

**PLANNING DEPARTMENT TRANSMITTAL  
TO THE CITY CLERK'S OFFICE**

<b>CITY PLANNING CASE:</b>	<b>ENVIRONMENTAL DOCUMENT:</b>	<b>COUNCIL DISTRICT:</b>
CPC-2016-3431-CA	ENV-2016-3432-ND	All
<b>PROJECT ADDRESS:</b>		
CITYWIDE		
<b>APPLICANT/REPRESENTATIVE:</b>	<b>TELEPHONE NUMBER:</b>	<b>EMAIL ADDRESS:</b>
<p>Applicant:</p> <p>Los Angeles Department of City Planning</p> <p><input type="checkbox"/> New/Changed</p>		
<b>APPELLANT/REPRESENTATIVE:</b>	<b>TELEPHONE NUMBER:</b>	<b>EMAIL ADDRESS:</b>
N/A		
<b>PLANNER CONTACT INFORMATION:</b>	<b>TELEPHONE NUMBER:</b>	<b>EMAIL ADDRESS:</b>
Matthew Glesne	(213) 978-2666	<a href="mailto:matthew.glesne@lacity.org">matthew.glesne@lacity.org</a>
<b>APPROVED PROJECT DESCRIPTION:</b>		
<p>An ordinance adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code, as well as adding Section 5.578 of Chapter 172 of the Administrative Code, establishing an Affordable Housing Linkage Fee, and directing Linkage Fees derived from Development Projects to the Housing Impact Trust Fund.</p>		

**COMMISSION ACTION(S) / ZONING ADMINISTRATOR ACTION(S): (CEA's PLEASE CONFIRM)**

1. **Found**, pursuant to CEQA Guidelines Section 15074(b), after consideration of the whole of the administrative record, including the Negative Declaration No. ENV-2016-3432-ND, as circulated on March 2, 2017, and all comments received, there is no substantial evidence that the project will have a significant effect on the environment; **found** the Negative Declaration reflects the independent judgment of the City; and **adopted** the Negative Declaration;
2. **Approved** and **recommended** that the City Council **adopt** the proposed ordinance, as modified by the City Planning Commission, adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code, as well as adding Section 5.578 of Chapter 172 of the Administrative Code, establishing an Affordable Housing Linkage Fee, and directing Linkage Fees derived from Development Projects to the Housing Impact Trust Fund;
3. **Adopted** and **recommended** that the City Council **adopt** the Department of City Planning Staff Report as the report on the subject;
4. **Adopted** and **recommended** that the City Council **adopt** the attached Findings; and
5. **Recommended** that the City Council **direct** the Housing and Community Investment Department to prepare an expenditure plan for allocating the Housing Impact Trust Fund revenues generated as a result of the proposed ordinance, and report to the City Council within six months.

**ENTITLEMENTS FOR CITY COUNCIL CONSIDERATION:**

Code Amendment

**FINAL ENTITLEMENTS NOT ADVANCING:**

N/A

**ITEMS APPEALED:**

N/A

ATTACHMENTS:	REVISED:	ENVIRONMENTAL CLEARANCE:	REVISED:
<input checked="" type="checkbox"/> Letter of Determination <input checked="" type="checkbox"/> Findings of Fact <input checked="" type="checkbox"/> Staff Recommendation Report <input type="checkbox"/> Conditions of Approval <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Zone Change Map <input type="checkbox"/> GPA Resolution <input type="checkbox"/> Land Use Map <input type="checkbox"/> Exhibit A - Site Plan <input checked="" type="checkbox"/> Mailing List <input type="checkbox"/> Land Use <input type="checkbox"/> Other _____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> Categorical Exemption <input checked="" type="checkbox"/> Negative Declaration <input type="checkbox"/> Mitigated Negative Declaration <input type="checkbox"/> Environmental Impact Report <input type="checkbox"/> Mitigation Monitoring Program <input type="checkbox"/> Other _____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<b>NOTES / INSTRUCTION(S):</b>			
<b>FISCAL IMPACT STATEMENT:</b>			
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p style="text-align: right;">*If determination states administrative costs are recovered through fees, indicate "Yes".</p>			
<b>PLANNING COMMISSION:</b>			
<div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> City Planning Commission (CPC)  <input type="checkbox"/> Cultural Heritage Commission (CHC)  <input type="checkbox"/> Central Area Planning Commission  <input type="checkbox"/> East LA Area Planning Commission  <input type="checkbox"/> Harbor Area Planning Commission         </div> <div> <input type="checkbox"/> North Valley Area Planning Commission  <input type="checkbox"/> South LA Area Planning Commission  <input type="checkbox"/> South Valley Area Planning Commission  <input type="checkbox"/> West LA Area Planning Commission         </div> </div>			
<b>PLANNING COMMISSION HEARING DATE:</b>		<b>COMMISSION VOTE:</b>	
February 23, 2017		8 - 0	
<b>LAST DAY TO APPEAL:</b>		<b>APPEALED:</b>	
N/A		N/A	
<b>TRANSMITTED BY:</b>		<b>TRANSMITTAL DATE:</b>	
James K. Williams		March 9, 2017	



# LOS ANGELES CITY PLANNING COMMISSION

200 North Spring Street, Room 532, Los Angeles, California, 90012-4801, (213) 978-1300

[www.planning.lacity.org](http://www.planning.lacity.org)

## LETTER OF DETERMINATION

MAILING DATE: **MAR 09 2017**

Case No.: **CPC-2016-3431-CA**  
CEQA: ENV-2016-3432-ND  
Plan Areas: All

Council Districts: All

Project Location: Citywide

Applicant: Los Angeles Department of City Planning  
Representative: Matthew Glesne, City Planner

At its meeting of **February 23, 2017**, the Los Angeles City Planning Commission took the actions below in consideration of the following ordinance:

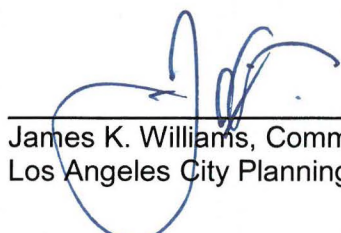
An ordinance adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code, as well as adding Section 5.578 of Chapter 172 of the Administrative Code, establishing an Affordable Housing Linkage Fee, and directing Linkage Fees derived from Development Projects to the Housing Impact Trust Fund.

1. **Found**, pursuant to CEQA Guidelines Section 15074(b), after consideration of the whole of the administrative record, including the Negative Declaration No. ENV-2016-3432-ND, as circulated on March 2, 2017, and all comments received, there is no substantial evidence that the project will have a significant effect on the environment; **found** the Negative Declaration reflects the independent judgment of the City; and **adopted** the Negative Declaration;
2. **Approved** and **recommended** that the City Council **adopt** the proposed ordinance, as modified by the City Planning Commission, adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code, as well as adding Section 5.578 of Chapter 172 of the Administrative Code, establishing an Affordable Housing Linkage Fee, and directing Linkage Fees derived from Development Projects to the Housing Impact Trust Fund;
3. **Adopted** and **recommended** that the City Council **adopt** the Department of City Planning Staff Report as the report on the subject;
4. **Adopted** and **recommended** that the City Council **adopt** the attached Findings; and
5. **Recommended** that the City Council **direct** the Housing and Community Investment Department to prepare an expenditure plan for allocating the Housing Impact Trust Fund revenues generated as a result of the proposed ordinance, and report to the City Council within six months.

This action was taken by the following vote:

Moved: Ambroz  
Seconded: Perlman  
Ayes: Choe, Katz, Mack, Millman, Padilla-Campos, Dake Wilson  
Absent: Ahn

**Vote: 8 – 0**



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James K. Williams, Commission Executive Assistant II  
Los Angeles City Planning Commission

**Effective Date/Appeals:** The decision of the Los Angeles City Planning Commission final and not appealable.

If you seek judicial review of any decision of the City pursuant to California Code of Civil Procedure Section 1094.5, the petition for writ of mandate pursuant to that section must be filed no later than the 90th day following the date on which the City's decision became final pursuant to California Code of Civil Procedure Section 1094.6. There may be other time limits which also affect your ability to seek judicial review.

Attachments: Proposed Ordinance, Findings

c: Claire Bowin, Senior City Planner  
Matthew Glesne, City Planner

**ORDINANCE NO. \_\_\_\_\_**

An ordinance adding Section 21.18 and amending Section 16.02 of the Los Angeles Municipal Code, as well as adding Section 5.578 of Chapter 172 of the Administrative Code, establishing an Affordable Housing Linkage Fee, and directing Linkage Fees derived from Development Projects to the Housing Impact Trust Fund.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

**Section 1.** Chapter II of the Los Angeles Municipal Code is amended to add:

**ARTICLE 1.18  
AFFORDABLE HOUSING LINKAGE FEE**

**SEC. 21.18.1. DEFINITIONS**

Terms have the meaning ascribed in Section 12.03 or 12.22 of the Los Angeles Municipal Code, or if not defined, have the following meanings:

- (a) "Additional Housing Units" means the number of dwelling units or guest rooms to be added on a parcel of real property by issuance of a building permit, less the number of dwelling units or guest rooms legally removed, or authorized to be removed, from the same parcel of real property.
- (b) "Additional Nonresidential Floor Area" means the amount of floor area, as defined in Section 12.03 of this code, to be added on a parcel of real property by issuance of a building permit, less the amount of floor area legally removed, or authorized to be removed, from the same parcel of real property.
- (c) "Applicant" means any individual, person, firm, partnership, association, joint venture, corporation, limited liability company, entity, combination of entities or authorized representative thereof, who undertakes, proposes or applies to the City for a Development Project.
- (d) "Complete Building Permit Application" means a complete application for a building permit a building or structure that is submitted along with architectural and structural plans sufficient for a complete plan check that is accepted by the Department of Building and Safety.
- (e) "Development Project" means any activity involving or requiring the issuance of a building permit that results in Additional Housing Units, Additional Nonresidential Floor Area, or a change of use from commercial or industrial to residential.

- (f) "Linkage Fee" means that housing Linkage fee imposed under Article 1.18 of the Los Angeles Municipal Code on applicants for certain Development Projects.

## **SEC. 21.18.2. APPLICABILITY**

The following provisions apply to any Development Project otherwise covered by these regulations for which a building permit is approved by the City. The Applicant for any Development Project, unless exempt from this chapter, as a condition of the building permit, must pay to the City the required Linkage Fee. The provisions of this Section are subject to the requirements set forth in California Government Code Section 66000 et seq.

### **(a) Effective Date.**

Any Applicant for a Development Project for which a Complete Building Permit Application or Department of City Planning entitlement application is submitted, whichever is first, on or after \_\_\_\_\_, 2017 (*180 days after adoption*), must pay the Linkage Fee in effect at the time of building permit issuance. For these purposes, a Department of City Planning entitlement application is an application that has been accepted by City Planning and the application fees have been paid. If a project had submitted a building permit application or application sufficient for a planning or zoning entitlement for the Development Project prior to this date, the project shall not be subject to a fee.

- (b) **Exemptions.** The Department of Building and Safety shall determine which of the following exemptions apply to any Development Project based on documentation submitted by the applicant prior to the issuance of the building permit. The fee imposed by this article shall not apply to construction which includes the following:

1. Less than 15,000 square feet of Additional Nonresidential Floor Area in any nonresidential building, as determined by the Department of Building and Safety.
2. Any for-sale or rental housing development containing restricted affordable units where at least 40% of the total units or guest rooms are dedicated for moderate income households, or at least 20% of the total units or guest rooms are dedicated for low income households, or at least 11% of the total units or guest rooms are dedicated for very low income households, for at least 55 years, where a covenant has been made with the Housing and Community Investment Department. Such a covenant shall also ensure that projects using this exemption are subject to the replacement policy found in Government Code Section 65915(c)(3). For the purposes of this section, total units includes units added by a density bonus or other land use incentive.
3. Any Development Project being constructed by a government or public institution such as a hospital, school, museum, homeless shelter or other similar projects that

are intended for community use, or any private Elementary and High School which does not discriminate, as determined by the Director of Planning.

4. A single-family detached home meeting one or more of the following conditions:
  - a. Any addition of up to 1,500 square feet to an existing single-family detached home located in a single-family or multiple-family zone.
  - b. New construction of any single-family detached home located in a single-family zone that is less than 1,500 square feet.
  - c. Any replacement of a single-family detached home resulting in a net increase of less than 1,500 square feet from the prior home that existed on the property.
5. A Second Dwelling Unit as defined by Section 12.03 of this code, or an Accessory Dwelling Unit as defined by California Government Code Section 65852.2.
6. Any project located within the boundaries of the Central City West Specific Plan Area, as defined in Ordinance No. 163,094, if the Applicant by covenant and agreement or development agreement to abide by the Linkage fee and replacement housing obligations set forth in the Specific Plan for the Central City West Area.
7. If a residential project is subject to a greater affordable housing fee requirement pursuant to the Mello Act to satisfy a project's inclusionary housing Mello obligations, or is required to provide one or more physical housing units to satisfy inclusionary housing Mello obligations, the residential component of the project shall be exempt from the linkage fee and will be subject to Mello requirements. Commercial portions of mixed-use Coastal Zone projects shall be analyzed separately from residential portions of mixed-use projects for the purposes of the linkage fee. Commercial portions of such projects shall be subject to the linkage fee ordinance. The provision of housing units or in-lieu fees to satisfy replacement housing obligations under the Mello Act (as opposed to inclusionary housing obligations) shall not exempt a project from the linkage fee ordinance.
8. If a residential or mixed-use Development Project is subject to affordable housing requirements pursuant to any land use policy or ordinance or development agreement that exceeds the Linkage Fee requirements in either fee amount or on-site affordable housing, that project shall be exempt from the linkage fee.
9. If a residential or mixed-use Development Project is subject to affordable housing and labor requirements pursuant to LAMC 11.5.11 (Measure JJJ), that project shall be exempt from the linkage fee.
10. Any Grocery Store, provided there is no existing Grocery Store within one-third (1/3) mile radius of the project site. For the purposes of this Section, a Grocery Store shall be defined as a Retail Use of which greater than one half of the floor area is devoted

to the sale of food items intended for consumption or use off the premises, excluding alcoholic beverages.

11. Any Adaptive Reuse Project that is a designated Historic-Cultural Monument and is being converted to a residential use.

**(c) Deductions or Credits.**

1. **Change of Use.** If the Development Project is the result of a change of use from commercial or industrial to residential, the Linkage Fee to be paid is the result of subtracting the equivalent fee amount that either was paid or would have been paid based on the pre-existing use from the fee requirement amounts below.
2. **Affordable Housing Units.** Any Restricted Affordable Units as defined in 12.22 A.25 may be subtracted from the total number of dwelling units or guest rooms in a building in determining the required Linkage Fee.
3. **Mixed Use.** The first 25,000 square feet of nonresidential use in a mixed-use building shall be excluded from the calculation of floor area.
4. **Land Dedication.** If the Department of Housing and Community Investment Department accepts, on behalf of the City, an offer to dedicate for the purpose of building affordable housing, the value of the land, as demonstrated as the average of two independent appraisals funded by the applicant, may be deducted from the Fee amount.

## **SEC. 21.18.3 FEE REQUIREMENTS**

The regulations, requirements and provisions of this chapter shall apply to any Development Project. The applicant for any such project, as a condition of its building permit, must pay to the City those Linkage Fees necessary to mitigate the increased demand for affordable housing which are anticipated to be generated by or attributable to such development project, as set forth in this chapter.

The Linkage Fee shall be calculated for each development project as the amount of new or added Floor Area as defined in Section 12.03 of this Code, in the Development Project devoted to the following uses, as determined by the Department of Building and Safety, multiplied by the amount of the applicable fee, as found below or in the most recent Linkage Fee Schedule, at the time of a Complete Building Permit Application, minus any deductions or credits.

<b>Type of Use</b>	<b>Fee Per Square Foot</b>
Nonresidential Uses including Hotels	\$5

Residential Uses (6 or more units in a Development Project)	\$12
Residential Uses (5 or less units in a Development Project)	\$1

- (a) **Annual Adjustments.** The Linkage Fee amount in the Linkage Fee Schedule shall be adjusted for inflation annually beginning on July 1, 2018, by the Director in accordance with the latest change in year-over-year Consumer Price Index for Urban Consumers (CPI-U) for the Los Angeles-Riverside-Orange County area, or if such index ceases to be published, by an equivalent index chosen by the Director.
- (b) **Payment of Linkage Fee.** The Linkage Fee is due and payable by the Applicant prior to the issuance of a building permit. No additional fee shall be required for projects seeking extension of expired building permits.
- (c) **Refunds of Linkage Fee.** Any fee paid under the provisions of this article may be refunded to the Applicant if the application for the building permit has expired and was not utilized to begin construction of the project.

**Section 2.** Section 16.02 in Article 6 of Chapter 1 of the Los Angeles Municipal Code is amended to read:

**SEC. 16.02. SPECIAL PROVISIONS FOR OTHER LAND USE PROCEEDINGS.**

Notwithstanding any provision of Articles 1 through 9 of Chapter I of this Code or any other ordinance to the contrary, with respect to those uses, buildings and sites destroyed or damaged in connection with a declared emergency, and in the area covered by the declaration of emergency, the following exceptions shall apply:

- C. Payment of the Linkage Fee pursuant to Article 1.18.

**Section 3.** Chapter 172 of the Administrative Code is added to read:

**CHAPTER 172  
HOUSING IMPACT TRUST FUND**

**Sec. 5.578. Creation and Administration of the Housing Impact Trust Fund**

- (a) There is hereby created and established within the Treasury of the City of Los Angeles a special fund to be known as the **City of Los Angeles Housing Impact Trust Fund** (the "**Fund**") for the purposes of complying with the California Mitigation Fee Act to maintain separate accounting for impact fees. The total Affordable Housing Linkage Fee revenues received by the City pursuant to Article 1.18, shall be

placed in the Housing Impact Trust Fund. The Mayor and City Council may establish additional revenue sources and appropriate funds for deposit in the Fund from time to time. The Fund shall be administered by the Housing and Community Investment Department (“**HCID**”).

- (b) The money from the Fund shall only be expended within the boundaries of the City of Los Angeles to address the evolving and varied affordable housing needs of the City, pursuant to guidelines (the “**Guidelines**”) promulgated for this purpose by HCID. The Guidelines and any amendments thereto shall be approved by the City Council.
- (c) The Housing Impact Trust Fund, including accrued interest, shall be subject to reporting requirements for purposes of accounting and expenditure of the Fund to increase the supply of affordable housing in the City of Los Angeles. Annually, HCID shall prepare for City Council consideration a report detailing the amount and source of all Fund revenues generated and funds disbursed as a result of the Affordable Housing Linkage Fee ordinance.
- (d) In compliance with the California Mitigation Fee Act, for the fifth fiscal year following the first deposit into the Fund, and every five years thereafter, and only if any unexpended funds remain in the Housing Impact Trust Fund, whether committed or uncommitted, HCID shall make the following additional findings:
  - (1) Identify the purpose of imposing the fee;
  - (2) Demonstrate a reasonable relationship between the fee and the purpose for which is it charged;
  - (3) Identify all the sources and funding amounts anticipated to complete financing of affordable housing projects;
  - (4) Designate the approximate dates HCID expects the funding for uncompleted or unfunded affordable housing projects to be deposited in the Fund;
  - (5) Failure to make the five-year findings requires HCID refund the monies on a prorated basis to the owner of record of the project sites originally contributing to the Fund.
- (e) All monies loaned from the Fund shall be repaid to the Fund in accordance with the terms of the loan. The repaid principal and interest shall be placed in the Fund.
- (f) Any gifts, contributions or other money received for the stated purposes of the Fund shall be placed in the Fund. All interest earnings accruing on money in the Fund shall become part of the Fund. Money in the Fund shall not revert to the Reserve Fund of the City.
- (g) The General Manager of HCID or his or her designee shall make recommendations to the City Council for expenditures from the Fund. No expenditure may be made

from the Fund without the prior approval of the Mayor and City Council, unless otherwise authorized by the Guidelines.

## FINDINGS

As adopted by the City Planning Commission on February 23, 2017.

The following findings, in support of the Affordable Housing Linkage Fee Ordinance, are presented for City Council adoption.

### GENERAL PLAN/CHARTER FINDINGS

#### Charter Findings

Pursuant to City Charter sections 556 and 558, as described below, the proposed ordinance is in substantial conformance with the purpose, intent and provisions of the General Plan, as well as in conformance with public necessity, convenience, general welfare and good zoning practice. Specifically, the action addresses each of the following goals, objectives and policies of the General Plan as outlined below.

#### General Plan Findings

##### Framework Element

*Goal 4A.* An equitable distribution of housing opportunities by type and cost accessible to all residents of the City.

*Goal 7G.* A range of housing opportunities in the City.

##### Housing Element

*Objective 1.1* Produce an adequate supply of rental and ownership housing in order to meet current and projected needs.

*Policy 1.1.1* Expand affordable homeownership opportunities and support current homeowners in retaining their homeowner status.

*Policy 1.1.2* Expand affordable rental housing for all income groups that need assistance.

*Policy 1.1.3* Facilitate new construction and preservation of a range of different housing types that addresses the particular needs of the city's households.

*Policy 1.1.5* Develop financial resources for new construction of affordable housing.

*Policy 1.1.7* Strengthen the capacity of the development community to develop affordable housing.

*Objective 1.2* Preserve quality rental and ownership housing for households of all income levels and special needs.

*Policy 1.2.4* Develop financial resources for the long-term affordability of publicly assisted rental and ownership housing.

*Policy 1.2.7* Strengthen the capacity of the development community to preserve and manage affordable housing.

*Objective 2.2* Promote sustainable neighborhoods that have mixed-income housing, jobs, amenities, services and transit.

*Policy 2.2.3* Promote and facilitate a jobs/housing balance at a citywide level.

*Objective 2.5* Promote a more equitable distribution of affordable housing opportunities throughout the City.

*Policy 2.5.2* Foster the development of new affordable housing units citywide and within each Community Plan Area.

As made evident by the list of General Plan goals, objectives and policies provided above, the proposed ordinance is in conformance with a range of General Plan goals related to affordable housing production and preservation. The City's General Plan clearly recognizes the need for programs which identify local sources of funding for affordable housing which benefit the public good and further these citywide policy objectives. Establishing a permanent local funding source that could be used for a variety of uses related to the construction or preservation of affordable housing in locations throughout the City will greatly assist the City in meeting its growing affordable housing needs.

The ordinance also directly addresses a specific implementation program in the Housing Element of the General Plan (Program 16 - New Programs to Increase the Production of Affordable Housing). The program called for exploring the development of a local, permanent source of funding to provide funding for new affordable housing construction. Potential strategies outlined in the Program included establishing a fee on new development, which is accomplished in the proposed ordinance.

#### **CEQA FINDINGS**

The proposed ordinance is not a "project" under CEQA pursuant to CEQA Guidelines section 15378 (b)(4), which provides that CEQA does not apply to the creation of governmental funding mechanisms that do not involve a commitment to a particular project which may result in a significant impact to the environment. The ordinance does not identify any specific future project or projects which can be singled out as resulting in an environmental impact. Therefore, the Affordable Housing Linkage Fee is not considered a "project", and thus not subject to CEQA.

Further, the proposed ordinance qualifies under the "common sense" CEQA exemption pursuant to CEQA Guidelines Section 15061(b)(3), which provides that, where it can be seen with certainty that there is no possibility that a project may have a significant effect on the environment, the project is not subject to CEQA. CEQA only applies to projects that have the potential to cause a

significant effect on the environment – either through a direct impact or reasonably foreseeable indirect impact. The proposed ordinance does not have that possibility.

As further demonstrated in Exhibit B, because the ordinance does not commit funds directly to any specific future development project, it will not cause any direct impact on the environment. At this point in time it would be speculative to evaluate the impacts of any such project which would be subject to payment of the linkage fee, or which would receive project funding as a result of this ordinance. Further, any potential indirect impact of the ordinance on the environment will be minor as the Linkage Fee is not anticipated to alter existing development patterns. As such, the ordinance is unlikely to create any foreseeable direct or indirect physical impact on the environment. However, in case there is a challenge to this project and a court disagrees, the City has prepared a Negative Declaration for this project (Exhibit B.2).

### **CALIFORNIA MITIGATION FEE ACT FINDINGS**

The California Mitigation Fee Act (California Government Code Section 66000-66025) requires that following findings be made:

- Identify the purpose of the fee.
- Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified.
- Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
- Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

The *Los Angeles Affordable Housing Linkage Fee Nexus Study* (Exhibit C) serves to make these findings, which must be adopted by the Los Angeles City Council.

### **Commercial Fee**

#### ***Purpose of the Fee***

The fee program proposed by draft ordinance and described in the *Nexus Study* will offset the impact of new commercial development on the City of Los Angeles housing market by funding the production, acquisition, rehabilitation and/or preservation of affordable housing in the City of Los Angeles.

The *Nexus Study* outlines the serious affordable housing crisis currently facing the City of Los Angeles, and notes that Los Angeles is the only major California city without a permanent source of affordable housing funding.

#### ***Use of the Fee***

The proposed fee program would impose linkage fees on new commercial development of most types including office, hotel, retail, and industrial uses. Fees would be collected by the City of Los Angeles and deposited into the Housing Impact Trust Fund. This fund is used to finance the

production, acquisition, rehabilitation and/or preservation of affordable housing in the City of Los Angeles through grants and loans to qualified projects.

***Relationship between Use of Fee and Type of Development***

The development of commercial space will generate new employment in Los Angeles. A portion of the new employees will live in households that fall below the 120 percent Area Median Income (AMI) income threshold, and will not be able to find housing that is affordable to them. Statistics included in the *Nexus Study* indicated that this is particularly daunting for households earning below 50 percent of AMI.

The Nexus Study contains a detailed 10-step methodology, with Steps 1-8 forming the nexus (relationship) analysis. The Study estimates the likely mix of new commercial development by type of land use, based on a detailed analysis of permitted commercial space by type for the past 10 years. The Study then estimates new employees in the new space by type, combines these new workers into households, and estimates these new worker-based households' incomes based on wages for the jobs forecasted. This distribution of new worker households is then segmented by income band, resulting in the estimated affordable housing need up to 120 percent AMI (or "impact"). Next, the methodology estimates the cost to provide this affordable housing, assuming it is all rental housing, and assuming that the occupants can afford to contribute no more than 30 percent of their household income to rent. The balance is the "affordability gap," which is then converted into a development financing gap, and then converted into the "maximum legal fee" fee per square foot of new commercial development by use type, to generate the funds necessary to fund this development financing gap.

The Nexus Study includes subsequent analysis beyond that required by the Mitigation Fee Act, to test the financial feasibility of charging this maximum fee on several types of new commercial development across three categories of market condition ("low," "medium," and "high" market conditions). The Study concludes that the maximum legal fee levels are not financially feasible and could impinge on new commercial development. The Study then recommends lower fees in all cases than the maximum legal fee, based on the financial feasibility conclusions. These lower-than-legal-maximum fee recommendations would mean that if the fee were imposed at the recommended levels, not all of the funds needed to produce new affordable housing from the impact of new commercial projects would be generated.

## **Residential Fee**

### ***Purpose of the Fee***

The fee program proposed by draft ordinance and described in the *Nexus Study* will offset the impact of new, market-rate housing development on the City of Los Angeles housing market by funding the production, acquisition, rehabilitation and/or preservation of affordable housing in the City of Los Angeles.

The *Nexus Study* outlines the serious affordable housing crisis currently facing the City of Los Angeles, and notes that Los Angeles is the only major California city without a permanent source of affordable housing funding.

### ***Use of the Fee***

The proposed fee program would impose linkage fees on new, market-rate housing development projects as specified in the draft Ordinance, which would be collected by the City of Los Angeles and deposited into the Housing Impact Trust Fund. This fund is used to finance the production, acquisition, rehabilitation and/or preservation of affordable housing in the City of Los Angeles through grants and loans to qualified projects.

### ***Relationship between Use of Fee and Type of Development***

The development of new, market-rate residential projects will accommodate growth in households in the City. These new households will spend their income for goods and services, which will in turn generate new businesses and jobs. A portion of the new employees serving these new market-rate households, will live in households that fall below the 120 percent Area Median Income (AMI) income threshold, and will not be able to find housing that is affordable to them. Statistics included in the *Nexus Study* indicated that this is particularly daunting for households earning below 50 percent of AMI.

The *Nexus Study* contains a detailed 10-step methodology, with Steps 1-8 forming the nexus (relationship) analysis. The Study estimates likely household incomes for new market-rate residential projects in Los Angeles, based on sale prices/rental rates of recently development projects, including a detailed analysis by sub-area. The Study then estimates household spending from these new market-rate units, and projects the mix of jobs to be generated for a 100-unit new residential project. This new employment, in turn is combined into new households, and incomes are estimated based on the new jobs' wages and the number of estimated workers per household. This distribution of new worker households is then segmented by income band, resulting in the estimated affordable housing need up to 120 percent AMI (or "impact"). Next, the methodology estimates the cost to provide this affordable housing, assuming it is all rental housing, and assuming that the occupants can afford to contribute no more than 30 percent of their household income to rent. The balance is the "affordability gap," which is then converted into a development financing gap, and then converted into the "maximum legal fee" fee per square foot of market-rate housing to generate the funds necessary to fund this development financing gap.

The Nexus Study includes subsequent analysis beyond that required by the Mitigation Fee Act, to test the financial feasibility of charging this maximum fee on several types of new, market-rate housing development projects across three categories of market condition ("low," "medium," and "high" market conditions). The Study concludes that the maximum legal fee levels are not financially feasible and could impinge on market-rate housing production. The Study then recommends lower fees in all cases than the maximum legal fee, based on the financial feasibility conclusions. These lower-than-legal-maximum fee recommendations would mean that if the fee were imposed at the recommended levels, not all of the funds needed to produce new affordable housing from the impact of new market-rate projects would be generated.