

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: September 16, 2016

CAO File No. 0220-00540-1198

Council File No. 13-0413

Council District: Citywide

To: The Mayor  
The Council

From:  Miguel A. Santana, City Administrative Officer 

Reference: Housing and Community Investment Department transmittal dated June 22, 2016; Received by the City Administrative Officer July 7, 2016; Additional information received through September 15, 2016

Subject: **HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCID) REQUEST TO ASSESS FEES RELATED TO AFFORDABLE HOUSING LAND USE COVENANTS AND REGULATORY AGREEMENTS**

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### RECOMMENDATIONS

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

1. Instruct the City Attorney to draft an Ordinance amending Section 19.14 of the Los Angeles Municipal Code (LAMC) to establish fees for the preparation and enforcement of all affordable housing covenants and related enforcement efforts required by City ordinances, regulations, and Department of City Planning determinations;
2. Approve resolution authority for two new Management Analyst I (9184-1) positions, to be funded by the fees included in the proposed Ordinance amending Section 19.14 of the LAMC, subject to allocation by the Civil Service Commission, for the period October 1, 2016 through June 30, 2017;
3. Direct the HCID to report back to the Mayor and Council in six months with an assessment of the workload for affordable housing covenant and related enforcement work relative to staff resources; and,
4. Authorize the General Manager, HCID, or designee, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on this item, subject to the approval of the City Administrative Officer (CAO) and authorize the Controller to implement the instructions.

**SUMMARY**

The Housing and Community Investment Department (HCID) requests authority to amend Section 19.14 of the Los Angeles Municipal Code (LAMC) to establish fees for the preparation and enforcement of all affordable housing covenants and related enforcement efforts required by City ordinances, regulations, and Department of City Planning determinations. This includes affordable housing land use covenants that result from the Density Bonus Ordinance No. 179684, Mello Act determinations, Assembly Bill (AB) 2222, and the proposed Unauthorized Dwelling Unit (UDU) Ordinance. The proposed fees will recover the administrative costs of performing affordable housing covenant and related enforcement work, which has been subsidized by the Municipal Housing Finance Fund (MHFF), Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME).

After discussions with the City Attorney and HCID, the recommendations from the HCID’s report have changed to direct the City Attorney to draft an Ordinance amending Section 19.14 of the LAMC. The HCID’s report included a policy consideration for partial fee exemptions in specified circumstances where exemptions from full cost recovery is determined to be reasonable and necessary by the Mayor and Council. However, this issue should be addressed when the draft Ordinance to establish fees is presented for Council consideration.

The Department proposes five categories of fees related to the preparation and enforcement of affordable housing covenants. The fees would be paid by developers on a per project or per unit basis depending on the type of work to be performed and would be due when a developer submits an application. Based on the average number of projects related to each fee category and assuming no fee exemptions, HCID estimates that the proposed fees would generate \$1,677,722 per year in additional revenues to the City. The proposed fees are included in the table below:

<b>Fee Category</b>	<b>Cost</b>	<b>Cost Basis</b>
Affordable Housing Covenant Preparation	\$5,770	Per Project
Affordable Housing Covenant Assumptions and Terminations	\$ 1,214	Per Project
Affordable Housing Covenant Amendments	\$5,770	Per Project
Mello Determinations	\$ 972	Per Unit
Affordable Housing Provision Plan Review	\$ 1,231	Per Project
Affordable Housing Covenant Monitoring	\$ 173	Per Restricted Unit Per Year
Filing Fee	\$ 43	Per Project
AB 2222 Determinations	\$ 1,027	Per Unit

Additionally, the Department requests resolution authority for four Management Analyst I positions to expand HCID’s capacity to process affordable housing land use covenants and

related enforcement activities, including a current backlog of 959 land use covenants and 500 Mello Determination applications. This Office has reviewed the proposed fees and staffing request and concurs with the Department's fee proposal and methodology for fee establishment. However, at this time, we recommend approval of two Management Analyst I positions to expand the HCID Land Use unit instead of the four Management Analyst I positions requested due to uncertainty regarding future workload from AB 2222 and the pending UDU Ordinance, and current vacant position authorities within the unit that could be used to expand the unit's processing capacity. While this Office supports the provision of additional staffing to HCID to meet increased workload and address its backlog, additional analysis is needed to more accurately determine future workload and the appropriate level of staff needed.

## **BACKGROUND**

Based on information received from the Department regarding the workload for affordable housing covenants and related enforcement activities, the primary cause of the workload increase over the past two years is AB 2222, which was signed by Governor Brown on September 27, 2014. AB 2222 requires that applicants, for density bonus project permits, replace any rental dwelling units that exist or have been vacated or demolished in the preceding five-year period which are subject to affordability rental restrictions or any other form of rent or price control, or that are occupied by low- or very low-income households. Due to the limited duration of time that it has been in effect, additional information is needed to make accurate projections for future workload stemming from AB 2222.

In addition to this legislation, the proposed UDU Ordinance being drafted by the City Attorney may require the preparation of additional covenants (C.F. 14-1150-S1). The HCID's Systematic Code Enforcement Program estimates that it uncovers approximately 600 unapproved units annually, however the Department has stated that the number of covenants that would need to be prepared once the UDU Ordinance is adopted is unknown at this time. Additionally, the final UDU Ordinance is still being drafted and has not been approved by the Mayor and Council.

The HCID's Land Use Unit has six full time position authorities comprised of one Senior Management Analyst I, one Management Analyst II, three Management Analyst I positions, and one Management Assistant. HCID states that the requested Management Analyst I positions would allow the unit to address its existing backlog and the additional work stemming from AB 2222, improve customer service and work with HCID's Systems Division to develop a Land Use Module within the Housing Information Management System to capture critical data to be used in more impactful reports. However, there are currently two vacancies within the Land Use Unit and an additional staff member is anticipated to leave the unit within the next few weeks which would bring the vacancy total of the unit to 3 positions. In light of the uncertainty of work stemming from AB 2222 and the proposed UDU Ordinance, and the current vacancies in the Land Use Unit, this Office recommends that the Department fill all the vacancies within in the unit and the two recommended Management Analyst I positions, and report back to the Mayor and Council at a later date with an assessment of workload and staffing resources.

## **FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. The recommendations in this report comply with the City's Financial Policies as the proposed fees are fair and recover the full cost of providing services.

*MAS:NSC:02170034C*