
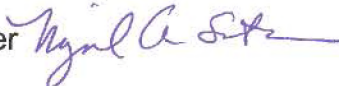


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 15, 2016

To: Honorable Members of the Homelessness and Poverty Committee

From: Sharon M. Tso, Chief Legislative Analyst 
Miguel A. Santana, City Administrative Officer 

Subject: **FOLLOW-UP REPORT CONCERNING PERMANENT FUNDING
OPTIONS TO ADDRESS HOMELESSNESS**

SUMMARY

On March 23, 2016, the Homelessness and Poverty Committee (Committee) considered a report by the Chief Legislative Analyst (CLA) and City Administrative Officer (CAO) concerning permanent funding options to address the housing and service needs of the homeless (CF# 16-0047).

This report provides additional information as requested by members of the Committee concerning voting thresholds, County funding proposals, Inclusionary Zoning, and General Obligation (GO) bonds as well as new information that has been provided since the Committee met in March 2016.

RECOMMENDATION

This report, and the report of March 18, 2016, provide information concerning various funding considerations to address homeless service and housing needs. Staff should be directed to report, as necessary, in accordance with Council direction on this matter.

ADDITIONAL INFORMATION

In the course of the March 23, 2016 hearing of the Committee, members requested additional information concerning voting thresholds; elements and implications of a County sales tax; structure of an Inclusionary Zoning program with an In Lieu Fee, including whether the use of collected fees can be restricted to the Council Districts where fees are collected; and, details concerning GO Bonds, including a review of current GO Bonds. In addition, information concerning a proposal by the United Way to generate new funding was presented at the Committee meeting and is discussed further here, and two bills have been introduced by the State Legislature to generate new funds to support affordable housing development which may help the City leverage its resources. Information regarding County funding sources was also requested.

Voting Thresholds

As noted in our report of March 18, 2016, State law requires that new local taxes be approved by the voters. Local government taxes can be placed into one of three categories: property taxes to finance debt; general; and special. On the latter two,

general taxes are taxes that can be used for any governmental purpose, while special taxes must be used only for the specific purpose imposed by the ballot language.

General taxes are approved if more than 50 percent of the voters vote in favor of the measure. Special taxes, on the other hand, require approval by two-thirds of the voters. This higher threshold for special taxes applies to all measures that specify the use of the funds, with the exception of school bonds which require approval by only 55 percent of the voters.

Special taxes can be placed on any ballot. Article XIII C of the State Constitution provides that general taxes must be presented at a regularly scheduled municipal election, except in the case of an emergency declaration by a unanimous vote of the local government's governing body.

Several California cities have placed a general tax measure on the ballot with a companion advisory measure that addresses how revenues generated in the general tax measure are to be used. Revenues generated under this approach would be general tax revenue subject to annual appropriation. Case law has held that this practice does not convert a general tax measure into a special tax measure where the two measures are clearly distinct.

Table 1 below indicates the voting threshold for each of the nine potential new revenue sources discussed in the March 18, 2016 CAO/CLA report. The report anticipated that the tax measures would be presented as a special tax so that revenues would be dedicated for homeless services and/or housing needs.

Funding Source	Type	Vote Requirement	Funding Range (in millions)		Period
			Lower	Higher	
Fee in lieu of Inclusionary Zoning	Fee	No vote	Unknown		annual
Linkage Fee	Fee	No vote	\$ 38	\$ 112	annual
Document Recording Fee	Fee	2/3 Vote		\$ 30	annual
GO Bond	Bond	2/3 Vote	\$ 1,100	\$ 1,800	10 years
Documentary Transfer Tax	Tax	2/3 Vote	\$ 128	\$ 167	annual
Billboard Tax	Tax	2/3 Vote		\$ 24	annual
Sales and Use Tax	Tax	2/3 Vote		\$ 122	annual
Parcel Tax *	Tax	2/3 Vote	\$ 7.8		annual
Marijuana Tax	Tax	2/3 Vote	\$ 16.7		annual

* \$7.8 million for every \$10 levied per parcel. For example, a \$50 levy would generate \$39 million

County Transaction and Use Tax (Sales Tax)

State law allows counties and cities to seek voter approval for an increase to the local Sales Tax (also known as the Transaction and Use Tax) of up to 2 percent. At no time can a county or any individual city's sales tax rate exceed the additional 2 percent cap. The State sales tax rate is 7.5 percent; therefore, no local jurisdiction can exceed 9.5 percent. An exception is provided in State law, however, for the Los Angeles Metropolitan Transit Authority (Metro), which has authority to seek an additional one percent increase in the Los Angeles County countywide sales tax. As a result, the Los Angeles County Sales Tax can be as much as 10.5 percent. In 2008, voters approved Measure R, a one-half percent sales tax increase for Los Angeles County to fund Metro transportation projects. A proposal has been made to present the voters in November 2016 with another measure to increase the Los Angeles County sales tax by an additional one-half percent for Metro projects.

As of today, the Los Angeles County sales tax is 9.0 percent, comprised as follows:

State Sales Tax	7.5 percent
County of Los Angeles	1.0 percent
Metro	.5 percent

This leaves an additional one percent sales tax capacity. The County is currently evaluating a one-quarter percent and one-half percent increase in the sales tax to fund homeless services, as noted later in this report. The City does not currently have an additional sales tax in place, so the City sales tax rate is 9 percent, the same as the County rate.

The cities of Avalon, Commerce, Culver City, El Monte, Inglewood, San Fernando, Santa Monica, and South El Monte in Los Angeles County have also sought voter approval to increase the sales tax in their jurisdiction and currently have a city sales tax rate of 9.5 percent. The cities of La Mirada, Pico Rivera, and South Gate have also sought voter approval to increase the sales tax in their jurisdictions and currently have a city sales tax of 10 percent (9.5 percent plus the Metro one-half percent), the maximum under State law.

If the County pursues a Countywide increase in the sales tax, the sales tax rates in every city would increase, except in La Mirada, Pico Rivera, and South Gate. These three cities would continue to receive the full amount of sales tax revenues as approved by the voters for city use, reducing the County sales tax accordingly.

Revenues generated from a Countywide sales tax for homeless programs would be remitted to and allocated at the discretion of the County. There would be no obligation of the County to allocate and/or expend revenues in the area where those revenues were collected.

Since the County and City have the same local sales tax rate component of 1 percent and the maximum local sales tax rate (inclusive of the Metro one-half percent) is 10

percent, the City and the County have the capacity to ask voters to increase the sales tax by one percent. If the County presents and voters approve a sales tax increase of one-half percent, the City would be able to ask voters to approve a City sales tax increase of up to one-half percent.

Timing would become relevant if the City and County were to both seek to present sales tax measures that, when combined, exceed one percent. For example, if the County presents and voters approve a County sales tax of one percent before the City presents such a question to City voters, the City would be precluded from seeking any additional sales tax increase. If the City presents and the voters approve a one percent sales tax increase before the County presents such a question to County voters, the County would only be able to assess a one percent increase in the in unincorporated areas and up to one percent increase in the sales tax in the remaining areas of the County, depending on whether those areas have already approved a supplemental sales tax.

Statute does not provide guidance concerning a situation where both the City and County present and voters approve a one percent sales tax at the same time. It is not known whether the County measure would prevail over the City measure or whether both would stand and the County portion of revenues would be reduced by the amount approved in the City. Likewise, it is unclear whether the City could put an additional sales tax increase on the ballot at a later date with the effect of reducing the County sales tax portion.

As a result of these complicating factors, coordination with the County will be essential if the City seeks any increase in the sales tax.

Inclusionary Zoning

Inclusionary zoning is a land use provision that allows cities and counties to establish a requirement that developers designate a portion of units in new housing developments as affordable to lower income households. Two court decisions control the implementation of inclusionary zoning programs.

In 1991, the City adopted the Central City West Specific Plan for an area near Downtown west of the Harbor Freeway. The plan required developers of projects of more than ten dwelling units per lot to set aside 15 percent of the units for households earning 30 percent to 80 percent of the area median income (AMI) in Los Angeles. Rents for these units must be affordable for the life of the project or 30 years, whichever is greater. Furthermore, very low- and low-income units demolished in Central City West after February 13, 1988, had to be replaced by project developers. Developer Geoff Palmer sued the City, stating that this City ordinance violated the Costa-Hawkins Rental Housing Act. In the 2009 case *Palmer v. City of Los Angeles* (Palmer), the Second District California Court of Appeal held that the Costa-Hawkins Rental Housing Act prohibits local governments from mandating rent restrictions on inclusionary units in new rental housing developments, as the act gives landlords the right to set the initial rent level at the start of a tenancy. As a result, the City is currently precluded from implementing an inclusionary zoning requirement on new rental housing.

In June 2015, the California Supreme Court ruled in the case *California Building Industry Association v. City of San Jose* (San Jose) that cities and counties may use inclusionary zoning in developments in which units will be offered for sale.

The California Legislature has considered two bills and is currently considering another bill to supersede the *Palmer* ruling and provide the right for cities and counties to use inclusionary housing in rental developments. SB 184 (Leno) was introduced in 2011 and failed passage in the Assembly. AB 1229 (Atkins) was introduced in 2013, passed by the Legislature, but vetoed by the Governor. In his veto message, Governor Brown stated that requiring developers to include affordable units in developments will make it difficult to attract development in low and middle-income communities. In February 2016, AB 2502 (Bonilla) was introduced in the Assembly. This bill authorizes the legislative body of any city, county, or city and county to adopt ordinances to establish, as a condition of development, inclusionary housing requirements. The bill further provides the intent of the Legislature to reaffirm the authority of local jurisdictions to enact and enforce inclusionary zoning. Resolution (CF# 15-0002-S157, O'Farrell-Huizar) recommends support of AB 2502.

Potential Structure of Inclusionary Zoning Program

Council previously considered adoption of an Inclusionary Zoning Program in 2004. At that time, a framework was prepared that provides a starting point for discussions on how such a program could be structured. The framework, provided in this report as Attachment 1, was introduced by Motion (Reyes–Garcetti) and provides the following:

1. Inclusionary Zoning Requirements

- Developers were given choices of affordability set-asides based on whether the unit was for sale or for rent and on the selected Area Median Income limit.

2. Applicability of Inclusionary Zoning Program

- Developments with five or more units would be included in the program.

3. Term of Affordability, Documenting Restrictions

- Inclusionary units would remain affordable in perpetuity.

4. Alternative Compliance Options

- All developers would have the option to pay an in-lieu fee rather than set aside affordable units. This fee would be based on the cost of constructing off-site units required to fulfill the set-aside requirement (off-site units

required would be ten percent greater than the number of on-site units required).

5. Incentives and Offsets

- Density bonus, alternative units (e.g., townhomes in single family developments), fee deferrals, relaxed parking requirements, relaxed common space requirements, expedited construction and entitlement processing, and financial subsidies are several of the incentives and offsets proposed for inclusionary units.

6. Implementation

- In lieu fees were proposed to be paid to the Affordable Housing Trust Fund. It would be a policy determination by the Council whether all fee revenue would be pooled within the Affordable Housing Trust Fund or remain in the district where the fee was collected. It should be noted that pooling provides greatest flexibility. District-based set-asides may create situations where some districts have more funds available than others.

7. Asset Management

- The developer would provide the City with annual certifications; the City would conduct on-site inspections.

Attachment 1 could serve as a starting point for further discussions concerning the development of an Inclusionary Zoning program.

Inclusionary Zoning – Other Cities

The CLA has conducted a review of inclusionary housing ordinances and policies in municipal jurisdictions throughout the United States. In looking at these ordinances and policies, we examined the inclusionary zoning requirements regarding affordable housing set-asides, populations served, and in-lieu fees. The jurisdictions that we have examined are Pasadena, San Francisco, San Diego, Boston, and New York City. A detailed discussion of these programs is provided in Attachment 2.

Inclusionary Zoning – In Lieu Fee Utilization in Other Cities

The wide variability in the way Inclusionary Zoning laws are structured and implemented prevents any comparative analysis of In Lieu Fee utilization by developers. As shown in Attachment 2, program fees shift every year; fees are implemented differently based on zones within the jurisdiction, and some fees are based on a total number of units, while others are based on project square footage. Also, some programs require a fee payment, with an option to set-aside units as affordable, while others require the set-aside of units as affordable with an in lieu payment alternative. It is not possible to

determine whether the primary requirement in any given program presents a path of least resistance for developers, creating a bias toward or away from paying an in lieu fee. Finally, the City has not determined how it would structure an Inclusionary Zoning program. The policy options present in such a program would drive the way an analysis of potential revenues would be structured. Due to the difficulty in generating relevant data and the lack of preferred policy details for the City, it is not possible to determine how many developers might pay a fee instead of building affordable housing in Los Angeles.

Inclusionary Zoning – Geographic Allocation of Fees

The City could establish geographic criteria to determine where Inclusionary Zoning In Lieu Fees could be spent. For example, the City's Quimby park development program requires that collected in lieu fees can only be spent within a service radius of one to two miles from the development that paid the fee. As noted above, several cities require that their Inclusionary Zoning In Lieu Fees be spent within a specified radius of the project. Rather than a zone based on a specified distance from a development, a geographic zone such as Council districts, community plan areas, or some other relevant boundary could be used to direct the use of fees collected. Such an option would be a policy option for the Council and Mayor to consider.

GO Bonds

The Committee requested that our offices provide an analysis of existing GO Bonds and their costs to property owners in the City, including the expiration dates of any current GO Bonds. Also, our offices were asked to include the estimated additional costs to property owners resulting from a potential new GO Bond targeting permanent supportive housing and/or affordable housing in this overall calculation. Finally, we were asked to include a separate calculation that shows the costs from all governmental sources for City property owners, such as Los Angeles Unified School District (LAUSD) and Los Angeles Community College District (LACCD) bonds.

Attachment 3 is a chart depicting the projected GO Bonds tax rate per median house value. Factors shown on the chart are the existing City GO Bonds and the amounts authorized, the estimated cost of the issuance of a new homeless-related GO bond, as well as GO bonds issued by non-City entities that impact City residents. These totals are shown by fiscal years between 2016 and 2050. It is important to point out various factors and assumptions noted at the bottom of the Attachment, including the fact that the chart does not account for approximately \$7.1 billion in unissued, but previously authorized, debt from outside entities (LAUSD and LACCD).

General Obligation (GO) Bonds are issued under the California Constitution, Article XIII A for the acquisition or improvement of real property. The Committee requested that this Office follow up with bond counsel regarding whether bond proceeds can be used for any of the following: rapid rehousing, housing vouchers, operation of housing built by the City, master leases, and other strategies that enable housing (other than capital expenses). Each of these is discussed below.

Rapid Rehousing

The proceeds of GO Bonds can be used to *acquire* real property used for “rapid rehousing” or to *improve* real property used for “rapid rehousing.” The interest on such GO Bonds, provided the property is used for residential purposes and not in a trade or business, would be tax-exempt if operated pursuant to an arrangement with third parties, if any, that meets IRS requirements (a “Qualified Management Contract”). Rapid rehousing programs generally provide financial assistance and services to prevent individuals and families from becoming homeless and help those who are experiencing homelessness to be quickly re-housed and stabilized. Rapid rehousing programs generally provide for short-term or medium-term rental assistance. It does not appear that rental assistance or rental vouchers can be financed through GO Bonds (see “Housing Vouchers” below). However, property purchases by the City or improvement of City owned property to provide rental housing to assist individuals and families from becoming homeless would qualify as an acquisition or improvement of real property with public purpose benefits.

Housing Vouchers

The proceeds of general obligation bonds cannot be used to provide housing vouchers to individuals and families. There is no acquisition or improvement of real property. The renter’s acquisition of a leasehold interest is not generally considered sufficient to satisfy the statutory and constitutional provisions.

Programs offering first-time homebuyers or veterans assistance with down payments or mortgages are believed to be ineligible for GO bond financing.

San Francisco included a provision in its GO Bond ballot measure for housing vouchers in the form of rent subsidy payments. After discussions with the San Francisco City Attorney, he does not believe that GO Bonds can be used for this purpose.

Operations of Housing Built by City

The use of GO Bonds for operations depends on what is meant by operations. Normal operating expenses do not involve a capital expenditure and would not qualify as the acquisition or improvement of real property, nor would any financing be tax exempt. If capital expenditures that are affixed to property owned by the City subject to a Qualified Management Contract are involved (i.e. replacing the roof, replacing the carpeting, etc.), such expenditures would constitute capital expenditures, would qualify as the acquisition or improvement of real property and the GO financing would be tax exempt.

GO Bonds can be used for the building, buying or improving housing to be owned by the City for low-income families and individuals. The City can also assist developers in building housing as long as the units will be owned by the City. For example, if a developer wants to build 200 units and 30 of those units are for affordable housing, then the City can use GO Bonds for their construction but at the end of construction, those units would be owned by City, although the units may be managed by the developer under a Qualified Management Contract. The City could also charge rent or accept vouchers for those units.

Leases

Unlike GO Bonds that are voter approved with debt service paid from ad valorem taxes, Municipal Improvement Corporation of Los Angeles ("MICLA") leases are paid from the General Fund and are included in the City's debt capacity limit of 6 percent non-voter approved debt service limit to General Fund Revenues.

MICLA leases can finance improvements to City-owned facilities for housing the homeless. The City or MICLA can act as a lessor to a subtenant that provides these services. Alternately, the City or MICLA may enter into 'Qualified Management Contracts' with providers of services on the financed facilities. Services must be open to all and not restricted to a limited sub-group of the homeless population that is not otherwise permitted to be preferred under the Fair Housing Law, such as veterans.

For long-term affordable housing for low-income families, MICLA leases may finance affordable housing projects where the City owns both the underlying real property and the improvements. The City's payments under its financing lease would be from the General Fund. The City could be reimbursed from any payments made by the families occupying the housing units (which may include tenant paid rent or other rental subsidies), but the City's General Fund would cover any shortfall.

MICLA leases can finance construction of facilities on City-owned vacant land where the City will own the facilities and then use or sublease the facilities out to operators for the services mentioned under Qualified Management Contracts, leases or use agreements that meet federal tax law requirements to the extent tax-exempt bonds were issued to finance such construction.

The responses above are based on the premise that the City will cover any shortfalls in the lease payments pledged to pay the MICLA Bonds from the City's General Fund. As discussed, the City may enter into arrangements with third-party providers of services or operate the projects directly and may also own and lease out space for affordable long-term housing to individuals with any income applied to credit the operations costs of the projects.

As a land-owner, the City may enter into long-term ground leases or other arrangements with third-party developers of affordable housing. In such cases, the developer may undertake financing for construction of affordable housing units on the City's land through other issuers.

MICLA leases may use taxable financing in circumstances where federal tax analysis determines that the use agreement or sublease from the City to a user would be a non-qualifying contract.

Other Strategies

Detailed analysis will be required to address any other strategies that may be identified.

County Funding Proposals

As previously reported, the County of Los Angeles is also considering opportunities to generate new sources of funds to support homeless services and housing. On March 30, 2016, the County's Chief Executive Officer released a supplemental report (Attachment 4) indicating the estimated amount of revenue that could be generated by three of the five identified revenue options, as follows:

Transaction and Use Tax	\$373 million (1/4 cent) to \$746 million (1/2 cent)
Parcel Tax	\$274 million
Local High-Income Tax	\$243 million (1/2 percent of income over \$1m/year)

The County is conducting polling to assess the level of voter support for various measures under consideration. The County expects to have polling results during the week of April 18, 2016 and will consider additional steps at that time.

City and County staff have met every two weeks since the adoption of the coordinated initiatives in February 2016 to coordinate implementation of the approved City and County strategies. City staff continue to discuss revenue options with the County and will report to Council as additional information becomes available.

United Way Funding Proposal

The United Way, as part of public comment during the March 23, 2016 Committee meeting, mentioned three potential revenue-generating strategies they wished to propose (assessment bond, restaurant tax, and beverage container tax). Since then, the United Way has worked with public finance lawyers and investment bankers to refine these options; however, unanswered questions remain. The United Way and the Chamber of Commerce continue to explore revenue options but are not yet ready to provide specific recommendations at this time.

Relevant State Legislation

In addition to AB 2502 noted above, there are two housing finance bills that are under consideration in the State Legislature that may be of interest to the City. The City does not currently have a position on these bills.

AB 2817 (Chiu) would increase the aggregate housing tax credit dollar amount that may be allocated to low-income housing projects from \$100 million to \$300 million. Tax credits are a significant financial resource that supports the development of affordable housing. Many City affordable housing projects, including permanent supportive housing, include State tax credits in their source of financing. Current limits on some available tax credits constrain the amount of affordable housing that can be built. A State increase of available tax credits, combined with additional City-funded subsidies (from a new revenue source), could support the development of additional affordable housing units.

AB 2734 (Atkins) would appropriate savings in the State General Fund as a result of the dissolution of redevelopment to the newly created Local Control Affordable Housing Act in an amount of 50 percent of savings or \$1 billion, whichever is greater, to support local housing programs. Dissolution of the Community Redevelopment Agency/Los Angeles resulted in the loss of approximately \$56 million annually based on available receipts during the five-year period between 2008 and 2012 allocated to the development of affordable housing. This bill could create a new source of funding to match funds that could be generated by a new City revenue source.

In addition, the County will pursue legislation to establish a new State Matching Fund program to combat homelessness, which would be funded with \$100 million in one-time State General Fund revenue (SGF) in FY 2016-17. The proposal would make funding available to counties and cities, and would seek to: 1) provide subsidized housing to homeless disabled individuals pursuing Supplemental Security Income; 2) partner with cities to expand Rapid Re-Housing; 3) provide housing choice vouchers for permanent supportive housing; 4) provide interim/bridge housing for those exiting institutions; and 5) enhance the emergency shelter system.

Initiative Relative to Affordable Housing

The Build Better LA Coalition is seeking the qualification of a local ballot measure called "The Build Better LA Initiative" (Initiative) which intends to amend the City's municipal code the City's General Plan to address the affordable housing and homelessness issues. The Initiative would require that developers meet certain criteria, such as a requirement that they pay construction workers standard wages in the project area and employ 60 percent of their workforce from an apprenticeship training program or employ workers who have on-the-job experience. The Initiative would apply to projects with 10 or more residential units that require a General Plan amendment or a zone or height district change that will increase density.

Under the terms of the proposed initiative, a developer must 1) provide for on-site affordable units, 2) construct off-site affordable housing, or 3) pay an in-lieu fee. For example, a developer could construct off-site units equal to the number of required on-site affordable units if these are constructed within one-half mile of the outer edge of a project. Another alternative would be off-site acquisition, where the affordability requirements may be satisfied by the acquisition of property containing At-Risk Affordable Units and converting the units to non-profit, Community Land Trust, and/or tenant ownership. The City would determine an in-lieu fee based on a formula described in the Initiative. The Initiative also creates development incentives for transit-oriented projects within a half-mile radius of major transit stops under certain circumstances. Should the Initiative qualify for the November ballot and pass, its impacts to the City's affordable housing strategies would need to be assessed. It is not clear whether these provisions would be in conflict with State law and the *Palmer* ruling with regard to the Costa-Hawkins Rental Housing Act.

ATTACHMENT 1
Inclusionary Zoning
Program Components

Attachment to Motion (Reyes-Garcetti)

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
 April 6, 2004

1. Inclusionary Zoning Requirements

Issue	Ordinance/ Guideline	Requirements
<p>1.1 Percentage of total units (bedrooms) that must be affordable and target household incomes</p> <p>1.2 Target household incomes</p>	Ordinance	<p>Developer may choose from options 1 through 4 outlined below. Percentage set-aside requirements and target household incomes:</p> <ol style="list-style-type: none"> 1. For rental units, set aside at least 12 percent for households with an income at or below 50 percent of area median income 2. For rental units, set aside at least 10 percent to units dedicated to accepting Section 8 certificates and/ or for households at or below 30 percent of area median income 3. For for-sale units (condominiums and single-family dwellings), set aside at least 20 percent for households with an income at or below 80 percent of area median income 4. For for-sale units (condominiums and single-family dwellings), set aside at least 40 percent for households at or below 120 percent of area median income 5. Adaptive reuse projects are exempt 6. Inclusionary units must have comparable number of bedrooms as market rate units and a proportional unit mix as the market rate units.
<p>1.3 Maximum affordable housing expense</p>	Ordinance	<ol style="list-style-type: none"> 1. Renter: affordable rent is 30% of targeted income, net of utility allowances 2. Owner: affordable mortgage is 35% of targeted income, net of insurance, property taxes, homeowner association dues, utilities
<p>1.4 Mandatory</p>	Ordinance	Mandatory

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
 April 6, 2004

2. Applicability of Inclusionary Zoning Program

Issue	Ordinance/ Guideline	Requirements
2.1 Geographic applicability	Ordinance	Citywide
2.2 Minimum project size	Ordinance	Applies to all new residential developments of five units or more (i.e., exempt four units or less)
2.3 Type of development	Ordinance	New construction housing
2.4 "Grandfather" clause/ Effective date	Ordinance	<ol style="list-style-type: none"> 1. Entitlements application submitted to the City within five months of the ordinance effective date 2. Building permit application deemed complete by City within five months of the ordinance effective date
2.5 Review Clause	Ordinance	<ol style="list-style-type: none"> 1. The City Council shall review the ordinance within three years of its effective date. 2. The Affordable Housing Commission and Housing Department shall provide regular monitoring reports to the City Council and Mayor.
2.6 Waiver	Ordinance	Developer may appeal to the City for a waiver of the requirements based upon developer demonstrating substantial evidence of the absence of any reasonable relationship between the impact of the development and the inclusionary requirement or amount of the fee charged

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
 April 6, 2004

3. Term of Affordability, Documenting Restrictions

Issue	Ordinance/ Guideline	Requirements
3.1 <u>Renter</u> : number of years rent of inclusionary units must be affordable to targeted income group	Ordinance	Permanent (in perpetuity)
3.2 <u>Owner</u> : number of years sale price must be affordable to targeted income group	Ordinance	Permanent (in perpetuity)
3.3 Documenting rent restrictions	Ordinance	Both regulatory agreement and deed restrictions recorded against the land
3.4 Documenting resale, other restrictions, ownership units	Ordinance	<ol style="list-style-type: none"> 1. <u>Resale restrictions</u>: owner must sell property to targeted income household, price of home limited to original sale price plus increases in area median income, improvements approved by City, broker's fees, and other typical seller costs, if any 2. <u>Occupancy requirements</u>: owner must occupy unit and is not allowed to rent the unit.

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
April 6, 2004

4. Alternative Compliance Options

Issue	Ordinance/ Guideline	Requirements
4.1 In lieu fee applicability	Ordinance	Option available to all developers
4.2 In lieu fee amount	Ordinance and Guideline	<ol style="list-style-type: none"> 1. Based on economic equivalent of the cost of constructing units required to fulfill the off-site construction alternative (which is greater in number by 10% as the number of units that would have built on-site) 2. For rental development, recalculate fee with updated gap analysis every 2 years 3. For owner developments, recalculate fee based on difference between market price of new construction home and price affordable to targeted households every 2 years
4.3 Off-site construction	Ordinance	<ol style="list-style-type: none"> 1. Option available to all developers subject to approval by the Housing Department 2. The number of units constructed off-site shall equal at least 1.10 time that of the on-site requirement 3. Certificate of occupancy must be issued prior to or simultaneous with certificate of occupancy for market rate development 4. Off-site units must be equal or greater in number, have equal or more bedrooms as units that would be built on-site 5. Off-site units should be close to services, schools, transit, recreation 6. Off-site units must be located in the same Community Plan area as the market-rate development 7. Housing Department shall certify compliance prior to issuance of a certificate of occupancy for the market rate development

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
April 6, 2004

4.4 Land dedication	Ordinance	<p>Land must exhibit following characteristics:</p> <ol style="list-style-type: none"> 1. Land value must equal the economic equivalent of providing inclusionary units on-site 2. Land is appropriately zoned for the affordable housing development 3. Site is buildable 4. Site is free of environmental issues 5. Site can accommodate at least the number of affordable units required under the inclusionary housing program 6. Site is located near schools, services, recreation, transit 7. Clear title delivered to City-designated entity prior to issuance of building permit on market rate development 8. Site is located in the same Community Plan area as the market rate development <p>Housing Department shall certify compliance prior to issuance of a certificate of occupancy for the market rate development</p>
4.5 Acquisition or acquisition/ rehabilitation	Ordinance	<ol style="list-style-type: none"> 1. Option available to all developers if at-risk affordable housing units are preserved or vacant units are returned to the affordable housing market. 2. Acquired or rehabilitated units must be located in the same Community Plan area as the market-rate development 3. Partnerships between market rate and affordable housing developers allowed 4. Comparability standards shall be established: <ol style="list-style-type: none"> a. Bedroom count comparability b. Number of units equals at least 1.10 times the number of units required for on-site compliance c. Physical needs assessment and escrowed funds needed to pay for rehabilitation d. Environmental e. Close to services, schools, transit, recreation <p>Housing Department shall certify compliance prior to issuance of a certificate of occupancy for the market rate development</p>

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5. Incentives and Offsets

Issue	Ordinance/ Guideline	Requirements
5.1 Density bonus	Ordinance	Existing density bonus pursuant to State Law (Calif. Government Code Sec. 65915) and City Ordinance (Los Angeles Municipal Code Sec. 12.22 A 25) applies By right additional 15% density bonus if project is located next to transit and project complies with on-site inclusionary requirements
5.2 Alternative unit type	Ordinance	<ol style="list-style-type: none"> 1. Allow townhome construction of affordable units in single family detached home development 2. Allowed stacked flat construction in townhome development 3. Allow rental units in ownership development
5.3 Design of units	Ordinance	<ol style="list-style-type: none"> 1. Affordable units may incorporate more modest interior finishes so long as the interior features are durable, of good quality and consistent with current code requirements for new housing 2. Affordable units may be smaller than market rate units but must meet minimum size standards consistent with standards set forth by the California Tax Credit Allocation Committee (TCAC) 3. Exterior design of affordable units shall not be distinguishable from market rate units
5.4 Location of units	Ordinance	Affordable units shall be scattered throughout development
5.5 Fee deferrals	Ordinance	Payment of building permit, impact fees may be deferred until the City issues a certificate of occupancy

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
April 6, 2004

5.6 Parking	Ordinance	<ol style="list-style-type: none"> 1. Parking requirements for developments that build inclusionary units on-site may be reduced to one space per inclusionary unit consistent with the City's existing affordable housing parking requirements 2. Guest parking spaces waived if the project is located within ¼ mile of transit 3. Compact parking spaces are allowed 4. Unlimited tandem parking for assigned spaces is allowed
5.7 Open space, floor area ratios, building height	Ordinance	<ol style="list-style-type: none"> 1. Common open space requirements may be waived for inclusionary units only 2. Floor area ratio (FAR) may be increased to accommodate density bonus units and mixed-use development 3. For Height District IVL or equivalent, average building height up to 66 feet will be allowed to accommodate use of density bonus 4. For Height District IXL or equivalent, average building height of 41 feet will be allowed to accommodate use of density bonus
5.8 Site plan review	Ordinance	Raise threshold to 100 units pursuant to exemption from CEQA for infill housing development (Senate Bill 1925)
5.9 Expedited Construction and Entitlement Permit Processing	Ordinance	Residential projects with on-site inclusionary units shall have priority processing to the extent that discretionary actions are required
5.10 Time Limit – Entitlement Requests	Ordinance	If the City fails to act on entitlement requests within 180 days from the date an application is deemed complete, the requests shall automatically be deemed to be approved
5.11 Financial subsidy	Ordinance	Developer may seek public subsidy in order to fulfill inclusionary requirement; but compliance is required regardless whether developer is successful in obtaining subsidy

ATTACHMENT I: PROGRAM COMPONENTS
CITY OF LOS ANGELES INCLUSIONARY ZONING ORDINANCE
 April 6, 2004

6. Implementation

Issue	Ordinance/ Guideline	Requirements
6.1 Administrative authority	Ordinance	<ol style="list-style-type: none"> 1. Los Angeles Housing Department, Department of City Planning, and Department of Building and Safety in charge of imposing inclusionary requirements 2. LAHD in charge of administration, certifying initial compliance, oversight, monitoring, and asset management
6.2 Uses for in lieu fees	Ordinance	<ol style="list-style-type: none"> 1. Fees paid to Housing Trust Fund 2. Use of fees tied to income and tenure inclusionary requirements of specific projects paying fees

7. Asset Management

Issue	Ordinance/ Guideline	Requirements
7.1 Enforcement and monitoring	Ordinance and Guideline	<ol style="list-style-type: none"> 1. Renter: <ol style="list-style-type: none"> a. Annual certifications provided by developers b. On-site inspections by City 2. Owner: <ol style="list-style-type: none"> a. City monitors occupancy requirements b. City receives notice through right of first refusal from homeowner of intent to sell
7.2 Sanctions	Ordinance	Civil actions; including but not limited to: (1) actions to revoke, deny or suspend any permit, including a building permit, certificate of occupancy or discretionary approval; (2) actions for injunctive relief, foreclosure of liens or damages; and (3) use of violations of ordinance as a defense in litigation including unlawful detainer. Reasonable attorneys' fees may be recovered in all such actions.

ATTACHMENT 2
Survey of Inclusionary Zoning
Laws in Other U.S. Cities

Inclusionary Zoning Programs in Other Cities

The CLA has conducted a review of inclusionary housing ordinances and policies in municipal jurisdictions throughout the United States. In looking at these ordinances and policies, we examined the inclusionary zoning requirements in terms of affordable housing set-asides, populations served, and in-lieu fees. The jurisdictions that we have examined are Pasadena, San Francisco, San Diego, Boston, and New York City.

Pasadena

The Inclusionary Housing Ordinance (IHO) of the City of Pasadena applies to projects of ten or more units and requires that 15 percent of the total number of dwelling units in a residential project to be developed, offered to, and sold or rented to households of low and moderate-income at an affordable housing cost. At the time of the IHO's approval in 2001, projects had a requirement of allocating a minimum of 10 percent of rental units to low-income households, with the remaining 5 percent to be rented to low or moderate income households. Due to the Palmer decision, the requirements of the ordinance that continue to be legal as a result of the court ruling are those that apply to for-sale units. The IHO requires that a minimum of 15 percent of for-sale units of the total number of units shall be sold to low or moderate-income households. Inclusionary units that are for-sale shall remain reserved for the target income level for 30 years. The for-sale inclusionary units that are created are targeted towards low to moderate income households. Low-income households (rental or for-sale) earn 30 percent of 80 percent of the LA County AMI. Moderate-income households (for-sale) earn 40 percent of 110 percent of the LA County AMI.

The City of Pasadena's IHO also presents opportunities for alternatives to constructing affordable housing. Instead of constructing on-site affordable housing, developers may either choose to construct the required units on another site, rehabilitate the required inclusionary units at another site, donate land to the City for the construction of inclusionary units, or pay a fee in-lieu of building the required affordable for-sale units. The amount of a fee that can be paid in-lieu of building the affordable units is determined through a fee schedule that is adopted through a City Council Resolution. The in-lieu fee schedule is periodically revised in accordance with changes in the LA County AMI and the market prices of newly constructed rental and ownerships units in the City. If a developer chooses to pay a fee in-lieu of developing the required affordable units, they must pay half of the required fee prior to issuance of the building permit, and then pay the remainder to receive the certificate of occupancy. Payments of the fee in-lieu of affordable units are paid into the Inclusionary Housing Trust Fund. Certain projects may be exempted from the IHO if they are subject to the requirements of specified agreements as a result of receiving discretionary approvals, engage in a redevelopment agreement, or if they had obtained a variance or conditional use permit prior to the effective date of the IHO.

Adopted FY 2016 Rate			
10 – 49 Rental Units		10 – 49 For Sale Units	
Sub-area A	TBD	Sub-area A	\$43.56/sq. ft.
Sub-area B	\$1.14/sq. ft.	Sub-area B	\$16.04/sq. ft.
Sub-area C	\$25.21/sq. ft.	Sub-area C	\$26.36/sq. ft.
Sub-area D	\$22.92/sq. ft.	Sub-area D	\$20.63/sq. ft.
50+ Rental Units		50+ For Sale Units	
Sub-area A	TBD	Sub-area A	\$60.75/sq. ft.
Sub-area B	\$1.14/sq. ft.	Sub-area B	\$21.78/sq. ft.
Sub-area C	\$34.39/sq. ft.	Sub-area C	\$36.68/sq. ft.
Sub-area D	\$32.10/sq. ft.	Sub-area D	\$28.65/sq. ft.

San Diego

The City of San Diego's Inclusionary Affordable Housing Ordinance applies to all new residential development and condominium conversions of two or more units. The ordinance requires the payment of an inclusionary affordable housing fee, which is calculated by multiplying the applicable square foot charge by the aggregate gross floor area of all dwelling units. The applicable square foot charge is calculated by the San Diego Housing Commission as follows:

- Fifty percent of the difference between the median sales price of all homes sale in the City of San Diego and the amount of money a median-income family of four is able to afford to purchase a home;
- The result of the above calculation is multiplied by 10 percent, in order to represent the level of obligation under the Program;
- The result of the previous calculation shall then be divided by the average size in square feet of a unit constructed within the City of San Diego to determine the level of the fee, and may be adjusted from time to time; and
- The applicable square foot charge, or the base rate, resulting from the above calculation shall be prorated for developments of less than 10 units, and shall be based upon the number of units in the development. The applicable square foot charge for a development of 2 units shall be 20 percent of the base rate. The applicable square foot charge shall increase by 10 percent for each additional units in the development, up to 9 units.

The Inclusionary Affordable Housing Fee Rates for Residential Projects as of July 1, 2015, are as follows:

Units in Development	Fee Rate
2	\$1.90/sq. ft.
3	\$2.85/sq. ft.
4	\$3.81/sq. ft.
5	\$4.76/sq. ft.
6	\$5.71/sq. ft.
7	\$6.66/sq. ft.
8	\$7.61/sq. ft.
9	\$8.56/sq. ft.
10 or more	\$9.51/sq. ft.

The Inclusionary Affordable Housing Fee Rates for Condominium Conversion Projects are as follows:

Units in Development	Fee Rate
2	\$0.95/sq. ft.
3	\$1.42/sq. ft.
4	\$1.90/sq. ft.
5	\$2.38/sq. ft.
6	\$2.85/sq. ft.
7	\$3.33/sq. ft.
8	\$3.80/sq. ft.
9	\$4.28/sq. ft.
10 or more	\$4.75/sq. ft.

As an exemption from the fee, developers may choose to set-aside at least 10 percent of the total number of for-sale dwelling units in the projects for households earning no more than 100 percent AMI. For condominium conversions, developers may choose to set-aside 5 percent of the conversions for households earning no more than 80 percent AMI. Projects may also be exempt from the fee if the project or portion of the project has units that are being sold to households that utilize the property as their primary residence, own no other properties, and have up to 150 percent AMI. When selling the for-sale affordable housing units, the sales price shall not exceed an amount that is affordable to a targeted ownership household. Developers may also choose to rehabilitate an existing building, as long as the rehabilitation does not result in a net increase of units relative to the original number of units. If the developer of a project chooses to pay the inclusionary affordable housing fee, it must be paid on or before the issuance of construction permits, or it may be pre-paid. Variance and waivers can be granted as a result of discretionary approvals when specific findings can be substantiated.

An incentive for the provision of affordable housing that the City of San Diego offers to developers is expedited processing. To be eligible for the Expedite Program the developer must pay a project fee of \$500 per unit, as well as comply with one of the following:

- Set aside at least 10 percent affordable for-sale units (100 percent AMI)
- Voluntarily provide at least 10 percent on-site affordable rental units (100 percent AMI for 55 years)
- Set aside at least 5 percent of condominium conversions for affordable housing (100 percent AMI)
- Meets the sustainable buildings requirement established under City Council Policy 900-14

If eligible, the project may receive reduced processing times for development review for both discretionary and ministerial projects that provide affordable housing. In order to comply with the Costa-Hawkins Rental Housing Act, if a developer voluntarily provides on-site affordable rental units, the City must provide regulatory incentives and/or concessions that result in financially sufficient project cost reductions. Projects that elect to pay the Affordable Housing fees to satisfy the Inclusionary Affordable Housing Ordinance are not eligible for expedited processing. An integral component that contributes to the success of the Expedite Program is the Mandatory Initial Review (MIR) process. The benefits of the MIR process to individual projects includes, but is not limited to the following:

- Early initiation of the environmental review process and more opportunities to resolve environmental issues resulting in a higher potential for environmental exemption
- Identification and early resolution of any potential project flaws and/or unforeseen circumstances
- Early involvement and project commitment from a team of City staff who will follow a project through its final hearing
- An opportunity for the applicant's consultants and the City team to discuss the project and facilitate the expedited permit process

Equity from for-sale affordable housing units in a for-sale development isare split between the owner and San Diego Housing Commission in an amount based upon

length of ownership at the time of the first resale. Funds received by the San Diego Housing Commission are paid into the Affordable Housing Fund.

Boston

The City of Boston's Inclusionary Development Policy (IDP) applies to proposed residential projects that have 10 or more units and are financed by the city, projects that are built on any city-owned property, or projects that require zoning relief. IDP requires that each project provide on-site affordable units in an amount not less than 13 percent of the total units of the project.

- IDP Requirement = $0.13 \times \text{Total units}$
 - If the remainder is 0.5 or above, an additional on-site unit will be required
 - If the remainder is below 0.5, the remainder shall be multiplied by the relevant Affordable Housing Cost Factor (i.e. \$380,000 for Zone A; \$300,000 for Zone B; and \$200,000 for Zone C)

The IDP currently divides the City of Boston into three development zones: Zones A, B, and C. Each of these three development zones were created to better reflect the housing markets in each respective area of Boston and are utilized in the calculation of the IDP contribution and percentage set-asides for off-site units. The creation of the percentage set-asides relative to the three development zones were intended to maximize requirements in certain areas without slowing development elsewhere in the City of Boston.

An alternative to the on-site affordable housing set-asides, with the approval of the Boston Redevelopment Agency, is the building of affordable housing units at an off-site location. The off-site requirements for affordable housing units vary by development zone and are as follows: 18 percent of total units in the initial project in Zones A and B, and 15 percent of total units in the initial project in Zone C. The off-site locations of the development must be no more than one half-mile away from the initial proposed project in order to serve the intended community respective to the development zone. Additionally, off-site locations need to have a building permit before the initial proposed project receives its certificate of occupancy. If the building permit for the off-site development is not obtained then the affordable housing units will be required on-site at the initial proposed project. Developers may also choose to rehabilitate units instead of building off-site units. Rehabilitated units must also adhere to the above mentioned zone requirements for off-site developments.

With the approval of the Boston Redevelopment Agency, an additional alternative to the on-site affordable housing set-asides is the payment of an IDP contribution (in-lieu fee), which is paid into the Inclusionary Development Fund. Homeownership projects located in Zone A may choose to meet the IDP requirements through the payment of an IDP contribution, whereas in Zones B and C homeownership projects may only meet the IDP requirements through an IDP contribution with the approval of relevant city departments and agencies. If a project is a rental proposed project, it may only meet the IDP requirements through an IDP contribution in-lieu of on-site units. The contribution is

calculated as the off-site affordable units required for the project zone multiplied by the Affordable Housing Cost Factor. The IDP contribution utilizes the off-site affordable requirements in its calculation in order to leverage the collected funds for the creation of affordable housing elsewhere in Boston. The Affordable Housing Cost Factor and off-site affordable units required for the project zones are as follows:

- Zone A – 18 percent of the total units multiplied by \$380,000
- Zone B – 18 percent of the total units multiplied by \$300,000;
- Zone C – 15 percent of the total units multiplied by \$200,000;

The affordable units that are created as a result of IDP are targeted towards moderate to middle- income households. Rentals are for households earning 70 percent AMI or less, and have an affordability term of 30 years, with an additional renewal for 20 years. The Boston Redevelopment Agency may also restrict affordability for 99 years. For Zone C, if projects are rendered financially infeasible, then some units may be designated for households earning at 70-100 percent AMI. For-sale affordable units are split, with one-half dedicated to incomes between 80-100 percent AMI and the other one-half dedicated to 80 percent or less AMI.

New York

The City of New York's Mandatory Inclusionary Housing (MIH) program applies to developments, enlargements, or conversions that are greater than 10 units and would make affordable housing mandatory and permanent when approved through land use actions. MIH stipulates that affordable units can be on-site within the same building as market-rate units and must be spread on at least 65 percent of the building's stories, with a common street entrance and lobby. Affordable units may also be built in separate, independent buildings within the same zoning lot. Developers may also fulfill the affordable housing unit requirement through off-site units that are within a different zoning lot, and located within the same Community District or within one half-mile of the proposed project.

For projects that are between 11-25 units, developers may pay a fee in-lieu of setting-aside affordable units. Payments that are made in-lieu of affordable housing set-asides are paid into the Affordable Housing Fund, and reserved for 10 years for use in the same Community District, and thereafter can only be used in the same borough in which the fund was collected. The affordable housing requirement as a result of the MIH can be waived if there are findings that the set-asides would make the development infeasible.

When housing capacity is approved through land use actions for each rezoned area, the City Planning Commission and City Council can choose to impose either one **OR** both of the following options:

- 25 percent of the residential floor area must be for affordable housing units for households with up to 60 percent AMI

- At least 10 percent of the 25 percent of the residential floor area within the same development must be set-aside for households at 40 percent AMI
- 30 percent of the residential floor area must be for affordable housing units for households with up to 80 percent AMI

In addition the City Planning Commission and City Council may also add one or both of two other options:

- Deep Affordability Option - 20 percent of the residential floor area must be for affordable housing units for households with up to 40 percent AMI.
 - Public subsidies cannot be used for this development except where public funding is necessary to support a significant amount of affordable housing that is in addition to the approved affordable housing floor area
- Workforce Option - 30 percent of the residential floor area must be for affordable housing units for households with up to 115 percent AMI, with the following restrictions:
 - At least 5 percent of the 30 percent of the residential floor area within the same development must be set-aside for households at 70 percent AMI
 - At least 5 percent of the 30 percent of the residential floor area within the same development must be set-aside for households at 90 percent AMI
 - No units can go to residents with incomes above 135 percent AMI
 - Cannot be used with public subsidies
 - Sunset 10 years after it is adopted in any MIH area
 - Not available in Manhattan Community Districts 1-8 (Manhattan Core)

San Francisco

The City and County of San Francisco's Inclusionary Affordable Housing Program requires that any housing projects with 10 or more units comply with Section 415 of the San Francisco Planning Code. In response to the Palmer decision, the City and County of San Francisco has amended their inclusionary housing ordinance to eliminate the requirement of providing rental units as a means to satisfy the ordinance's inclusionary requirement. The ordinance, as amended, requires that all developers must pay an Affordable Housing Fee unless the project qualifies for an exception.

The amount of the fee is calculated yearly, and approved by the Board of Supervisors to be incorporated into the fee schedule. Project sponsors must pay the fee prior to the first construction permit issuance, with an option for the project sponsor to pay a deferral surcharge that defers payment until the issuance of the first certificate of occupancy. The Affordable Housing Fee is calculated by using the 20 percent off-site affordable housing requirement for the respective unit type (i.e. studio, 1-bedroom, etc) and multiplying the off-site unit requirement by the fee associated with each unit type. The Affordable Housing Fee schedule associated with each unit type is as follows:

Affordable Housing Fee Schedule (2016)	
Unit Type	Fee per Unit
Studio Unit	\$198,008
1-Bedroom Unit	\$268,960
2-Bedroom Unit	\$366,369
3-Bedroom Unit	\$417,799
4-Bedroom Unit	\$521,431

Example - Affordable Housing Fee Determination					
Unit Size	Market Rate Total	20 percent Off-site Req.	Off-Site Unit Req.	Fee by Unit Size	Fee Payable
Studio	3	20 percent	0.60	\$198,008	\$118,805
1-Bedroom	2	20 percent	0.40	\$268,960	\$107,584
2-Bedroom	5	20 percent	1.00	\$366,369	\$366,639
3-Bedroom	5	20 percent	1.00	\$417,799	\$417,799
4-Bedroom	5	20 percent	1.00	\$521,431	\$521,431
Totals:	20		4.0		\$1,532,258

Payment of the Affordable Housing Fee is deposited into the Affordable Housing Fund, which is used to increase the supply of affordable housing for targeted households, provide assistance to low and moderate income homebuyers, and pay expenses associated with monitoring and administering compliance of the Program. In addition, 10 percent of the fees collected that are associated with the Inclusionary Affordable Housing Program are designated and separately accounted into the Small Sites Fund for the acquisition and rehabilitation of Small Sites, which are properties consisting of less than 25 units and designated as affordable housing for no less than 55 years. Properties that are supported by the Small Sites Fund must be rental properties, vacant properties that were formerly rental properties and have been vacant for a minimum of two years, properties that have been foreclosed, and properties owned or leased by a Community Land Trust non-profit.

As an alternative to paying the Affordable Housing Fee, project sponsors may apply to voluntarily set-aside 12 percent of their total units on-site or 20 percent of their total units off-site as affordable housing to households that are low- to moderate-income citywide, or elect to a combination thereof, in-lieu of paying the Affordable Housing Fee.

Certain Plan Areas within San Francisco have separate set-aside requirements for on- and off-site affordable units. If a project sponsor elects to comply with the Inclusionary Affordable Housing Program through off-site affordable units, the off-site development must be within one mile of the principal project. As it is financially infeasible for some projects to pay the Affordable Housing Fee, the State of California's Costa-Hawkins Rental Housing Act allows for several exemptions under Civil Code Section 1954.52(b) and are as follows:

- Projects receive direct financial contribution from a public entity
- Projects receive density bonus or other public form of assistance
- Project has Development Agreements with the City where a development bonus has been granted, following BOS approval

The affordable units created as a result of the Inclusionary Affordable Housing Program are targeted towards low- to moderate-income households. On-site affordable units sold as a result of the program are sold to households for 90 percent AMI, whereas rental units are rented to households for 55 percent AMI. Off-site affordable units that are sold as a result of the program are sold to households for 70 percent AMI, whereas rental units are rented to households for 55 percent AMI.

ATTACHMENT 3
Projected General Obligation
Bonds Tax Rate Per
Median House

Projected General Obligation Bonds Tax Rate Per Median House

Fiscal Year Ending	Tax Rate Per Median House			
	Existing City GO Bonds and Authorization	New Housing Bonds	Non-City GO Bonds	Total
2016	89.90	0.00	573.66	663.56
2017	78.43	0.00	690.18	768.61
2018	78.12	0.00	680.41	758.53
2019	73.88	22.37	641.95	738.20
2020	69.77	21.61	623.38	714.77
2021	63.98	42.31	615.09	721.39
2022	57.70	40.79	614.38	712.87
2023	47.35	59.84	601.30	708.48
2024	38.43	57.54	591.90	687.86
2025	31.31	75.03	562.13	668.47
2026	19.94	72.01	542.85	634.79
2027	16.59	88.01	511.50	616.11
2028	13.88	84.32	487.16	585.36
2029	13.10	80.57	428.40	522.07
2030	9.88	76.88	427.42	514.18
2031	5.08	73.20	427.49	505.76
2032	4.76	69.58	425.26	499.60
2033	1.78	66.02	403.67	471.48
2034	1.67	62.54	409.93	474.14
2035	1.57	59.12	69.99	130.68
2036	1.47	55.78	70.91	128.17
2037	1.38	52.52	69.06	122.95
2038	0.00	49.34	70.51	119.84
2039	0.00	38.72	58.37	97.09
2040	0.00	36.29	57.22	93.51
2041	0.00	26.70	36.05	62.75
2042	0.00	24.95	35.07	60.02
2043	0.00	16.31	33.94	50.26
2044	0.00	15.21	32.83	48.03
2045	0.00	7.46	31.72	39.17
2046	0.00	6.93	30.61	37.54
2047	0.00	0.00	29.52	29.52
2048	0.00	0.00	28.43	28.43
2049	0.00	0.00	27.35	27.35
2050	0.00	0.00	0.00	0.00

Factors and Assumptions:

1. Taxable Assessed Valuation as of January 1, 2015 totaled to \$497.86 billion.
2. Median Assessed Value (AV) of Single Family Home as of January 1, 2015 equaled \$327,9000. Assumed a 2% AV growth.
3. Assumed the City's remaining \$60 million GO authorization will be issued in 2018.
4. Does not include unissued GO authorization for overlapping debt. The estimated unissued authorization is \$7 billion.

ATTACHMENT 4
Supplement to March 9, 2016
Memo Regarding Revenue
Options to Address
Homelessness Crisis in
Los Angeles County



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
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SACHI A. HAMAI
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

March 30, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

**SUPPLEMENT TO MARCH 9, 2016 MEMO REGARDING REVENUE OPTIONS TO
ADDRESS HOMELESSNESS CRISIS IN LOS ANGELES COUNTY (ITEM NO. 14,
AGENDA OF FEBRUARY 23, 2016)**

On March 9, 2016, I submitted the attached memo which identified five potential options for generating ongoing revenue to combat homelessness. That memo did not include the potential amount of revenue that could be generated by each option.

I am now able to provide an estimate of the revenue that could be generated by three of the five identified options:

Revenue Option	Estimated Annual Revenue
Transaction and Use Tax (sales tax)	\$373M (1/4 cent) to \$746M (1/2 cent)
Parcel Tax	\$274 million (Estimate based on Measure B revenue. Actual revenue could be higher or lower, based on the scope and amount of a parcel tax.)
Local High Income Tax (1/2% of personal income above \$1 million/year)	\$243 million

As described in the attached March 9 memo, we are conducting polling to assess the level of potential voter support for the various options and will report back to the Board as soon as the polling results are available.

"To Enrich Lives Through Effective And Caring Service"

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Intra-County Correspondence Sent Electronically Only**

Each Supervisor
March 30, 2016
Page 2

If you have any questions or require additional information, please contact Phil Ansell, Director, Homeless Initiative at pansell@ceo.lacounty.gov or 213-974-1752.

SAH:JJ:FD
PA:ef

Attachment

c: Executive Office, Board of Supervisors
 County Counsel
 Health Services



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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<http://ceo.lacounty.gov>

March 9, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

REVENUE OPTIONS TO ADDRESS HOMELESSNESS CRISIS IN LOS ANGELES COUNTY (ITEM NO. 14, AGENDA OF FEBRUARY 23, 2016)

In response to the current homelessness crisis which pervades Los Angeles County, the County launched the Homeless Initiative on August 17, 2015, a multi-department effort to develop a comprehensive set of recommended County strategies to reduce homelessness. An inclusive, collaborative planning process brought together 25 County departments, 30 cities, and over 100 community organizations in 18 policy summits, followed by a 500-person community meeting to discuss the draft strategies and written comments from over 200 organizations and individuals.

On February 9, 2016, the Board unanimously approved the Homeless Initiative's coordinated set of 47 recommended strategies, and allocated \$99.7 million in one-time funding to support the initial implementation of the approved strategies. At the same time, the Board acknowledged the need for ongoing revenue to sustain the approved strategies and directed the CEO to collaborate with the Board to explore potential sources of ongoing revenue.

On February 23, 2016, the Board of Supervisors instructed the Chief Executive Office (CEO) to explore options to increase revenues dedicated specifically to address Los Angeles County's homeless crisis, such as a Mental Health Services Act-like proposal and report back to the Board in 30 days or less; conduct polling and research activities to inform the Board as to the optimum timing of when the various options, if authorized, should be submitted for voter approval and how it should be crafted to ensure efficacy, transparency, accountability and the highest likelihood of passage; and to further clarify the full impacts that are being considered for the November 2016 ballot and take into consideration Local and State Initiatives including the potential 2016 Transportation Measure known as R2, the potential park measure and any additional local measures; and instructed the Chief Executive Officer, the Director of Health Services and County Counsel to report back to the Board on the feasibility of placing an initiative on the ballot to expand the services reimbursable under Measure B to include programs for the homeless, thereby not increasing the total tax burden; the authority to utilize

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existing Measure B funds to establish services to prevent avoidable emergency room visits by homeless individuals; and other revenues and funding that may be available without tax increases.

This is an interim report which is focused on the various revenue options. As described below, the CEO is pursuing polling and additional research on various options.

Potential Countywide Revenue Options

The County's authority to raise revenue is defined by State law, and the County's authority to raise revenue countywide (as distinguished from the unincorporated areas) is quite limited. The CEO has consulted extensively with County Counsel regarding legally-available options to generate ongoing revenue to combat homelessness. The CEO and County Counsel have jointly identified the following options:

Parcel Tax – The County could seek voter approval for a parcel tax tied to countywide functions related to homelessness, such as mental health services and General Relief. Such a measure would be analogous to Measure B, the countywide trauma tax. An affirmative vote by at least two-thirds of the electorate would be required for passage.

Redirection of Measure B Revenue – According to the Departments of Health Services (DHS) and Public Health (DPH), all Measure B revenue currently allocated to those departments is needed, and any redirection of Measure B revenue would create a deficit in their budgets. Should the Board wish to pursue a redirection of Measure B revenue, County Counsel would need to determine the legal steps that would be required.

Marijuana Tax – Under the Medical Marijuana legislation enacted in 2015, the County could seek voter approval for a tax on medical marijuana; such a measure could be drafted to also apply to recreational marijuana, in the event that recreational marijuana is legalized in California. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. If the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Transaction and Use Taxes – Subject to voter approval, the County has the option to raise the countywide transaction and use tax. Transaction and Use Taxes ("TUTs") are identical to sales taxes in scope and are collected at the same time as sales taxes. TUTs, whether general or specific, are capped at 2% countywide. Currently, for purposes of this cap, the County levies TUTs totaling 1% countywide. However, cities also have the authority to levy their own TUTs, and several cities in the County have done so. Although all TUTs together are subject to the 2% cap, cities which have levied their own TUTs would not lose that income, but would instead receive the revenue from the countywide TUT that they would have received under their own TUT, in the absence of a new countywide TUT.

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County Counsel has determined that the County has the authority to seek voter approval of an additional countywide TUT up to 1% without exceeding the 2% cap. This tax would require a simple majority vote of the electorate if it were not specifically tied to homelessness, and a two-thirds vote of the electorate if it were specifically for homelessness. Similar to the Marijuana Tax, if the tax were not specifically tied to homelessness, the ballot measure could include a non-binding, advisory question asking voters if they believed that the resulting proceeds should be used to combat homelessness.

Local Supplement to Mental Health Services Act (MHSA) Tax – The County could seek an amendment to State law which would authorize counties to seek voter approval to impose a local income tax on the same income which is subject to the MHSA tax, i.e. personal income in excess of \$1 million per year. This tax would be specifically to combat homelessness and would not be limited to people with mental health conditions. A simple majority vote of the Legislature would be required to provide this authority to counties. If the Legislature granted this authority and the Board decided to place such an initiative on a countywide ballot, two-thirds approval by the electorate would be required.

If such an amendment were enacted as part of a Budget Trailer Bill or through a regular bill with an urgency clause, it would be effective upon enactment; otherwise, it would be effective on the first January 1 following the date of enactment.

Polling Regarding Potential Revenue Options

In accordance with the Board's instruction on February 23, 2016, we will proceed with polling for the following potential revenue options identified above: parcel tax; marijuana tax; Transaction and Use tax; and local supplement to MHSA tax. This polling will take into consideration the statewide revenue initiatives that may appear on the November 2016 ballot, as well as the potential local 2016 Transportation Measure known as R2 and the potential park measure. We will report back to the Board, as soon as the polling results are available.

If you have any questions or require additional information, please contact Phil Ansell, Director, Homeless Initiative at pansell@ceo.lacounty.gov or 213-974-1752.

SAH:JJ:PA
AO:ef

c: Executive Office, Board of Supervisors
County Counsel
Health Services