

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: February 20, 2020

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *STL*
Chief Legislative Analyst

Council File No: 20-0002-S18
Assignment No: 20-02-0197

SUBJECT: Resolution (Rodriguez-Price) to Support AB 2058 (Gabriel)

CLA RECOMMENDATION:

Adopt Resolution (Rodriguez-Price) to include in the City's 2019-2020 State Legislative Program SUPPORT for AB 2058 (Gabriel), which would create a \$500 million Affordable Housing Preservation Tax Credit.

SUMMARY:

Resolution (Rodriguez-Price), introduced on February 7, 2020, states that according to the Los Angeles Homeless Services Authority and California Legislative Analyst's Office, one-third of all households in the City are severely rent-burdened, meaning they spend more than half of their income on rent, and average monthly housing rents in the State are about 50 percent above the national average.

The Resolution also states that the Housing and Community Investment Department's most recent market analysis estimates that over 11,000 units of affordable housing in the City of Los Angeles are at risk of losing their affordability restrictions through December 2022, and that nearly 35,000 subsidized affordable rental units in California are at risk of converting to market rate units as State and Federal subsidies and deed restrictions expire over the next five years. This represents a loss of 8 percent of the State's covenanted affordable housing stock.

The Resolution further explains that on February 4, 2020, State Assemblymember Jesse Gabriel introduced AB 2058, which would create a new \$500 million Affordable Housing Preservation Tax Credit, and that the Tax Credit would enable California to preserve approximately 25,000 units of subsidized affordable housing that would otherwise be free to convert to market rate over the next five years. The Resolution states that while it costs an average of \$425,000 to construct a new affordable housing unit in California, AB 2058 would enable the State to preserve affordable housing units at the cost of approximately \$20,000 per unit.

The Resolution notes that the State of California cannot afford further losses in its affordable housing stock, having already lost more than 15,000 affordable rental units since 1997 as subsidies and affordability restrictions expired. Therefore, the Resolution recommends that the City of Los Angeles include in its 2019-2020 State Legislative Program support for AB 2058 (Gabriel), which would create a \$500 million Affordable Housing Preservation Tax Credit.

BACKGROUND:

The California Affordable Housing Partnership reports that between 1997 and 2018, California lost over 15,000 affordable rental units as subsidies and affordability restrictions expired. The organization also reports that the State is expected to lose more in the next five years than twice as many as were lost in those two decades. The vulnerability of the affordable housing stock is particularly dire for Los Angeles, given that 35 percent of the State’s at-risk units are concentrated in LA County. Therefore, California’s housing crisis demands a multidimensional policy strategy that focuses not only on affordable housing development, but, just as crucially, on affordable housing preservation.

The Partnership’s report includes a risk assessment and the number of lost affordable units by program, including the U.S. Department of Housing and Urban Development and U.S. Department of Agriculture’s housing assistance programs, in addition to the Low-Income Housing Tax Credit Program (LIHTC). With regard specifically to those units made affordable by the LIHTC program, 3,650 were lost when LIHTC regulatory agreements expired in the year 2018, and a total of 8,588 units are currently at moderate, high, or very high risk for conversion to market rate.

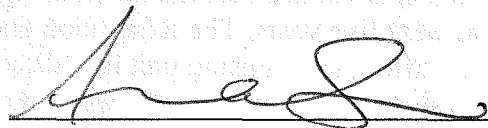
To preserve California’s affordable housing stock, the California Housing Partnership recommends that the State Government expand the LIHTC program and create a new affordable housing funding tool to replace funds lost when redevelopment was eliminated in 2012. Assembly Bill 101, approved by Governor Newsom on July 31, 2019, provides an additional \$500 million in tax credits for the LIHTC program, which will subsidize the acquisition, construction, and rehabilitation of affordable rental housing. However, the City of Los Angeles urgently needs more substantial funding for affordable housing preservation, and AB 2058 (Gabriel) would make it possible for the City to avoid a devastating and imminent reduction in its affordable housing stock as more than 11,000 affordable units in the City of Los Angeles are expected to lose their affordability restrictions by December of 2022.

BILL STATUS

02/04/20 Read first time. To print.
02/20/19 Referred to the Committee on Revenue and Taxation.

DEPARTMENTS CONTACTED

Housing and Community Investment Department



Anna Enger
Analyst

Attachment: Resolution

RESOLUTION

WHEREAS, an official position of the City of Los Angeles with respect to legislation, rules, regulations or policies, proposed to or pending before a local, state or federal government body or agency, must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, according to the Los Angeles Homeless Services Authority, one-third of all households in the City are severely rent-burdened, meaning they spend more than half of their income on rent; and

WHEREAS, according to the California Legislative Analyst's Office, average monthly housing rents in the State are about 50 percent above the national average; and

WHEREAS, nearly 35,000 subsidized affordable rental units in California are at risk of converting to market rate units as State and Federal subsidies and deed restrictions expire over the next five years, which represents a loss of 8 percent of the State's covenanted affordable housing stock; and

WHEREAS, the Housing and Community Investment Department's most recent market analysis estimates that over 11,000 units of affordable housing in the City of Los Angeles are at risk of losing their affordability restrictions through December 2022; and

WHEREAS, on February 4, 2020, State Assemblymember Jesse Gabriel introduced AB 2058, which would create a new \$500 million Affordable Housing Preservation Tax Credit; and

WHEREAS, the Tax Credit proposed under AB 2058 (Gabriel) would enable California to preserve approximately 25,000 units of subsidized affordable housing that would otherwise be free to convert to market rate over the next five years; and

WHEREAS, while it costs an average of \$425,000 to construct a new affordable housing unit in California, AB 2058 would enable the State to preserve affordable housing units at the cost of approximately \$20,000 per unit; and

WHEREAS, the State of California cannot afford further losses in the affordable housing stock, having already lost more than 15,000 affordable rental units since 1997 as subsidies and affordability restrictions expired;

NOW, THEREFORE, BE IT RESOLVED, with concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles include in its 2019-2020 State Legislative Program SUPPORT for AB 2058 (Gabriel), which would create a \$500 million Affordable Housing Preservation Tax Credit.

PRESENTED BY: Monica Rodriguez
MONICA RODRIGUEZ
Councilwoman, 7th District

SECONDED BY: [Signature]

FEB 07 2020

ae [Signature]

ORIGINAL