

Date: 8/22/17

Submitted in PLUM Committee

Council File No: 17-0274

Item No.: 4

Communication

from Department of  
City Planning and  
Housing and Community  
Investment Department

**CF 17-0274**

**Affordable Housing Linkage Fee**

Planning and Land Use Management Committee

August 22, 2017



# Proposed AHLF - Recap

- Growing housing need with severe loss of funding
- City of LA is unique in not having own source of housing funds
- A permanent funding source allows for flexibility and innovation
- AHLF reflects nexus between new development and housing demand
- 2016 Nexus Study – BAE Economics



# June 6 PLUM Report Back Request

- Total development fees in LA; How compares to other cities
- Potential impacts on development and housing market
- Options for geographic variability
- Framework for revenue expenditure
- Definition of affordable housing and market rate, with examples
- Overall housing funding need
- Impact of potential federal cuts
- Other potential funding options
- Impact of expiration of existing affordability covenants and preservation strategies
- Impacts of other policy trends (e.g. Measure JJJ, CEQA abuse and Ellis Act)

Addressed in joint DCP/HCIDLA August 17 report

# Option A (CPC Recommended)

## Citywide fee

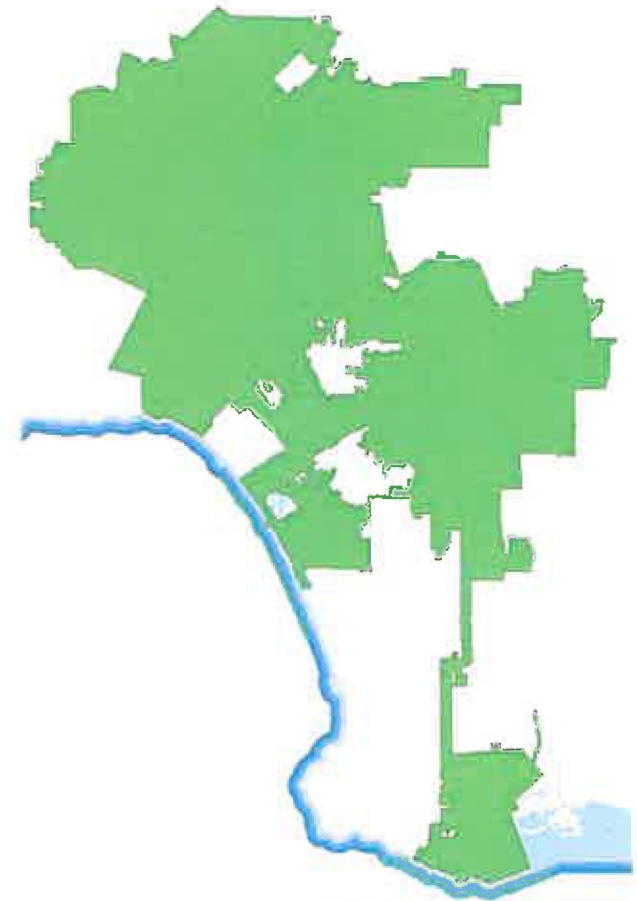
**\$12 psf - Residential (5+ units)**

**\$1 psf - 2-4 unit structures**

**\$5 psf - Commercial**

**Exemptions and deductions**

**Estimated Annual Revenue = \$95-116m**





# Option B

3 Market Areas  
114 Neighborhoods

Residential:

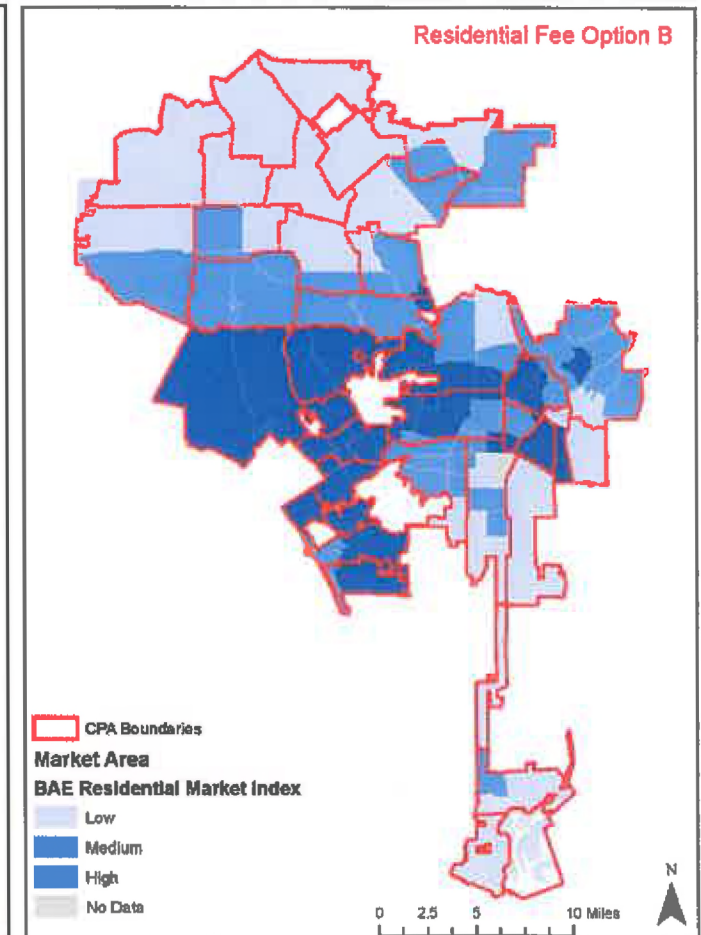
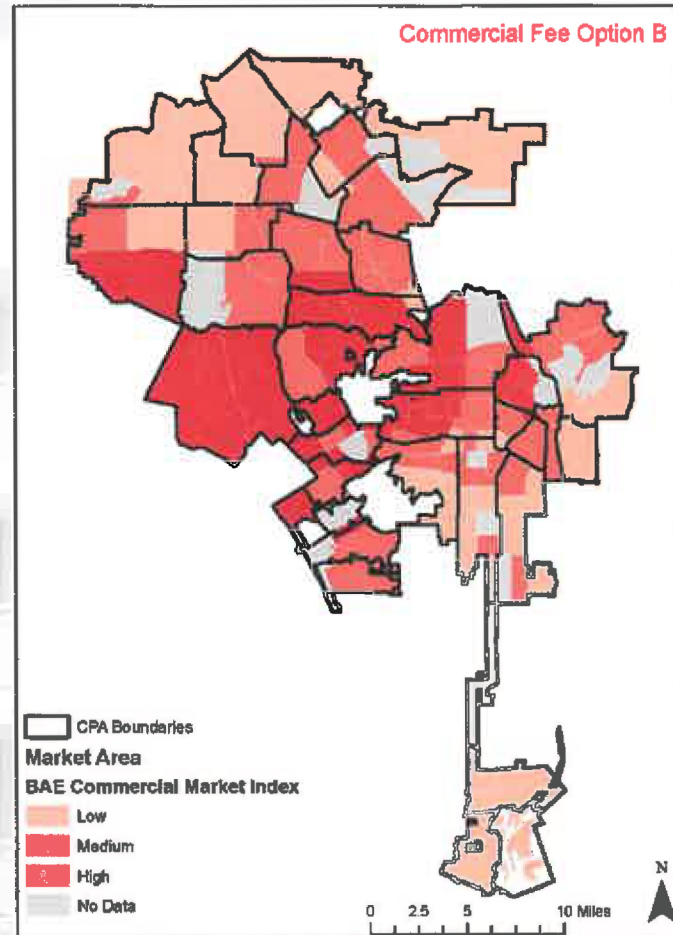
Low: \$8 psf  
Med: \$10 psf  
High: \$12 psf

Commercial:

Low: \$3 psf  
Med: \$4 psf  
High: \$5 psf

Revenue Estimate:

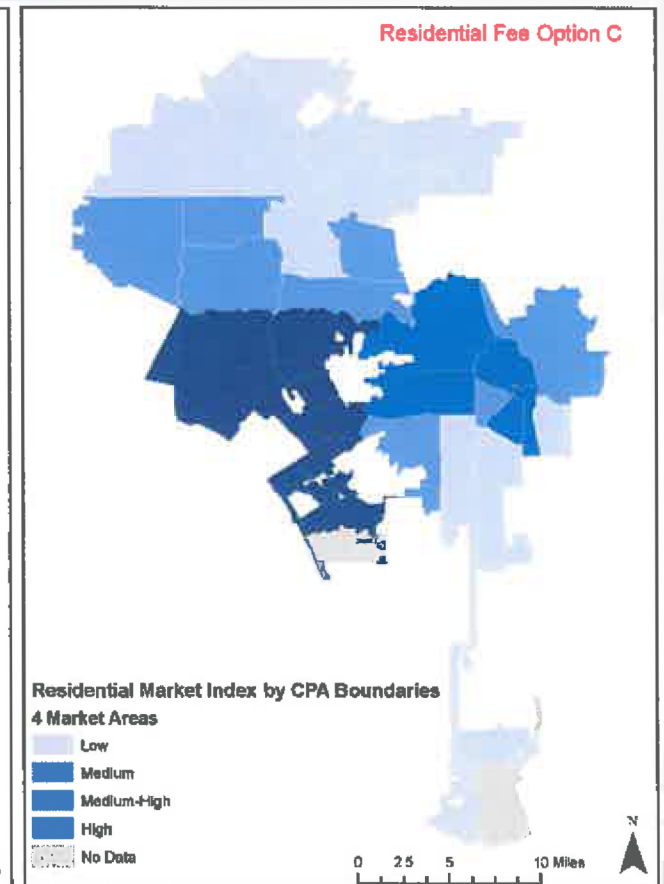
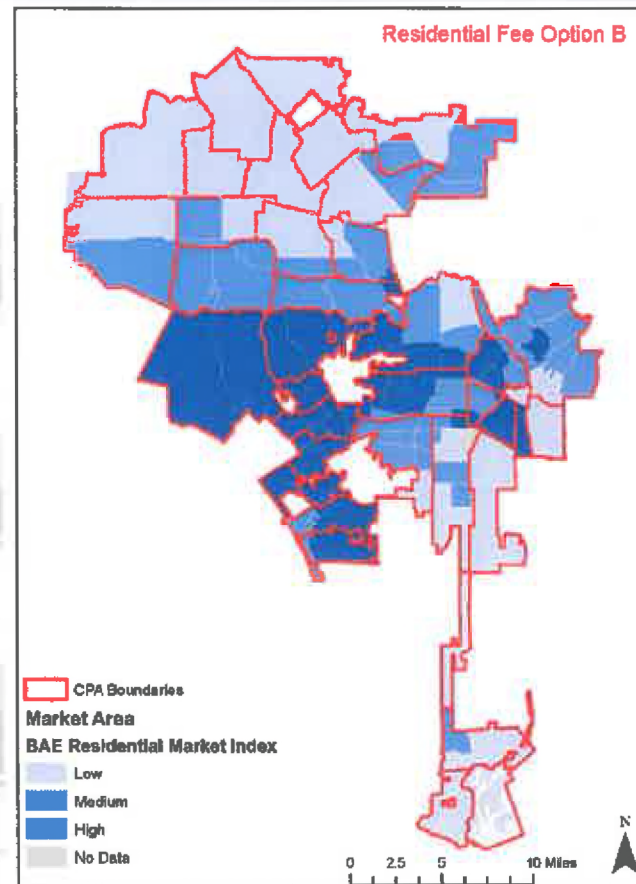
**\$84.2m to \$102.9m**



# Going from Option B to C

From 114 neighborhoods to 35 CPAs

From 3 market areas to 4



# Option C

3 & 4 Market Areas

35 Community Plan Areas

## Residential Fee

Low Market: \$8 psf

Medium Market: \$10 psf

Medium-High Market: \$12 psf

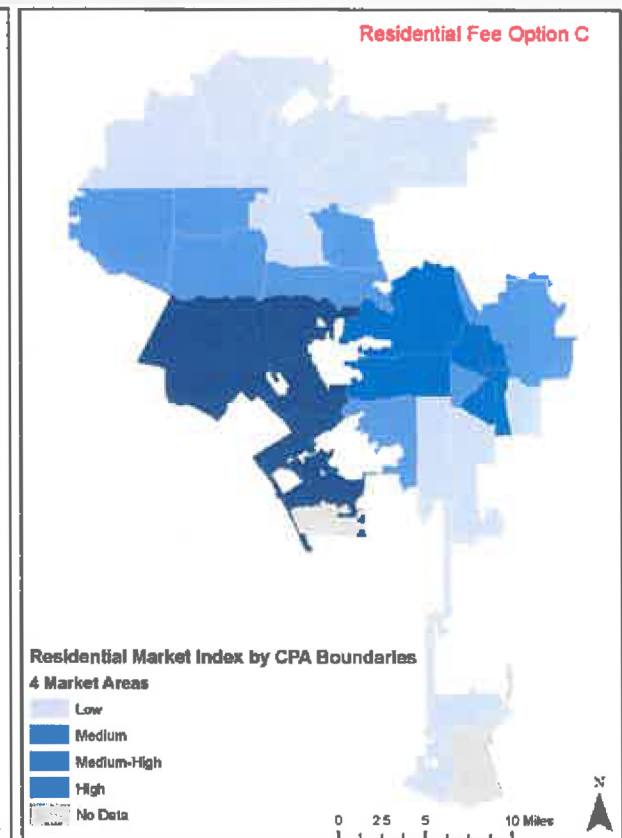
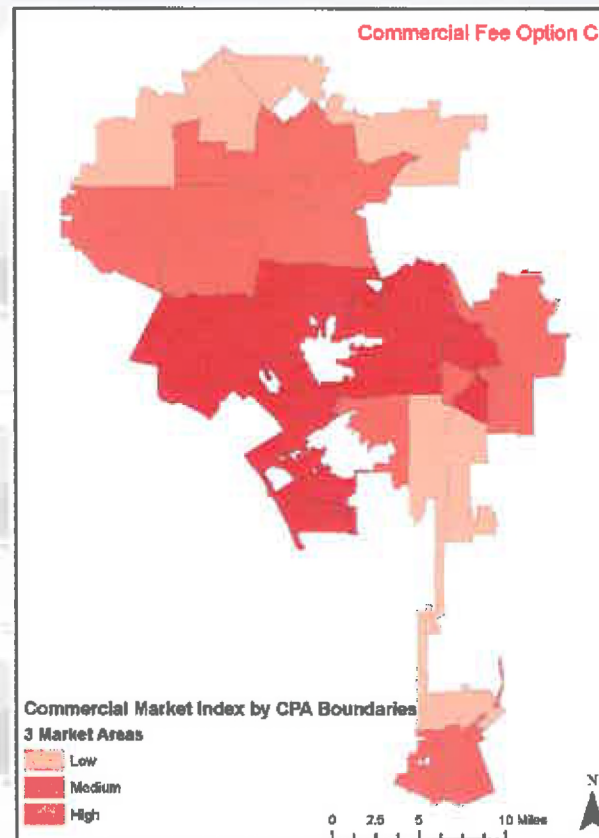
High Market: \$15 psf

## Commercial Fee

Low Market: \$3 psf

Medium Market: \$4 psf

High Market: \$5 psf





# Fee Structure Options & Revenue Estimates

RESIDENTIAL FEE	OPTION A	OPTION B	OPTION C
Fee Structure	Citywide Fee	Create 3 Market Areas by Neighborhood Boundaries	Create 4 Market Areas by Community Plan Area
Fee Level	\$12 psf	Low: \$8 psf Med: \$10 psf High: \$12 psf	Low: \$8 psf Med: \$10 psf Med-High: \$12 psf High: \$15 psf
<b>Annual Revenue Estimate - Residential</b>	<b>\$86.7m to \$105.9m</b>	<b>\$77.2m to \$94.3m</b>	<b>\$86.2m to \$105.3m</b>
COMMERCIAL FEE	OPTION A	OPTION B	OPTION C
Fee Structure	Citywide Fee	Create 3 Market Areas by Neighborhood Boundaries	Create 3 Market Areas by Community Plan Area
Fee Level	\$5 psf	Low: \$3 psf Med: \$4 psf High: \$5 psf	Low: \$3 psf Med: \$4 psf High: \$5 psf
<b>Annual Revenue Estimate - Commercial</b>	<b>\$8.5m to \$10.3m</b>	<b>\$7m to \$8.5m</b>	<b>\$7.4m to \$9m</b>
<b>TOTAL ANNUAL REVENUE ESTIMATE</b>	<b>\$95.2m to \$116.2m</b>	<b>\$84.2m to \$102.9m</b>	<b>\$93.7m to \$114.3m</b>



# Thank You

**Ken Bernstein, Principal City Planner  
Department of City Planning (DCP)**

**Rushmore Cervantes, General Manager  
Housing and Community Investment  
Department (HCIDLA)**





# City of Los Angeles: Affordable Housing Linkage Fee

Rushmore D. Cervantes  
General Manager  
August 22, 2017  
PLUM Committee



# Who is Housed by the City's Existing Resources?

HOME:  
\$20M  
0% - 60%  
AMI

City Land:  
43 Parcels  
0% - 60%  
AMI

HHH:  
\$960M  
0% -  
50%  
AMI

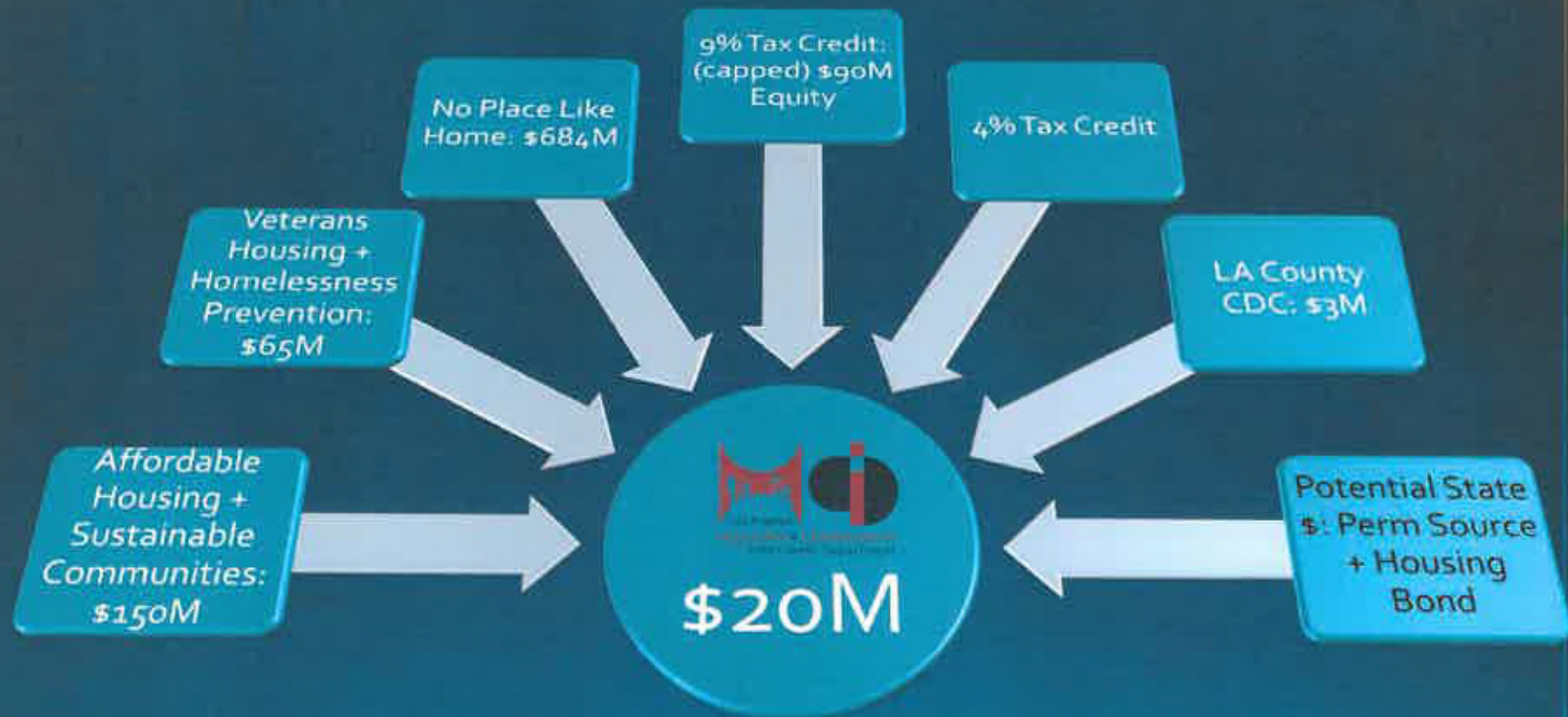
HHH:  
\$240M  
51% -  
80%  
AMI

Land Use  
Variance:  
81% -  
120%  
AMI

LINKAGE FEES CAN SERVE A VARIETY OF AMI LEVELS



# External Resources Require Local Dollars



A Linkage Fee helps bring a greater share of these dollars to Los Angeles

# Affordable Housing Finance: Case Study



Total Development Cost  
**\$32.5 million**

- New family apartment building
- 1-br, 2-br & 3-br units
- Rents range: \$458 to \$1,272 per month
- 80 units

## Grants and Loans Needed to Finance:

Tax Credits (\$23M)	\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$
State HCD (\$2.8M)	\$\$
US Bank Loan (\$2.3M)	\$\$
HCIDLA (\$2.2M)	\$\$
HCD/IIG (\$1.6M)	\$
Developer Fee (\$600k)	\$



# Linkage Fee Sample Expenditure Plan

	<i>\$100M Annual Linkage Fee Revenue</i>			<i>Units from Other Sources (2016)</i>	<i>Total Units</i>
<i>Program Type</i>	<i>Total Linkage Fee \$</i>	<i>Average Subsidy per Unit</i>	<i>No. of Units</i>		
Rental Housing: New Construction	\$50m (50%)	\$100k	500	406	906
Rental Housing: NOAH	\$10m (10%)	\$20k	500	0	500
Rental Housing: Preservation	\$10m (10%)	\$53k	472	765	1,237
Rental Housing: Moderate	\$15m (15%)	\$377k	39	0	39
Supportive Rental Housing: HHH	\$0	\$140k	0	615	615
Supportive Rental Housing: PSH	\$0	\$0	0	226	226
Homeownership: Low Income	\$5m (5%)	\$90K	55	72	127
Homeownership: Moderate Income	\$10m (10%)	\$75k	133	5	138
Land Use	\$0	\$0	0	369	369
<b>TOTAL</b>	<b>\$100M</b>		<b>1,699</b>	<b>2,458</b>	<b>4,157</b>





Thank you!

Please visit our website: [hcidla.lacity.org](http://hcidla.lacity.org)