Affordable Housing Funding Crisis: City of Los Angeles

City Council Housing Committee
April 9, 2014
Affordable Housing Trust Fund

- General Fund PSHP
- NSP
- CRA
- HOME

One-Time Funding
Los Angeles has 1,304,145 housing units.

There are 793,703 multi-family housing units and 510,442 single-family units.

Approximately 638,000 units are under the Rent Stabilization Ordinance.

Citywide Housing Units:
- 793,703 units (60%)
- 510,442 units (40%)
In 2006, the Median Home Price was $500K but in 2012, it was $295K.
Rent Burden

Percent of renter households spending over 30% of their income on rent (2012 ACS)

- New York: 53%
- San Francisco: 48%
- Los Angeles: 62%
- San Jose: 54%
- Chicago: 52%
- Seattle: 46%
(RHNA) 2006-2012 Performance

- **Above Moderate Income**: 38,788 units built, 48,839 need
  - Moderate Income: 19,304 units built, 17,495 need
  - Low Income: 17,495 units built, 2,933 need
  - Very Low Income: 27,236 units built, 103 need

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<thead>
<tr>
<th>Income Level</th>
<th>Units Built</th>
<th>Need</th>
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Legend: **Units Built** | **Need**

Graph shows the comparison between units built and need for different income levels from 2006 to 2012.
Challenges for Affordable Housing Development

- Dearth of Public Subsidy
- High Land Costs
- Tightening of Credit
- Local Entitlement Process
Options for Addressing the Housing Motions

- Local Financing Options
- Land Use Incentives
- Legislative Priorities
In an era of scarcity, everyone is a stakeholder in the business of finding solutions.
The Affordable Housing Benefit Fee Study was a collaboration between DCP and HCIDLA.

The goals of the study:
- Establish the nexus between new development and affordable housing demand
- Develop fee recommendations to generate a **permanent source of funding for the Affordable Housing Trust Fund (AHTF)**

- New developments create jobs
- Workers demand housing
Benefit Fee: An Economic Engine

Start with New Development

Create Jobs: A portion are low-wage jobs

Collect an Affordable Housing Benefit Fee

Finance Housing for Workers

Stimulate Housing Production

Collect an Affordable Housing Benefit Fee

Create Jobs: A portion are low-wage jobs
An Affordable Housing Benefit Fee offers:

- A permanent and dedicated funding stream
- Flexibility in the initial implementation of the fee (i.e. the fee’s start date may coincide with a predetermined development activity threshold, with a predetermined unemployment level, etc.)
- Complete local discretion in the use of funds (i.e. can be used for rental and homeownership assistance)
- A cost to developers that is a small percent of the total cost of providing affordable housing.
Dedicated Local Sources
Boomerang Funds:

- Since the dissolution of the CRA, the City of Los Angeles has received $121.7M in former tax increment dollars.
- The City should consider dedicating a percent of the annual tax revenue to affordable housing.
- To create a dedicated funding stream from the former tax increment, the funding must be formally dedicated by City Council.
Housing Bond

- Requires an Ordinance and Resolution of Necessity to place an Affordable Housing General Obligation Bond measure in the State General Election ballot.

- A bond approval requires a 2/3 vote.

- The bonds must be repaid by the City of Los Angeles so it would create new/more city debt.
Land Use Options

- Increasing housing supply through Community Planning efforts
- Increasing incentives for mixed-income housing
- Potentially requiring affordability in exchange for City land use benefits
High Cost Jurisdictions, Local Sources for Local Problems
High-Cost Cities: Local Permanent Sources

- **New York**: City Issued Bonds
- **Chicago**: City Corporate Funds
- **Boston**: Linkage Impact Fees
- **Seattle**: Property Tax Levy; City Fees
- **San Francisco**: Linkage Impact Fees; Hotel Motel Tax; General Funds; GO Bond Revenues