

Date: June 3, 2021

To: Thomas B. Modica, City Manager



From: Oscar W. Orci, Director of Development Services



For: Mayor and Members of the City Council

Subject: **Update on Inclusionary Housing Report Back Items**

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At its January 19, 2021 meeting, the City Council approved ordinances related to mandatory inclusionary housing as well as no-net-loss requirements, both related to housing construction in the City. As part of that action, the City Council requested changes to the inclusionary fee resolution for the use of all fees towards new units not on rehabilitation, which was effectuated and adopted by the City Council on February 2, 2021 alongside the second reading for the underlying inclusionary ordinance. The City Council also requested a report back within 120 days regarding additional policy refinements of those inclusionary and no-net-loss provisions to:

- Evaluate the affordability covenants for both inclusionary and no-net-loss ordinances being extended beyond 55 years to perpetuity or the life of the project.
- Evaluate a recommendation on how to ensure in-lieu fees captured from inclusionary housing rental projects are dedicated to the production of very-low-income units.
- Evaluate a tie of the in-lieu fees to an annual index based on construction and land costs.
- Remove the no-net-loss expiration date of 2025.
- Provide a recommendation to ensure that all no-net-loss units are replaced onsite rather than offsite.

On the same January 19, 2021 agenda, the City Council also continued consideration of the Mello Act Ordinance for updates related to similar issues of no-net-loss of housing units, determinations of affordability and income, as well as onsite versus offsite replacement. This report back was directed within 90 days (April 2021) but is now anticipated to be heard by the City Council in July 2021.

Delays on these items resulted from a complicated policy interconnection between the three ordinances (Inclusionary, No-Net-Loss, and Mello Act) and the need to resolve issues surrounding the Mello Act update prior to completing the inclusionary housing items. Additionally, some staff within the Department of Development Services (Department) were diverted to staffing Emergency Rental Assistance Program (ERAP) as well as the update to the City's Housing Element. More recently, the lead staff member responsible for coordinating these policy efforts transferred to the Office of the City Manager leaving a critical vacancy within the Department.

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Notwithstanding any delays in report-back items, the City's inclusionary policy did become effective on March 4, 2021. All new entitlement requests within the affected Downtown and Midtown areas for projects of ten units or more are subject to inclusionary housing requirements and all projects citywide are subject to no-net-loss protections.

Staff have now analyzed all City Council requests related to inclusionary housing and no-net-loss. Based on that review and discussions with other jurisdictions, staff expect that all City Council requested changes can be made. Staff will be working with the Office of the City Attorney to bring amending ordinances back to the City Council prior to the end of the calendar year.

If you have questions, please contact Deputy Director of Development Services Christopher Koontz at (562) 570-6288 or [christopher.koontz@longbeach.gov](mailto:christopher.koontz@longbeach.gov).

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