

HOUSING and PLANNING AND LAND USE MANAGEMENT COMMITTEES REPORT relative to an Affordable Housing Linkage Fee (AHLF) exemption for middle-income homeownership.

Recommendation for Council action:

REQUEST the City Attorney to prepare and present an Ordinance to amend Los Angeles Municipal Code (LAMC) Section 19-18-B.2 (Affordable Housing Linkage Fee: Applicability Exemptions) substantially as detailed in the May 21, 2018 Los Angeles Housing and Community Investment Department (HCIDLA) report, attached to the Council file, and as follows:

2. Exemptions

c) Any single for-sale housing unit that:

- a. Is restricted to and dedicated for first-time homebuyers.
- b. Is owner-occupied by the first-time homebuyers.
- c. Is affordable to middle-income first-time homebuyers earning up to 150 percent of Area Median Income (AMI), adjusted per household size, and sold at a price not to exceed the current maximum home purchase price limits established under the City's Mortgage Credit Certificate (MCC) Program utilizing the Non-Targeted Areas High Cost Area Calculation (Maximum Purchase Price). The Maximum Purchase Price limits will be updated annually and posted on the HCIDLA's website.

If the applicant (developer) sells a restricted for-sale housing unit at a price which exceeds the Maximum Purchase Price, the applicable Linkage Fee must be paid in full. Maximum qualifying income levels for potential homebuyers shall be based upon the Maximum Annual Income Limits table published annually by HCIDLA. A covenant agreement running with the land, including the equity sharing provisions required by California Government Code 65915, shall be recorded against each restricted for-sale housing unit prior to the issuance of a building permit. Upon the resale of a restricted for sale-housing unit from the initially qualified homebuyer and the reseller's payment to the City of its initial subsidy and proportionate share of appreciation as defined by California Government Code 65915, the covenant may be terminated. The applicant shall pay any applicable covenant preparation, monitoring and termination fees required by LAMC Section 19.14. Payments and proceeds per this section, shall be deposited to the Housing Impact Trust Fund (Ordinance No. 185341).

Fiscal Impact Statement: The HCIDLA reports that there is no impact to the City's General Fund. However, allowing for this additional exemption will likely decrease the revenue generated by the Affordable Housing Linkage Fee and may reduce the City's ability to fund additional affordable housing units. The HCIDLA is currently preparing the AHLF Expenditure Plan based on the current projected AHLF revenue. The following is an estimate of AHLF revenue reduction based on new units that may be accessible to middle-income first homebuyers. From 2011 to

2016, there were 2,501 building permits issued for market-rate condominiums, artist-in-residence lofts, single-family attached homes, and modest single-family detached homes over 1,500 square feet and less than 2,500 square feet - all of which are currently required to pay the linkage fee. If all of these projects filed for this new AHLF exemption at the maximum current \$15 per square foot fee, the City could lose an estimated \$17 million per year in lost AHLF revenue into the Housing Impact Trust Fund.

Community Impact Statement: None submitted.

Summary:

On May 23, 2018, the Housing Committee considered a May 21, 2018 HCIDLA report relative to a AHLF exemption for middle-income homeownership. According the HCIDLA, access to homeownership allows families and individuals to acquire wealth and achieve greater financial stability. Encouraging homeownership can also stimulate long-term neighborhood investment and increase resident engagement and community involvement. As of 2016, Los Angeles had one of the lowest homeownership rates in the nation with just 36 percent of residents owning their own home (American Community Survey- 2016 One-Year Estimates). The low homeownership rate is due in large part to the City's increasingly high cost of housing.

The median home value in the city is now \$674,140- a price only affordable to households earning over \$130,000 (Zillow data as of April 2018). Because of the high price of housing, homeownership has become increasingly out of reach for even middle-income families. Although the City currently operates several incentive and subsidy programs to encourage homeownership, the low rate of new construction and the high price of housing has limited the City's ability to adequately meet the growing need. For example, the Moderate Income Purchase Assistance (MIPA) Program which provides support for moderate-income families to purchase a home, is currently oversubscribed and has only been able to assist 44 homeowners since October 2017.

After consideration and having provided an opportunity for public comment, the Housing Committee moved to recommend requesting the City Attorney to prepare and present an Ordinance to establish the exemption as contained in the HCIDLA report and the above recommendation. Subsequently, on June 12, 2018, the Planning and Land Use Management Committee also considered this matter and after consideration and having proved an opportunity for public comment, moved to concur with the Housing Committee. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE



MEMBER
CEDILLO:

VOTE
YES

KREKORIAN: ABSENT

HARRIS-DAWSON: YES

PLANNING AND LAND USE MANAGEMENT COMMITTEE



MEMBER

VOTE

HUIZAR:

YES

HARRIS-DAWSON: ABSENT

ENGLANDER:

YES

BLUMENFIELD:

YES

PRICE:

YES

ARL

6/12-18

-NOT OFFICIAL UNTIL COUNCIL ACTS-