

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 21, 2014

CAO File No. 0220-00013-2389
Council File No. 14-0361, 13-1090,
13-1389
Council District: Various

To: Councilmember Krekorian
Chair, Budget and Finance Committee

From: Miguel A. Santana, City Administrative Officer



Reference: Letter from Councilmember O'Farrell to Councilmember Cedillo dated April 9, 2014; report from the Housing and Community Investment Department to the Mayor and Councilmember Krekorian dated May 1, 2014; and transmittal from the Economic and Workforce Development Department to the Economic Development Committee dated May 16, 2014.

Subject: **USE OF TAX INCREMENT FUNDING FROM THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF LOS ANGELES**

SUMMARY

Councilmember O'Farrell, the Housing and Community Investment Department (HCID) and the Economic and Workforce Development Department (EWDD) request the adoption of policies and related City Ordinances to dedicate a percentage of the tax increment funding received from the former Community Redevelopment Agency of Los Angeles (CRA/LA) to be used for the development of affordable housing and for economic development (C.F. 13-1090 and 14-1361). In addition, Council adopted Motion 7A (C.F. 13-1389) on December 3, 2013 which requests a report regarding the development of a local, permanent funding source for affordable housing, including the CRA/LA tax increment funds. The referenced transmittals and motions are attached to this report.

This Office supports affordable housing and economic development in the City. However, the redirection of tax increment funds for these purposes will result in current and future budget deficits unless a corresponding decrease in General Fund spending is identified. To implement the proposed use of the funds in 2014-15 would result in the need to identify up to \$48 million in expenditure reductions. We recommend that tax increment revenue from the CRA/LA continue to be included as part of the General Fund revenue base and that any policy decisions to use these funds be made in the context of budget development. We further support the development of alternative funding strategies that would mitigate impacts to the General Fund.

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BACKGROUND

Project Areas

The former CRA/LA oversaw 32 Redevelopment Areas which were created as a result of a process to assess whether or not an area was in need of revitalization. The process included CRA/LA staff, residents and businesses which would identify the changes that would benefit the affected community. After the review by staff and stakeholders, the CRA/LA Board would present a proposed Redevelopment Area to the Council, which had final approval authority. Once adopted, the Redevelopment Areas were to remain active as long as there were economic conditions that warranted their existence or for the term that was established when the Area was created.

The specific lifespan for an individual Redevelopment Area would depend on which laws were in effect at the time it was adopted, but the typical timeframe was 30 to 40 years from the adoption date. Redevelopment Areas cease to exist on their expiration date. However, the time to repay debt incurred through Area-related bond sales or other obligations may extend up to ten years past the Redevelopment Area expiration date. The dissolution of the CRA/LA did not bring an end to the Redevelopment Areas; however, the collection and distribution of tax increment revenue has changed and is summarized below. Currently, eight of the 32 Redevelopment Areas have expired.

Tax Increment

The CRA/LA tax increment is the difference between the amount of property taxes paid on properties within a Redevelopment Area at the time the Area was legally established, or "the base," and the subsequent amount of property taxes paid annually on those properties up until the Redevelopment Area expiration date. The County Auditor Controller (CAC) collects the property taxes that would have otherwise have gone to the CRA/LA and deposits them into the County Trust Fund. The CRA/LA prepares a Recognized Obligation Payment Schedule (ROPS), a six-month expenditure plan.

The funds in the County Trust Fund are distributed in the following order: 1) Property tax pass-through payments, including Assembly Bill (AB) 1290 funds; and 2) Amounts approved under the ROPS, which includes: i) debt service payments for tax allocation bonds; ii) payments on revenue bonds, if needed; iii) other scheduled payments required to be paid by property tax increment; and iv) the CRA/LA's approved administrative costs. For AB1290 Redevelopment Areas, the statutory tax-sharing will continue as long as the Area receives tax increment.

Prior to its dissolution, the CRA/LA reimbursed the City for the actual costs associated with developing approved projects in the Redevelopment Areas. The reimbursements were made using the tax increment funds. During the dissolution process, several projects were identified as "enforceable obligations," which includes outstanding bonds; payments required by federal, state or local law; and legally binding judgments, settlements, agreements or contracts. After the dissolution, the City will not be reimbursed for project costs unless they are included as enforceable obligations. In addition, the CRA/LA may only receive annual tax increment revenue by submitting a Statement of Indebtedness to the CAC. Furthermore, the dissolution introduced an expiration date for the right of

the CRA/LA to receive tax increment to pay debt incurred prior to dissolution. The dissolution also requires the expeditious wind-down of the CRA/LA.

After the ROPS payments are made, the remainder of the tax increment is then distributed to the property tax recipients, such as the City, County, School District, and Community College District associated with the Redevelopment Areas. The City's share of the former CRA/LA property tax increment is sometimes referred to as "boomerang funds." The balance of the tax increment revenue is not restricted by any law or ordinance and may be used for any purpose. The revenue and four-year outlook for the Proposed 2014-15 Budget assumes the tax increment income is used to address forecasted growth in General Fund expenditures. The following table shows the estimated tax increment revenue for the next five years as well as the forecasted budget deficits:

**General Fund Revenue Outlook in Millions of Dollars
Fiscal Years 2014-15 through 2018-19**

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19
Amount of Tax Increment Revenue	\$48	\$49.7	\$51.4	\$53	\$54.6
Forecasted Deficits	\$0	(\$165.2)	(\$186.8)	(\$73.9)	(\$20.9)

If any of the tax increment funds are redirected from existing General Fund expenditures and used for the proposed purposes, the budget deficits will increase and need to be addressed through a corresponding decrease in General Fund spending.

As the Redevelopment Areas expire, the related tax increment revenue will also end. At that point, the property taxes that are collected from the former Redevelopment Areas will be reported in the City's General Fund property tax revenue. Eventually, the revenue from the CRA/LA tax increment will decrease to \$0 and the City's General Fund property tax revenue will include all of the property taxes that were formerly collected by the CAC as tax increment. The City's share of the base amount of property taxes is included as part of the City's annual property tax revenue.

Other Funding Sources

This Office recognizes the importance and value of supporting and funding affordable housing and economic development in the City. It is also vital to maintain flexibility regarding the use of General Fund revenues to address projected budget deficits. The HCID, EWDD, the Department of City Planning (DCP), the Office of the Chief Legislative Analyst (CLA) and this Office will respond to the Council's requests to develop policies and strategies to fund affordable housing and economic development programs (C.F. 14-0361, 13-1090, 13-1389). The following potential funding sources and strategies should be considered as alternatives to maximize resources for housing and economic development purposes and mitigate impacts to the General Fund:

- Create an Economic Development Nonprofit (EDNP) that is anticipated to be a transaction-oriented entity fostering innovation and supplying services not previously undertaken by the City (C.F. 08-3050). This Office and the CLA will release a joint report on this option within the

next few weeks.

- Identify City assets that may be developed to include or incentivize economic development and/or affordable housing.
- Implement fees. The HCID and DCP have completed an Affordable Housing Benefit fee study which shows a nexus between new development and affordable housing.
- Issue bonds. Bonds must be voted on by the public and may become a General Fund obligation. In addition, the issuance of bonds may create a debt capacity issue for the City.
- Identify incentives to increase affordable housing and economic development. These programs could be encouraged through land-use or in tax incentives.
- Encourage private sector investment in affordable housing and economic development.

RECOMMENDATIONS

That the Council:

1. Continue to include the tax increment revenue from the former Community Redevelopment Agency of Los Angeles (CRA/LA) as part of the General Fund Revenue Outlook in the annual budget;
- ~~2. Concur that any decision to use the former CRA/LA tax increment revenue be made in the context of the development of the budget; and,~~
3. Continue to work with the Housing and Community Investment Department, Economic and Workforce Development Department, Department of City Planning, City Administrative Officer and Chief Legislative Analyst to identify policies, strategies and sources of funding for affordable housing and economic development.

FISCAL IMPACT STATEMENT

The tax increment funds from the former Community Redevelopment Agency of Los Angeles (CRA/LA) are included in the five-year General Fund Revenue Outlook for the Proposed 2014-15 Budget. If the tax increment funds are redirected, forecasted General Fund deficits will increase unless a corresponding decrease is made in General Fund spending.

MAS:BC:MMR:02140115C

Attachments

CITY OF LOS ANGELES

CALIFORNIA

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GENERAL MANAGER



ERIC GARCETTI
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ECONOMIC AND WORKFORCE
DEVELOPMENT DEPARTMENT

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May 16, 2014

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COMMITTEE TRANSMITTAL: REPORT BACK TO THE ECONOMIC DEVELOPMENT COMMITTEE REGARDING A CITYWIDE STRATEGIC PLAN FOR ECONOMIC DEVELOPMENT AND AN INVESTMENT FUND MODEL FOR CITYWIDE ECONOMIC DEVELOPMENT PROJECTS

SUMMARY

Prior to the dissolution of redevelopment agencies in California on January 31, 2012, the City of Los Angeles received over \$200 million annually through the former Community Redevelopment Agency of Los Angeles (CRA/LA) in new tax increment revenue. These funds were allocated by the CRA/LA to affordable housing, infrastructure and economic development projects in economically depressed parts of the City. After the dissolution of redevelopment, the tax increment once received by the CRA/LA is now allocated to its successor agency for enforceable obligations with any balance remaining apportioned to Affected Taxing Entities, such as the City, County, and School District. The former redevelopment agency funds returning to each taxing district have been termed "Boomerang Funds." The City of Los Angeles' share equates to approximately 28% of the property tax increment available, determined based on an allocation formula of the 1% property tax by the State law. While other cities and counties in California as early as 2012 set-aside all or portions of the tax increment revenue they received from the dissolution of their respective redevelopment agencies to continue the investments and goals of those former agencies, the City of Los Angeles has not. To date, the City has received over \$92 million in Boomerang Funds, yet none of this revenue has been utilized for affordable housing or economic development, instead being absorbed into the General Fund.

As a matter of policy, the city should begin to prioritize, memorialize and set aside the Boomerang Funds as a permanent source of funding for economic development and associated affordable housing efforts in Los Angeles in order to reverse historic trends on job growth, create a baseline of housing and amenities that attracts, retains and assists businesses and households, and develop the infrastructure necessary to ensure Los Angeles' position as a competitive global city of the 21st Century. For these reasons, it is strongly recommended that the City act on the following recommendations to dedicate the City's future receipt of Boomerang Funds as a permanent source of funding for the Economic Development Investment Fund and Affordable Housing Trust Fund.

RECOMMENDATIONS

The General Manager of the Economic and Workforce Development Department (EWDD) respectfully requests that the City Clerk forward this transmittal to the appropriate City Council committee for consideration, and that the City Council, subject to the approval of the Mayor:

1. APPROVE a set aside, by way of ordinance, of former tax increment funds beginning in Fiscal Year 2014-2015 to the EWDD and Los Angeles Housing and Community Investment Department (HCIDLA) as follows:
 - A. Option 1: Set aside by way of ordinance, 20 percent of the former CRA/LA tax increment revenues to the Affordable Housing Trust Fund (AHTF) managed by HCIDLA and 80 percent of the former CRA/LA tax increment revenues to the Economic Development Investment Fund (EDIF) managed by EWDD, or
 - B. Option 2: Establish a 3-year phased-in set aside by way of ordinance, beginning in Fiscal Year 2014-2015, to achieve a maximum dedication of 100% of the CRA/LA tax increment revenues by Fiscal Year 2016-2017 as follows:
 - i. 10% HCID and 40% EWDD in FY 2014-2015
 - ii. 15% HCID and 60% EWDD in FY 2015-2016
 - iii. 20% HCID and 80% EWDD in FY 2016-2017
2. DIRECT the City Attorney's Office to draft an ordinance to permanently set aside a portion of the City's former tax increment funds based on the approved option of the City Council and Mayor, and
3. AUTHORIZE the respective General Manager's of HCIDLA and EWDD, or designee(s), to prepare Controller's instructions for any necessary technical adjustments consistent with Council and Mayor action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

NEED FOR A CITYWIDE ECONOMIC DEVELOPMENT STRATEGY

Despite being one of the largest municipal economies in the United States, the City of Los Angeles lacks a comprehensive economic development and investment strategy. This deficiency has been keenly felt in the wake of the national recession and dissolution of the former CRA/LA and spurred the City into creating the Economic and Workforce Development Department in April 2013 (Ordinance 182500) to develop continuity around the city's disparate economic development efforts and spearhead a new and forward-thinking approach to neighborhood and citywide economic development.

Although funding to meet the policy mandates associated with the creation of EWDD was not achieved in the last fiscal year, EWDD is poised to move forward in earnest to develop and achieve the hierarchical economic and community development goals necessary. However it should be noted that progress will be stymied, if not halted altogether, by a lack of dedicated baseline resources. One time funding appropriations cannot guarantee a managed pipeline of projects and garner the matching private investment necessary to make a significant impact. The funds being requested and recommended in this transmittal, if achieved, would only represent at most 15% of what the City was receiving for economic and community development funding at its 2011 level under the former CRA/LA. However, this 15% is critical to establishing a baseline commitment.

The need for a citywide strategic plan for economic development that would raise living standards, improve household incomes, and jump start job growth has never been greater. City revenues have declined substantially, and there has been little or no job growth for over two decades. Decreases in the City's unemployment rate have lagged significantly behind the nation, state and county. As of March 2014, the unemployment rate stands at 9.7%, down only 0.2% since January 2014 when the rate was 9.9%.

Table I below shows a comparison of unemployment rates for the U.S., California and Los Angeles City and County.

TABLE I-UNEMPLOYMENT RATE COMPARISON FOR THE U.S., STATE OF CALIFORNIA, CITY AND COUNTY OF LOS ANGELES*

	JANUARY 2014	FEBRUARY 2014	MARCH 2014
U.S.	6.6%	6.7%	6.7%
CALIFORNIA	8.1%	8.1%	8.1%
LOS ANGELES CITY	9.9%	9.8%	9.7%
LOS ANGELES COUNTY	8.8%	8.7%	8.6%

*Sources-Bureau of Labor Statistics and State of California Employment Development Department, Labor Market Information

The City of Los Angeles, with an estimated population in 2013 of 3,862,839, is the second most populous City in the country after New York City, and the single most densely populated area in the United States. Although statistical trends demonstrate population growth continuing, it is also important to note that Los Angeles has also led the country in domestic outmigration. These trends highlight two critical issues that face the City: (1) how to balance growth and meet the infrastructure, housing and service needs of Los Angeles' population, and (2) how to stave off the loss of educated and skilled workforce to other

cities and states. In a recent study conducted by famed demographer Joel Kotkin, of the nation's largest metropolitan areas, Los Angeles came in 46th out of 51 in a ranking of overall affordability and 59th out of 65 as a "best city for jobs." Factors effecting Los Angeles' ranking included tepid income and salary growth, a cost of living almost 20% above the national average, and a lack of job growth in industries that guarantee well-paying jobs like manufacturing, science, technology, engineering and energy-related fields.

Even though it is the nation's largest industrial area, Los Angeles has not benefitted from the high-tech and industrial manufacturing resurgence which has raised the majority of metropolitan areas out of the recession. Los Angeles lost about 20% of its industrial jobs since 2006, and the losses have continued over the past year. The City is one of eight metropolitan areas in the nation that remain more than 100,000 jobs below their pre-recession levels; with Los Angeles carrying the highest deficit (over 333,000 jobs). It has been projected, based on current recovery levels, that it will take the City until 2020 to bring back the jobs lost in the recession and before the City can begin to count net new jobs. Additionally, the National Employment Law Project put out a report in May 2014 which determined that the majority of job gains made by the City of Los Angeles versus other metro areas post-recession are in sectors that pay lower wages than those jobs that were initially lost during the recession.

To reverse these trends it is vital the city, working through the EWDD, actively focus on investments to create an urban environment that promotes business creation and expansion, and provides opportunity for a balance of skilled and unskilled jobs and affordable housing and amenities that will brand Los Angeles as a 21st Century City fostering innovation and sustainability.

During this past year, EWDD has worked diligently to build the personnel and budget capacity and ready the department to assume the new and expanded citywide obligations for economic development arising from the impact of the dissolution of the CRA/LA and the corresponding interests of the Mayor and City Council for citywide economic development. As part of the formation of the department, a newly established Economic Development Investment Fund (EDIF) was created to align local, public and private resources for economic development. Initially the EDIF was funded with \$3.5 million of Community Development Block Grant (CDBG) funds identified in the 2013 Annual Plan, and it is anticipated that the EDIF will receive an additional allocation of \$3.5 million of CDBG in the 2014 Consolidated Plan. It is important to note that activities and projects funded with CDBG funds must meet all CDBG/HUD requirements and national objectives.

For Fiscal Year 2013-14 the Council and Mayor identified approximately \$3.0 million in city general funds that were placed in the Unappropriated Balance Fund, and \$1.7 million in CRA/LA residual loan funds (CIERLP) for economic development activities. It is anticipated the city will also be receiving additional resources from the CRA/LA dissolution's Recognized Obligation Payments, which could also be contributed to the Economic Development Investment Fund. Growing the fund is critical and these additional resources, if realized, will help off-set the remaining gap in funding to achieve pre-dissolution resource levels for economic development (estimated at \$160 million annually adjusted for CPI). However, given the funding levels necessary to create the economic stimulus desired, a baseline of \$4.7 million for a citywide economic development effort cannot produce the jobs or the results the City of Los Angeles needs to make a difference.

EWDD will work to leverage whatever resources it receives with private investment and foundation grants to contribute to and grow the EDIF, and we will also initially leverage the fund with city, state and federal economic development tools already available such as Section 108 loans, the Small Business Loan Fund, Industrial Development Authority Bonds, New Market Tax Credits and Hiring Tax Credits available from the State's Go Biz Office.

EDIF FUND PURPOSE AND ELIGIBILITY

The EDIF will be used for gap financing business capital start-up and expansion projects, citywide asset development, public infrastructure investment, neighborhood development, regional coordination on goods/movement and transportation, as well as programs that support sector and industry development. All expenditures are intended increase the city tax base revenue and create employment opportunities for local residents. Depending on the particulars of the overall project financing, the fund's investment could be structured as a grant, below-market rate loan, or direct funding of public improvements.

EWDD recommends that capital industrial or commercial projects from for-profit and non-profit entities be considered for funding as part of the city's revitalization efforts. All projects will be underwritten utilizing established criteria and submission of project documentation to determine and validate project readiness. Depending on the source of funds, the project will have to meet all Community Development Block Grant (CDBG) or other funding source eligibility requirements, including any City procurement requirements and job creation obligations. The EDIF will not fund-ongoing operations, but will be used as a line of credit, or as a guarantee for a line of credit.

BOOMERANG FUNDS

EWDD recommends the incorporation of Boomerang Funds returning to the city as a result of the dissolution of the CRA/LA into the EDIF and AHTF to initiate significant local investment to address the City's housing and job crisis. It is recommended that Boomerang Funds be set aside in percentages similar to those established for redevelopment, i.e., 20% for affordable housing programs and 80% for economic, development and public infrastructure programs. If budget or other constraints require a phased in approach, it is recommended that the City consider no more than a three-year phasing to reach this initial level of funding. The EWDD estimates that approximately \$40 million a year in Boomerang Funds will be available each year.

To date, the Boomerang Funds have been utilized by the City as a funding gap to balance the citywide budget. While a very strong argument can be made that the Boomerang Funds can and should be part of the solution to the City's structural deficit, it is recommended that the solution not be to use them as gap funding every year when there is a budget deficit, but rather as a source of investment that will secure permanent increased revenue to the General Fund over time. Forty-years of studies have proven that public investment in economic development and infrastructure leads to higher productivity and living standards. This investment, when made, equates directly to increased sales, utility user and property tax revenue for the City.

It is also important to note that public investment in economic development and infrastructure not only benefits the public sector, but the private sector as well. In a briefing paper published by the Economic Policy Institute in Washington D.C. in April 2012, after surveying the effects of public capital investments, it was found that public investment in infrastructure and economic capital initiatives produced significant positive impacts on private-sector productivity, with estimated rates of return ranging from 15 percent to upwards of 45 percent on the public dollars spent. If the City receives returns at this level, it is safe to assume that the fund expenditures will produce millions of dollars in additional revenue. These findings strongly suggest that increasing public investment is a more urgent policy priority than cutting spending, and that a significant increase in public investment spending would boost jobs in the short run, and pay enormous dividends in more rapid productivity growth, land value and higher household income in coming decades.

Additionally, the City needs to consider the social impacts of these expenditures. Investing in transportation, infrastructure, communications, housing and business capital will improve quality of life within the City for both its existing and future residents, and makes the City more competitive for new businesses in the long run.

ELIGIBLE ECONOMIC DEVELOPMENT PROJECTS

The following provides a proposed plan for allocating the Boomerang Funds based on an allocation of 40, 60 and 80 percent of available funds based on the current estimate of \$40 million per year. Although the dollar amounts will change, the percentages allocated to each program area remain relatively aligned. However, if less funds are available, it is proposed to put a slightly higher percentage into Capital Projects, as infrastructure investment can be targeted to regional job hubs and have a broader geographic impact. If preserved as a consistent source, EWDD would recommend using a portion of the funds available for administrative overhead, staffing and related consultant work. Additionally, as more funds become available, the programs can drill down to neighborhood and community-level investments rather than focus on broader initiatives and projects that serve a more regional or citywide focus. EWDD will be submitting at a later date for consideration and approval by City Council and the Mayor policies to determine project eligibility based on a number of factors including but not limited to established financing, project readiness, acceptable pro forma and status in the entitlement process. Projects for economically viable areas of the City, and economically disadvantaged and less stable areas in the City will be addressed in the overall strategy for project support.

If EWDD does in fact receive 80% of the Boomerang Funds, the projects that could be funded would be anticipated to produce hundreds of direct construction and permanent jobs on an annual basis, and thousands of indirect jobs, along with increased sales and property tax.

EDIF AT 40%	Total	%
Program Implementation		
Market Investment	\$ 6,000,000	37.5%
Innovations	\$ 1,500,000	9.4%
Capital Projects	\$ 7,250,000	45.3%
Economic Strategy	\$ 500,000	3.1%
Asset Management	\$ 750,000	4.7%
Subtotal-Program Implementation	\$ 16,000,000	100.00%

EDIF AT 60%	Total	%
Program Implementation		
Market Investment	\$ 9,000,000	37.5%
Innovations	\$ 3,000,000	12.5%
Capital Projects	\$ 10,000,000	41.7%
Economic Strategy	\$ 1,000,000	4.2%
Asset Management	\$ 1,000,000	4.2%
Subtotal-Program Implementation	\$ 24,000,000	100.00%

EDIF AT 80%	Total	%
Program Implementation		
Market Investment	\$ 11,000,000	34.4%
Innovations	\$ 5,000,000	15.6%
Capital Projects	\$ 12,250,000	38.3%
Economic Strategy	\$ 1,750,000	5.5%
Asset Management	\$ 2,000,000	6.3%
Subtotal-Program Implementation	\$ 32,000,000	100.00%

EWDD recommends projects in 5 categories for immediate consideration:

1. Market Investment

Seek to provide funding for small and large businesses as well as potential multi-use projects. The funds will be sub-categorized to address specific sector strategies or industry development and will include a small-business / entrepreneurial component and a neighborhood-focused component. The intent of the funds would be to provide technical support as well as capital for business creation and expansion. The Market Investment transactions can also include larger real estate deals that bring jobs along with local amenities to neighborhoods. Some multi-use projects are anticipated in Transit Oriented Development (TOD) areas in partnership with the MTA and the private sector and could include projects like Laurel Plaza in North Hollywood, the Montgomery Ward site in Van Nuys, Westwood Village in West Los Angeles and Marlton Square in South Los Angeles. Small business loans would most likely average \$400,000 and Major Project funding would be around \$2 million. With these numbers in mind, it's anticipated that the program could assist anywhere between five and fifteen projects a year.

2. Innovations

This program is focused on fostering innovation in emerging sectors. Projects could include matching grants for small and neighborhood businesses using Crowdsourcing for funding, developing incubator space and joint-work spaces, focusing on creative economies and coordinating with emerging sectors to develop programs and marketing that will specifically address the needs of that business community. Depending on the funding available, the City could anticipate providing resources for up to 20 small businesses a year and developing one to two new incubators.

3. Capital Projects

EWDD recommends the use of Boomerang Funds to create the physical infrastructure, facilities and amenities to invest in commercial and industrial hubs in the City as well as areas of high tourism and TOD. Such investment is expected to facilitate the creation or rehabilitation of new and existing sports and cultural facilities, markets, buildings and amenities enhancing the City's competitive edge. EWDD would take the lead on complex infrastructure projects that involve multiple grant sources and private partnerships by establishing financing for these projects, managing the design and construction, and arranging long-term/short-term maintenance agreements. It is anticipated that projects will vary in size and need for local funding. Projects that leverage other sources and/or produce higher job numbers will be prioritized.

There are a wide array of project types within this category. Below are a few examples.

Tourism Infrastructure-these projects would include improving infrastructure in designated areas of the City for cultural, entertainment or sports-related uses. They may also include developing emerging urban tourism for tourists/visitors who are interested in specific experiences such as eco, food or other areas. Projects could include upgrades in Chinatown Plaza, the Downtown Streetcar, related streetcar projects in other neighborhoods, My Figueroa, Fashion District way-finding, parking and walkability improvements, etc.

High Speed Internet and Technology-create more public Wi-Fi hotspots and develop plans to improve high-speed access to lower income areas and commercial hubs:

Goods/Movement-develop infrastructure projects along key transit corridors to facilitate goods movement. These projects should also include reinforcing streets for heavy weight truck traffic, especially in those areas like Wilmington and Harbor City-Gateway where streets are in desperate need of repair or industrial parks lacking paved streets and sidewalks.

Great Streets-develop plans for infrastructure projects for neighborhoods designated part of the Great Streets Program and implement a streetscape/signage/ and branding program.

4. Economic Strategy

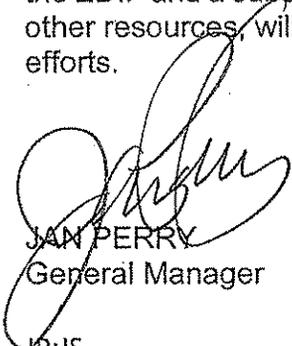
Funds available in this program area will be utilized to focus on research and tracking of various job sectors, demographic changes, and metrics that influence the placement and use of funds from the EDIF. Additionally, these funds could be utilized to coordinate marketing strategies for the City of Los Angeles and its various industries nationally and globally. Projects could include developing websites to promote the fashion-related businesses in the City or partnering with Experience LA or other existing tourism-related tools to highlight and publicize certain geographic areas or businesses through events and marketing.

5. Asset Management

Funds dedicated to Asset Management will provide a resource for maximizing the value of City-controlled property, whether it's a pre-existing asset or a transferred asset from the CRA/LA. The funds available will pay for title, management and marketing services as well as potential tenant improvements, design and permitting. Depending on the funding available, EWDD will concentrate time and effort on assets that have the highest potential for immediate returns and/or are determined to be in emerging market areas.

CONCLUSION

Over the next year, EWDD will be organizing the city's consolidated economic development efforts, developing a citywide strategic plan for economic development, and establishing the necessary groundwork to increase economic growth in Los Angeles. EWDD will work in concert with HCIDLA to align priorities and projects to maximize impacts on a community level. EWDD will also align our grant-funded workforce and youth development programs with the economic development efforts that will be funded through EDIF to ensure that the jobs created through our economic development efforts will serve local interests and reduce unemployment, especially in economically disadvantaged areas of the City. However, as mentioned in the beginning of this report, building a base of funding by using the EDIF and a substantial dedicated portion of Boomerang Funds, as well as leveraging of other resources, will be critical to the success of these proposed economic development efforts.



JAN PERRY
General Manager

JP:JS



Eric Garcetti, Mayor
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May 1, 2014

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Attn: Mandy Morales, Legislative Coordinator

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REPORT BACK REGARDING CITY COUNCIL MOTION 14-0361: REQUEST FOR APPROVAL TO PERMANENTLY EARMARK A PORTION OF THE CITY'S FORMER TAX INCREMENT DOLLARS TO THE CITY'S AFFORDABLE HOUSING TRUST FUND (AHTF)

SUMMARY

In response to the housing affordability crisis in Los Angeles, Councilmembers Mitch O'Farrell (CD15) and Gilbert A. Cedillo (CD1) introduced a motion requesting a report back on a policy to permanently earmark, for affordable housing, a percent of the tax revenue the City receives subsequent to the dissolution of the former redevelopment agency.

On October 1, 2011, Governor Jerry Brown dissolved all California redevelopment agencies, effectively eliminating approximately \$50 million in locally-generated affordable housing funds in the City of Los Angeles. Faced with steep rents and limited affordable housing, cities throughout California began working to dedicate a percent of the former redevelopment agency's tax revenue toward affordable housing projects and programs. Some localities now permanently dedicate 20 percent of former tax increment dollars to affordable housing.

In Los Angeles, the lack of affordable housing and the sharp decline in funding have reached crisis proportions. Today, a majority of Los Angeles' renters are rent-burdened. In this new funding reality, it is imperative that the City of Los Angeles directly confront the persistent affordable housing shortage by creating a new and permanent funding resource. This report presents two options for a permanent allocation of future tax increment dollars to the AHTF.

RECOMMENDATIONS

The General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests that:

- I. Your offices schedule this transmittal at the next meeting(s) of the appropriate City Council committee(s) and forward it to the City Council for review and approval immediately thereafter;
- II. The City Council, subject to the approval of the Mayor, take the following actions:
 - A. Approve a set aside, by way of ordinance, of former tax increment funds to the Affordable Housing Trust Fund (AHTF) as follows:
 - a. *Option 1:* Set aside by way of ordinance, 25 percent of the former CRA tax increment revenues to the AHTF beginning in fiscal year 2014-2015, or
 - b. *Option 2:* Establish a 3-year phased-in set aside beginning in fiscal year 2014-2015, by way of ordinance, to the AHTF to achieve a maximum dedication of 35 percent of the former tax increment dollars as follows:
 - i. 10% FY 2014-2015
 - ii. 25% FY 2015-2016
 - iii. 35% FY 2016-2017
 - B. Direct the City Attorney's Office to draft an ordinance to permanently set aside a portion of the City's former tax increment funds based on the City Council's and the Mayor's approved option,
 - C. Authorize the General Manager of HCIDLA, or designee, to prepare Controller's instruction(s) for any necessary technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.

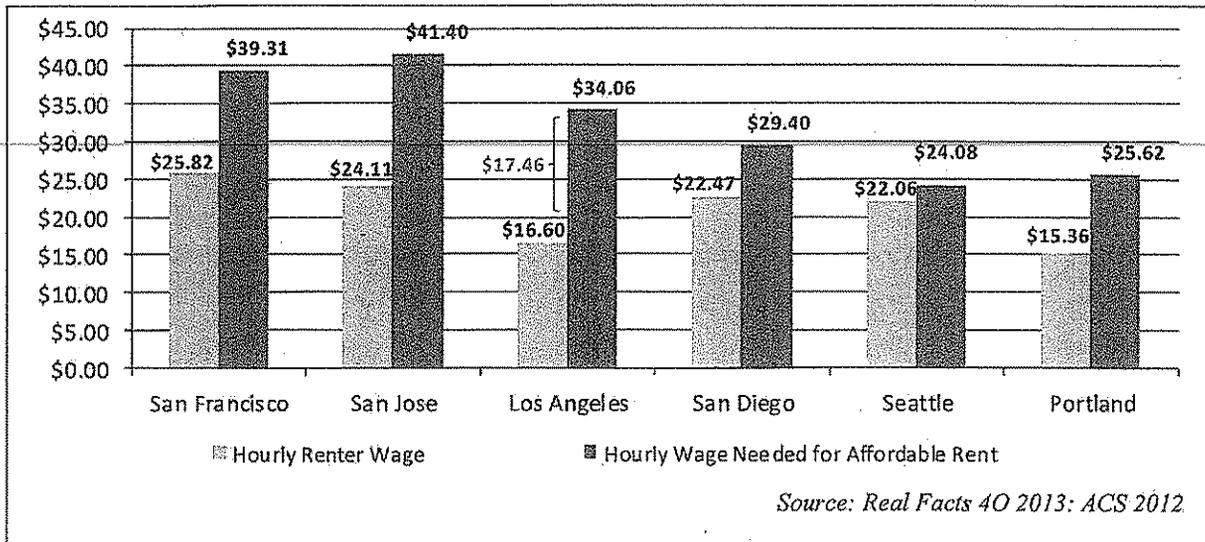
BACKGROUND

In response to the housing funding and affordability crisis faced by Angelenos, Councilmembers Mitch O'Farrell and Gilbert A. Cedillo introduced a motion requesting a report back on recommendations to permanently earmark, for affordable housing, a percent of the tax revenue the City receives from the dissolution of the former redevelopment agency. On April 9, 2014, the City Council's Housing Committee approved and referred the motion to the City Council's Budget and Finance Committee and directed the Housing and Community Investment Department (HCIDLA) to report back on said policy proposal.

Los Angeles is a City of renters, out of 1.3 million housing units, 63 percent (842,793 units) are rental housing units. Of the 3.7 million people living in Los Angeles' housing units, 2.2 million are living in rental units. Despite the foreclosure crisis and accompanying declines in housing costs, rents continue to consume a significant portion of renters' wages. The 2012 American Community Survey reports that 62 percent of renter households are rent-burdened paying more than 30 percent of their income for rent, while 33 percent of Los Angeles' renters are severely rent-burdened, meaning that 50 percent or more of their income is dedicated to paying rent. Los Angeles has the highest rate of severe rent burden compared to other high cost cities such as San Jose and San Francisco.

In comparison to other cities experiencing high rent increases annually, renter households in Los Angeles have the highest gap between their hourly wage and the wage needed to pay an affordable rental rate (see graph below). Angelenos face a gap of \$17.46 per hour. To afford an average rental rate of \$1,771¹ per month, a renter would have to earn \$34.06 per hour. The gap between rental costs and income is so great that many are forced to double up or accept substandard living conditions to make ends meet.

Wage Gap



An acute affordable housing shortage, coupled with stricter underwriting requirements for home loans, and increasing rents is making Los Angeles unaffordable for many. The widening gap is forcing a growing number of households to allocate a larger portion of their income towards rent and thereby spend fewer dollars in the community, or altogether move out of the City to endure longer commutes into job centers within the City boundaries.

Historically, in the City of Los Angeles, a large proportion of units needed by above-moderate income households have been built by housing developers without public subsidy. However, it has been difficult for the City to meet the housing needs of renters at the moderate-, low-, very low-, and extremely low-income levels. The state mandated Regional Housing Needs Assessment (RHNA)

¹ Real Facts Online. Fourth Quarter 2013.

represents the total number of housing units (by affordability level) that each jurisdiction must accommodate to meet the needs of the projected population growth. In Los Angeles, during the previous RHNA period (2006 to 2012), only 17 percent of the low-income units needed in the City were built; meanwhile 79 percent of the above moderate-income units needed were supplied entirely by the private sector. Thus, the City fell short in meeting its housing needs despite achieving an AHTF funding height of \$100 million or more, within the years 2008, 2009, and 2010 during the previous RHNA period. It is important to note that the funding included HOME Investment Partnerships Program (HOME), redevelopment funds, and other one-time funding from the federal government, but no City General Funds. The situation today is more precarious with significantly less funding.

AFFORDABLE HOUSING FUNDING CRISIS: CITY OF LOS ANGELES

Federal

Affordable housing funding in Los Angeles has been hard-hit by multiple financial losses. The most severe being that over the past four years, the City of Los Angeles has lost 42 percent of its Community Development Block Grant (CDBG) funds and 57 percent of its HOME funds due to Congressional budget cuts. Lastly, the City's Neighborhood Stabilization Program (NSP) Funds grant have been fully committed and will not be reauthorized.

Loss of Redevelopment

Until 2011, the redevelopment tax increment financing represented the City's largest and only local source of funding for affordable housing in Los Angeles. Prior to the loss of redevelopment, localities dedicated (by law) a minimum of 20 percent of their tax increment to affordable housing. In Los Angeles, beginning in fiscal year 2002-2003 the Community Redevelopment Agency of Los Angeles (CRA/LA) dedicated an additional 5 percent of all tax increment funds annually to the City's AHTF. In total, Los Angeles expended over 25 percent of tax increment funds to affordable housing, as a matter of law and policy. Depending on the project area, the CRA/LA sometimes spent more than 25 percent on housing.

The dissolution of the CRA/LA represents a loss of approximately \$50 million annually in tax increment funds dedicated to affordable housing. The CRA/LA loans often included predevelopment funds used to finance the entitlement process and/or secure the land. These loans also signaled the City's support for a project in its earliest phase. However, while the CRA/LA is gone, this does not mean tax increment has disappeared. In fact, these funds have been reallocated with approximately 28 percent of the former tax increment returning to the City of Los Angeles as unrestricted property tax revenue.

State

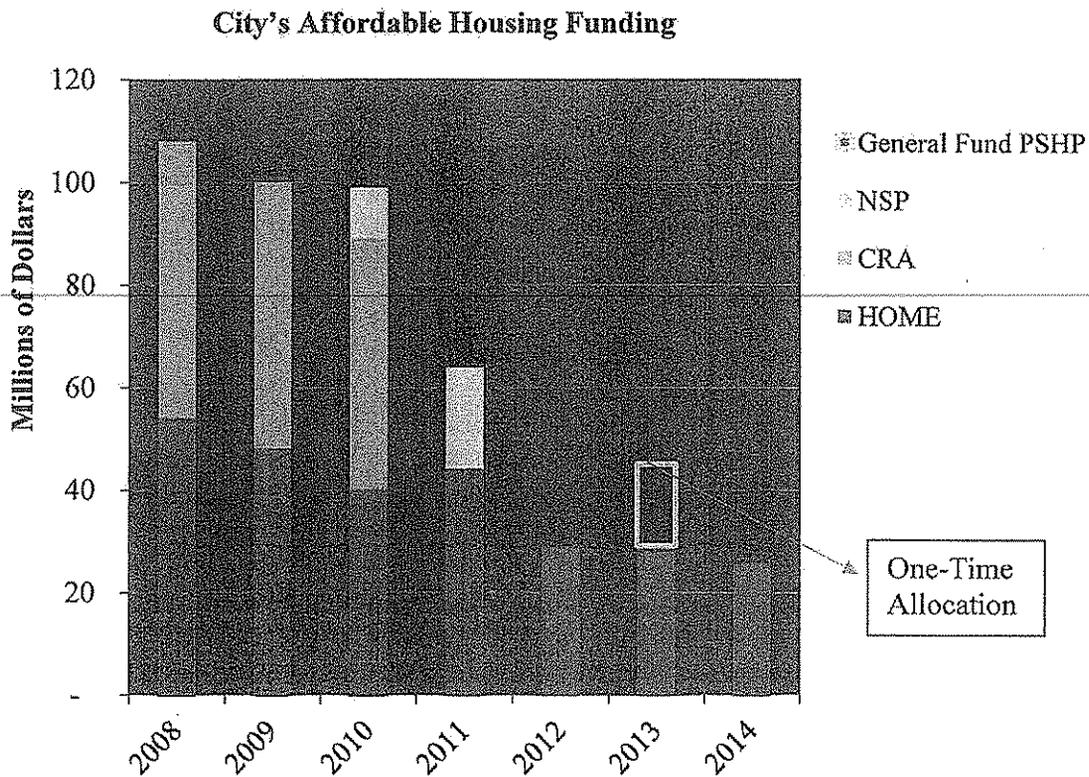
At the state level, the California Prop 1C Housing & Emergency Shelter Trust Fund Grant for affordable housing development throughout California is nearly depleted; funding from previously unrealized projects was recaptured and is currently being spent. With the impending end of this funding stream and with no other State funding on the horizon for affordable housing, it is imperative to look to local solutions to address the City's AHTF funding shortage.

Ramifications

As described above, at a peak year, in 2010, the AHTF was funded at approximately \$100 million. Conversely, in fiscal year 2014-2015 the projected total funding is expected to be \$26 million, all of which are federal funds. This funding level represents a loss of approximately \$74 million from 2010.

This loss of affordable housing funding has had a ripple effect in our local economy, causing dampened investment and diminished job creation. Affordable housing construction boosts the local economy by creating much needed construction jobs and adding affordable homes. In fact, the City leverages \$4 for every \$1 of HOME investment. The \$74 million decline in 2014 represents a loss of approximately \$370 million in total affordable housing dollars (including leveraged funding). Based on the Economic Roundtable's job creation formula, this investment loss equates to nearly 4,000 jobs forgone in the City and 1,345 affordable units not built, further limiting housing choices and employment opportunities for Angelenos.

In sum, the graph below captures the City's affordable housing funding's recent history and steep decline since 2010. With the dissolution of redevelopment agencies, a fully expended NSP program, and no City general funding², local solutions are necessary to begin to replenish the loss of overall dedicated funding for affordable housing.



PERMANENT AFFORDABLE HOUSING EARMARKS IN OTHER JURISDICTIONS

Upon the state's dissolution of redevelopment agencies, several localities in California moved quickly to preserve funding for affordable housing development. The affordable housing funding crisis coupled with exorbitant housing and rental costs throughout California cities have compelled many to implement ordinances to permanently set aside former tax increment funds for housing. Localities that recently

² The AHTF did not receive any General Fund dollars until April 2013 when the City Council allocated (as a one-time allocation) \$16 million dollars for permanent supportive housing projects to specifically serve the chronically homeless.

approved a permanent* affordable housing allocation from their ongoing tax increment revenues are included in the following table.

Tax Increment in Los Angeles County

In Los Angeles County, the Board of Supervisors made a five-year commitment of \$15 million per year. Beginning in fiscal year 2013-2014, Los Angeles County set aside \$75 million for affordable housing Notices of Funding Availability (NOFA); annually, \$15 million of the \$75 million will be put forth to the public in a countywide NOFA. Acknowledging that affordable housing is a key impairment in the region's efforts to remain competitive in terms of economic growth, the county is exploring other efforts to make a permanent dedication, beyond the initial 5-year allocation.

Former Tax Increment Dollars Permanently Dedicated to Affordable Housing

Locality	Annual Percent Dedicated to Affordable Housing	Start Date
Oakland	25%	FY 2015-2016
Santa Clara County	20%	FY 2013-2014
San Mateo	20%	FY 2013-2014
Fremont	20%	FY 2013-2014
Emeryville	20%	FY 2013-2014
Redwood City	\$200,000	FY 2013-2014
San Leandro	\$380,000	FY 2013-2014
Los Angeles County	\$15M per year	FY 2013-2014 (*sunsets in 5 years)
San Francisco	\$15M first year, increasing by \$2.8M every year until capped at \$50.8M	FY 2013-2014 (*sunsets in 30 years)

The surveyed localities report that dedicated affordable housing funds will be spent on a full range of housing programs, including new multifamily rental, preservation of existing affordable housing, foreclosure prevention, homeless shelter construction, permanent supportive housing, down-payment assistance and owner rehabilitation, among others.

LIMITED FUNDS AND HIGH BUILDING COSTS NECESSITATE LARGER SUBSIDIES

Cost of Financing the RHNA projections in the City of Los Angeles

The City's recently adopted Housing Element includes the RHNA, which quantifies the housing need in Los Angeles at 82,002 additional units beginning in January 1, 2013 through October 1, 2021. The total subsidy and building costs associated with attempting to meet the RHNA are immense. To finance the construction of low- and very low-income units needed in the City during an 8-year period, the HCIDLA subsidy would amount to a total of \$3.2 billion (see the following table). Based on the fiscal year 2014-2015 federal entitlement dollars, including program income, the City of Los Angeles is projected to receive a total of \$208 million during this same 8-year period. This represents approximately 7 percent of the total funding needed to meet the low- and very low-income RHNA need.

RHNA 2013-2021				
	Very Low Income (≤ 50% AMI)	Low Income (51-80% AMI)	Moderate Income (81-120% AMI)	Above Moderate Income (> 120% AMI)
RHNA - Units Needed	20,427	12,435	13,728	35,412
Cost to Build All Units*	\$7.5 Billion	\$4.6 Billion	Limited Resources (primarily for homeownership)	Financed by the Market
HCIDLA Total Subsidy Needed*	\$2.0 Billion	\$1.2 Billion	Limited Resources (primarily for homeownership)	Financed by the Market
Projected 8-Year HUD Entitlement for the City of Los Angeles**	\$208 Million			

*The figures are based on the average AHTF new construction costs (\$371,814/unit) and a \$100,000 AHTF subsidy per unit.

**This figure is a projection based on the current program year 2014-2015 entitlement of \$26 million.

The funding challenges inherent in building very low- and low-income housing make it very difficult for jurisdictions to build the number and type of units to address the need. It is important to note that while jurisdictions are not required to build the units, they must, nevertheless, demonstrate enough sites or land zoned for the calculated number of housing units needed.

Average Affordable Housing Trust Fund Cost/Subsidy Per Unit Type

Today, the average AHTF subsidy ranges from \$52,000 to \$56,000 per unit of affordable housing. This subsidy represents the HCIDLA average contribution for new construction and rehabilitation for new affordable housing or Permanent Supportive Housing Program units. In the recent past, projects that came to the City for funding have been highly-leveraged with low-income housing tax-credits, tax-exempt bonds, and other sources of public financing. These multiple funding resources kept the HCIDLA contribution to a relatively low level. However, with the dissolution of redevelopment agencies and other public and private funds depleted, the HCIDLA per-unit contribution will increase significantly, nearly doubling to \$100,000 and causing a decrease in the City's leveraging capacity. In this new climate, with an anticipated approximately \$100,000 per unit AHTF subsidy, HCIDLA will have to make hard decisions and ultimately provide gap financing for fewer units Citywide.

RECOMMENDED TAX INCREMENT SET ASIDE

One of the original purposes for the former tax increment funds (by state law), within redevelopment areas, was to encourage the creation of low- and moderate-income housing as well as to assist local governments in creating and rehabilitating housing within redevelopment areas. In keeping with this

intended purpose, HCIDLA recommends that a portion of the tax increment coming to the City of Los Angeles' General Fund be dedicated to the AHTF beginning in fiscal year 2014-2015.

By June 2014, the total tax increment dollars coming to the City of Los Angeles is expected to total \$148 million. The proposed affordable housing set asides presented below would come from distributions of the City's portion of former property tax increment, which are residual amounts distributed to the City after all other CRA/LA obligations are fulfilled. These are ongoing property tax distributions to the City from the Redevelopment Property Tax Trust Fund (RPTTF).

Despite the state's budget surplus there are no new affordable housing funds on the horizon while the federal government continues to make cuts. If a permanent affordable housing finance program is to exist in Los Angeles, it will require multiple sources of funding, including a commitment of local resources. Localities throughout California are actively implementing local taxes and fees to replenish lost funding sources, thereby addressing their respective affordable housing needs through local solutions. As illustrated previously, a number of localities have already dedicated former tax increment to affordable housing. In comparison to these other localities, Los Angeles' need is significantly greater with a larger population and larger need for affordable housing units due to sharp rent increases and stagnant household incomes. For these reasons, it is imperative for the City Council to consider and adopt one of the recommended options presented below. Both options would begin to address the acute affordable housing need.

Option 1: Set aside, by way of ordinance, 25 percent of the former CRA tax increment revenues to the AHTF beginning in fiscal year 2014-2015. This option preserves Los Angeles' historic proportional share of former tax increment housing funds for the intended purpose and presents an opportunity to create a long-term and local solution.

Option 2: Establish a 3-year phased-in set aside beginning in fiscal year 2014-2015, by way of ordinance, to the AHTF to achieve a maximum dedication of 35 percent of the former tax increment dollars in the following manner:

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3-Year Phased-In Approach

Fiscal Year	2014-2015	2015-2016	2016-2017
Percent Proposed	10%	25%	35%
Total City of Los Angeles' Tax Increment	\$49,000,000*	\$49,000,000*	\$49,000,000*
Percent Tax Increment Contribution to AHTF	\$4,900,000	\$12,250,000	\$17,150,000
Leveraged Dollars	\$14,700,000	\$36,750,000	\$51,450,000
Housing Units Produced Per Year (<i>\$100,000 AHTF Subsidy Per Unit</i>)	49	123	172
Total Jobs	208	519	727
Meeting the RHNA			
Total RHNA Units Produced (8-Years)	392	984	1,376
Percent of RHNA Achieved (8-Years)	.4%	1.2%	1.7%

**This represents an average of \$49 million over the next 3 fiscal years. Source: General Fund Revenue Outlook. The actual redirected ex-CRA Tax increment Monies are as follows: \$48.0 million in FY14-15; \$49.7 million in FY15-16; \$51.4 million in FY 16-17*

Discussion of Option 2

Recognizing the housing funding crisis and the City's current budget challenges, an incremental affordable housing set aside over three fiscal years would allow the City to address both. In the next 3 years, the unrestricted tax increment will average \$49 million annually. This set aside dedicates only a portion of the total tax increment. In the past, the 25 percent of the CRA/LA allocation amounted to approximately \$50 million. The proposed 35 percent maximum translates to approximately \$17 million, which is a fraction of what the former CRA/LA dedicated toward affordable housing. The diminished tax increment revenue warrants dedicating a higher amount of 35 percent to affordable housing. With a 35 percent set aside for the AHTF, the total local contribution to affordable housing, given the projected future tax increment revenues, would be \$17 million plus \$51 million in leveraged funds for a total of \$68 million. As explained earlier, in light of the new funding constraints, HCIDLA will provide a \$100,000 per unit subsidy, effectively lowering the City's leveraging ratio to \$3 for every \$1 of HOME investment. A \$68 million level of investment would fund 172 in one year and 1,376 units over an 8-year period, representing 1.7 percent of the City's total RHNA (82,002 units) allocation.

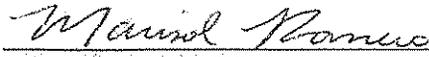
CONCLUSION

Making a long-term permanent commitment to affordable housing today is critical to begin to backfill the gaping funding losses and to signal to the to the City's overburdened renters and employers that the City is committed to finding and implementing local solutions to increase the supply of affordable housing in the City

FISCAL IMPACT STATEMENT

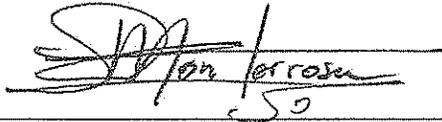
HCIDLA's proposed actions reflect a set aside of former CRA tax increment funds consistent with the original intent.

Prepared by:



MARISOL ROMERO
Housing, Planning and Economic Analyst

Reviewed by:



CLAUDIA MONTERROSA
Director, Public Policy and Research Unit

Reviewed by:



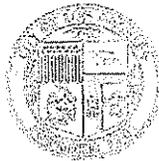
EDWIN GIPSON
Director, Strategic Planning and Policy Division

Approved by:



RUSHMORE D. CERVANTES
Interim General Manager

cc:
Honorable Gilbert A. Cedillo
Chair, Housing Committee
c/o Richard Williams, Legislative Assistant



Date: 4/9/14

Submitted in Housing Committee

Council File No: 14-0361 + 13-1624

Item No.: 2 - 3

Communication from Councilmember

Education and Neighborhoods

Member

Innovation, Technology and

General Services

Member

Public Safety

Member

Arts, Parks, Health, Aging and
Los Angeles River
Chair

Personnel and Animal
Welfare
Vice-Chair

MITCH O'FARRELL
Councilmember
Thirteenth Council District

April 9, 2014

Councilmember Gilbert A. Cedillo
Chair of the Housing Committee
200 N. Spring Street
Los Angeles, CA 90012

Re: *Items 2 and 3*

Dear Councilmember Cedillo,

Thank you for taking the time to discuss the important issue of affordable housing in the City of Los Angeles. As you know, we have an affordable housing crisis and the time to act is now. According to the City's Housing Element, in 2011, 62% of renters were considered cost burdened paying more than 30% of their income toward rent.

Very soon, Mayor Garcetti will release his budget recommendations and City Council deliberations will begin. I am confident that the two motions I introduced, CF 13-1624 and CF 14-0361, will help to activate the discussion on affordable housing and will cause the City Council to create a permanent source of revenue for the Affordable Housing Trust Fund (AHTF). Prior to its dissolution, the Community Redevelopment Agency (CRA) invested 25% of its property tax revenues in affordable housing. The City should, and I believe will, renew this commitment to housing affordability and elect to dedicate 25% of the "boomerang fund" property tax revenues, now received by the City annually as a result of the dissolution of the CRA, to the AHTF.

I fully realize it will be another difficult budget year with the City facing a deficit, but I firmly believe the budget must reflect our priorities while maximizing resources. The Housing and Community Investment Department reports that for every \$1 of City resources that we dedicate to the AHTF, we leverage approximately \$4 in outside resources.

Affordable housing is an emotional issue that impacts our working families, young professionals, transitional-age youth, seniors, veterans and homeless individuals. I believe



providing accessible and quality housing to all populations is a good investment and know that taking the steps to house our most vulnerable individuals is the right thing to do and is proven to be cost effective. The Home for Good initiative reported that it is 40% less costly to place someone in permanent supportive housing than to leave that person on the street.

Dedicating at least 25% of the boomerang funds to the AHTF will support the creation of new affordable housing units and the preservation of existing affordable housing units. The AHTF is well-established and has the capacity to accept the additional revenue and support affordable housing production.

In closing, I am mindful that this is not the only action we need to take. We should continue to work with the Department of City Planning and the Housing and Community Investment Department on incentives that will encourage the development of new affordable housing. Again, I ask for your support and hope we can take this important action to create a permanent source of funding for the AHTF by dedicating 25% of the boomerang funds. The city's median rent increased 31% from 2000 to 2010, compared to an increase in incomes of just 1.2%. It is our responsibility to address this growing inequality gap and the provision of affordable housing is a positive step in that direction.

Sincerely,



MITCH O'FARRELL

Councilmember, District 13

CC: Councilmember Felipe Fuentes
Councilmember Herb J. Wesson, Jr.
Councilmember Joe Buscaino
Councilmember Curren D. Price, Jr.

CITY OF LOS ANGELES
CALIFORNIA

HOLLY L. WOLCOTT
Interim City Clerk



ERIC GARCETTI
MAYOR

Office of the
CITY CLERK

Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
General Information - (213) 978-1133
Fax: (213) 978-1040

SHANNON HOPPES
Council and Public Services
Division

www.cityclerk.lacity.org

When making inquiries relative to
this matter, please refer to the
Council File No.

December 4, 2013

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 13-1389,
at its meeting held December 3, 2013.

City Clerk
kw

M
ENVIRONMENTAL IMPACT REPORT and PLANNING AND LAND USE MANAGEMENT COMMITTEE REPORT, COMMUNICATION FROM CHAIR AND VICE CHAIR, HOUSING COMMITTEE and RESOLUTION relative to an update to the Housing Element of the General Plan for the Period 2013 - 2021.

Recommendations for Council action:

1. FIND that:
 - a. The information contained in the prior Environmental Impact Report (EIR) (EIR No. ENV-1994-212-EIR-ADD1; State Clearing House No. 1994071030) and Addendum has been reviewed and considered by Council.
 - b. The EIR and Addendum adequately describe the potential impacts of the project.
 - c. No additional environmental review is necessary under California Environmental Quality Act Guidelines Section 15162 in connection with the project.
2. ADOPT the FINDINGS of the Los Angeles City Planning Commission (LACPC) as the Findings of the Council.
3. APPROVE the amendments to the objectives and policies submitted at the joint Planning and Land Use Management and Housing Committees meeting on November 5, 2013, attached to Council File No. 13-1389.
4. ADD to:
 - a. Program No. 120 - Target the regular turnover of Permanent Supportive Housing units to place and serve the chronically homeless in those units.
 - b. The objective for Program No. 122 - Report on applicability of Standards for Excellence criteria being developed by Home for Good.
5. REPLACE the objective for Program No. 127 with: All providers receiving City funding participate in the Homeless Management Information System.
6. APPROVE the technical corrections submitted by the Department of City Planning on November 5, 2013, attached to Council File No. 13-1389.
7. ADOPT the accompanying RESOLUTION as recommended by the Mayor, the Director of Planning and the LACPC, THEREBY APPROVING the Housing Element 2013 - 2021 update to the General Plan of the City of Los Angeles, as modified.
8. ADVISE the applicant that, pursuant to:
 - a. California State Public Resources Code Section 21081.6, the City shall monitor or require evidence that mitigation conditions are implemented and maintained throughout the life of the project and the City may require any necessary fees to cover the cost of such

monitoring.

- b. State Fish and Game Code Section 711.4, a Fish and Game Fee and/or Certificate of Fee Exemption is now required to be submitted to the County Clerk prior to or concurrent with the Environmental Notice of Determination filing.

Applicant: City of Los Angeles

Case No. CPC-2013-1318-GPA

Fiscal Impact Statement: The LACPC reports that there is no General Fund impact, as administrative costs are recovered through fees.

Community Impact Statement: None submitted.

~~TIME LIMIT FILE - JANUARY 1, 2014~~

(LAST DAY FOR COUNCIL ACTION - DECEMBER 18, 2013)

Summary

At a public hearing held on November 5, 2013, the Planning and Land Use Management and Housing Committees considered an update to the Housing Element of the General Plan for the Period 2013 - 2021. Staff from the Department of City Planning and the Housing and Community Investment Department gave the Committees background information on the matter.

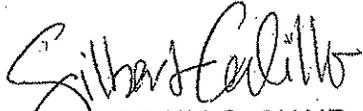
After an opportunity for public comment, the Committees amended the objectives and policies of the Housing Element and recommended that Council approve the Housing Element as amended. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

PLANNING AND LAND USE MANAGEMENT COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
HUIZAR:	YES
CEDILLO:	YES
ENGLANDER:	YES



GILBERT A. CEDILLO, CHAIR
HOUSING COMMITTEE

ADOPTED

DEC 03 2013
AS AMENDED
LOS ANGELES CITY COUNCIL

FELIPE FUENTES, VICE CHAIR
HOUSING COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
CEDILLO:	YES
FUENTES:	YES
WESSON:	ABSENT
BUSCAINO:	ABSENT
PRICE:	ABSENT

-NOT OFFICIAL UNTIL COUNCIL ACTS-

6 A

7 A

MOTION

I MOVE that the matter of ENVIRONMENTAL IMPACT REPORT, PLANNING AND LAND USE MANAGEMENT COMMITTEE REPORT, COMMUNICATION FROM CHAIR AND VICE CHAIR, HOUSING COMMITTEE and RESOLUTION relative to an update to the Housing Element of the General Plan for the Period 2013-2021, Item 7 on today's Council Agenda (CF 13-1389), BE AMENDED to ADOPT the following ADDITIONAL RECOMMENDATION:

INSTRUCT the Planning Department, with the assistance of the Housing and Community Investment Department and the City Administrative Officer, and in consultation with the City Attorney, to prepare a written report with an analysis of major funding options for the increased production of affordable housing. The report will explore the development of a local, permanent funding source for the Affordable Housing Trust Fund (AHTF) and should consider such options as a fee on new development that increases the demand for affordable housing, a voter-approved bond measure, creative funding sources, policy incentives, and/or the dedication of property tax increment previously generated under the now dissolved redevelopment agency (CRA/LA) for affordable housing. The report shall also include an analysis of the Affordable Housing Benefit Fee Study, including policy options, scope, possible provisions and compliance requirements.

PRESENTED BY: *Bob Blumenfeld*
BOB BLUMENFIELD
Councilmember, 3rd District

SECONDED BY: *M. Louis*

Amending Motion
ADOPTED

DEC 03 2013

LOS ANGELES CITY COUNCIL

December 3, 2013

[Handwritten signature]



Housing Element amendments from PLUM 11/5/13

1. Program #120: Add "Target the regular turnover of Permanent Supportive Housing units to place and serve the chronically homeless in those units."
2. Program #122: Add the objective "Report on applicability of Standards for Excellence criteria being developed by Home for Good."
3. Amend Program #127 to replace the Objective with:
"All providers receiving City funding shall participate in HMIS."
4. Amendments to pages 6-11 & 6-12 of Housing Element 2013-2021, draft 9/16/13:

Objective 4.1

Provide an adequate supply of short-term and permanent housing and services throughout the City that are appropriate and meet the specific needs of all persons who are homeless or at risk of homelessness.

Policies:

- 4.1.1 Ensure an adequate supply of emergency and temporary housing for people who are homeless or are at a risk of becoming homeless, including people with disabilities.
- 4.1.2 Promote and facilitate programs and strategies that ensure the rapid re-housing of all people who become homeless.
- 4.1.3 Provide permanent supportive housing options with services for homeless persons and persons/families at risk of homelessness to ensure that they remain housed and get the individualized help they may need.

[move to 4.2.5]

4.1.4 Target chronically homeless individuals and prioritize the most vulnerable among them for services and Permanent Supportive Housing, including through the coordination of service provision and the efficient access to information so as to rapidly match available services to those in need of services.

4.1.5 Plan for emergency housing needs that will result

from natural or man-made disasters.

4.1.6

Provide housing facilities and supportive services for the homeless and special needs populations throughout the City, and reduce zoning and other regulatory barriers to their placement and operation in appropriate locations.

Objective 4.2

Promote outreach and education to: homeless populations; residents; community stakeholders; health, social service and housing providers and funders; criminal justice system agencies; and, communities in which facilities and services may be located.

Policies:

4.2.1 Provide a high level of outreach targeted to the chronically homeless to inform them of their rights and opportunities to move them from the streets into permanent housing with appropriate support services.

4.2.2 Inform communities about special needs populations in the City and effective approaches to meeting their housing needs.

4.2.3 Strengthen the capacity of the development community to locate, construct and manage housing facilities for the homeless.

4.2.4 In accordance with the federal Hearth Act, target outreach and permanent supportive housing resources to the chronically homeless so as to move them from the streets into permanent housing with appropriate supportive services.

4.2.5 Promote and facilitate a planning process that includes homeless persons, formerly homeless and providers of housing and services for the homeless in order to provide up-to date information for the more effective coordination and use of resources.

Planning and Land Use Management Committee
Housing Committee

November 5, 2013
CPC-2013-1318-GPA

PROPOSED AMMENDMENTS TO THE HOUSING ELEMENT 2013-2021

Chapter 5: Page 5-3 to 5-4

From 2006 to the end of 2012, building permits were issued for 41,80446,738 net new housing units. If we assume that 2012 development trends continue through June 30, 2014 (end of the RHNA period), the City would have fulfilled approximately 4448% of the estimated new housing construction need as determined by the RHNA allocation.

The majority of the new construction during the 2006-2013 period was for market-rate housing (approximately 7083%). As illustrated in Table 5.1, the new construction of housing units for all income levels fell short of meeting the RHNA goals. The RHNA goals target 57% of all new units for households with moderate incomes or below, whereas only 2417% of the actual new units produced in the prior RHNA served these households.

Table 5.1 New Housing Units by Income Category, 2006 - 2012

RHNA Income Category	RHNA Goal 2006-6/2014	Units Built 2006-2012	% of RHNA met
Very Low Income 31%-50% County Median Income	27,236	4,748 <u>4,921</u>	17.4 <u>18.1</u> %
Low Income 51%-80% County Median Income	17,495	2,732 <u>2,933</u>	15.6 <u>16.8</u> %
Moderate Income 81%-120% County Median Income	19,304	107 <u>103</u>	0.5 <u>6</u> %
Above Moderate Income >120% County Median Income	48,839	34,214 <u>38,788</u>	70.1 <u>79.4</u> %
Total	112,876	41,804<u>46,738</u>	37.0<u>41.4</u>%

Source: HCIDLA, DCP.

* This includes 18,286 building permits for new units from January 2006 through December 2012.

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Table 6.1 Quantified Objectives: January 1, 2014- September 30, 2021

Income Level	New Construction Units – RHNA Allocation	Rehabilitation Units	Conservation/ Preservation Units
Extremely Low-Income	1,730	2,123 <u>280</u>	2.373 <u>TBD</u>
Very Low-Income	3,834	1,048 <u>280</u>	2.432 <u>TBD</u>
Low-Income	4,873	1,001 <u>540</u>	2.948 <u>TBD</u>
Moderate-Income	1,122	300 <u>300</u>	100 <u>TBD</u>
Above Moderate Income	46,500	740,000* <u>720,000*</u>	250 <u>TBD</u>
Total	59,559	744,472<u>721,400</u>	6,103<u>TBD</u>

RESOLUTION

WHEREAS, California Government Code Sections 65580-65589.9 require cities to prepare a Housing Element as a component of each city's General Plan and to revise it regularly on a schedule set forth in the law; and

WHEREAS, the Director of City Planning initiated an amendment to the Housing Element of the General Plan and prepared proposed revisions to the Housing Element for the 2013-2021 planning period ("Housing Element (2013-2021)"), which replaces the Housing Element that covered the period 2006 to 2014; and

WHEREAS the Housing Element (2013-2021) sets forth the housing policies for the City, facilitated the preservation and development of housing, and established programs to accommodate the City's share of the regional housing need in Southern California; and

WHEREAS, the Housing Element (2013-2021) complies with the requirements of State law; and

WHEREAS, the City of Los Angeles has been assigned an allocation of 82,002 new housing units as its share of the regional housing need assessment (RHNA) in Southern California; and

WHEREAS, in accordance with Charter Section 556, the Housing Element (2013-2021) conforms to the purposes, intent and provisions of all the Elements of the City's General Plan; and

WHEREAS, in accordance with Charter Section 558 (b)(2), the draft update to the Housing Element (Exhibit B) conforms with the public necessity, convenience, and general welfare and will not have an adverse impact on the General Plan or any other plans being created by the Department of City Planning

WHEREAS, the Hearing Officer, as a representative of the City Planning Commission held a public hearing on the proposed plan on July 27, 2013; and

WHEREAS, a notice of public hearing was published in the "Daily Journal" on May 30, 2013, in accordance with Section 12.32-C4 of the Los Angeles Municipal Code; and

WHEREAS, the City Planning Commission conducted a public hearing on September 26, 2013; and

WHEREAS, the City Planning Commission, on September 26, 2013, recommended that the Mayor approve and the City Council adopt the proposed Housing Element (2013-2021) with amendments to replace the 2006-2014 Housing Element, and transmitted its recommendation pursuant to the City Charter and the Municipal Code; and

WHEREAS, the City Council's Planning and Land Use Management Committee and Housing Committee, each held a public hearing regarding the Housing Element (2013-2021) in accordance with the City's Charter and Municipal Code; and

WHEREAS, pursuant to the provisions of the Los Angeles City Charter, the Mayor and the City Planning Commission have transmitted their recommendations on the Housing Element (2013-2021); and

WHEREAS, under CEQA Guidelines section 15164, the City of Los Angeles reviewed the proposed project and determined that the an Addendum to the Final Environmental Impact Report for the Los Angeles Citywide General Plan Framework Element (Framework Element FEIR) (EIR 94-0212, State Clearinghouse Number 1994071030) would adequately describe the environmental setting, impacts, alternatives, and mitigation measures of the Housing Element (2013-2021); and

WHEREAS, on _____ 2013, the City Council: (1) considered the information in the Addendum to the Framework Element FEIR; (2) found the Addendum to the Framework Element FEIR to be adequate for the Housing Element (2013-2021); and (3) found that none of the conditions described in CEQA Guidelines section 15164 to require a subsequent or supplement EIR to the Framework Element FEIR apply;

~~**WHEREAS**, the Council finds that adoption of this resolution is exempt from CEQA because none of the conditions described in CEQA Guidelines section 15164 to require a subsequent or supplemental EIR have occurred or exist since _____, 2008, when the City Council took the CEQA-prescribed actions described above;~~

NOW, THEREFORE, BE IT RESOLVED, that the Housing Element (2013-2021) adopted by the City Council on _____, 2013 and found in compliance with State housing element law by HCD on _____, 2013 be re-adopted to replace the 2006-2014 Housing Element of the General Plan.

Guidelines relating thereto and, that the City Council hereby certifies the Final Environmental Impact Report and instructs that a "Notice of Determination" be filed with the Los Angeles County Clerk and the Los Angeles City Clerk, in accordance with Los Angeles Guidelines for the implementation of the California Environmental Quality Act of 1970, as amended.

I CERTIFY THAT THE FOREGOING
RESOLUTION WAS ADOPTED BY THE
COUNCIL OF THE CITY OF LOS ANGELES
AT ITS MEETING OF DEC 03 2013
BY A MAJORITY OF ALL ITS MEMBERS.



HOLLY L. WOLCOTT
INTERIM CITY CLERK

BY 
DEPUTY