

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 19, 2018

CAO File No. 0220-00540-1308
Council File No. 17-0274
Council District: Citywide

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department Transmittal dated October 10, 2018; Received October 15, 2018; Additional Information Received through November 16, 2018

Subject: **REQUEST TO ADOPT GUIDELINES FOR THE EXPENDITURE OF LINKAGE FEE REVENUE**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt Recommendations III and IV of the Housing and Community Investment Department (HCID) transmittal dated October 10, 2018 (Report) (C.F. 17-0274) relative to the adoption of an Affordable Housing Linkage Fee (Linkage Fee) revenue Expenditure Plan;
2. Amend HCID's proposed Expenditure Plan to state that up to 15 percent of Linkage Fee revenue may be available for the administration of the Housing Impact Trust Fund and programs funded by the Linkage Fee revenue, including the administrative needs of HCID, the Department of City Planning, the Department of Building and Safety, the City Attorney, and other departments, to be programmed through the annual budget process, and adopt as amended;
3. Direct HCID to report back to Council on the Affordable Housing Linkage Fee Oversight Committee's feedback on the Expenditure Plan and request approval for any necessary changes to the Expenditure Plan before the beginning of FY 2019-20; and,
4. Direct HCID to report back on proposals for how the revenue will be used to enhance existing programs and request approval for the implementation of new programs to be funded by the Linkage Fee revenue.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to adopt guidelines and an Expenditure Plan for revenue collected as part of the Affordable Housing Linkage Fee (Linkage Fee). The HCID proposes a tiered system of appropriating Linkage Fee revenue based on priorities that reflect meeting the State's Regional Housing Needs Allocation goals and stakeholder input. The proposed plan is reflected in HCID's Recommendation III. B. and the tables in HCID's Report, with proposed set-asides for rental new construction, rental preservation, home-ownership, and innovative housing demonstration programs. The proposed plan states that initial Linkage Fee revenue of up to \$1,176,471 would be used to fund an Accessory Dwelling Unit (ADU) program, pursuant to the City's

adopted FY 2018-19 budget, and HCID administration. It should be noted that the City was awarded an additional \$1 million grant from Bloomberg Philanthropies for the ADU program on October 29, 2018. Additional information about the timing and availability of funds, the Expenditure Plan and stakeholder meeting/results is included in the HCID Report.

Administrative Support

The HCID is requesting that 15 percent of Linkage Fee revenue be deposited into an account for HCID administration. Subsequent to the release of their Report, HCID clarified that the funding for administration would: 1) be available for all City departments in need of resources for administering the Housing Impact Trust Fund and programs funded by the Linkage Fee revenue, including the administrative needs of HCID, the Department of City Planning, the Department of Building and Safety, the City Attorney; 2) be a maximum allocation (up to) percentage of the Linkage Fee revenue; and, 3) be subject to review and approval of the Mayor and City Council for programming. Our Office recommends that requests for additional staffing and administrative resources to be funded by the Linkage Fee revenue be reviewed as part of the annual budget process.

Additionally, the Department is requesting an interim resolution authority for a new Management Analyst to be funded by the Linkage Fee, and authority to use an existing vacant Housing, Planning and Economic Analyst (HPEA) position to carry out the Linkage Fee program requirements, subject to the approval of the proposed Expenditure Plan's 15 percent allocation for administrative support. The HCID stated that they would not hire the Management Analyst or HPEA until there is sufficient funding in the Housing Impact Trust Fund, or at least \$1,176,471. At the writing of this report, there is at least \$750,000 in the Housing Impact Trust Fund. This Office supports using an existing vacant HPEA position for the administration of the program for the current year, and recommends that the request for a new Management Analyst be reviewed as part of the 2019-20 budget process. The HCID reported having two vacant HPEA and 43 vacant Management Analyst positions as of October 1, 2018.

Program Implementation and Revisions to the Expenditure Plan

The HCID reports that the Linkage Fee revenue will be used to design new programs and expand existing programs. Additionally, the Department states that because of the uncertainty of revenue to be generated by the Linkage Fee, allocations to program areas may vary each fiscal year. The HCID will seek feedback from the Affordable Housing Linkage Fee Oversight Committee on the Expenditure Plan, which the Housing Impact Trust Fund Ordinance requires HCID to establish. The Department should also report back to Council on how it proposes to use Linkage Fee revenue to augment existing programs and the design of new programs prior to implementation.

This Office concurs with the recommendations of the Department, as amended to clarify the use of Linkage Fee revenue for administrative support of the Housing Impact Fund and programs funded by the Linkage Fee, and to include report backs to Council on the Expenditure Plan and proposed program designs.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommendations in this report are in compliance with the City's Financial Policies in that the proposed Expenditure Plan will be funded by Linkage Fee revenue deposited into the Housing Impact Trust Fund No. 59T.

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