Date: January 31, 2018

To: Patrick H. West, City Manager

From: Tom Modica, Interim Director of Development Services

For: Mayor and Members of the City Council

Subject: January 2018 Update on Housing Report Policy Items

In May 2017, the City Council adopted 29 recommendations to support the production of affordable and workforce housing (Housing Policies). Since then, seven memos have been forwarded to the City Council providing updates on the Housing Policies.

On January 16, 2018, the City Council requested staff to forward copies of those memos to the City Council. Copies of the following memos are attached:

- June 1, 2017 – Short-Term Rentals
- August 2, 2017 – Shipping Container Construction
- September 25, 2017 – Local Bond Measure for Affordable Housing
- September 26, 2017 – Development of a Short-Term Rental Ordinance
- September 29, 2017 – Report on Citywide Rental Rates
- October 23, 2017 – Update on Housing Report Policy Items
- December 1, 2017 – Document Recording Fee for Affordable Housing

In addition, staff would like to provide a more current update on the following two policy items:

3.2 Begin the Development of an Inclusionary Housing Policy: An RFP to select a consultant to assist with this effort was released on October 9, 2017. Five proposals were received, and a selection review panel is currently reviewing the proposals. Consultant interviews are scheduled for early February. It is anticipated that a contract will be awarded in March 2018.

3.12 Study Short-Term Rental Regulations: An RFP to select a consultant to assist with this effort was released on October 18, 2017. Eight proposals were received, and a selection review panel has reviewed the proposals. Consultant interviews are scheduled for the last week of January. It is anticipated that a contract will be awarded in February 2018.

NEXT STEPS

Staff will be providing a verbal presentation to the City Council on the implementation of the Housing Policies on March 13, 2018.
If you have questions regarding this matter, please contact Patrick Ure, Housing and Neighborhood Services Bureau Manager, at (562) 570-6026 or Patrick.Ure@longbeach.gov.

ATTACHMENTS:
A - JUNE 1, 2017 MEMORANDUM - SHORT-TERM RENTALS
B - AUGUST 2, 2017 MEMORANDUM - SHIPPING CONTAINER CONSTRUCTION
C - SEPTEMBER 25, 2017 MEMORANDUM - LOCAL BOND MEASURE FOR AFFORDABLE HOUSING
D - SEPTEMBER 26, 2017 MEMORANDUM - DEVELOPMENT OF A SHORT-TERM RENTAL ORDINANCE
E - SEPTEMBER 29, 2017 MEMORANDUM - REPORT ON CITYWIDE RENTAL RATES
F - OCTOBER 23, 2017 MEMORANDUM – UPDATE ON HOUSING REPORT POLICY ITEMS
G - DECEMBER 1, 2017 MEMORANDUM – DOCUMENT RECORDING FEE FOR AFFORDABLE HOUSING

CC: CHARLES PARKIN, CITY ATTORNEY
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MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #17-0324)
KELLY COLOPY, DIRECTOR OF HEALTH & HUMAN SERVICES
ALISON KING, BUREAU MANAGER, HOUSING AUTHORITY OF THE CITY OF LONG BEACH
Date: June 1, 2017

To: Mayor and Members of the City Council

From: Patrick H. West, City Manager

Subject: Short-Term Rentals

On March 21, 2017, the City Council requested the City Manager to review the regulation of short-term rentals (STRs) in other municipalities and to report back on next steps to create an ordinance. In this memorandum, City staff will summarize the status of STRs in Long Beach and provide information on how other cities address STRs. A preliminary timeline for the development of an ordinance is also provided, should the City Council wish to move forward.

Introduction

STR platforms like Airbnb and HomeAway have garnered both proponents and opponents throughout the country. Proponents cite the economic benefits of STRs, including increased tourism and spending. Opponents are concerned with residential units being removed from the housing stock, increased traffic and parking impacts, as well as noise and public safety issues.

The growth of STR platforms has prompted cities to respond, given that these platforms often conflict with existing policy. Cities have responded differently to STRs. Some cities have passed ordinances to legalize STRs, whereas others continue to ban them. In many cities, STRs exist but remain illegal.

STRs in Long Beach

The exact number of STRs available in Long Beach is difficult to ascertain due to multiple factors including: seasonal demand, hosting platforms allow multiple listings, properties are listed on multiple platforms, and specific addresses are not listed on the hosting platforms. While Airbnb shares general information about hosts and locations, they do not share addresses or other personally identifiable information. Consequently, it is difficult for cities to verify listings and have a concrete number of STRs within their boundaries.

Silicon Valley startup, Host Compliance, provided the City with an estimate of 1,130 STR listings in Long Beach as of September 2016. Airbnb estimated that there were 984 active listings in Long Beach. It is important to note that the number of available listings varies greatly during high-demand events. For example, the low number of available listings during the 2017 Grand Prix weekend (see following page) indicates that most listings were
reserved during this three-day period. Airbnb indicated that only 14 percent of listings were available during Grand Prix weekend. Therefore, seasonal demand plays a great factor in availability.

<table>
<thead>
<tr>
<th>Short-Term Rental Service</th>
<th>Postings Grand Prix Weekend 2017</th>
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</thead>
<tbody>
<tr>
<td>Vacation Rental By Owner (VRBO)</td>
<td>8</td>
</tr>
<tr>
<td>Airbnb</td>
<td>101</td>
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<td>HomeAway</td>
<td>8</td>
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<tr>
<td>FlipKey</td>
<td>6</td>
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</table>

Across all STR platforms, the majority of Long Beach postings are for properties located within the downtown and coastal areas, as is the case for other coastal cities.

**Long Beach Zoning Code**

Within the Long Beach Municipal Code, the Zoning Code discusses long-term rental of residential units, but not the short-term rental of an entire unit. By omission, if a use is not called out or specified in the Zoning Code, the use/activity is prohibited by default. However, STRs are not exclusively full residential units. Some STRs also include private rooms or shared rooms. The Zoning Code indicates that a room rental must meet all of the following conditions or be considered a boardinghouse, lodging house hotel or motel, as applicable, and shall be subject to the requirement of that use:

- The owner of the dwelling unit must live in the unit.
- The rented room shall not contain more than three (3) plumbing facilities nor a kitchen. Such room shall not contain laundry facilities, a water heater or a wet bar-type sink.
- The rented room shall not contain an independent exterior entrance.
- The rented room may not be detached from the principal dwelling unit.
- Not more than two rooms shall be rented in a single dwelling unit.

It is likely that many listings available through STR platforms do not conform to these conditions and could be considered hotel and motel uses. If this is the case, the use should be treated as hotel/motel use subject to the applicable zoning regulations, as well as Transient Occupancy Tax (TOT).

**California Coastal Commission**

The California Coastal Commission (CCC) plays an important role in any regulation of STRs in the Coastal Zone. In a letter to the City of Laguna Beach, the CCC laid out a
position regarding STRs. They indicated that STRs represent a high-priority visitor-serving use (potentially available at a lower cost than traditional lodging) that should be promoted because STRs support the aims of the following sections of Coastal Act:

30213: Lower cost visitor and recreational facilities shall be protected, encouraged, and, where feasible, provided. Developments providing public recreational opportunities are preferred.

30222: The use of private land suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial, or general commercial development, but not over agriculture or coastal-dependent industry.

The CCC has generally interpreted local zoning ordinances in a broad fashion and found that STRs are a form of residential use, permitted by right, in any residentially zoned area unless such uses are specifically prohibited or otherwise restricted. Recognizing that STRs can raise several neighborhood character and operational issues, the CCC has endorsed certain regulations such as occupancy limits and parking requirements. For example, in the City of Trinidad in northern California, the CCC required each STR to have at least one off-street parking space for every two occupants. Notwithstanding, the CCC does not want those regulations to serve as a disincentive for STRs.

CCC staff outlined what they thought should be included in an analysis of potential regulatory controls:

- An assessment of the impact on lower cost visitor accommodations and the overall availability of overnight accommodations in the City's Coastal Zone.
- An updated inventory and mapping of existing visitor-serving accommodations by type, capacity, ownership and price range to gain an accurate assessment of available overnight accommodations.
- Utilization studies to gauge how various forms of vacation rentals operate.
- Demand projections for overnight visitor accommodations to evaluate whether the current supply is adequate to meet future needs.

Since an ordinance regulating STRs in Long Beach would apply citywide, including the Coastal Zone, the Department of Development Services would need to forward any ordinance regulating STRs to the CCC for a Local Coastal Program Amendment.

STR Compliance

The Code Enforcement Bureau in the Department of Development Services estimates that it receives an average of 36 to 48 complaints annually related to STRs, the bulk of which occur during the summer months. This number could increase with a STR program.
Development Services staff estimates that for every 100 to 150 nuisance complaints, an additional Combination Building Inspector (CBI) would be required to research, validate, and resolve these complaints. The estimated cost to add a CBI, including salary, benefits, vehicle, equipment and overhead, is $177,000.

It is difficult to determine and prove if the alleged locations of STRs are truly STRs. However, once a complaint has been received, Code Enforcement staff determines whether or not three conditions exist to validate the complaint:

1. Complaints have been received from two separate parties regarding the subject location.
2. The subject location is posted as a STR on one of four websites: VRBO, Airbnb, HomeAway or FlipKey.
3. The Police Department has received calls for service at the subject location.

If these three conditions are substantiated, Code Enforcement forwards the matter to the City Attorney’s Office for further review. The most onerous condition to substantiate is whether or not the unit is listed as a STR. Online listings do not provide addresses and, at times, do not provide exterior photographs — the means by which an inspector verifies that the address of the complaint is a STR. The City Attorney’s Office has not yet sent any “cease and desist” letters for STR violations in 2017. Code Enforcement has started sending letters to owners of properties reported as potential STRs, advising them of the City’s current policy.

Revenue Estimates and Use

During a conference call with Airbnb, their staff estimated that 2015 TOT collection for the City would have been $580,000. Assuming this amount is based on a 12 percent TOT rate, this means that Airbnb generated $4.8 million in revenue in Long Beach. An updated financial analysis is required to estimate how much TOT revenue is expected, not just from Airbnb, but from other STR platforms as well. This analysis will be completed by an outside consultant with expertise in this area. More information on the analysis to be completed by this consultant is found in the “Next Steps” section of this memorandum.

In the City of Long Beach, TOT is a 12 percent tax that is made up of two equal parts with different designations for the revenue. The first 6 percent is a special tax, which is earmarked for the special advertising and promotion (SAP) fund. The other 6 percent is a general tax, which can be used for any general fund purpose. Hotels with 30+ rooms located within the Long Beach Tourism & Business Improvement Area (LBTBIA) boundary are self-assessed an additional 3 percent tax of gross short-term room rental revenue to fund the Long Beach Convention and Visitors Bureau (LBCVB). If a STR host within these boundaries were to rent out 30 or more rooms, it is likely that they would have to pay the additional 3 percent tax.
Budgetary decisions, including how to spend TOT revenue, are recommended to follow the City’s annual budget process. This process allows for City Council’s priorities to be considered in light of the overall budget. The annual budget process is the general method used by the City to set priorities and determine the level and type of resources to fund services. To this end, City staff recommends that, should the City Council proceed with an ordinance that would regulate STRs and generate additional revenue, the additional revenue be reviewed within the entire context of the City’s financial situation. This would include ensuring funding for ordinance enforcement costs, future deficits, Citywide budget priorities, as well as any new proposed initiatives such as funding for affordable housing, as mentioned in the City Council agenda item.

Examples of Funding for Affordable Housing

In June 2016, the City of Chicago passed an STR ordinance that included a 4 percent tax to fund supportive services related to fighting homelessness. The following year, the city announced that it was using this STR tax to match $1 million in funds from the Chicago Low Income Housing Trust Fund, a City-funded nonprofit organization. Together, these funds will be used for a new initiative called the Housing Homeless Families program, which will connect 100 homeless families to permanent housing.

The City of New Orleans passed STR ordinances in December 2016. One of the ordinances levied a $1 per night tax for the Neighborhood Housing Improvement Fund, which is used for affordable housing and homeownership pathway programs. More information on New Orleans is found in the first case study, under the “Review of STR Regulation in Other Cities” section.

Additional research on how other cities have used revenue from STRs for specific purposes, such affordable housing, will be completed by an outside consultant. More information is found in the “Next Steps” section of this memorandum.

Review of STR Regulation in Other Cities

Below are four case studies of cities that illustrate different approaches to STR regulation. These cities experienced benefits after the adoption of their respective STR ordinances, notably TOT revenue generation. However, there were also challenges including Airbnb’s reluctance to share property addresses and ongoing compliance issues after STR ordinances were adopted.

New Orleans

In December 2016, the City of New Orleans adopted a series of ordinances to define and permit STRs in zoning districts throughout the city. These STR ordinances took effect in April 2017. Under the ordinances, STR hosts are required to pay a 4 percent Hotel/Motel sales tax, a Hotel Occupancy Privilege tax of $0.50 per night, and a $1 per night fee for the city’s Neighborhood Housing Improvement Fund. To streamline the process for Airbnb hosts, New Orleans entered into a Voluntary Collection Agreement (VCA) that offers tax
collection and "pass-through registration" for hosts — meaning hosts can register with the city through Airbnb.

There are three STR types that are permitted in New Orleans. The first is an "accessory short-term rental." Under this STR type, the host must live and remain present whenever people are hosted and a maximum of 30 consecutive rental nights are allowed. The second type is a "temporary short-term rental." These rentals do not require the presence of the host; however, an in-town property manager is required if the host is out of town during a rental. Furthermore, a maximum of 90 rental nights are allowed per year. Lastly, "commercial short-term rentals" are allowed in non-residential zoning districts with no limits on the number of rental nights per year. For commercial short-term rentals, the host does not need to be present during the rental period. New Orleans requires STR hosts to post license placards in their front façade and does not permit STRs in accessory structures, residential vehicles, or outdoors.

The type of STR that is allowed (accessory, temporary, or commercial) depends on the zoning of the property. To this end, the city developed a chart that shows each zoning designation and the corresponding STR types that are permitted, which is available online. New Orleans also developed informational brochures and online instructions on how to apply for STR permits. In addition to applicable taxes, STR hosts are also required to pay business licensing fees.

It is important to note that the New Orleans STR ordinances came as a result of lengthy negotiations with Airbnb, through which New Orleans gained concessions such as host registration and limited data sharing. Airbnb still does not share the property addresses of hosts with New Orleans — one of the biggest requests by New Orleans and other cities alike. Instead, Airbnb shares monthly reports about hosts via a unique identifier. While this provides limited information, the lack of addresses continues to be an impediment to corroborate STR complaints for unlicensed locations. However, New Orleans negotiated an "administrative subpoena process" that city staff may use to request specific host information for a listing that does not provide a valid business license number on the Airbnb website.

Soon after the New Orleans negotiations, Airbnb developed a "Policy Tool Chest" document that outlines commitments to cities and customers including: paying a fair share of hotel taxes, working with cities to develop rules that reflect specific policy needs, data sharing, and maintaining privacy. While Airbnb is open to share some information with cities, such as host information via a unique identifier in the case of New Orleans, the company still maintains a strong commitment to host privacy.

It is important to note that other STR platforms do not adhere to the terms negotiated between Airbnb and cities. For example, in a conference call with the City of New Orleans, their staff indicated that other STR platforms only serve as a place for hosts to advertise their properties and do not collect any earnings, so they do not currently have the capability for collecting TOT. This means that it is incumbent on STR hosts to pay taxes to the city.
Sacramento
In January 2016, the Sacramento City Council approved a series of ordinances to regulate STRs. Prior to the ordinances, STRs in Sacramento fell under the same definition of a bed and breakfast, meaning they were required to get a conditional use permit (CUP). After the ordinances, STRs are now divided into two categories: primary residence short-term rentals and secondary residence short-term rentals.

If a STR host rents out their primary residence, the host is required to apply for a short-term rental permit and pay an annual business tax of $50, in addition to 12 percent TOT. On the other hand, secondary residence short-term rentals are capped at 90 rental nights per year. If the 90-night limit is exceeded, the host can apply for a CUP. The business license tax and TOT tax amounts are the same as for primary residence short-term rentals.

Once the ordinances were approved, pass-through tax collection by Airbnb was set to start on June 1, 2016. However, Airbnb expressed privacy concerns about Sacramento’s requirement for hosts to include a city-issued permit number on their Airbnb listings. Since Sacramento’s ordinance did not include any language that required hosts to post city-issued permit numbers on their listings, Airbnb was not required to enforce this unless the city’s Zoning Code was updated to require it. To resolve this issue, Sacramento staff plans to bring this Zoning Code change to City Council in the near future. As of May 19, 2017, Airbnb and Sacramento have not yet clarified the terms of their agreement but are in negotiations.

The entire ordinance process, ranging from reviewing the city’s municipal code to getting approval from the Planning and Design Commission before final approval from City Council, lasted over one year. This excludes additional months of renegotiations with Airbnb once the STR ordinances were approved.

San Francisco
The City and County of San Francisco adopted an ordinance in February 2015 that defined STRs as a tourist or transient use and levied a 14 percent TOT on these listings. To rent out a STR in San Francisco, the host must be a permanent resident of the unit. This means the host must live in the unit rented out for at least 275 nights per year. Additionally, the host must obtain a Business Registration Certificate and become a certified host with the San Francisco Office of Short-Term Rentals. Under the 2015 ordinance, there was an original cap of renting out 90 nights per calendar year when the host is not present. However, in November 2016 the cap was changed to 60 nights due to growing community concerns about limited housing opportunities.

While STR regulations have been in place since 2015, noncompliance remained a large problem in San Francisco. For example, less than half of all STRs are estimated to be registered. To this end, the City and County of San Francisco Board of Supervisors approved criminal penalties for noncompliance. STR hosts and STR platforms that do not comply with STR regulations in San Francisco can face up to a $1,000 fine, if they do not correct and remedy the violation.
Due to remaining noncompliance issues, and after a year-long legal dispute with San Francisco, Airbnb agreed to settle a lawsuit in April 2017. Airbnb hosts are now required to register with the city, or otherwise will be barred from the platform. San Francisco staff argue that universal registration is crucial to ensure that hosts follow the ordinance and illegal postings are removed. Illegal postings are a sensitive topic in San Francisco, particularly due to the city's increasing housing costs. This new registration system is expected to roll out in early 2018.

Santa Monica
In May 2015, Santa Monica passed an ordinance that made a distinction between two different types of STRs: "home-sharing" and "vacation rentals." Home-sharing is defined in the Santa Monica ordinance as a unit shared with someone for less than 30 consecutive days, during which time the resident lives in the unit. On the other hand, a vacation rental refers to a unit where the guest has exclusive private use of the unit. Home-sharing is allowed under the ordinance, whereas the ordinance continues the long-time ban on vacation rentals. Vacation rentals operating illegally can receive a $500 fine per day and even face criminal prosecution if they do not remove the unit from the STR platform.

Home-sharing is permitted, provided the STR owner adheres to the definition of home-sharing and obtains a business license. There is no fee to obtain a business license for home-sharing purposes. However, business license tax is required ($75 on the first $60,000 made in rental income, followed by 0.3 percent on every $1,000 after $60,000). STR owners who make less than $40,000 per year in home-sharing income can apply for a Small Business Exemption, which allows them to not pay any business license tax. Separate from business license taxes, Santa Monica also levies a 14 percent TOT.

It is important to note that Airbnb sued the City of Santa Monica for banning vacation rentals in September 2016, citing First and Fourth Amendment violations. Not backing down, the Santa Monica City Council approved publishing home-sharing host information on a special registry in January 2017. This home-sharing registry is posted on the City's Open Data Portal.

Next Steps

There are benefits to developing a STR ordinance, including receiving additional TOT revenue for the City, income for hosts, and increased accommodations for visitors. At the same time, staffing needs for STR oversight and other matters need to be further analyzed. City staff recommends moving ahead with additional research and taking steps toward regulating STRs in the City.

Should the City Council wish to move forward with the regulation of STRs, City staff recommends the hiring of a consultant to complete additional research. This is necessary to ensure that this project keeps moving ahead, without impacting other priority work currently being heard by the Planning Commission or conducted by staff, such as the continuing roll out of medical marijuana businesses.
Tasks to be completed by the consultant include, but are not limited to:

- Updated count of STRs in the City that can be disaggregated by various factors such as general location, room type, and cost.
- Additional financial analysis, including TOT revenue potential and a cost-recovery fee structure.
- Assessment of staffing needs for administration and enforcement of an STR program.
- Analysis of the Zoning Code and recommendations for possible zoning changes.
- Recommendations for a cap on the number of rental nights in a calendar year.
- Additional research on other cities, including how revenue from STRs can be used for specific purposes, such as affordable housing.
- Other items requested by the City Council on March 21, 2017.

A preliminary timeline (subject to change) for the STR ordinance development process is found below. Based on the experience of other cities, staff estimates it will take close to one year to develop an STR ordinance.

1. *Data collection and analysis* (July-October 2017).

   - Additionally, the public can provide comments regarding this item at City Council, the Planning Commission, and the California Coastal Commission (CCC).

3. *City staff presents recommendations to the City Council to receive direction, should the City move forward with an ordinance* (November 2017).

4. *City Attorney develops a draft ordinance regulating STRs* (December 2017).


6. *A) First reading of the revised ordinance occurs at City Council* (February 2018).
   - City Council may approve the ordinance as is, or request more changes.
   
   *B) Concurrently, the City Attorney develops a Resolution directing the Director of Development Services to submit a Local Coastal Program Amendment to the CCC.*
   - Note: the portions of the City within the Coastal Zone cannot be regulated under the new ordinance until the CCC acts on the Local Coastal Program Amendment. If the CCC has changes to the ordinance, CCC staff will work with the City to complete these changes.
7. **Second reading of the draft ordinance occurs at City Council, if the ordinance has not already been adopted** (March 2018).

8. **The ordinance takes effect 30 days after the ordinance is adopted** (April 2018).

Staff will begin the process of bringing on a consultant to assist with this effort and will include appropriation in an upcoming FY 17 Budget Adjustment. The fiscal impact of a consultant is estimated to be in the range of $100,000 and will be funded by a combination of General Fund and Development Services Fund resources.

If you have any questions regarding this matter, please call Tom Modica at (562) 570-5091.

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Amy Bodek, Director of Development Services  
John Gross, Director of Financial Management  
City Clerk (Ref. File # 17-0213)
Date: August 2, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services

For: Mayor and Members of the City Council

Subject: Shipping Container Construction

In May 2017, the City Council adopted 29 recommendations to support the production and preservation of affordable and workforce housing. Please consider this memorandum as a response to Recommendation 3.10: Encourage the adoption of regulations to allow and incentivize the use of shipping container construction for housing.

The shortage of housing, coupled with escalating home prices and a lack of affordable rental inventory, has resulted in the consideration of alternative housing solutions, including the use of intermodal shipping containers (containers) for housing development. Containers (a.k.a., transport, freight, portable, dry cargo, or box) are commonly used on oceangoing vessels for the transportation of goods and commodities, as well as storage. Although a fairly new phenomenon, the repurposing of containers as building modules is viewed as a practical solution due to their environmental friendliness, strength, availability, speed of construction, and relatively low expense. However, the use of containers for housing is not a simple matter of placing them on a site and hooking up utilities. The advantages and requirements associated with containers as housing units are addressed below.

Environmental Suitability

It is believed that the use of containers is more eco-friendly than conventional construction. According to the Environmental Protection Agency, traditional building methods account for 60 percent of raw material use and non-industrial waste in the United States. Most agree that the repurposing of containers would save on the energy consumption required to melt them down, as well as limit the use of traditional building materials such as bricks and cement. Other collateral benefits include improved fire resistance, and resistance to termite damage, dry rot, and other fungus related infections.

However, since containers are constructed for transporting goods and were not intended for human habitation, they may contain potentially hazardous elements like chromate, phosphorous, lead-based paints used on the walls to provide rust protections for ocean crossings, arsenic, and chromium used to infuse the wooden floors of the container to deter pest infestation. Therefore, before containers can be made habitable, certain improvements to offset the CO2 carbon savings would be needed, such as sandblasting the walls and roof and replacing or sealing the wood flooring.
Lastly, containers absorb and transmit heat and cold very well. As such, the temperature within containers can be controlled with passive cooling and heating designs by using appropriate insulation and paint; however, it can also be addressed by non-environmentally friendly solutions like energy-consuming air conditioning systems.

**Structural Requirements**

In many ways, containers are the ideal building material because they are strong, durable, stackable, and modular. Containers can easily be stacked one on top of the other to create multi-story and multi-family dwellings. Due to their robustness, container dwellings can be earthquake resistant if properly designed by a licensed professional. Designs that result in non-traditional stacking (not aligned on four corners) will need additional structural support. Opening for windows, doors, skylights and decks will result in structural deflection or reduced earthquake resistance that will need to be reinforced. The engineering design, coupled with the engineered reinforcements, will add additional expense to the housing development.

**Shipping Containers versus Manufactured Buildings**

Container construction, like any other method of construction, is required to comply with the California Building Standards Code and receive local permits. The use of manufactured buildings (manufactured or prefabricated) is another non-traditional method of providing housing resources. Manufactured buildings are permitted through the California Housing and Community Development Department (HCD). This allows a manufacturer to receive certification from HCD and use their manufactured buildings Statewide. It provides a faster permitting mechanism for the production of affordable housing units, but may not provide the same aesthetic as shipping containers. Staff has been researching the use of manufactured units and recently received a presentation on the MicroPAD, developed by Panoramic Interests. While not yet certified by the State (permitting is underway and expected shortly), the MicroPAD is a 160-square-foot, self-contained dwelling pod that is easily stacked to create a multi-family building. The pods can be stacked within a matter of weeks and provides turnkey housing for areas in need. The developer requires that the City enter into a long-term lease, provide free land, and eventually purchase the units. While it is currently financially infeasible, it is yet another example of an alternative housing solution.

**Cost Comparison**

Building with containers may be faster than conventional construction if properly designed by a licensed professional engineer and architect, and site construction constraints and logistics are accounted for by an experienced contractor. Depending on the method of construction, container home construction can be done in a matter of weeks to a few months, whereas conventional home construction could take four to seven months. As indicated in Table 1, containers are cheaper than conventional building construction in most cases. The cost can be further reduced with the mass production of prefabricated containers built off-site at a factory in sections and delivered to a construction site for final
assembly. Another benefit of prefabricated construction is a reduction of time and expense associated with the City's permitting and inspection agencies if HCD is the lead agency that approves the manufactured units built off-site. Notwithstanding HCD's approval, containers used as building modules or structural building components, just like any other conventional development, will need the necessary construction permits from the City.

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<tr>
<th></th>
<th>Conventional 2</th>
<th>Container</th>
<th>Modular/Prefab 3</th>
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1. Estimated cost can vary depending on the specific materials used to complete the building, the amount or type of structural system designed for the building, the amount of modification made to the containers, and other external factors such as utilities, transportation, etc.
2. Assumed conventional wood-framed construction.
3. Assumed the modular/prefab's design is approved and inspected through HCD.

Both State and local agencies are now reacting to the growing trend of repurposing containers for residential and nonresidential uses. A patchwork of regulations has emerged, creating potentially conflicting and duplicative requirements from State agencies to local jurisdictions. To provide a clear path for compliance, and to help establish guidelines for future projects, the Development Services Department is engaging in and working with other local, State, and national agencies and organizations to help shape the regulations and codes that will encourage and facilitate the repurposing of containers and their safe and efficient use.

Use of Shipping Containers in Long Beach

In 2012, a residential addition at 2175 San Francisco Avenue was the first project in the City to use two containers in a residential construction. The design called for the containers to be placed on a traditional foundation, secured the containers to the rear of the main house, and added additional structural reinforcements to accommodate cutting openings into the containers for windows and doors.

More recently, a commercial project named "SteelCraft," located at 3768 Long Beach Boulevard, used ten containers of varying sizes to create both retail and restaurant spaces. The containers were placed directly on the ground and supported on the four corners by concrete pad footings. The wood flooring was removed in order to provide access to trench and install utilities under the containers and eventually reinstalled and sealed. Ramps and other site improvements were made to comply with the State's accessibility requirements. The design also called for additional structural reinforcement to accommodate the window and door openings in the containers. The developer stated that the overall cost of the project was similar to traditional wood-framed construction methods; however, the aesthetic appeal of the containers outweighed the additional costs necessary to meet building codes.
Additionally, a small office project is proposed on Artesia Boulevard, which would utilize ten shipping containers (five containers wide and two containers high) to create a two-story infill development. This project is in the conceptual stage.

The City's existing zoning and building codes already accommodate the use of shipping containers or manufactured units for housing projects. Since the City does not develop affordable housing on its own, it relies on the development community to propose the use of these alternative methods and materials. Through its experience in permitting the above mentioned projects, other local governments, including the City and County of Los Angeles, have sought out staff for advice on how to permit their own projects.

Site Plan Review / Shipping Container Aesthetics

As revealed in public comments during recent public hearings on Accessory Dwelling Units, there may be a community perception that the aesthetic quality of shipping containers is incompatible in residential neighborhoods. Homes in Long Beach neighborhoods, with the exception of designated historic districts, exhibit a myriad of building designs and have allowed for architectural creativity over time. The completed shipping container projects in Long Beach are examples that shipping containers can co-exist in many different environments. However, in a 2011 determination allowing shipping containers to be used for residential structures, the Planning Commission deemed that Site Plan Review would be required to ensure that the building design complied with neighborhood aesthetics. This will ensure that shipping containers are used in a contextually-sensitive manner.

Development Services will continue to engage in, and work with, local, State and national agencies and organizations to shape the regulations and code, to facilitate, and thus incentivize, the use of shipping containers in accordance with Item No. 3.10 of the Revenue Tools and Incentives for the Production of Affordable and Workforce Housing.

If you have questions regarding this matter, please contact Oscar W. Orci, Deputy Director, at (562) 570-6369 or oscar.orci@longbeach.gov, or Truong Huynh, General Superintendent, at (562) 570-6921 or truong.huynh@longbeach.gov.
Date: September 25, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services
       John Gross, Director of Financial Management

For: Mayor and Members of the City Council

Subject: Local Bond Measure for Affordable Housing

On May 2, 2017, the City Council adopted 29 recommendations on revenue tools and incentives for the production of affordable and workforce housing. Please consider this memorandum as a response to Recommendation 3.1: New Initiatives for Development and Implementation, which directs staff to explore a local bond measure as a one-time source to capitalize the Housing Trust Fund.

Historically, municipalities in California have been involved in financing programs that facilitate the development, expansion, or retention of affordable housing projects. Bond financing is one method that municipalities have used to finance these projects. There are three primary types of bonds to finance affordable housing projects: general obligation bonds, third-party revenue bonds, and municipal revenue bonds. The viability of these bond financing vehicles depends on a municipality’s ability to generate revenues that pay or subsidize the debt service payments on the bonds.

For municipalities, the primary method to generate funding for affordable housing projects is the issuance of general obligation bonds. These bonds are supported by an increase in property taxes or other local special tax, both of which require two-thirds voter approval under Proposition 218. Municipalities are responsible for the debt service payments of general obligation bonds. As an alternative to general obligation bonds, municipalities have also issued third-party revenue bonds or municipal revenue bonds, which do not require voter approval.

Third-party revenue bonds have been issued by Joint Power Authorities (JPAs), such as the California Municipal Finance Authority (CMFA) or California Statewide Communities Development Authority (CSCDA). The JPAs structure the bonds and assume ultimate responsibility for the debt service payments. Municipalities are only responsible for conducting a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing, and have no financial responsibility for repaying the bonds. The ability to issue third-party revenue bonds is dependent on the ability of outside organizations to generate revenues.

In the past, municipal revenue bonds have also been issued by redevelopment agencies (RDAs). RDAs used redevelopment tax revenues to pay debt service payments. However, due to the dissolution of RDAs by the State of California and the elimination of the associated tax revenues, the use of RDA municipal revenue bonds is no longer an option.
In summary, with the loss of RDA tax revenues and the shortage of other financing support for affordable housing projects, local funding through a voter-approved general obligation bond or a voter-approved special tax is the most viable method of financing.

The following discussion provides more detail of the three general types of bond financing available for affordable housing projects.

**General Obligation Bonds**
Considering the shortage of local funding available to support affordable housing initiatives, some local governments in California have pursued general obligation bonds to fund affordable housing projects. Most recently, Alameda County, Santa Clara County, and the City of Los Angeles obtained authorization to issue general obligation bonds. General obligation bonds require a two-thirds voter approval of the bond measure. The debt service payments are paid from increased property tax revenues. The type of affordable housing projects that may be financed by general obligation bonds depends on the language specified in the bond measure. The use of general obligation bonds can support a variety of government-owned affordable housing initiatives including:

- Down payment assistance programs
- Rehabilitation grants/loans
- Land purchase/write-downs
- Loans for construction/acquisition
- Homeless projects (bond proceeds must be used for property, not services)
- Loan programs directed to seniors, veterans, disabled, and other targeted groups
- Special needs and supportive housing

**Third-Party Revenue Bonds**
Third-party JPAs, such as the CMFA or CSCDA have issued revenue bonds to finance new construction, acquisition/rehabilitation, and refinancing of affordable housing projects. Third-party revenue bonds have allowed developers to use tax credits and tax-exempt financing to subsidize or fund affordable housing projects. The most common types of housing projects are multi-family and single-family housing projects, both of which may be financed by revenue bonds through a JPA.

- Third-Party Multi-Family Rental Housing Projects: These types of projects are the most prevalent projects financed with the assistance of public agencies due to the defined revenue stream pledged to repay the bonds. The debt service payments are secured by the rental income generated by the housing project, with the JPA assuming ultimate responsibility for repaying the bonds. Other types of affordable multi-family projects include single-room occupancy hotels, transitional housing and homeless facilities. Many of these projects are supplemented by the third-party issuers using grants, tax credits, subordinate loans, contribution of land, and annual revenue streams pledged as additional support for the project.
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- Third-Party Single-Family Housing Projects: These projects are the most difficult to finance due to the legal restrictions on the resale of the property. These bond financings are secured by the mortgage on the property and repaid by the occupant. The JPA assumes ultimate responsibility for the debt service payments. Financing assistance for the occupants are available in the form of down payment subsidies, grants or loans.

The City of Long Beach has facilitated TEFRA hearings to support a significant number of third-party revenue bonds issued to finance affordable housing projects. In most cases, these types of projects also require a local source of subsidy to make them financially feasible. Since 2008, the City has conducted 15 TEFRA hearings to finance an aggregate of $384.5 million in affordable housing projects totaling 2,191 units.

Municipal Revenue Bonds
Municipal revenue bonds have also been issued by RDAs. In the past, the City of Long Beach has issued over $50 million in revenue bonds to support affordable housing projects resulting in the development of an estimated 330 affordable housing units. Prior to the dissolution of RDAs, 20 percent of local tax revenues generated by the RDA were dedicated to affordable housing projects and were used as security to issue revenue bonds. However, in 2012 the State of California dissolved RDAs. As a result, local tax revenues previously available to support affordable housing initiatives were seized from municipalities and are no longer available.

Conclusion/Next Steps
With the loss of RDA tax revenues and the shortage of other financial support for affordable housing projects, local funding through a voter-approved general obligation bond or a voter-approved special tax is the most viable method of providing funds to capitalize the Housing Trust Fund and fund affordable housing development. The size of a general obligation bond issue would depend on the type of affordable housing projects that are developed.

There are a variety of factors to consider when estimating the funding need of affordable housing projects such as available outside funding, income level targets, rental vs. ownership, and estimated development costs. Staff has conducted a preliminary analysis to determine the estimated funding need for 1,000 affordable housing units. Based on the average subsidy that has been provided to participants over the past ten years, the estimated gap financing would be approximately $126 million.

The table below summarizes the estimated annual debt service payments and annual property tax increases for a 30-year general obligation bond issue that would produce $126 million in net proceeds.
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September 25, 2017
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<table>
<thead>
<tr>
<th>30-Year General Obligation Bond Issue (Estimate)</th>
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<tr>
<td>Size of Bond Issuance</td>
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<tr>
<td>Net Proceeds (funding need for 1,000 units)</td>
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<tr>
<td>Annual Debt Service Payments</td>
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<tr>
<td>Annual property tax increase ($400,000 home)</td>
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<td>Annual property tax increase ($500,000 home)</td>
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Should the City Council wish to proceed with a voter-approved general obligation bond or special tax, staff will complete a thorough analysis to ensure adequate funding for the desired affordable housing program.

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

CC: Charles Parkin, City Attorney  
    Laura L. Doud, City Auditor  
    Tom Modica, Assistant City Manager  
    Kevin Jackson, Deputy City Manager  
    Rebecca Jimenez, Assistant to the City Manager  
    Oscar Orci, Deputy Director of Development Services  
    Patrick Ure, Housing Development Officer  
    City Clerk (Ref. File #17-0324)
Date: September 26, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services

For: Mayor and Members of the City Council

Subject: Development of a Short-Term Rental Ordinance

On March 21, 2017, the City Council requested the City Manager to review the regulation of short-term rentals (STRs) in other municipalities and to report back on next steps to create an ordinance. On June 1, 2017, the City Manager provided a memo regarding STR programs in other municipalities.

As part of the FY 18 Budget, funds were appropriated and will be available on October 1 for consultant services to assist City staff with crafting a STR program. A Request for Proposals (RFP) will be released in October for consultant services to conduct public outreach, estimate revenue generation, establish parameters for operating STRs, and determine staffing needs to implement and enforce the recommended program. When the consultant is on board, community outreach will commence. Program recommendations will be presented to the City Council in early 2018, with preparation of an ordinance to follow thereafter.

If you have questions regarding this matter, please contact Lisa Fall at (562) 570-6853 or lisa.fall@longbeach.gov.

CC: CHARLES PARKIN, CITY ATTORNEY
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OSCAR ORCI, DEPUTY DIRECTOR, DEVELOPMENT SERVICES
LINDA TATUM, PLANNING BUREAU MANAGER
MONIQUE DE LA GARZA, CITY CLERK (Ref. File #17-0213)
Date: September 29, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services
John Keisler, Director of Economic Development

For: Mayor and Members of the City Council

Subject: Report on Citywide Rental Rates

On February 21, 2017, the City Council held a Study Session on a draft affordable housing report entitled "Revenue Tools and Incentives for the Production of Affordable and Workforce Housing (Housing Report)." The Housing Report contained, among other things, data on current and historical rental rates in Long Beach. Specifically, the Housing Report contained rental data obtained through Zillow, an online real estate and rental marketplace. During the Study Session, concern was expressed over the accuracy of this data. Staff was asked to conduct additional research on rental rates.

To address the City Council's concern on the accuracy of rental rates, Economic Development Department staff have entered into a contract with CoStar Group, Inc. (CoStar), a firm that provides information, analytics, and market research to the multi-family commercial real estate industry. The data provided by CoStar is consistent and reliable, and has been used to prepare the attached final Report of Citywide Rental Rates. The Economic Development Department will update the Rent Report on an annual basis beginning July 2018, and will utilize this data to monitor progress toward Quality of Life objectives related to housing access as outlined in the Economic Development Blueprint.

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

ATTACHMENT:
REPORT ON CITYWIDE RENTAL RATES

CC: CHARLES PARKIN, CITY ATTORNEY
LAURA L. DOUD, CITY AUDITOR
TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER
OSCAR W. ORCI, DEPUTY DIRECTOR OF DEVELOPMENT SERVICES
PATRICK URE, HOUSING DEVELOPMENT OFFICER
CITY CLERK (REF. FILE #17-0108)
Date: October 23, 2017

To: Patrick H. West, City Manager

From: Amy J. Bodek, Director of Development Services

For: Mayor and Members of the City Council

Subject: Update on Housing Report Policy Items

On May 2, 2017, the City Council adopted 29 policy recommendations designed to encourage and/or increase the production of affordable housing. The following is an update on the implementation of those policies:

1.1 Encourage Housing Preservation: These efforts are ongoing. In FY 17, staff assisted with the preservation of Beachwood Apartments (45 units). In FY 18, staff will complete the preservation of Sara's Apartments (29 units), which is currently owned by Mental Health America, and will be sold to Throckmorton Partners (subject to City Council approval).

1.2 Encourage the Use of Project Based Vouchers (PBVs): These efforts are ongoing. In FY 17, PBVs were awarded to The Beacon (160 units/158 PBVs), which is currently under construction, and the following proposed projects: The Spark at Midtown (95 units/40 PBVs), 1900 Long Beach Boulevard (LINC); Las Ventanas Apartments (101 units/40 PBVs), 1795 Long Beach Blvd. (AMCAL). Staff is currently coordinating with Housing Authority staff to release another RFP for PBVs by the end of 2017.

1.3 Continue to Waive Developer Impact Fees for Affordable Housing: These efforts are ongoing. Anchor Place (120 units), which was recently completed, received a fee waiver of $672,000.

1.4 Promote the City's Density Bonus Program to all Multi-Family Housing Developers: Planning staff regularly promotes this program to developers. In addition, staff has had initial discussions with Economic Development about staff promoting the program as they meet with developers.

1.5 Continue to Partner with Developers in the Pursuit of Housing Funding: These efforts are ongoing. In FY 17, staff assisted with funding applications for The Beacon. Staff is currently working with Enterprise Community Partners, AMCAL, and LINC to prepare for the January 2018 Affordable Housing and Sustainable Communities Program application. In FY 18, staff will be assisting with funding applications for projects proposed by AMCAL (1795 LB Blvd. – 101 units), Clifford Beers Housing (1836 Locust – 48 units), and LINC (1900 LB Blvd. – 95 units). Staff also sits on Metro’s Metro Affordable Transit Connected Housing Program (MATCH) Advisory Committee. MATCH provides funding for the preservation and production of affordable housing near transit.
1.6 **Explore the Potential Development of Student and Workforce Housing:** Economic Development staff is coordinating these efforts as they meet with developers.

1.7 **Track Federal and State Housing Legislation:** These efforts are ongoing, and are coordinated through the City Manager’s Office. In FY 17, support was provided for preserving funding for the Federal CDBG and HOME Programs, and for several state bills that were recently adopted by the Legislature.

1.8 **Support CEQA Reform:** This will be done through the City Manager’s Office as part of the City’s Legislative Agenda process.

1.9 **Create and Maintain a Database of Publicly Held Land That May Provide for Housing Opportunities:** Economic Development staff is currently preparing a comprehensive list of potential development sites throughout the City, including government-owned and privately-held sites.

2.1 **Accessory Dwelling Unit Ordinance:** A zoning code amendment was approved by the Planning Commission on July 6, 2017, and the item will be presented to the City Council on November 14, 2017 (continued from October 10, 2017).

2.2 **Implement State Requirements for Reduced Parking for Affordable Housing:** Staff is implementing the State requirement. All of the proposed affordable housing projects that are in process have received parking reductions.

2.3 **Conduct a Financial Analysis and Nexus Study to Update the Coastal Zone In-Lieu Fee:** The analysis and nexus study are complete. Staff will begin working with the City Attorney’s Office to modify the existing Ordinance in October 2017. Staff is also identifying dates for Planning Commission and City Council approval.

2.4 **Update the Condominium Conversion Ordinance:** Staff has worked with a consultant to identify potential changes to the Ordinance. A meeting with advocacy groups (Housing Long Beach and Apt. Association) was held on October 3, 2017. Staff will incorporate ideas from the meeting, and then begin working with the City Attorney’s Office to modify the existing Ordinance. Staff is also identifying dates for Planning Commission and City Council approval.

3.1 **Explore a Local Bond Measure as a One-Time Source to Capitalize the Housing Trust Fund:** A TFF was prepared on this item and forwarded to the Mayor and City Council on September 25, 2017.

3.2 **Begin the Development of an Inclusionary Housing Policy:** An RFP to select a consultant to assist with this effort was released on October 9, 2017.

3.3 **Investigate the Possibility of Establishing a Local Document Recording Fee to Fund Affordable Housing:** The State Legislature adopted, and the Governor recently signed SB 2, which will Implement this program at the State level. A TFF providing additional information on SB 2 will be forwarded in October, 2017.
3.4 Investigate the Possibility of Dedicating City Resources for Affordable Housing: Funds deposited into the Housing Fund from Successor Agency loan repayments and housing activities totaled approximately $7.6 million for FY 18. Staff investigated the potential for additional City resources for affordable housing, but no General Funds dollars were available for this purpose for FY 18.

3.5 Modify the Housing Trust Fund Ordinance: This will be done in conjunction with any new source of funding that is identified.

3.6 Modify the Moderate-Income Definition to Include up to 150% AMI: This will be considered in conjunction with any new source of funding that is identified (including an inclusionary policy).

3.7 Encourage the Adoption of Specific Plans to Encourage a More Rapid Entitlement Process: The Southeast Area Specific Plan (SEASP) was adopted by the City Council on September 19, 2017.

3.8 Consider Expanding One-for-One Replacement in Areas Outside of the Coastal Zone: This item will follow after item 2.3 is concluded.

3.9 Develop and Offer First-time Homebuyer Programs: This will be done in conjunction with any new source of funding that is identified.

3.10 Encourage the Adoption of Regulations to Allow and Incentivize Shipping Container Construction for Housing: A memorandum was prepared on this item and forward to the Mayor and City Council on August 2, 2017.

3.11 Develop a Plan to Include Micro-Units as a Method for Encouraging Housing Production: This item is pending.

3.12 Study Short-Term Rental Regulations (Vacation Rentals): Staff has conducted additional research, and has been working with the City Manager’s Office on this item. An RFP to identify a consultant to assist with the development of a policy/program was released on October 18, 2017.

3.13 Ensure That Sufficient Resources Are Available to Implement the City’s Proactive Rental Housing Inspection Program: This is done as part of the annual budget process. For the FY 18 budget, fees on existing services were increased by 2.23 percent (rounded to the nearest five dollars) based on the City’s Cost Index. This resulted in a five-dollar increase to each of the three tiers of fees for this program. No new fees or services were included in the FY 18 budget.

3.14 Explore the Feasibility of Using New Structures Such as the Enhanced Infrastructure Financing District to Capitalize the Housing Trust Fund: This item is pending.

3.15 Explore and Propose an Article 34 Referendum to Ensure Maximum Leveraging of State Resources for Affordable Housing Developments: This item is pending.
3.16 **Provide the Necessary City Staffing Resources to Manage the Increased Housing Production Contemplated by These Policies:** This will be done as part of the annual budget process, and in conjunction with any new source of funding that is achieved.

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

**CC:** CHARLES PARKIN, CITY ATTORNEY
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TOM MODICA, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
REBECCA GARNER, ASSISTANT TO THE CITY MANAGER
OSCAR W. ORCI, DEPUTY DIRECTOR OF DEVELOPMENT SERVICES
PATRICK URE, HOUSING DEVELOPMENT OFFICER
CITY CLERK (REF. FILE #17-0324)
Date: December 1, 2017
To: Patrick H. West, City Manager
From: Amy J. Bodek, Director of Development Services
For: Mayor and Members of the City Council

Subject: Document Recording Fee for Affordable Housing

In May 2017, the City Council adopted 29 recommendations to support the production of affordable and workforce housing. Please consider this memorandum as a response to Recommendation 3.3: New Initiatives for Development and Implementation, which directs staff to investigate the possibility of creating a local document recording fee to fund affordable housing.

On September 29, 2017, Governor Jerry Brown signed SB 2 (Atkins), the Building Homes and Jobs Act. Mayor Garcia joined colleagues from California's largest cities in signing a March 22, 2017 letter of support for the bill. In addition, the City sent a second letter of support on September 25, 2017, when the bill reached the Governor's desk at the end of the State Legislative Session.

This urgency bill establishes the Building Homes and Jobs Trust Fund (Trust Fund) and, beginning January 1, 2018, imposes a $75 fee on the recording of certain real estate transaction documents, excluding commercial and residential real estate sales, to provide funding for affordable housing. The types of documents subject to the fee include but are not limited to the following:

- Deeds
- Grant Deeds
- Trustee's Deeds
- Deeds of Trust
- Conveyances
- Quit Claim Deeds
- Fictitious Deeds of Trust
- Assignments of Deeds of Trust
- Requests for Notice of Default
- Abstract of Judgment
- Subordination Agreement

- Declaration of Homestead
- Abandonment of Homestead
- Notice of Default
- Release or Discharge
- Easement
- Notice of Trustee Sale
- Notice of Completion
- UCC Financing Statement
- Mechanic's Lien maps
- Covenants, Conditions, and Restrictions

The fee imposed by SB 2 does not apply to transactions that are subject to a documentary transfer tax currently imposed by a county or local jurisdiction, or to the sale of owner-occupied homes. The maximum fee that can be charged is $225 per transaction.

According to analysis of the bill by the Senate Committee on Appropriations, fee revenues from SB 2 are largely unknown, but are likely in the range of $200 million to $300 million annually, depending on the volume of recorded documents. The bill authorizes up to 5
percent of funds for administration costs for state agencies to administer the programs. Revenues generated by this fee will be collected by the County Recorder and transferred on a quarterly basis to the State Department of Housing and Community Development (HCD) for deposit into the Trust Fund.

Funds collected in the first year of the program (January 1, 2018 through December 31, 2018) are earmarked for updates to planning documents and for homeless assistance programs. More specifically, 50 percent of funds will be made available for local governments to update planning documents and zoning Ordinances to streamline housing production, including general plans, community plans, specific plans, sustainable community strategies, and local coastal programs. These funds will not be allocated by entitlement, but will be held by HCD until a local government submits a request for use. The remaining 50 percent of the funds from the first year will be disbursed by HCD for programs that assist persons experiencing or at risk of homelessness, including rapid rehousing programs, rental assistance, new construction, rehabilitation, or preservation of permanent or transitional housing. The bill requires that funds collected after January 1, 2019 be set aside for the following uses:

- 70 percent of the funds will be allocated to local governments and may be expended for a number of purposes outlined in the bill as follows:
  - Predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, and rental housing that is affordable to households at or below moderate income.
  - Affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of Area Median Income (AMI), or 150 percent of AMI in high-cost areas.
  - Matching portions of funds placed into local or regional housing trust funds.
  - Matching portions of funds available through the Low- and Moderate- Income Housing Asset Fund pursuant to HSC Section 34176.
  - Capitalized reserves for services connected to the creation of new permanent supportive housing, including but not limited to Veterans’ housing funded through the Veterans Housing and Homelessness Prevention Bond Act of 2014.
  - Assisting persons who are experiencing or at risk of homelessness, including rapid rehousing, rental assistance, navigation centers, emergency shelters, and construction, rehabilitation, or preservation of permanent and transitional housing.
  - Accessibility modifications.
Document Recording Fee for Affordable Housing
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- Efforts to acquire and rehabilitate foreclosed or vacant homes.

- Homeownership opportunities.

- Fiscal incentives or matching funds to local agencies that approve new housing for extremely low-, very low-, low-, and moderate-income households.

- 30 percent of the funds will be made available to HCD for specified purposes, including a continuous appropriation of funds to the California Housing Finance Agency for the purpose of creating mixed-income multifamily residential housing for low- and moderate-income households.

- 20 percent of all money in the Trust Fund shall be expended on affordable owner-occupied workforce housing.

Of the 70 percent share of funding that is set aside for local governments, 90 percent will be allocated to entitlement cities, including Long Beach. The allocation will be based on the federal formula used to allocate Federal Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funding. Under this formula, Long Beach receives 1.53 percent of all CDBG funding and 1.71 percent of all HOME funding allocated to the State of California. The Senate Appropriations Committee projects unknown fee revenue gains, likely in the range of $200 million to $300 million annually, depending on the volume of recorded documents. Based on the 2016 CDBG and HOME allocations from HUD, as well as on the fee revenue projections from the Senate Appropriations Committee, staff estimates potential fee revenues to be allocated to the City in the range of $1.9 million to $3.2 million annually.

To receive an allocation of funds, the City must submit the following to HCD:

- A plan detailing the manner in which the allocated funds will be used by the City in a manner consistent with the uses outlined in the bill and to meet its unmet share of the regional housing needs allocation (RHNA);

- Proof of a compliant housing element; and,

- Emphasize investments that serve households at or below 60 percent of AMI.

The remainder of the funds will be awarded to counties with populations of 200,000 or less, to local governments that did not receive an allocation, and to local governments pledging to use the funding for homeless housing and prevention projects through a competitive grant process. Two or more local governments that receive an allocation may also spend the money on a joint project that is an authorized use. The City will also be required to submit an annual report to HCD that provides ongoing tracking of the uses and expenditures of any allocated funds.
COMPARABLE FEES

The recommendation to investigate the possibility of creating a local document recording fee was based on analysis of best practices, particularly the document recording fee established by the City of Philadelphia in 2005 to fund affordable housing. Philadelphia’s primary source of funding for affordable housing is a portion of local Deed and Mortgage Recording Fees, which have generated an average of $11 million annually.

NEXT STEPS

Staff will continue to track SB 2 as the State makes more details of the program available. In addition, staff will work with the City Attorney’s Office to gain a better understanding of the City’s ability to implement its own document recording fee pursuant to the California Documentary Transfer Tax Act and any potential impacts from Proposition 218. It is recommended that staff address these issues after SB 2 has been in full effect to better understand the magnitude of revenues generated at the State level, and then make the determination whether to continue the pursuit of a local fee. This is another potential source of local funding for affordable housing similar to a local bond measure, which was discussed in a memo to the Mayor and City Council dated September 25, 2017 (copy attached).

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

ATTACHMENT: Memo on Local Bond Measure for Affordable Housing

CC: Charles Parkin, City Attorney
Laura L. Doud, City Auditor
Tom Modica, Assistant City Manager
Kevin Jackson, Deputy City Manager
Rebecca Garner, Assistant to the City Manager
Oscar W. Orci, Deputy Director of Development Services
Patrick Ure, Housing Development Officer
Monique De La Garza, City Clerk (Ref. File #17-0324)
Kelly Colopy, Director of Health & Human Services
Alison King, Bureau Manager, Housing Authority of the City of Long Beach