

14-0361

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BUDGET & FINANCE
MOTION

The dissolution of the Community Redevelopment Agency has greatly impacted affordable housing production, the former agency generally provided critical acquisition and gap funding. Additionally, over the past three years the City has lost 32% of its Community Development Block Grant Funding and 56% of its HOME Funding and this has greatly reduced the Affordable Housing Trust Fund. Finally, the loss of tools such as Tax Increment Financing districts and neighborhood based inclusionary zoning forces policy makers to consider new funding mechanisms.

Under the former state redevelopment law, the Los Angeles Community Redevelopment Agency (CRA) was required to dedicate 20 percent of its property tax increment revenue towards affordable housing, to which the City provided an additional five percent, for a total budget of 25 percent. This resulted in an investment between \$25M and \$50M annually towards affordable housing. With the dissolution of the CRA, this source of funding was eliminated and now a share of the property tax revenue that would have been directed to the CRA now is provided directly to the City as unrestricted property tax revenue. Since February 2012, the City has received approximately \$121M in property tax revenue from this source. A majority of these dollars have been used to fill the City's budget shortfalls. Of this total, approximately \$9.4M in Low Mod Income Housing Fund monies and \$6.7M in property tax increment was assigned to the Housing and Community Investment Department for affordable housing. These were both one time allocations.

The additional property tax funds that local municipalities have been receiving are an excellent source for additional investment in affordable housing. Using its additional property tax allocation, the County of Los Angeles recently approved a nearly \$12.4M funding package for six affordable housing developments. While one time allocations are beneficial, an ongoing commitment of funding for affordable housing will give the development community, local stakeholders, and residents alike a stable, predictable funding source for affordable housing is necessary.

As rents in Los Angeles continue to rise and income levels remain stagnant it is imperative that the City take action. The median price of a new apartment in Los Angeles in January 2013 was \$1, 770, which requires an annual income of \$70,800 to be affordable. The federal government says that paying more than 30% of one's income represents a cost burden leaving insufficient income for other basic needs. The city's median rent increased 31% from 2000 to 2010 compared to an increase in incomes of just 1.2%. In 2011, 62% of renters were considered cost burdened. In 2000, 49% of renters were considered cost burdened. In addition, approximately 20,000 affordable housing units are at-risk of losing their affordability restrictions in the next ten years. The cost of preserving the unit's affordability and extending

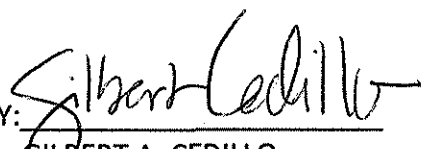


the covenant is approximately \$179,000 per unit. This is about half the cost of constructing a new affordable housing unit. These stark statistics demonstrate that now more than ever the City needs to dedicate additional and permanent resources to support affordable housing.

In order to ensure a dedicated funding source to affordable housing, the City should consider a policy to earmark a percent of the incremental annual property tax revenue it receives from the disillusionment of the former CRA towards affordable housing.

I THEREFORE MOVE that the City Council instruct the Housing Community and Investment Department, Chief Legislative Analyst, and City Administrative Officer to report on a policy to earmark a percent of the tax revenue the City receives from the disillusionment of the former CRA for affordable housing.

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