City of Long Beach
Working Together to Serve

Memorandum

Date: February 17, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services

For: Mayor and Members of the City Council

Subject: **Revenue Tools and Incentives for the Production of Affordable and Workforce Housing**

Attached is the draft report *Revenue Tools and Incentives for the Production of Affordable and Workforce Housing* that will be discussed at the February 21, 2017, City Council Study Session. The final report will incorporate input from the Study Session and will be presented to the Mayor and City Council at a later date.

The report contains:

- Information regarding the current state of housing in the City of Long Beach.
- An overview of existing housing programs and accomplishments.
- Current and pending housing developments.
- The status of overall housing production with respect to regional housing need.
- A survey of innovative affordable housing production tools.
- An overview of input from the community and from the Mayor's Affordable and Workforce Housing Study Group.

A visual presentation will be provided at the Study Session.

If you have any questions regarding this matter, please contact Patrick Ure, Housing Development Officer, at (562) 570-6026 or patrick.ure@longbeach.gov.

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ATTACHMENT: Draft report *Revenue Tools and Incentives for the Production of Affordable and Workforce Housing*

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CITY OF LONG BEACH

DRAFT REPORT: REVENUE TOOLS AND INCENTIVES FOR THE PRODUCTION OF AFFORDABLE AND WORKFORCE HOUSING

Affordable and Workforce Housing Study Group
Housing and Neighborhood Services Bureau
DRAFT: February 21, 2017

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I. EXECUTIVE SUMMARY

The issue of housing affordability has become increasingly urgent in California, with rising housing costs and limited supply taking their toll on communities statewide. In his State of the City Address in January 2016, Mayor Robert Garcia issued a call to action to address the increasingly tenuous challenge of producing affordable and workforce housing for residents of Long Beach, including working families and recent graduates of Cal State Long Beach trying to purchase their first home in the city.

Thousands of low- and moderate- income households in Long Beach face untenable choices because safe and affordable housing isn't available to them. Households with extremely low- and very-low incomes are experiencing a housing crisis, but what is also becoming apparent is that households with moderate-incomes are unable to afford housing in today's market. Public funding for the production of housing for lower-income households is dwindling, and there are currently no public funding programs to assist moderate-income households. The purpose of this report is to stimulate and inform an urgently needed conversation amongst our community and its leaders around the following crucial questions:

- **How will we adequately invest in our city's affordable housing infrastructure?**
- **What policies can be implemented to stimulate housing development?**
- **How can we incentivize developers to build quality and affordable housing for Long Beach residents, workers, veterans, and students?**
- **What revenue sources will we dedicate to adequately meet our city's critical housing needs?**

Area housing leaders and advocates were assembled to comprise an Affordable and Workforce Housing Study Group (Study Group) chaired by former California Assemblywoman Bonnie Lowenthal. The Study Group, along with City staff, participated in multiple discussions about a variety of housing issues, and studied best practices in use throughout the country. The Study Group was tasked with creating a list of potential housing production policies for consideration, and staff focused on a review of best practices.

In the fall of 2016, the Study Group and staff hosted a series of community meetings led by Mayor Garcia. The community meetings were designed to facilitate conversations between the community, affordable housing advocacy groups, the development community, and the public. Two roundtable meetings were held, one featuring a panel of housing advocacy leaders, and another featuring a panel of leaders from the housing development community. A community forum and resource fair provided the community with an update on current housing production efforts, and an opportunity to comment on housing issues. The resource fair offered an opportunity to learn more about a variety of housing programs and services offered by the Departments of Development Services, and Health and Human Services.

In total, the meetings were attended by over 200 residents, representing a diverse range of concerns and perspectives on housing issues. A high level of support for

increasing the supply of and access to affordable housing in the city was expressed by nearly all stakeholder groups, including residents, housing advocates, developers, and property owners/managers.

The Study Group created a lengthy list of policy considerations along with a list of items that for further research. Staff thoroughly reviewed the list and has broken it down into three categories that focus on housing production, as follows:

1. Policies to Implement Immediately.

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2. Existing Legislative requirements and Pending Initiatives that may Encourage Affordable Housing Production.

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3. New Affordable Housing Production Initiatives for Consideration.

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II. BACKGROUND

Housing burdens across the U.S. have increased during the previous decade, with California experiencing particularly large impacts. These housing burdens have impacted low-income households, but the rising cost of both rental and ownership housing has begun to have an adverse effect on moderate and even above-moderate income households.

According to The United States Department of Housing and Urban Development, housing is considered affordable to a household if the household is paying less than 30% of its total income on rent or mortgage payments. Households that pay over this amount are considered to have a high housing burden, as it is more likely they will not have enough money to meet other basic needs such as food and medical care.

In order to alleviate this burden, cities take a variety of approaches to ensuring that there is a supply of and access to affordable housing. There are basically two methods the City of Long Beach uses to provide affordable housing stock throughout the city:

1. Housing that is produced or rehabilitated in conjunction with private developers with special financing that allows for below market rents, and includes 45- or 55-year affordability covenants. These include family, senior, supportive and special needs housing; and,
2. Direct rental subsidies, such as those provided through the Housing Authority of Long Beach's Housing Choice Voucher (HCV) Program, in which the Housing Authority pays a portion of a tenant's rent to the landlord for a unit of their choice.

Using these two methods, the City is able to assist a number of different types of households and their needs (Figure 1).

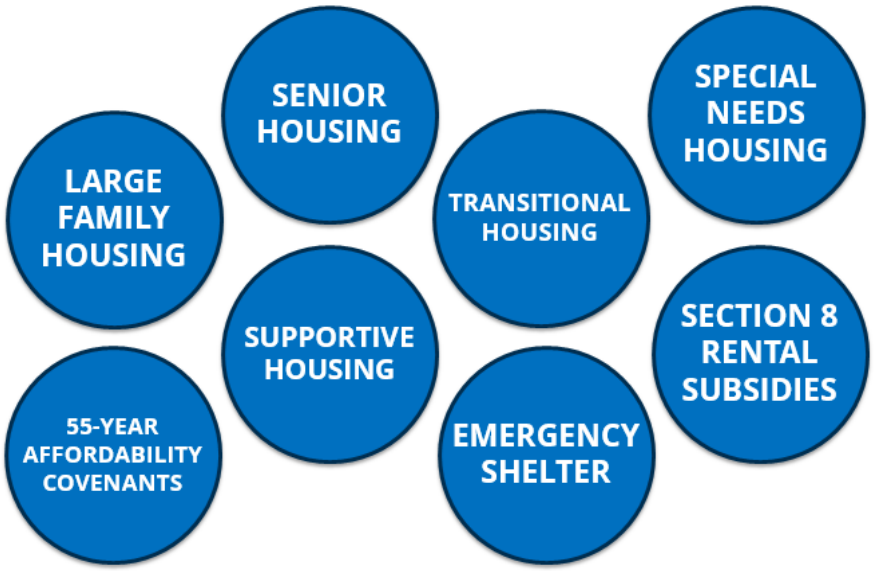

Figure 1. Types of Affordable Housing provided by the City of Long Beach

In recent years, a lack of supply, and strong demand for housing have resulted in low vacancy rates, and price and rent increases, leading to more and more middle and lower-income households to be priced out of the marketplace. The result has been an ever-widening gap between the cost of housing and the incomes of low- and moderate-income households. This cycle has led to the need to produce more affordable housing units. At the same time, government funding to subsidize affordable housing production and rehabilitation has fallen.

The current housing crisis is not unique to Long Beach. It is a national issue, and it's particularly problematic in the State of California, which was recently ranked as the third most expensive housing market in the nation behind Hawaii and the District of Columbia.[1]

At the national level, more than 43 million Americans live in poverty, and many struggle to afford basic necessities such as housing, according to the National Low Income Housing Coalition (NLIHC). The annual Out of Reach report prepared by NLIHC shows that a full-time worker working 40 hours per week for all 52 weeks of the year must earn $20.30 per hour to afford a modest two-bedroom apartment. In high cost areas of the country, it's even more. In California, a full-time worker must earn $28.59 per hour, or nearly $60,000 annually, to afford a modest 2-bedroom apartment ($28.65 in the Los Angeles/Long Beach Metropolitan Area). And, in no state can a full-time worker earning the minimum wage afford even the average cost of a modest one-bedroom apartment.[2]

In California, the high cost and shortage of housing is well documented. Average housing costs in California have outpaced the nation and more acute problems exist in coastal areas where housing is out of reach, even for moderate-income households. As affordability becomes more problematic, people "overpay" for housing, "over-commute" by driving long distances between home and work, and "overcrowd" by sharing space to the point that quality of life is severely impacted. In extreme cases, people can become homeless, either visibly on the streets or less visibly as they experience housing instability and cope with temporary and unstable accommodations.

The California Department of Housing and Community Development estimates that through 2025 there is a shortfall of more than one million rental homes affordable to extremely and very low-income households, and California's homeownership rate has declined to the lowest rate since the 1940s. In addition, California needs more than 1.8 million additional homes by 2025 to maintain pace with projected population growth[3].

Long Beach, like the rest of California, is experiencing the effects of this housing affordability crisis. According to data from the online real-estate and rental marketplace Zillow, the median rent for one- and two-bedroom apartments in Long Beach have risen from $995 and $1,350 in January 2012 to $1,400 and $1,700 as of December 2016, with rents peaking as high as $1,450 and $1,895 in August 2016[4]. In addition to the

[1] National Low Income Housing Coalition
[2] National Low Income Housing Coalition
[3] California Department of Housing and Community Development. "California's Housing Future: Challenges and Opportunities"
[4] Zillow Research Data – www.zillow.com/research/data

rising rents, the vacancy rates remain very low at 4.4% in 2015[5]. Though some areas of Long Beach remain relatively affordable when compared to some other cities throughout the metropolitan region and other coastal cities in the state, rising rents continue to place a growing burden on households in the City.

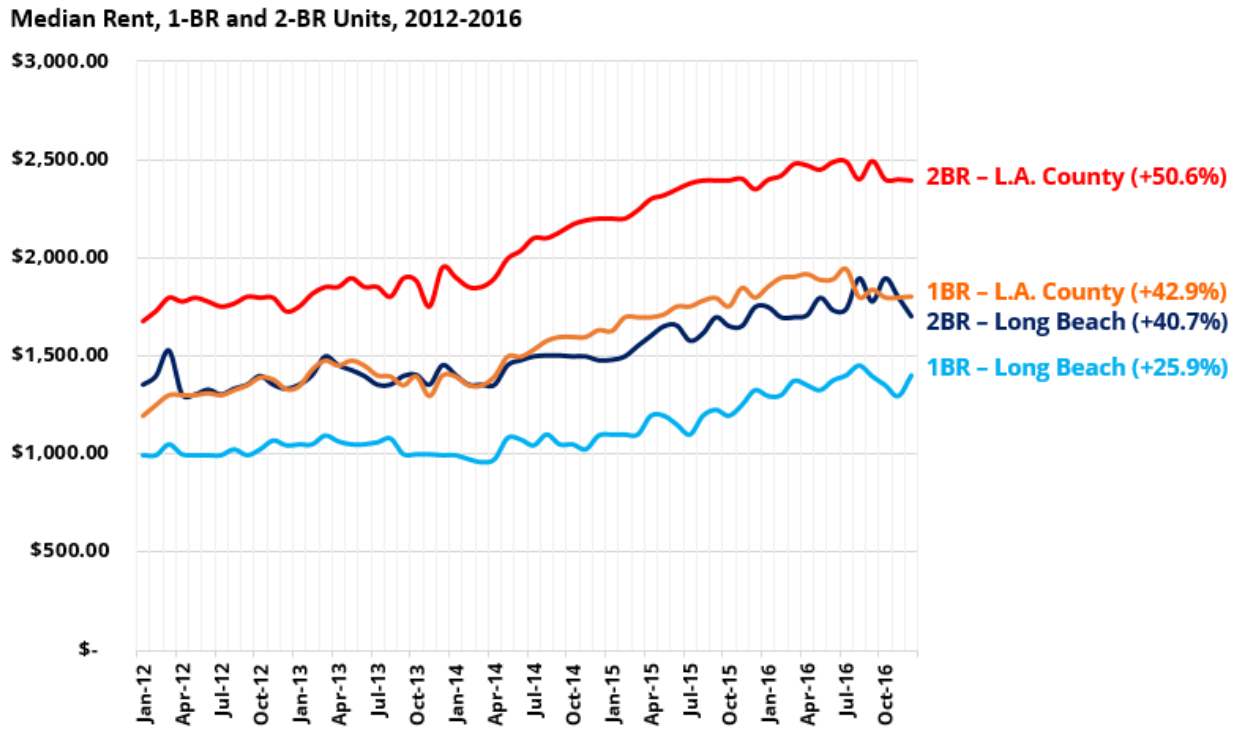

Figure 2. Median Rent, 1-BR and 2-BR Units, 2012-2016

A household is said to have a housing cost burden when over 30% of its income is spent on housing, and a severe housing cost burden when they must spend over 50% of its gross income on housing. Over 47% of all Long Beach households, including both renter and owner households, experience a housing cost burden, and about 24% of all City households experience a severe housing cost burden[6]. This issue is further magnified for low and moderate income households, 70% of whom bear a housing cost burden of over 30%[7].

While these figures are concerning, they are aligned with larger trends in the state. Long Beach's 47.1% rate of housing cost burden is comparable to that of San Jose (45.7%) and Oakland (45.8%), and below the rate found in the cities of Los Angeles (52.3%) and Anaheim (49.7%) (Figure 4). A few major cities have a housing cost burden rate lower than 40%, including Irvine, San Francisco, and Torrance[8]. This suggests that the significantly higher income levels in these cities compensates for higher housing costs.

[5] 2011-2015 American Community Survey
[6] HUD Comprehensive Housing Affordability Strategy Data, 2009-2013
[7] HUD Comprehensive Housing Affordability Strategy Data, 2009-2013
[8] HUD Comprehensive Housing Affordability Strategy Data, 2009-2013

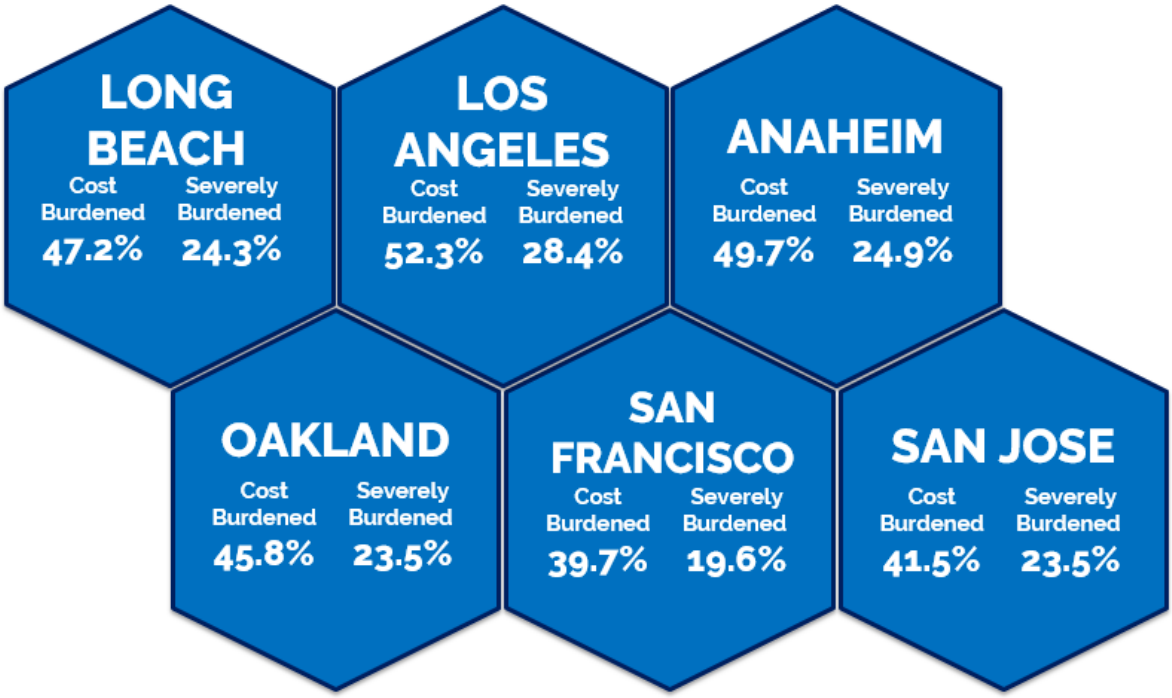

Figure 3. Housing Cost Burdens, All Households, Selected Cities

While households may choose to reside in smaller housing units for a number of reasons, including living with extended families or with other unrelated individuals, overcrowding has become increasingly prevalent as households become priced out of the market for units of appropriate size for their household. In Long Beach, the rate of overcrowding is approximately 12%, higher than the California rate of 8.2% and much higher than the national rate of 3.3%. Overcrowding is not only a fair housing concern, but it can strain physical facilities and the delivery of public services, reduce the quality of the physical environment, contribute to parking shortages, and accelerate deterioration of homes.

According to data provided by HUD, 59% of Long Beach households rent, compared to 35% nationwide[9]. The burdens of both housing cost and overcrowding are borne for the most part by this very large renter population in the City of Long Beach. According to HUD, 53.2% of renter households experience a housing cost burden, compared to a rate of 38.4% for owner-occupied households[10]. The rate of overcrowding is also much higher for renter households in Long Beach at 16.2%, compared to only 6.1% for owner-occupied housing. Furthermore, 6.9% of all renter households are severely overcrowded, compared to only 1.6% of owner-occupied households[11].

[9] HUD Comprehensive Housing Affordability Strategy Data, 2009-2013
[10] HUD Comprehensive Housing Affordability Strategy Data, 2009-2013
[11] American Community Survey, 2010-2014

III. THE LONG BEACH COMMUNITY INVESTMENT COMPANY AND HOUSING AUTHORITY OF THE CITY OF LONG BEACH

The Long Beach Community Investment Company (LBCIC) was established by the Long Beach City Council to administer the City's affordable housing programs. The LBCIC is a 501 c3 Non-Profit company with the City as its sole member. It is led by a Board of Directors selected by the Mayor and confirmed by the City Council. The Board administers the City's affordable housing production and rehabilitation programs, and advises the City Council on the delivery of housing and neighborhood revitalization services, and Community Development Block Grant funding (HOME, CDBG, and ESG). The City, through the LBCIC, helps to preserve existing affordable housing that is at risk of converting to market rate, and provides loans to developers to facilitate the production or rehabilitation of affordable housing.

Separately, the Housing Authority of the City of Long Beach (Housing Authority) administers the Housing Choice Voucher Program and other special rental assistance programs funded by the U.S Department of Housing and Community Development. The Housing Authority administered approximately $69 million in FY-16 to provide rental assistance to almost 6,666 extremely low- to very low-income households that are renting privately-owned residences from more than 2,600 Long Beach property owners. Programs administered by the Housing Authority include the Housing Choice Voucher Program, the Project-Based Voucher Program, the Veteran's Affairs Supportive Housing (VASH), the Housing Opportunities for Persons Living with AIDS (HOPWA) program, the Shelter Plus Care Program, and a Homeless Assistance Set-Aside Program.

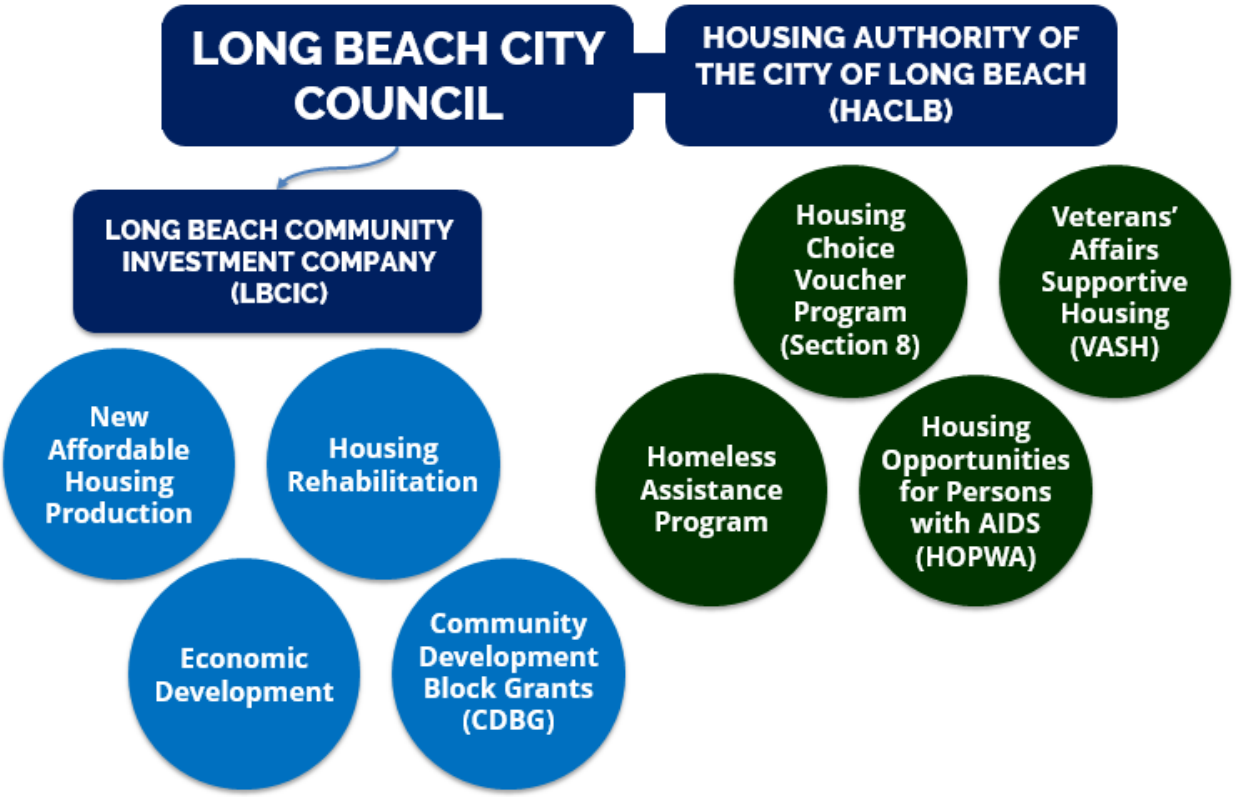

Figure 4. City of Long Beach Housing Programs

IV. EXISTING HOUSING PROGRAMS AND ACCOMPLISHMENTS

Long Beach has a sizable stock of publicly assisted rental housing. This housing stock includes all multi-family rental units assisted under federal, state, and local programs, including HUD, state/local bond programs, density bonus, and Long Beach redevelopment programs. Assisted rental projects include both new construction and rehabilitated units with long-term affordability covenants. A total of 6,477 publicly assisted multi-family units are located in the City. There are also 713 units of public housing (Carmelitos – owned by the County of Los Angeles), and 6,666 Housing Choice Vouchers that are used citywide, for a total of 13,856 assisted units in the City. This means that about 8.5% of the 163,232 housing units in the City are currently assisted[12].

In addition, homebuyer assistance programs have helped hundreds of lower-income community members become first-time homebuyers; and homeowner rehabilitation programs have helped hundreds of lower-income homeowners make significant improvements to their homes throughout the City.

Figure 5. Cabrillo Gateway, 81 units of permanent supportive housing for families in West Long Beach

The following programs or policies are directly responsible for the existence of these units. The continued protection of these programs will ensure that additional affordable units will continue to be produced. The City Council should remain diligent in ensuring that appropriate resources are allocated to protect and preserve these programs.

[12] 2016 Assessment of Fair Housing

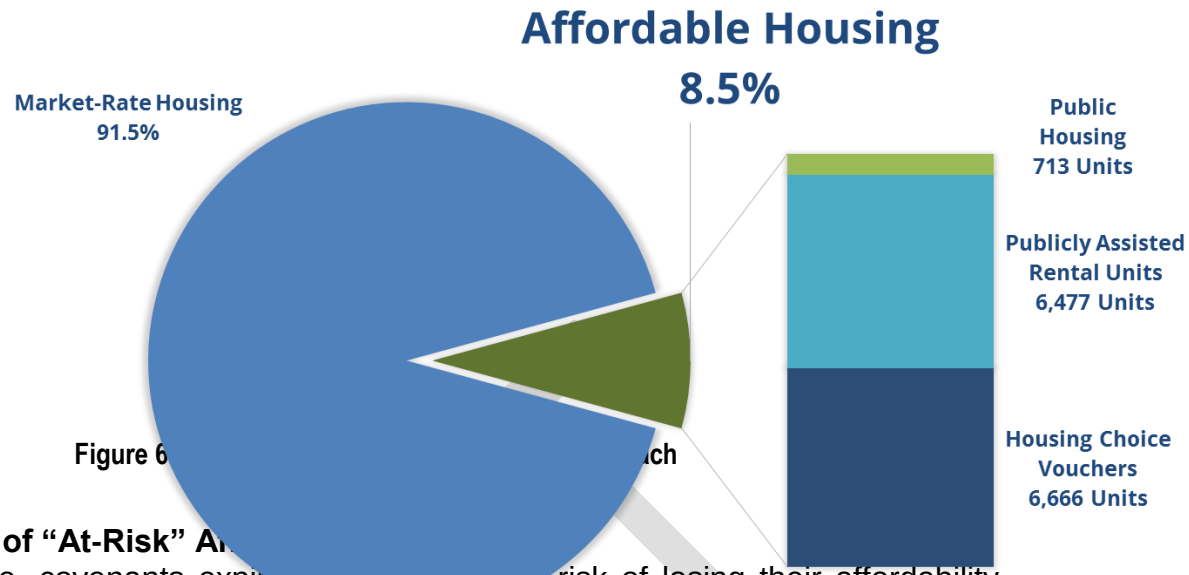

Figure 6 ... ach

A. Preservation of "At-Risk" A...

From time to time, covenants expir... risk of losing their affordability unless long-term rental restrictions are renewed. The adopted 2013-2021 Housing Element of the Long Beach General Plan requires the City to take steps to protect these units from conversion to market-rate units. Restrictions are typically renewed when a project is refinanced and rehabilitated. The City closely monitors these at-risk projects, and provides assistance to help preserve their affordability. Over the past decade, the Housing Authority and the LBCIC have facilitated the preservation of 2,139 affordable units that were at risk of converting to market rate.

B. New Production and Acquisition/Rehabilitation of Affordable Housing Units

For many years, the City and The Long Beach Community Investment Company (LBCIC) have provided financial assistance to developers that acquire, rehabilitate, and convert existing market-rate housing units to affordable units or build new affordable units. These developers specialize in the development of affordable housing, which requires the assembly of a variety of complex and competitive funding sources to fund a project. Since 2006, the City and LBCIC have invested $142,133,000 in the development of 1,778 new affordable housing units. In conjunction with that investment, developers have leveraged about $401,894,000 from outside funding sources, resulting in an investment of $543,027,000 in affordable housing development over the last decade.

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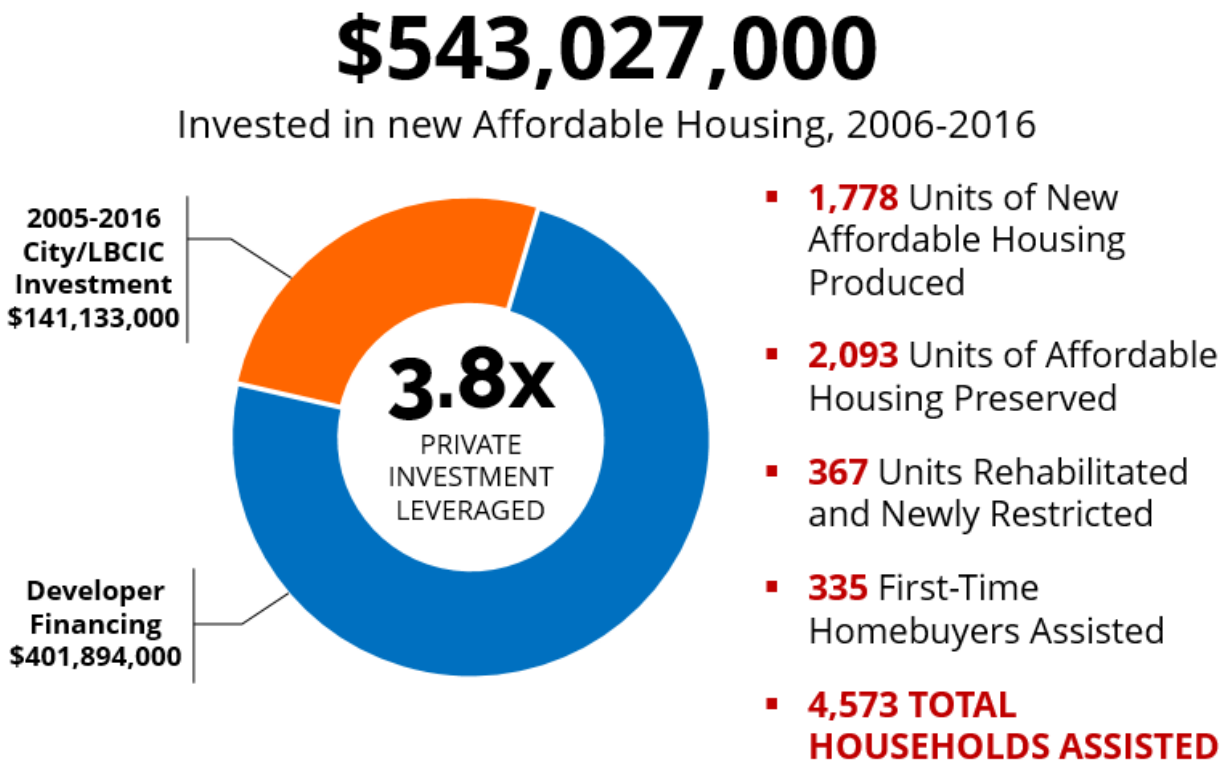

C. Homebuyer Assistance

The City and LBCIC have historically offered a variety of homebuyer assistance programs to assist lower-income households purchase their first home. Since 2006, 335 second mortgage loans have been provided to qualified homebuyers. Many of those loans were funded with the special federal Neighborhood Stabilization Program grants, resulting in over 100 homes being removed from the foreclosure rolls during the great recession.

D. Homeowner Rehabilitation

Home repair and maintenance can be difficult or impossible for lower-income households, especially elderly and disabled households. The City and LBCIC offer a homeowner rehabilitation loan program that provides loan funds to low-income homeowners to help make repairs to their homes. These loans, which are funded with federal HOME funds and State CalHome funds, require no ongoing payments, and are repaid when the homeowner sells the property. There are currently over 370 loans outstanding.

E. Multi-Family Rehabilitation

A great deal of the City's existing multi-family housing stock is older and in need of repairs and upgrades. The City's Multi-Family Rehabilitation Loan Program offers substantial loans to apartment owners to assist with making significant repairs to their properties. These loans are at zero interest, and are typically repaid over a 20-year period. In exchange for the low-cost loans, borrowers must agree to restrict units in their building to lower-income residents at affordable rents. Over the past decade or so, 367 units have been rehabilitated and made affordable to lower-income households.

F. Density Bonus Program

The State of California has adopted density bonus laws which allow developers of residential units to construct at higher densities when a portion of those additional units are rented or sold at rates affordable to low- and moderate-income residents. The City of Long Beach has codified this density bonus law as an incentive for affordable housing (LBMC 21.63). In exchange for the right to build at higher densities, the affordable units shall be guaranteed to be maintained for 30 years.

G. Developer Impact Fee Waiver for Affordable Housing

The City imposes developer impact fees on new development throughout the City. These fees ensure that development bears a proportionate share of the cost of capital facilities and related costs necessary to accommodate such development. These fees are waived for affordable housing developments, typically saving developers hundreds of thousands of dollars in development costs.

H. Reduced Parking for Affordable Projects

The California Legislature recently adopted Assembly Bill 744 (AB744), which allows developers to request reduced minimum parking requirements within affordable housing projects near transit, and amends the parking ratio for affordable and senior housing to require no more than 0.5 parking spaces per unit (0.3 for special needs housing).

I. Replacement of Low-income Housing in the Coastal Zone

It is the City's desire to maintain the present number of very low- to moderate-income housing units within the coastal zone. Long Beach Municipal Code Chapter 21.61 requires the replacement of these units upon the application for a coastal development permit. Affordable units may be replaced on site in a new housing development, off site, or through the payment of in-lieu fees. These fees range from $10,000 to $30,000 per displaced unit. Staff is currently working on an update to this policy.

J. Condominium Conversions

If a developer proposes to convert apartments affordable to low- or very-low income households to condominiums, Long Beach Municipal Code 21.60 requires that low- or very-low income households that would be displaced be given prior written notice of the intended displacement at least 18 months prior to the intended date of displacement. However, developers are eligible to reduce their noticing requirements to only 3 months' notice if they set aside at least 10% of the converted apartments to be affordable to low-income households or at least 5% affordable for very-low income households, for a period of 10 years. Additionally, existing residents must be given an opportunity to purchase a converted unit, and lower-income households may receive relocation benefits.

The relocation assistance program codified in LBMC 21.60 provides a number of benefits for low and very-low income tenants who have been displaced by demolition or by condominium conversion. These benefits include a required 18-month notification of displacement, as well as monetary assistance of up to $8,441 for relocation costs.

K. Housing Authority Programs

The Housing Authority offers a variety of programs that provide rental assistance to income-qualified participants as follows:

i. Housing Choice Voucher Program

The Housing Choice Voucher Program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.

Families issued a housing voucher are responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. A housing subsidy is then paid directly to the landlord by the PHA on behalf of the participating family, who are then responsible for paying the remainder of the market rent charged by the landlord. In FY-16, the Housing Authority administered 6,666 Housing Choice Vouchers.

ii. Project-Based Voucher Program

Project-based vouchers are a component of a PHA's Housing Choice Voucher Program. With this program, the Housing Authority enters into a long-term payment contract that guarantees rental assistance for a specified number of units in a housing development. This program guarantees that voucher holders will have an opportunity to live in the development, and the guaranteed revenue stream generated from the Housing Assistance Contract enables the developer to leverage debt to help construct or rehabilitate the development. The Housing Authority is currently under contract to provide 222 Project-Based Vouchers in 5 projects, and an additional 200 contracts are in process.

iii. Veterans Affairs Supportive Housing Program

The HUD-Veterans Affairs Supportive Housing Program (VASH) combines Housing Choice Voucher rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA). The VA provides these services for participating Veterans at the VA medical center and community-based outreach clinics. Since 2008, HUD and VA have awarded these vouchers based on geographic need and PHA administrative performance. In FY-16, the Housing Authority administered 705 HUD-VASH vouchers.

iv. Housing Opportunities for Persons with AIDS (HOPWA)

HUD'S HOPWA program provides formula allocations and competitively awarded grants to eligible states, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV/AIDS. These resources help clients maintain housing stability, avoid homelessness, and improve access to HIV/AIDS treatment and related care while placing a greater emphasis on permanent supportive housing. In FY-16, the Housing Authority leased a total of 21 HOPWA units.

v. Shelter Plus Care Program

The Shelter Plus Care (S+C) program provides rental assistance for people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS), and related diseases. Case management and other services are provided by partner

agencies and coupled with the rental assistance to assist the participants. In FY-16, The Housing Authority served a total of 88 homeless people with disabilities.

vi. Special Set-Aside Vouchers

The Housing Authority provides special set-aside housing vouchers for cases referred through the Multi-Service Center, for individuals and families at risk of homelessness. These are set aside for homeless individuals, family preservation, and domestic violence cases. In FY-16, a total of 105 set-aside vouchers were provided to assist with these cases.

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V. EXISTING HOUSING PRODUCTION RESOURCES AND TARGETING REQUIREMENTS

A. Housing Asset Funds

With the dissolution of redevelopment in California, local jurisdictions no longer have the ability to generate funding for housing and community development through tax increment financing. The "dissolution" bills do allow jurisdictions to recapture or retain certain assets under the oversight of a Successor Agency. AB 1484 provides for the following regarding affordable housing:

- **SERAF:** Supplemental Education Revenue Augmentation Fund (SERAF) was authorized by AB x4 26, requiring former redevelopment agencies to shift tax increment revenues to augment the State education funds. In order to meet the payment schedule mandated by AB x4 26, the former Long Beach Redevelopment Agency borrowed $8,360,439 from the Low and Moderate Income Housing Fund in 2010. With the dissolution of redevelopment agencies in California, advances from the Low and Moderate Income Housing Fund must be paid back under the oversight of the Successor Agencies in accordance with AB 1484. The outstanding balance of $8,360,439 was repaid in Fiscal Year (FY) 2014.

- **Downtown Project Area Deferred Set-Aside:** In accordance with AB 1484, the City established an amortization schedule to repay approximately $16.3 million in debt owed to the Low and Moderate Income Housing Fund from the former Downtown Project Area due to deferred set-aside payments. A total of $5,030,890 was repaid in FY 2015, and the final payment of $10,842,868 was paid in FY 2016. With that payment, the total SERAF and Downtown set-aside debt of $24,721,890 has been fully repaid.

- **Twenty Percent of Agency Debt Owed to the City:** AB 1484 allows a former redevelopment agency to repay loans received from its host city. Under AB 1484, when this debt is reestablished and payments begin, a portion of the loan repayment, no less than 20 percent, must be used for low income housing purposes. In January 26, 2016, the Successor Agency requested the Oversight Board to approve the City's loans to the former Redevelopment Agency as legitimate for redevelopment purposes. On January 27, the Oversight Board adopted a resolution finding the loans to be for legitimate redevelopment purposes. The amount of the debt owed to the City from the former Redevelopment Agency is estimated at $35 million. Twenty percent of the repayment, or approximately $7 million of this debt, must be deposited into the Housing Fund. The first payment of $898,683 was received in FY 2016, and the balance will be repaid annually through FY 2020.

- **Other Deposits to the Housing Fund:** Other revenues from general loan repayments, interest income, and miscellaneous revenue is deposited into the Housing Fund on an annual basis. From January, 2013 through September 30, 2016, $9,449,739 in other revenues were deposited into the Housing Fund.

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As of September 30, 2016, The Housing Fund had a balance of approximately $35.1 million. An additional $6.1 million is estimated to be generated from City/Agency loan repayments through 2020, bringing the total available for affordable housing activities to approximately $41.2 million.

HOUSING ASSET FUND RESOURCES	
REVENUES	AMOUNT
SERAF (repaid)	$ 8,848,132
Downtown Deferred Set-Aside (repaid)	$ 15,873,758
Other Loan Repayments, Interest, etc.	$ 9,449,739
City/Agency Debt (20% to Housing Fund) Received	$ 898,683
SUBTOTAL (fund balance as of 9/30/16)	**$ 35,070,312**
City/Agency Debt receivable (FY-17 to FY-20)	$ 6,028,373
TOTAL HOUSING ASSET FUNDS	**$ 41,098,685**
PENDING COMMITMENTS	**$ 26,782,000**
NET AVAILABLE HOUSING ASSET FUND RESOURCES	**$ 14,316,685**

B. Income Targets

Pursuant to SB 341, Housing Asset Funds must be used to provide affordable housing for households earning 80 percent or less of the Area Median Income (AMI), with the following specific provisions:

- A minimum of 30 percent of the units must be restricted for occupancy by extremely low income households earning 30 percent or less of the AMI;
- A maximum of 20 percent of the units may be restricted for occupancy by low income households earning between 60 and 80 percent of the AMI;
- The remaining 50 percent of the units must be restricted for occupancy by low, very low or extremely low income households earning less than 60 percent of the AMI; and
- All affordable units must be restricted for a minimum of 45 years for ownership units or 55 years for rental units.

C. HOME Investment Partnership Act (HOME)

The City of Long Beach is an entitlement jurisdiction eligible to receive HOME funds directly from the U. S. Department of Housing and Urban Development (HUD). In 2016, the City received approximately $2.2 million in HOME funds. This figure includes annual entitlement and program income, less administration and program delivery costs. In addition, 15 percent of these funds will need to be set aside for Community Housing Development Organization (CHDO) projects/programs. It is important to note that this figure can change annually based on actual entitlement and program income amounts (Figure 1). The HOME funds will be used primarily for the multi-family rehabilitation loan program, but may also be used for acquisition/rehabilitation or new construction activities. The use of these funds is subject to the Consolidated Plan/Annual Action Plan planning process.

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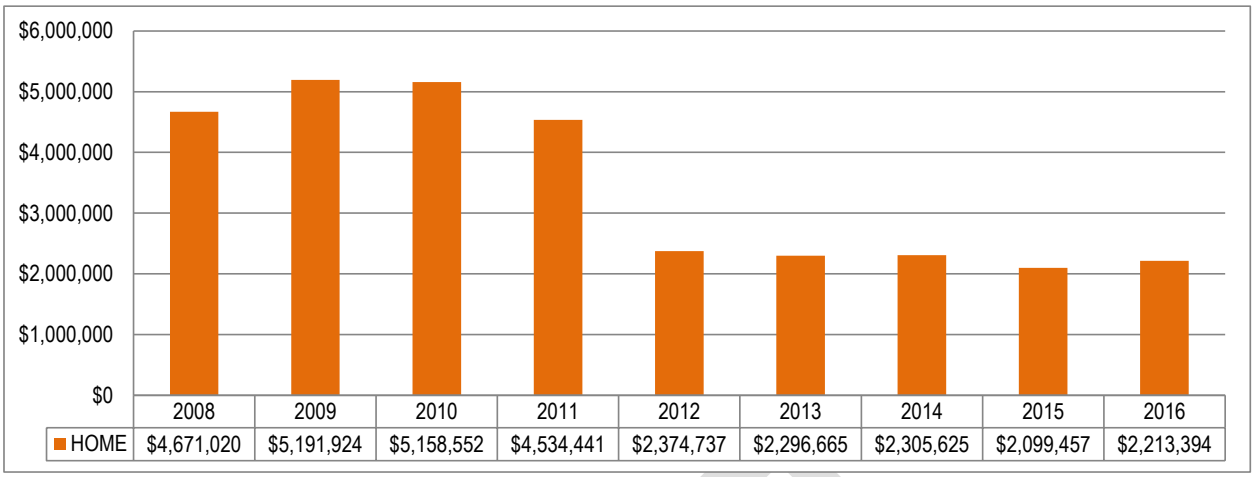

Figure 7. HOME Funding Trend, 2008-2016

i. Eligible Activities

A broad range of activities may be funded with HOME funds. These include:

- Providing home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers;
- Building or rehabilitating housing for rent or ownership; or
- "Other reasonable and necessary expenses related to the development of non-luxury housing," such as site acquisition or improvement, demolition of dilapidated housing to make way for a HOME-assisted development, and payment of relocation expenses.

ii. Income Targets

As a federal funding program, HOME funds can only be used to benefit households with incomes up to 80 percent of AMI. However, for rental housing assisted with HOME funds, HUD sets the maximum income limit at 60 percent of the AMI.

iii. Long Beach Consolidated Plan Priority

The use of HOME funds must be consistent with the City's five-year Consolidated Plan (CP), and Annual Action Plan (AP). The CP is the City's HUD-required strategic plan for addressing Long Beach's low- and moderate- income housing and community development needs, and the AP describes the resources, programs, and activities the City will undertake in each of the five years of the CP. The current Consolidated Plan (CP) for Long Beach was adopted in July 2012 and covers the planning period of October 1, 2012 through September 30, 2017. The CP established the following priorities for the use of HOME funds:

- Single-Family Residential (Owner-Occupied) Rehabilitation Loan Program
- Multi-Family Residential Rehabilitation Loan Program
- Acquisition and Rehabilitation Program
- Security Deposit/Utility Deposit Assistance

However, with the significant reductions in HOME funds in recent years, and changes in the HOME regulations, the City has suspended using HOME funds for the Single-Family Residential Rehabilitation Loan Program. CalHome funds from the State Department of Housing and Community Development (HCD) are used to provide assistance to homeowners in making improvements to their homes.

Table 1 illustrates the funding allocations and objectives included in the FY 2016-2017 Annual Action Plan covering the period from October 1, 2016 through September 30, 2017, which was approved by the City Council on July 5, 2016, consistent with the City's currently adopted CP. The City will be developing a new CP by August 2017 to cover a new five-year period starting October 1, 2017.

Table 1: Program Allocation for HOME Funds (FY 2016-2017)

Program	Funding	Objective	Income Target	Tenure Target	Household Type
CHDO Acquisition/Rehabilitation	$330,222	10 units	60-80% AMI	Owner/ Renter	Households
Multi-Family Residential New Construction/Acquisition/Rehabilitation	$1,456,111	40 units	60% AMI	Renter	Households
Security/Utility Deposit Assistance	$195,000	70 households	50% AMI	Renter	Homeless Families

It is important to note that the targeting requirements identified in this section are specifically required by state and federal regulations, and they do not fully address the housing needs in the City. A more detailed discussion of the City's housing needs can be found in the City's Certified 2013-2021 Housing Element, which was adopted on January 7, 2014. Specifically, the Housing Element shows the breakdown of household income for all 161,052 households in the City of Long Beach[13] (Fig. 8).

State housing law mandates that cities provide zoning availability to meet the regional need for housing, which is quantified in the Regional Housing Needs Assessment (RHNA). The need for housing in the RHNA is not a requirement to produce the specified number of housing units within the time period. The RHNA quantifies a City's requirement to provide zoning availability for housing to be built within the time period. The City's certified 2013-2021 Housing Element of the General Plan fulfills this requirement. In this allocation period, the RHNA requires a planning goal of 7,048 units in the City in the following affordability categories.

[13] American Community Survey, 2005-2009

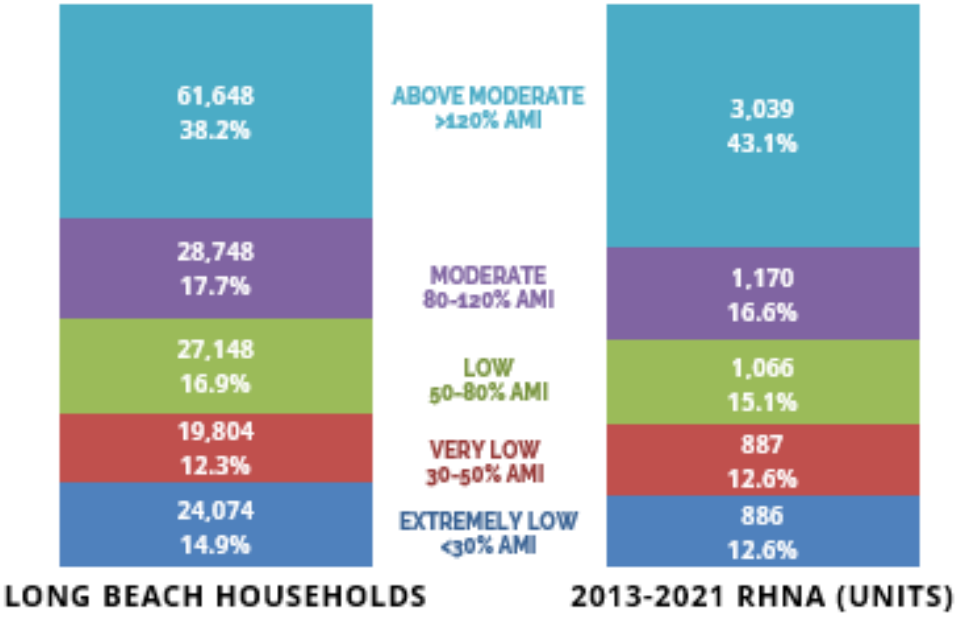

Figure 8. City of Long Beach Households by Income Level, 2013-2021 Regional Housing Needs Assessment

The City of Long Beach is required to submit annual progress reports to the State that show progress of Housing Element implementation, including housing units produced. In the years 2014-2016, for which the certified Housing Element applies, a total of 1,125 units were produced in the City of Long Beach. Of these 1,125, 111 units are affordable to very low-income households, 49 units affordable to low-income households, and 965 affordable to above-moderate income households.

Both the distribution of household incomes in the City as well as the RHNA reveal that there is a great need in the near future for housing affordable to moderate and above-moderate income households. The housing resources outlined in this section provide assistance to the extremely low- to low-income categories, but there are no options for assisting above moderate households, or more importantly, moderate-income households, which represent 17.7% of the city's population and who are also impacted by the housing crisis. Additional resources are needed to assist the extremely low- to low-income category, and new resources are needed to address the moderate-income category.

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VI. PENDING DEVELOPMENT PROJECTS

Figure 9. The Beacon, 1235-Long Beach Boulevard. Senior/Veterans Rental, 160 Units. (architect's rendering)

Over the past couple of years, the City and LBCIC have made funds available, mostly through published Notices of Funding Availability, and have made LBCIC-owned properties available for development through published Requests for Proposals. These efforts have resulted in 9 proposed projects with a total of 612 units that are in various stages of development.

These projects will serve households earning 30% to 60% of AMI, including 207 large family households, 107 homeless households, 114 homeless veteran households, 61 senior households, and 123 disabled or developmentally disabled households.

The City and LBCIC are providing an estimated $28.6 million in financial assistance to these projects, including $9.7 million in HOME funds and $18.9 million in Housing Successor Funds. The total estimated development cost for these projects is $222,660,427, which means that the City and LBCIC funds have helped to leverage a $194,008,427 investment of other funds for affordable housing development in Long Beach.

The following chart provides a summary of pending projects.

LONG BEACH PIPELINE/PROPOSED HOUSING PROJECTS			
Under Construction or Nearing Construction 2016-2018			
PROJECT	**DEVELOPER**	**TYPE**	**UNITS**
Anchor Place	Century Villages at Cabrillo	Homeless Veteran, Special needs, Family	119
Daisy (4) and Banner (8)	HOPE	Special Needs	12
Beachwood Apartments	Century Affordable Housing Development	Special Needs	46
The Beacon	Century Affordable Housing Development	Senior, Homeless Veteran	160
		SUBTOTAL	**337**
Proposed/In Planning Phase (2017-2020)			
PROJECT	**DEVELOPER**	**TYPE**	**UNITS**
1950-60 Henderson Henderson RFP	Habitat for Humanity	Family	4
Pacific/14th RFP	Habitat for Humanity	Family	11
1836 Locust RFP	Clifford Beers	Family, Special Needs	65
Housing NOFA 2016 – 1795 Long Beach Boulevard	AMCAL	Family, Special Needs	100
1900 Long Beach Blvd. RFP	LINC	Family, Homeless	95
		SUBTOTAL	**275**
		TOTAL UNITS IN PROCESS	**612**

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VII. COMPLETED AFFORDABLE HOUSING PROJECTS

Since 2005, the Long Beach Community Investment Company has assisted in the construction, preservation, or rehabilitation of over 4,800 affordable housing units in more than 35 projects. These projects serve a diverse range of income levels, household sizes, and special needs populations. A number of these projects are highlighted in this section.

Cabrillo Gateway
New Construction – Special Needs Rental

Developer
Century Villages at Cabrillo

Total City Financial Assistance
Project Based Section 8 Vouchers

Total Development Cost $34.0 Million

Units 81

Affordability
Extremely Low: 24
Very Low: 32
Low: 24
Manager: 1

Long Beach & 21st Apartments
New Construction – Family Rental

Developer
Meta Housing Corporation

Total LBCIC Financial Assistance
Project Based Section 8 Vouchers

Total Development Cost $15.9 Million

Units 41

Affordability
Very Low: 26
Low: 14
Manager: 1

Ramona Park Senior Apartments
New Construction – Senior Rental

Developer
Palm Desert Development Company

Total LBCIC Financial Assistance $12.4 Million

Total Development Cost $22.0 Million

Units 61

Affordability
Very Low: 40
Low: 20
Manager: 1

Belwood Apartments
Housing Rehabilitation - Family Rental

Developer
Hunt Capital Partners, Western Community Housing, Davila Properties, Ashwood construction

Total LBCIC Financial Assistance $5.9 Million

Total Development Cost $9.2 Million

Units 34

Affordability
Very Low: 11
Low: 22
Manager: 1

1044 Maine Ave. Apartments
Housing Rehabilitation - Senior Rental

Developer
Long Beach Community Investment Company

Total LBCIC Financial Assistance $1.8 Million

Total Development Cost $1.8 Million

Units 11

Affordability
Low: 11

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Evergreen Apartments
Housing Rehabilitation - Family Rental

Developer
Abode Communities

Total LBCIC Financial Assistance $1.9 Million

Total Development Cost $24.7 Million

Units 81

Affordability
Very Low: 43
Low: 35
Manager: 3

Senior Arts Colony
New Construction – Senior Rental

Developer
Meta Housing Corporation

Total LBCIC Financial Assistance $10.1 Million

Total Development Cost $68.8 Million

Units 200

Affordability
Very Low: 67
Moderate: 131
Manager: 2

Collage Apartments
Housing Rehabilitation – Family Rental

Developer
Jamboree Housing Corporation

Total LBCIC Financial Assistance $5.7 Million

Total Development Cost $5.7 Million

Units: 14

Affordability
Very Low: 5
Low: 8
Manager: 1

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Coronado in Long Beach
New Construction – Ownership

Developer
Brookfield Homes

Total LBCIC Financial Assistance $7.8 Million

Total Development Cost $15.7 Million

Units 48

Affordability
Moderate: 48

The Palace Hotel
Adaptive Reuse – Transitional Youth Rental

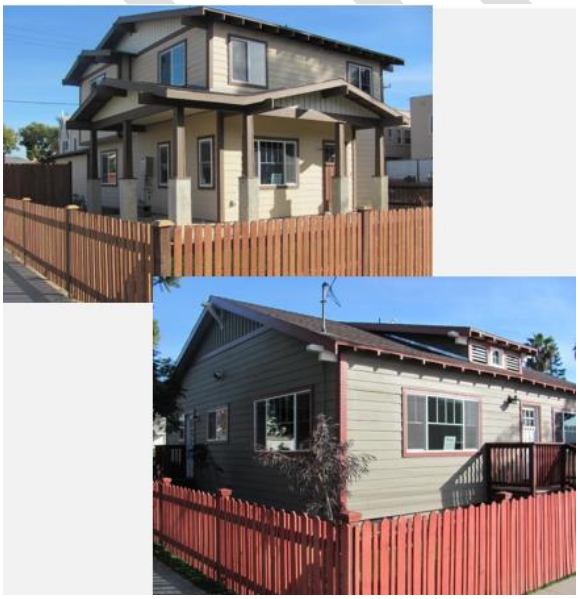
Developer
LINC Housing

Total LBCIC Financial Assistance $3.0 Million

Total Development Cost $7.0 Million

Units 14

Affordability
Very Low: 13
Manager: 1



Habitat for Humanity – Scattered Sites
New Construction and Housing Rehabilitation – Ownership

Developer
Habitat for Humanity of Greater Los Angeles

Total LBCIC Financial Assistance $1.2 Million + land value

Total Development Cost $2.5 Million

Units 9

Affordability
Very Low: 3
Low: 6

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gallery421
New Construction – Rental

Developer
Lyon West Gateway, LLC

Total LBCIC Financial Assistance $5.0 Million

Total Development Cost $94.0 Million

Units 291

Affordability
Very Low: 26

Long Beach & Burnett Apartments
New Construction – Family Rental

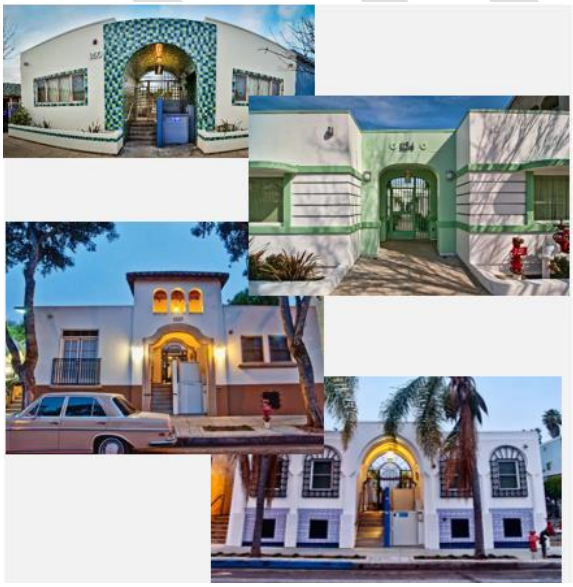
Developer
Meta Housing Corp.

Total LBCIC Financial Assistance $9.8 Million

Total Development Cost $21.9 Million

Units 46

Affordability
Very Low: 12
Low: 11
Moderate: 12
Market: 9
Manager: 1



The Courtyards in Long Beach
Housing Rehabilitation – Rental

Developer
Clifford Beers Housing

Total LBCIC Financial Assistance $2.3 Million

Total Development Cost $12.9 Million

Units 46

Affordability
Very Low: 26
Low: 20

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Long Beach Senior Apartments
New Construction – Senior

Developer
Menorah Housing Foundation

Total LBCIC Financial Assistance $4.5 Million

Total Development Cost $15.6 Million

Units 66

Affordability
Very Low: 65
Manager: 1

Neo Zoe
New Construction – Ownership

Developer
Hughes Development, Inc.

Total LBCIC Financial Assistance $5.4 Million

Total Development Cost $7.9 Million

Units 22

Affordability
Low: 5
Moderate: 12
Market: 5

Family Commons at Cabrillo
New Construction – Family Rental

Developer
Century Villages at Cabrillo

Total LBCIC Financial Assistance $11.8 Million

Total Development Cost $30.1 Million

Units 81

Affordability
Extremely Low: 8
Very Low: 20
Low: 52
Manager: 1

Olive Court
New Construction – Ownership

Developer
Livable Places

Total LBCIC Financial Assistance $7.7 Million

Total Development Cost $24.0 Million

Units 58

Affordability
Very Low: 2
Low: 15
Moderate: 27
Market: 14

Pacific City Lights
New Construction – Family Rental

Developer
Squier Properties/ADI Inc.

Total LBCIC Financial Assistance $4.0 Million

Total Development Cost $14 Million

Units 42

Affordability
Very Low: 41
Manager: 1

Puerto Del Sol
New Construction – Affordable Family Rental

Developer
Jamboree Housing Corporation

Total LBCIC Financial Assistance $11.9 Million

Total Development Cost $18 Million

Units 64

Affordability
Low: 63
Manager: 1

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VIII. INNOVATIVE AFFORDABLE HOUSING PRODUCTION TOOLS

City staff conducted a survey of innovative production tools and best practices being used in more than 20 jurisdictions throughout the country. This section of the report provides information on the survey as well as brief description of best practices for each type of development tool. Many agencies use a combination of tools to maximize opportunities for affordable housing development. A summary table that provides a brief description and regional consideration for each of these approaches is included below. The programs fall into the following general classifications:

- Inclusionary Housing Policies
- Local Revenue Generating Policies
- Development Incentives
- Homeowner Assistance

A. Inclusionary Housing Policies

Inclusionary zoning requires that a percentage of new units in a housing development project be affordable to lower-income households. Often times the payment of an in-lieu fee is allowed in place of providing the affordable unit on site. This is a popular policy, but it has encountered legal challenges in California. The legal implications of implementing an inclusionary housing policy should be studied further. More than 170 communities in California have inclusionary housing laws, including large cities in high-cost markets such as San Diego and San Jose. However, many of these policies were part of Redevelopment Agencies (RDAs) and may no longer be applicable.

B. Local Revenue Generating Policies

Since the dissolution of California's redevelopment agencies in 2012, tax increment financing has not been an option for supporting the construction or rehabilitation of affordable housing in California, including Long Beach. Many other Jurisdictions have begun to implement policies that create new local sources of funding for affordable housing production, including housing impact fees and commercial linkage fees. Often, more than one revenue generating tool is implemented to create a sufficient flow of funding for affordable housing. A nexus study showing a direct relationship between the impacts of new development and the cost of mitigating those impacts is required to implement such fees Linkage fees may also increase the overall cost of development within a jurisdiction, making it crucial for the jurisdiction to carefully consider the balance between generating new revenues and inadvertently constraining development.

C. Development Incentives

Development incentives such as developer impact fee waivers are sometimes offered by communities in order to stimulate the development of affordable housing in areas of highest need or where existing market conditions make it difficult to obtain financing to construct new affordable housing. Other incentives include tax-relief or tax-sharing incentives, and an expedited permitting process.

D. Homeowner Assistance

Homeowner assistance programs aim to increase the share of households who own their home or assist existing homeowners in bringing substandard homes up to current

safety and health standards. First-time homebuyer assistance can come in the form of a silent second mortgage program that provides down payment assistance. New revenues can be used to provide assistance for rehabilitating single-family homes, helping families to stay in their neighborhoods. Homeowner assistance is not limited to direct assistance to families, however. Cities may provide development incentives that are specifically targeted to motivate developers to build for-sale housing that is affordable to working families.

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The following chart summarizes the various housing production tools included in staff's review of best practices being used throughout the country:

JURISDICTION/ AGENCY	PROGRAM	DESCRIPTION & STRUCTURE
INCLUSIONARY HOUSING POLICIES		
San Diego, CA	Inclusionary Affordable Housing	Inclusionary housing requirement for all new residential development, including condominium conversions, of 2 or more units. Consists of an impact fee calculated per square foot based on the number of units in the proposed development. For-sale developments may choose to fulfill the requirements of the ordinance by setting aside at least 10% of the for-sale units to be affordable to households at less than 100% of AMI. For condominium conversions, fees imposed are equal to 50% of the applicable fee for new development. Condominium conversions may also set aside 5% of the units to be affordable for households earning no more than 100% AMI.
San Jose, CA	Inclusionary Housing Ordinance and Affordable Housing Impact Fee	Applies to all for-sale residential developments of over 20 units, including condominium conversions. To comply with the ordinance, applicants may: - Build on-site at least 15% of the units as affordable to households earning no more than 110% AMI. If the units are for-sale, the homes may be sold to households at less than 120% AMI. - Build an equal number of units off-site, rentals affordable to 110% AMI and for-sale affordable to 120% AMI. - Dedicate residentially zoned land in-lieu of construction - Utilize in-lieu credits for affordable housing units available for occupancy from another project in the City of San Jose - Acquire/rehabilitate existing housing stock to be affordable to low/very-low income households - Enter into an agreement with HUD to restrict units for low/very-low income households. Or a combination of the above methods to provide inclusionary housing.

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Boston, MA	Inclusionary Development Policy	Inclusionary housing requirement for new projects of 10 or more units that receive: - (a) Agency financial assistance, - (b) Agency land, or - (c.) zoning relief, in one of three zones. The program in effect requires that each project provide at least 13% affordable housing (15% of market-rate in the project). In-Lieu fee varies by zone ($74,000 to $140,600 per unit); Off-site requires 15-18% inclusionary, varying by zone, but must be in vicinity of original project; Rental target is 70%-100% AMI; Ownership target 80%-100% AMI.
Chicago, IL	Affordable Requirements Ordinance	Inclusionary housing requirement for new projects with 10 or more units that - (1) Receive a zone change, - (2) Receive city land, - (3) Receive financial assistance In one of three zones (Downtown, Higher-Income, Lower-Income) 10% of units are required to be affordable, 20% if financial assistance is provided. - (a) 1/4 of required units must be onsite, with exceptions for downtown and higher income areas, - (b) in-lieu fees are $175,000 downtown, $125,000 in higher-income areas, and $50,000 in lower-income areas.
Jersey City, NJ	Payment in Lieu of Taxes	Tiered tax abatement program that requires inclusionary housing, a project labor agreement, and a project employment agreement in exchange for a tax abatement, which varies in each of 4 zones. Tax abatement terms of 10 to 30 years in exchange for 10% to 15% inclusionary housing; An in-lieu fee can be paid instead of providing the affordable units; Includes annual service payment based on a percentage of revenue generated by the project and administrative fee.

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Santa Ana, CA	Housing Opportunity Ordinance	Adopted 2012, Amended 2015 to change regulations and simplify fee structure. Applies to projects which: increase residential density above applicable zoning; increase percentage of residential for mixed-use above what is allowed; convert commercial or industrial to residential; convert rentals to condos. In 2011 ordinance, 15% of For-Sale Units are required to be sold to Moderate-Income or lower; 15% of rental units required to be rented to Low or very-low income households. Fee is calculated based on difference between project value with 100% market rents and the value with the 15% obligation. Alternatives include on-site units; off-site units or rental rehabilitation of below-standard or vacant housing; and in-lieu fee. For 5-20 units, may pay in-lieu fee; for 20+ units, in-lieu fee option must be approved by Council.
Santa Monica, CA	Affordable Housing Production Program	Inclusionary Housing requirement for new apartment projects in all zones, and new condominium projects in multifamily zones 2-3-unit condo can pay fee; Condos of >4 units must provide 20-25% moderate income units on site; Apartments must include 30% at EL< VL, and L-income/can provide on-or off-site and pay fee. Fee is $31.25-$36.51 per s.f.
Seattle, WA	The "Grand Bargain" - Affordable Housing Impact Mitigation Program/Mandatory Inclusionary Housing (MIH)	Commercial Linkage Fee/Inclusionary Housing Commercial Linkage fee paid by developers on every s.f. of new commercial development ($5-$7 s.f.); Inclusionary requirement for new multi-family developments requires that 5% to 8% of units be affordable at 60% AMI
REVENUE GENERATION AND FUNDING VEHICLES		
State of California	SB 391 California Homes and Jobs Act of 2013	[PROPOSED/NOT YET ADOPTED] Imposes a fee of $75 to be paid at the time of the recording of every real estate instrument, paper, or notice required or permitted by law to be recorded. Creates a state-mandated local program; requires that revenues from this fee be sent quarterly to the Department of Housing and Community Development for deposit on the CA Homes and Jobs Trust Fund, which may be expended for supporting affordable housing, administering housing programs, and the cost of periodic audits, as specified.

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Denver, CO	Dedicated Affordable Housing Fund	New ordinance approved in Fall 2016 creating a local fund to generate $150M over 10 years for affordable housing. Revenue will come from two sources; a property tax already approved by Denver voters, and a one-time fee on commercial and residential development. Goal is to create or preserve 6,000 units of housing.
Boston, MA	Boston Commercial Impact Fee	Established 1983; $5.00 per square foot payable in 12 years for commercial projects >100,000 s.f.; additional $1.00 added for job training. Flat fee for all projects; $8.34/s.f. on floor area in excess of 100,000 s.f.
Los Angeles, CA	Affordable Housing Linkage Fee	A proposed ordinance to impose a local source of funding, with a fee based on identified types of market rate development. Would apply to most residential or commercial development requiring a building permit and creates additional housing units or nonresidential floor area. Exemptions apply, including small multifamily projects, single-family homes, nonresidential projects less than 10,000 s.f., and residential projects that already include a certain percentage of affordable housing units. A nexus study was performed, and draft fees range from $5 per square foot for commercial use to $12 per square foot for residential use. Projected revenues are between $90M and $130M per year.
Oakland, CA	Oakland Jobs/Housing Impact Fee	Established 2002; fee is assessed on office and warehouse/distribution uses Fee is assessed on square footage of all projects that exceeds 25,000, for office and warehouse/distribution uses. Rate is $5.44/s.f.; fee is paid in three installments; As of April 2016, $1.9M collected/
Palo Alto, CA	Palo Alto Commercial Impact Fee	Established 1977, three years after Palo Alto adopted inclusionary housing policy; funds deposited into what is now the Commercial Housing Fund. Historically, Palo Alto charged $19.85/s.f. for all commercial uses; effective Aug. 2016, will rise to $30 for hotel and $35 per s.f. for office and R&D, in response to large demand by technology industry. Generated approx. $2.3 million to the fund in 2014-15.
Sacramento, CA	Sacramento Housing Trust Fund Commercial Fee	Enacted to fund construction of affordable housing near new employment centers in response to rapid development. Two separate zones, each with separate land use designations within; per square foot fees range from $0.68/sq. ft to $2.74/sq. ft. Other land uses have fees up to $3.90 per square foot.

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San Diego, CA	San Diego Housing Impact Fee	Establish 1990, multiple revisions up to April 2016. Fees reduced by 50% in 1996 and restored to 1990 levels in 2016. Fees apply to gross square footage of office, hotel, and retail projects, along with discounted fee for R&D projects. Fees range from $0.80/s.f. to $2.12/s.f.; Rehabilitated units pay difference of fees for new and previous use. Deferral possible upon request. Total revenues approx. $14M total from 2006-2014.
San Francisco, CA	Jobs-Housing Linkage Fee Program	Early commercial impact fee adopted 1981. Comprehensive program established in 2010. Applies to development projects of >25,000 gross square feet of commercial, exempting grocery, pharmacy, and others. Commercial developers can pay impact fee, based on use type and size (0-$24.03 per sq. ft)., payment to a housing developer to construct units, or combination
San Jose, CA	Inclusionary Housing Ordinance/Affordable Housing Impact Fee	Inclusionary requirement for new for-sale developments. Inclusionary requirement upheld in 2016 by U.S. Supreme Court for housing ownership projects. Impact fee for new rental housing developments Projects with 20 units or more require 15% inclusionary for sale to mod-income (may pay in lieu fee); New rental projects of 3 or more units must pay fee of $17 per livable s.f. (includes pipeline exemption)
Somerville, MA	Linkage Fee, In-Lieu Fee, Property Tax Levy	Three-pronged approach to generating funds for multifamily preservation and development, rentals and homeownership, direct housing assistance for households earning <50% AMI, homeownership assistance for households at <110% AMI, and rental housing <80% AMI. The linkage fee is fully dedicated to affordable housing, and consists of a $5.15 per s.f. charge after the first 30,000 s.f. of new and rehabilitated commercial development. Revenues from the Linkage Fees, In-Lieu Fees, and the Property Tax Levy generate a total of $1.3M annual revenue for affordable housing in Somerville. The 1.5% surcharge on net property taxes was adopted by Somerville and six other Massachusetts communities. Of this new revenue, 45% was determined to be collected for affordable housing.

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West Hollywood, CA	West Hollywood Non-Residential Affordable Housing Fee	Established 1989; applies to developments >10,000 net new s.f. Updated fee schedule in 2014 to $8.00/s.f. on retail, office, and hotel development; fees must be paid prior to permit issuance; Paid into Affordable Housing Trust Fund, to be used on projects >20% affordable to VL households. Updated fee schedule in 2014 to $8.00/s.f. on retail, office, and hotel development; fees must be paid prior to permit issuance; Paid into Affordable Housing Trust Fund, to be used on projects >20% affordable to VL households.
Oakland, CA	Transportation, Capital Improvements, and Affordable Housing Impact Fees	Adopted 2016. Purpose is to generate revenue to make infrastructure and affordable housing improvements in areas in extremely hot housing markets. Assesses an impact fee for all projects with a complete application, except nonresidential units, secondary residential units, affordable housing units, and additions to existing housing units. Fee is made up of three separate fees earmarked for Affordable Housing, Capital Improvements, and Transportation. Fees assessed per unit in the eligible housing project, and vary based on location in one of three zones, determined based on market characteristics and economic feasibility. Fees as low as $710 per unit and as high as $28,000 per unit. Projected $18 million in revenues over next 10 years.
Seattle, WA	Seattle Affordable Housing Impact Mitigation Program for Commercial Development	"Grand Bargain" program. Established a link between upzoning and the imposition of a commercial linkage fee. Various payment and performance areas (high, medium, low; cash requirements vary from $8.00 to $17.50/s.f. of commercial development; lengthy fee schedule makes implementation somewhat complex.
Philadelphia, PA	Document Recording Fees for Housing	Philadelphia's primary source of funding for affordable housing is a portion of local Deed and Mortgage Recording Fees, which generate an average of $12 million per year. Funds may be used for production, preservation, repair, or homelessness prevention. At least 50% of funds must be spent to assist households <30% AMI and the remaining for households between 30-115% AMI. At least 50% of the funds must be used to increase production of affordable housing. Between the years 2005-2012, created 1,362 new units, preserved 8,890, and prevented 5,732 persons from experiencing homelessness.

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Portland, OR	TIF Set-Aside Policy	Implemented in 2006. Allocated 30% of TIF funds to the city's designated urban renewal areas for affordable housing uses. Income guidelines governing use of TIF funds in Portland prioritize the most economically viable populations. In 2012-13, the Portland Housing Bureau invested $28M of TIF funds in 19 projects to create or preserve 959 units citywide.
Columbus & Franklin County, OH	Hotel and Real Estate Taxes for Housing	Consists of two taxes: the City of Columbus collects a hotel/motel tax, and Franklin County collects a Real Estate Conveyance Tax, both of which fund affordable housing development in the region. Annual combined revenues average $4 million, which are used for both rental and ownership housing development. Half of the funds must be used for 60% AMI or lower housing (equal to Low or Very Low Income)
Miami-Dade County, FL	Homeless and Domestic Violence Tax	A "local option" 1% Homeless and Domestic Violence Tax collected on all food and beverage sales from businesses with over $400,000 in gross receipts annually. Annual revenues average $20 million, and the funds are dedicated toward homeless and domestic violence services and shelters.
Portland, OR	Portland Measure 26-179 (2016)	In 2016, Portland voters approved a $258.4M bond that will help build or preserve hundreds of affordable apartments for low-income residents. Portland faces a shortfall of 24,000 units, despite 2,000 affordable housing units under construction or in development. Pursuant to a declaration of a state of emergency with regards to housing, the bond calls for building or preserving 1,300 housing units. 600 of these units are set aside for households earning <30% AMI. The tax bond will be paid through an additional $0.42 per $1,000 of assessed value on property.
Seattle, WA	Seattle Housing Levy	Seven-year ballot measure /property tax levy to raise $290 million for affordable housing Property taxes will increase by $61 per year on a home with an assessed value of $480,000.
Minneapolis, MN	Affordable Housing Trust Fund - Tax Levy, TIF, LIHTC, HOME, & Public/Private Funding	Created in 2003, the Minneapolis AHTF finances the production and preservation of affordable and mixed-income rental housing projects. The City has an annual goal of $10 million in the fund, which is a combination of city and federal money from a variety of sources. Surplus revenue from tax-subsidy districts, as well as money from other low-income housing initiatives, may be moved into the AHTF by the City Council.

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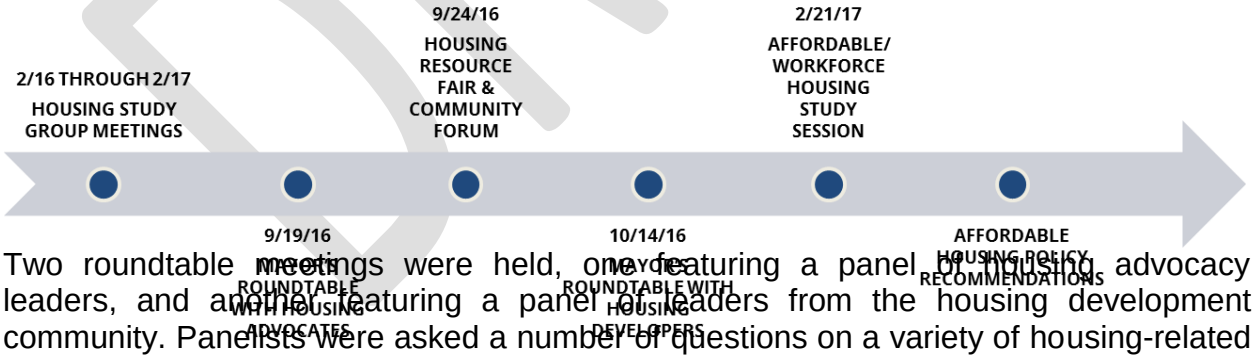
IX. HOUSING STUDY GROUP INPUT AND COMMUNITY PARTICIPATION

Area housing leaders and advocates were assembled to comprise an Affordable and Workforce Housing Study Group (Study Group) chaired by former California Assemblywoman Bonnie Lowenthal. The following community members were included in the Study Group:

Affordable and Workforce Housing Study Group
Former Assemblywoman Bonnie Lowenthal, Chair
Rene Castro, Vice Chair, Facilitation Lab
Andy Kerr, Housing Works of California
Brian D'Andrea, Century Housing
Christine Petit, Building Healthy Communities Long Beach
James Suazo, Building Healthy Communities Long Beach
Jenny Chheang, California Endowment
Josh Butler, Housing Long Beach
Porter Gilberg, The LGBTQ Center Long Beach
William Moore, California State University, Long Beach

The Study Group, along with City staff, participated in multiple discussions about a variety of housing issues, and studied housing production tools in use throughout the country. The Study Group was tasked with creating a list of potential housing production policies for consideration. The Study Group and staff began meeting in February, 2016, and have since held fifteen working meetings.

In the fall of 2016, the Study Group and staff hosted a series of community meetings led by Mayor Garcia. The community meetings were designed to facilitate conversations between the community, affordable housing advocacy groups, the development community, and the public.



Two roundtable meetings were held, one featuring a panel of housing advocacy leaders, and another featuring a panel of leaders from the housing development community. Panelists were asked a number of questions on a variety of housing-related topics, including:

- Areas of highest need for low-income tenants
- Potential policy solutions to increase the supply of affordable housing
- Existing community programs to assist low-income families and special needs residents
- New funding sources and barriers at the State/Local levels to developing new housing

- Mixed-income and mixed-affordability housing projects and their impacts in the community

The events continued with a community input period in which diverse members of the community shared their thoughts on housing issues. The remaining community forum and resource fair provided the community with an update on current housing production efforts, and an opportunity to comment on housing issues during an open microphone session. The resource fair offered an opportunity to learn more about a variety of housing programs and services offered by the Department of Development Services and the Department of Health and Human Services.

In total, the meetings were attended by over 200 residents, who presented a diverse range of concerns and perspectives on housing issues. Attendance records for the meeting are provided in Appendix B. In public comment sessions as well as in the roundtable discussions with the panelists, a number of common threads emerged, including:

- General support for the need and development of more affordable housing.
- Concerns about overall rising rents and the cost of housing in Long Beach.
- Lack of affordable, quality housing for workers and families.
- Lack of amenities and basic needs near affordable housing developments.
- A need to balance affordable housing with new commercial and market rate housing development.
- Lack of suitable land and a development process that takes too long.
- A desire for mixed-income housing, and housing for people with moderate incomes.
- Allowing and encouraging innovative housing types to address population needs, including micro-units, intergenerational housing, and transit-oriented development.

A high level of support for increasing the supply of and access to affordable housing in the city was expressed by nearly all stakeholder groups, including residents, housing advocates, developers, and property owners/managers. Nearly all participants expressed a consensus to work together to create new solutions to the housing crisis.

The Study Group prepared the following list of policy considerations:

Strategy #1: Plan and Prioritize

- Case making: With a combination of data and story, build the "case" and "shared vision" for investing in tools and resources that create high quality affordable housing in Long Beach. Celebrate Long Beach's successes as it relates to affordable housing. Coalesce and mobilize community support around the "case."

- Synthesize: Synthesize the City's Housing Action Plan, Housing Element, other relevant City planning documents, and Affordable Housing Study Group Policy Recommendations into unified, coherent "plan" or roadmap for affordable and workforce housing that enjoys broad community support. Consider the plans and priorities of other public agency stakeholders such as the County of Los Angeles and State of California.

- Systematize: Ensure that the plan is the centerpiece of a Community Investment System that establishes priorities, contemplates a pipeline of opportunities, and promotes the adoption of enabling conditions. Maintain a database of opportunities involving publicly held land (i.e., current City owned parcels, Metro owned lots, underutilized publicly owned lots).

- Accountability and Impact: Commit to the Community Investment System and Collective Impact methodologies by adopting policies and goals that are "SMART" (Strategic, Measurable, Actionable, Relevant, and Time-Bound. Establish an "interdepartmental" backbone role which features a mechanism for community feedback and public accountability to ensure plan implementation (ie, quarterly and annual reports). Pursue foundation funding (i.e., Kresge, Port of Long Beach) to fund this backbone role.

Strategy #2: Protect and Preserve

- Consider a policy to limit condo conversions when vacancy rates drop below a certain percentage.

- One-for-one replacement of all housing lost to redevelopment.

- Preserve stock of existing affordable housing within the community.

Strategy #3 Produce and Promote

- Establish one or more permanent, recurring revenue source(s) to capitalize the City's Housing Trust Fund. Study what funding sources other cities throughout California and the nation have adopted or are exploring. Revenue streams should be identified which support housing production across the affordability spectrum, up to and including workforce levels of 150% AMI. These revenue sources could include one or more of the following.
    - *General fund revenue commitment*: Dedication of a percentage of the City's general fund to support the production of affordable and workforce housing. These could be tied to the City's share of boomerang funds.
    - *Linkage fees*: Adoption of a linkage fee (pursuant to a nexus study) that could be imposed on commercial developments based on the need generated for workforce and affordable housing.

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- *"In lieu" fees*: Fees generated from a provision within an inclusionary zoning ordinance that allows a developer to opt out of providing affordable housing within the subject development.
- *New revenues* (ie, marijuana, TOT, sales): Consider new revenues that could capitalize the Housing Trust Fund on an ongoing basis.

- Through voter approval of a local bond measure, establish a "one time" source of capitalizing the City's Housing Trust Fund. Bond proceeds would be invested over a finite time period (i.e., 10 years) in projects that meet specific local priorities and needs.

- Encourage mixed income housing through adoption of an inclusionary housing policy and establishment of incentives for developers. Subsidize or mandate mixed income housing through inclusionary zoning program, or payment of adequate "in lieu" fees.

- Address zoning and regulatory impediments that serve as barriers to the creation of affordable housing. One successful example is the adoption of specific plans (ie, community plans) that feature master EIRs which provide regulatory relief, greater environmental certainty, and more rapid entitlements.

- Continue to partner with developers and other community stakeholders in the pursuit of grant funding and other third party resources such as Metro resources, State AHSC funding, County resources, and other Federal grant/loan programs.

- Encourage the project-basing of Section 8 vouchers for supportive housing developments.

- Adopt ordinance that paves the way for the development of accessory dwelling units.

- Address the housing needs of college students through promotion of student housing on university controlled or university adjacent land.

- Communicate the City's State and local legislative priorities as it relates to affordable housing. Promote the engagement of interested City stakeholders in an effort to maximize the flow of external resources into the City.

- Pass local Article 34 referendum to ensure maximum leveraging of State resources on local affordable housing developments.

- Explore the feasibility and mechanics of using new structures such as the enhanced infrastructure financing district (EIFD) tool to capitalize the Housing Trust Fund with new resources for the creation of affordable housing.

- Provide necessary City staffing resources to effectively manage the growth of affordable housing contemplated by this set of policy recommendations.

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Other Staff Recommendations

- Modify moderate income definition from 80-120% of AMI to 80-150%.
- Support CEQA reform.
- Reduce parking requirements.

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X. NEXT STEPS

The information and findings presented in this draft report will be discussed at the February 21st, 2017, City Council Study Session. Following the conclusion of the Study Session, input received from the City Council and during public comment will be incorporated into the report, which will be finalized and presented to City Council at a later date for their consideration. At that time, the City Council will direct staff to implement policy directives, which may require additional research or nexus studies.

As can be seen in this report, there are a number of tools being used in communities throughout the country to fund or increase the supply of affordable housing. Although the tools are being applied in different ways, there are similarities in their basic premise and structure. The overall impacts and benefits of any policies considered for application in Long Beach must be studied carefully to make sure that they provide a benefit to the community without creating negative economic consequences.

The following represents a summary of the Final Recommendations for City Council consideration:

1. Policies to Implement Immediately.

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2. Existing Legislative requirements and Pending Initiatives that may Encourage Affordable Housing Production.

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3. New Affordable Housing Production Initiatives for Consideration.

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