

June 26, 2023

The Honorable Susan Rubio
California State Senate
1021 O Street, Suite 8710
Sacramento, CA 95814

RE: SB 734 (Rubio)—Support if Amended

Dear Senator Rubio,

On behalf of the City of Long Beach, I write to support SB 734 if amended. SB 734 would exempt income qualified tenants that make up to 80 percent of the Area Median Income (AMI) in government-owned affordable housing projects from paying possessory interest tax. The City shares the legislation's intent to increase affordable housing for low-income tenants and has been an active partner in helping to address California's housing crisis. However, the legislation would directly impact pre-existing agreements for two projects in Long Beach, causing many tenants to receive unexpected tax bills. The City of Long Beach respectfully asks that SB 734 be amended to include up to 120 percent AMI for regulatory agreements after January 1, 2020, but before December 31, 2022, to account for these existing projects.

Rising housing costs, limited supply, and an evolving economic landscape have resulted in a 47.1 percent rate of housing cost burden in the City. Households with extremely low- and very-low incomes are experiencing a housing crisis and would benefit from the proposed legislation. While it is challenging for cities to provide housing of all types, it is extremely difficult to provide new housing for households making between 60 percent to 120 percent of AMI. On [February 16, 2021](#), the Long Beach City Council launched a pilot program to develop affordable housing for middle-income earners. The Oceanaire apartment complex addresses the "missing middle" comprised of households that earn too much to qualify for traditional affordable housing programs, but do not earn enough for market-rate housing. If SB 734 passes as drafted, the legislation would help 74 units with a total of 108 tenants at under 80 percent AMI, but would leave 74 units with 114 occupants at 80 to 120 percent AMI with no relief. Those units would receive a tax bill from the LA County Assessor for around \$7,000 per unit, undermining the affordability of the project and destabilizing the overall project finances if those tenants then move out.

Furthermore, on [February 1, 2022](#), the Long Beach City Council authorized the execution of the Mid-Block project, which will add 580 moderate-income residential dwelling units to the housing stock. The City is especially proud of this deal and is committed to preserving it because 120 of the units are at lower levels of affordability than other projects. In addition to affordability requirements, this project sets aside 100 units as specifically targeted for teachers, provides transit passes to residents to advance sustainability, and will help promote activity around the downtown Long Beach Civic



Center campus. However, without expanding the legislation to tenants between 80 and 120 percent AMI, it is likely that the Mid-Block project will not be constructed.

The City supports policies that maximize funding and flexibility for the development and enhancement of affordable, accessible housing. The City is committed to supporting the development of low- to moderate-income affordable housing projects. Amending SB 734 to include language that protects middle-income households in projects with existing agreements from receiving property tax bills will strengthen the City's capacity to address California's housing crisis. For these reasons, the City supports SB 734 if amended.

Sincerely,



THOMAS B. MODICA
City Manager

cc: The Honorable Lena Gonzalez, State Senate, 33rd District
The Honorable Mike Gipson, State Assembly, 65th District
The Honorable Josh Lowenthal, State Assembly, 69th District

