

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: February 5, 2020

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

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 20-0002-S5
Assignment No: 20-01-0076

SUBJECT: Resolution to Support/Sponsor Legislation to Create New Financial Incentives to Facilitate the Development of Affordable Housing Around Transit

CLA RECOMMENDATION:

Adopt Resolution (Harris-Dawson - Bonin) to include in the 2019-2020 State Legislative Program SPONSORSHIP and/or SUPPORT for any legislation or administrative action that would create new financial incentives, including an expansion of the welfare exemptions for units covenanted up to 120 percent of the Area Median Income, to facilitate the development of affordable housing around transit.

SUMMARY:

The Resolution (Harris-Dawson - Bonin) states that State and local strategies to address the housing crisis require the development of housing units affordable to various income levels, from extremely low income to moderate income households. The Resolution explains that the State and City support the development of affordable housing through a number of financial and regulatory incentives. In addition, the Resolution explains that the State currently authorizes property tax welfare exemptions for projects with units restricted up to 80 percent of the Area Median Income (AMI), but that more must be done to promote housing for middle income families.

The Resolution further states that on December 3, 2019 the Los Angeles County Board of Supervisors (Board), approved a Motion (Ridley-Thomas - Kuehl) to support or sponsor legislation that would incentivize affordable housing developments through property tax welfare exemptions, in addition to supporting the extension of welfare exemptions for properties with affordability covenants for households earning up to 120 percent AMI to target the "missing middle" households; those between 80 and 120 percent AMI. The Resolution states that on December 5, 2019 the Metro Board of Directors approved a similar Motion (Ridley-Thomas - et al.) to support new financial incentives, including expansion of the welfare exemption for units restricted up to 120 percent AMI, to facilitate the development of affordable housing around transit.

Therefore, the Resolution states that the City must support new financial incentives that facilitate long-term affordability for households at diverse income levels, and recommends sponsorship and/or support for any legislation or administrative action that would create new financial incentives, including an expansion of the welfare exemptions for units covenanted up to 120 percent of the Area Median Income, to facilitate the development of affordable housing around transit.

BACKGROUND:

The City of Los Angeles has a major housing affordability problem for moderate-income households. The Department of City Planning recently reported that the City has built only 430 of the 13,728 Moderate Income housing units obligated under the 5th Cycle Regional Housing Needs Assessment (RHNA). Moderate-income households are those who make between 80 and 120 percent of the City's Area Median Income (AMI), or approximately \$56,000 and \$85,000. Considering that 60 percent of residents in Los Angeles are rent-burdened, it is important that moderate-income households also benefit from City measures targeted at making affordable housing more abundant and accessible.

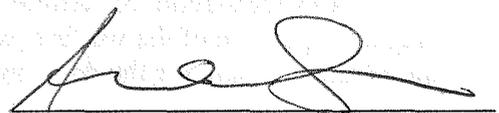
According to data provided by the Department of City Planning, 91 percent of the new housing units constructed in Los Angeles from the past four years were only within financial reach for people making above moderate incomes. Not only is this trend concerning for prospective moderate-income renters and buyers, but also for low and very low-income households. As the above moderate and income housing stock expands, moderate income households experience more pressure to rent and purchase homes that would otherwise be occupied by low and very-low income households, thereby making housing less accessible for the households who are most vulnerable to homelessness.

To understand the consequences of failing to increase moderate income housing affordability, it may be useful to consider the City of San Francisco's housing market. As is reflected in the City's historically low housing affordability, San Francisco's moderate-income limits jumped nearly 30 percent in five years from \$54,350 (80% AMI) and \$81,550 (120% AMI) in the year 2014 to \$68,950 and \$103,450, respectively, in 2019. Given that moderate income limits in Los Angeles currently resemble those from San Francisco in 2014, it is clear that the City must proactively preserve and develop affordable housing for moderate-income households to maintain and promote our socioeconomic diversity, and to prevent the unaffordability trends that affected San Francisco from materializing here.

The City's Transit Oriented Communities (TOC) Program, which was implemented in 2016, incentivizes the development of affordable housing around public transit stations. The program is an important strategy for making the City's residences more accessible and sustainable for the long-term. However, all of the TOC incentives are for the development of affordable housing for households below the moderate income limit. It is essential to the City's diversity and environmental health that moderate-income households, who represent crucial members of the economy such as public servants, have abundant access to sustainable and affordable housing as well. As proposed by the Los Angeles County Board of Supervisors, the State could promote affordable housing development for moderate income households by allowing for a proportionate waiving of property taxes for units that are developed by non-profit organizations that are covenanted for households that earn up to 120 percent, rather than 80 percent, of the Area Median Income.

DEPARTMENTS CONTACTED:

Department of City Planning



Anna Enger
Legislative Analyst

Attachment: Resolution

RESOLUTION

WHEREAS, any 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 governmental 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, State and local strategies to address the housing crisis require the development of housing units affordable to various income levels, from extremely low income to moderate income households; and

WHEREAS; the State and City support the development of affordable housing through a number of financial and regulatory incentives; and

WHEREAS, the State currently authorizes property tax welfare exemptions for projects with units restricted up to 80 percent of the Area Median Income (AMI), but more must be done to promote housing for middle income families; and

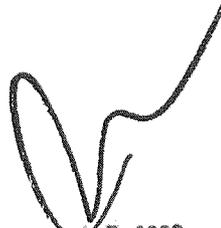
WHEREAS, on December 3, 2019 the Los Angeles County Board of Supervisors (Board), approved a Motion (Ridley-Thomas – Kuehl) to support or sponsor legislation that would create new financial incentives, including the expansion of welfare exemptions; and

WHEREAS, the Board’s Motion supports the extension of welfare exemptions for properties with affordability covenants for households earning up to 120 percent AMI to target the “missing middle” households, those between 80 and 120 percent AMI; and

WHEREAS, on December 5, 2019 the Metro Board of Directors approved a similar Motion (Ridley-Thomas – et al.) to support new financial incentives, including expansion of the welfare exemption for units restricted up to 120 percent AMI, to facilitate the development of affordable housing around transit; and

WHEREAS, the City must support new financial incentives that facilitate long-term affordability for households at diverse income levels;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SUPPORT and/or SPONSORSHIP of legislation or administrative action that would create new financial incentives, including an expansion of the welfare exemption for units covenanted up to 120 percent of the Area Median Income, to facilitate the development of affordable housing around transit.


JAN 17 2020

PRESENTED BY: 
MARQUEECE HARRIS-DAWSON
Councilmember, 8th District

SECONDED BY: 

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