prepare a report regarding the feasibility of establishing a Housing Trust Fund (HTF) for the City of Long Beach, including identification of potential funding sources. On September 10, 2002, City Council authorized the City Manager to enter into a contract with David Rosen & Associates (DRA) to conduct the study. After confirmation of assumptions and extensive presentations of the preliminary findings, DRA's final report was completed in October 2003 and concluded that it was appropriate to establish a HTF in Long Beach.

The consultant findings and conclusions on a HTF were shared with developers, business associations and housing advocates. The general reaction regarding the HTF has been positive; almost everyone recognizes the need for more affordable housing. However, there has been mixed reaction concerning the proposed revenue sources, the target population to be served by the HTF, and the proposed uses. The various comments and positions received as a result of the community outreach on the HTF are provided in Attachment "A."

Subsequent to community discussions on the implementation, staff recommends the following:

1. Request the City Attorney to prepare an ordinance establishing a Housing Trust Fund for the City of Long Beach in accordance with the parameters outlined below:

A. Uses

- First-time homebuyer assistance programs (could include assistance that can be layered with other entities' assistance programs)
- Acquisition and/or rehabilitation assistance, both ownership and rental
- New construction, both ownership and rental, including special needs

B. Target Population

- 50 percent of funds for above moderate-income households (those with income not exceeding 150 percent of area median income [AMI], i.e. \$57,825 for a 1-person household or \$82,650 for a 4-person household, based on 2005 income levels)
- 50 percent of funds for extremely low-income households (those with income not exceeding \$13,750 for a 1-person household or \$19,650 for a 4-person household, based on 2005 income levels)

It should be noted that the City's existing resources for affordable housing, such as federal HOME funds and redevelopment housing set-aside, can be used only to benefit those households whose incomes do not exceed 80 percent of AMI, or 120 percent of AMI, respectively.

C. Length of Affordability Restrictions on HTF-Assisted Units

- Rental - 55 years
- Ownership - 30 years

Most state and federal loan programs providing funds for affordable housing development, as well as redevelopment law which governs the use of redevelopment housing set-aside, require 55 years of affordability for rental units and 45 years for ownership units. Many developers and homebuyers find the 45-year restriction very onerous. To promote homeownership, staff recommends a 30-year restriction on HTF-assisted ownership units.

D. Potential Funding Sources

- Transient occupancy taxes (TOT) in the amount of \$500,000 per year
- Condominium conversion fee of 1 percent of sales price of unit being converted from rental to homeownership (assuming an average condominium sales price of \$322,000 in July 2005 multiplied by an average of 300 converted units, this could generate an estimated revenue of about \$950,000 in FY2006)
- Boeing Realty contribution for Douglas Park (\$3,000,000 over 5 years)
- Other contributions and donations – could include potential contributions from major employers, charitable organizations, foundations, or other sources, if any

E. Administration

- The Long Beach Housing Development Company will administer the HTF pursuant to established parameters and will submit a semi-annual report to City Council to apprise them of the status of the HTF.
2. Request the City Attorney to prepare a condominium conversion fee ordinance and refer the ordinance to the Planning Commission for review and recommendation to City Council.

The conversion of apartments into condominiums typically causes displacement and reduces the availability of affordable housing units for low- and moderate-income households. Some jurisdictions have mitigated the impact of condominium conversion by charging an "impact fee" to the developer and using these fees to produce affordable housing. The County of Los Angeles currently charges a "rental housing production fee" equivalent to 1 percent of the purchase price of a converted unit. The City of Roseville, California charges a conversion fee of \$5,000 per unit. Montgomery County in Maryland charges the developer a condominium conversion fee of 4 percent of the converted unit's sales price.

The City of Long Beach has received and processed many requests for condominium conversion. Between January 2004 and July 2005, a total of 625 units have either been approved for conversion or are in process. While condominium conversion may increase homeownership opportunities in the City, there is evidence that shows that low-income tenants are being displaced from these units.

To alleviate the impact of condominium conversion on the supply of affordable housing in the City of Long Beach, staff recommends charging developers a fee equivalent to 1 percent of the purchase price of the converted unit, to be deposited into the HTF.

This letter was reviewed by Deputy City Attorney Everett Glenn on September 6, 2005, and Budget Management Officer David Wodynski on September 7, 2005.

TIMING CONSIDERATIONS

Council action is requested on October 11, 2005 in order to move forward with these proposed housing initiatives.

FISCAL IMPACT

City Council's approval of the proposed recommendations will result in the creation of a Housing Trust Fund and referral of a condominium conversion fee ordinance to the Planning Commission. As proposed, \$500,000 of TOT revenue, if available, or other funding sources as appropriate will be deposited into the HTF annually.

HONORABLE MAYOR AND CITY COUNCIL

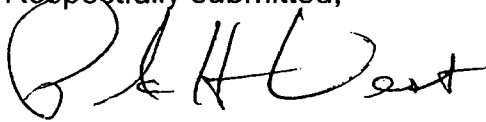
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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

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APPROVED:



GERALD R. MILLER
CITY MANAGER

Attachment:

Attachment "A" – Stakeholders' Comments