



Affordable Housing Linkage Fee Summary of Draft Ordinance

Purpose:

The City commissioned a study to establish a nexus between new development and affordable housing demand. The study concluded that new non-residential projects create a demand for affordable housing by creating low-wage jobs and new residential projects create a demand for affordable housing by supporting low-wage jobs. The purpose of the Affordable Housing Linkage Fee (AHLF) is to offset the demand for affordable housing by paying the fee or providing affordable housing onsite.

The Linkage Fee will be deposited into the City's Housing Impact Fund. This is a new fund that has the very broad goal of addressing "the evolving and varied affordable housing needs of the City." Guidelines for this fund have yet to be developed.

Proposed Fee:

- Nonresidential uses including hotels, \$5 per square foot (SF) of floor area, including common areas
- Residential uses with five or more units, \$12 per SF of floor area, including common areas.
- Residential uses with one to five units, \$1 per SF, including common areas.
- Fee is due at the issuance of building permit.
- The fee will be adjusted annually in July based on the Consumer Price Index for Urban Consumers for the LA-Riverside-Orange County area.
- Fee may be refunded if the building permit has expired and was not utilized to begin construction.

Effective Date:

- 180 days after adoption (date based on Mayor's signature of ordinance).
- Projects that have submitted a building permit application or planning application and paid all application fees prior to the effective date will not be subject to the fee.

Exemptions:

- Non-residential projects with less than 15,000 SF of new or added floor area.
- Rental and for-sale residential projects with onsite affordable units restricted for 55 years with 40% of the units dedicated for moderate income households; or 20% of the units dedicated for low income households; or 11% of the units dedicated for very low income households.
- Development projects being constructed by a government or public institution.
- New construction or addition to a single-family home provided it does not add more than 1,500 SF.
- A second dwelling unit or accessory dwelling unit.
- Any project located within the Central City West Specific Plan Area that is subject to the linkage fee and housing replacement obligations within the specific plan.

- Residential or mixed-use projects subject to affordable housing requirements pursuant to any land use policy or ordinance that exceeds the AHLF requirements in fee amount or on-site affordable housing.
- Residential or mixed-use projects subject to affordable housing and labor requirements pursuant to LAMC 11.5.11 (Measure JJJ).
- New grocery stores that are being constructed in a location that do not have an existing grocery store within 1/3 of a mile.
- Adaptive reuse residential project that is located in a designated Historic Cultural Monument.

Deductions & Credits:

- If a development project is the result of a change use from commercial or industrial to residential, the fee amount is the result of subtracting the fee amount that either was paid or would have been based on the pre-existing use (\$7 per SF).
- Restricted affordable housing units as defined by the Density Bonus ordinance may be subtracted from the fee amount.
- The first 15,000 SF of nonresidential use in a mixed-use building is excluded from the floor area calculation for the fee.
- The Housing and Community Investment Department may accept land dedication with the purpose of building affordable housing. The value of the land must be certified and averaged based on two independent appraisals. The land value will be deducted from the fee amount.

CCA Advocacy Priorities:

- Calculate fee based only on leasable area.
- Ensure compatibility with the Greater Downtown Housing Incentive Area and Transfer of Floor Area Rights ordinances to avoid duplicative requirements.
- Establish a phase-in period for fee, increasing to full amounts at end of year 3 to give time for land prices to adjust to new fee.
- Develop the Housing Impact Trust Fund guidelines with flexibility in mind, allowing for innovative and more sustainable approaches to promoting affordability (e.g., acquisition of existing housing).
- Increase non-residential exemption to 25,000 SF.
- Exempt non-residential square footage from the fee calculation that is required by the City through a specific plan or other planning requirement (e.g., ground floor retail).
- Allow developer to pay the fee directly to a specified developer to construct or purchase existing affordable housing in order to minimize bureaucratic hurdles and expedite production.
- Delay the payment of fee to later in construction (e.g., at certificate of occupancy).
- Include a provision in the ordinance suspends the fee in the event of an economic downturn and require annual reports to City Council and Mayor on use of the fee.

Status:

- Approved by City Planning Commission on 2.23.17. Now pending at PLUM, and tentatively scheduled for June 6.