



AFFORDABLE HOUSING

NEXUS FEE STUDY AND ORDINANCE

Public Hearing
October 19, 2016

THE TEAM

- Mayor announced in October 2015
- BAE Economics selected as consultant, spring 2016
- City Partnership
 - Department of City Planning
 - Housing + Community Investment Department (HCIDLA)
- Nexus Study Working group – 3 meetings during summer 2016



BACKGROUND

- **LA faces a critical housing crisis**
 - Most unaffordable region in US
 - Second highest supplemental poverty rate in US
 - Most unsheltered homeless
 - Highest overcrowding
- **Funding for affordable housing is scarce**
 - Massive recent cuts to housing funding
 - LA is only major US/CA city with housing crisis to not have a dedicated source of affordable housing funding and/or inclusionary
- **Linkage Fee could significantly increase affordable housing creation and maximize leveraged outside funding**



WHAT IS A HOUSING LINKAGE FEE?

- **Fee to mitigate impacts of large new projects**
 - Commercial Fee
 - Generated by low-wage employment in commercial development
 - Market-Rate Housing Fee
 - Generated by new market rate housing occupants' spending
- **Fees are subject to the California Mitigation Fee Act**
 - City must prepare a Nexus Study
 - Fee cannot mitigate “existing deficiencies”



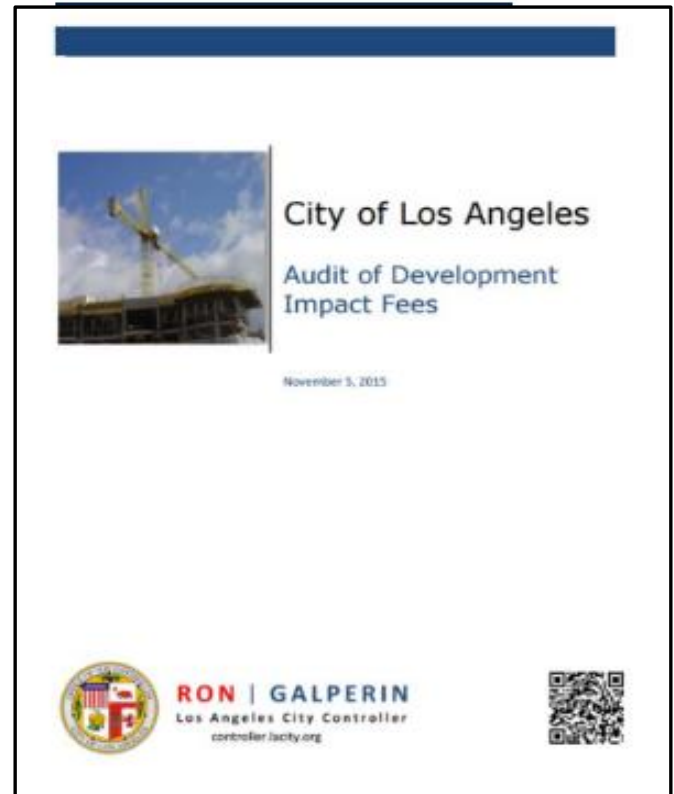
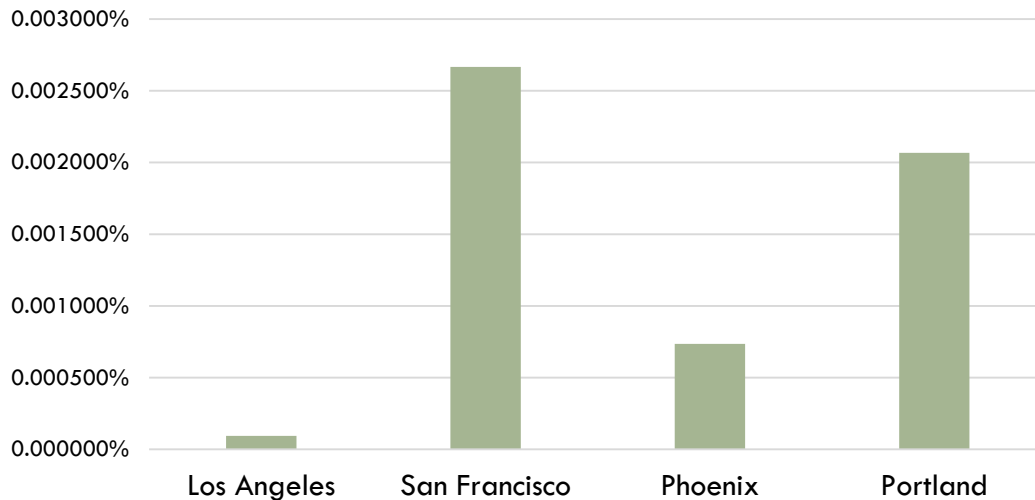


Los Angeles may be missing out on millions in fees from developers, audit finds



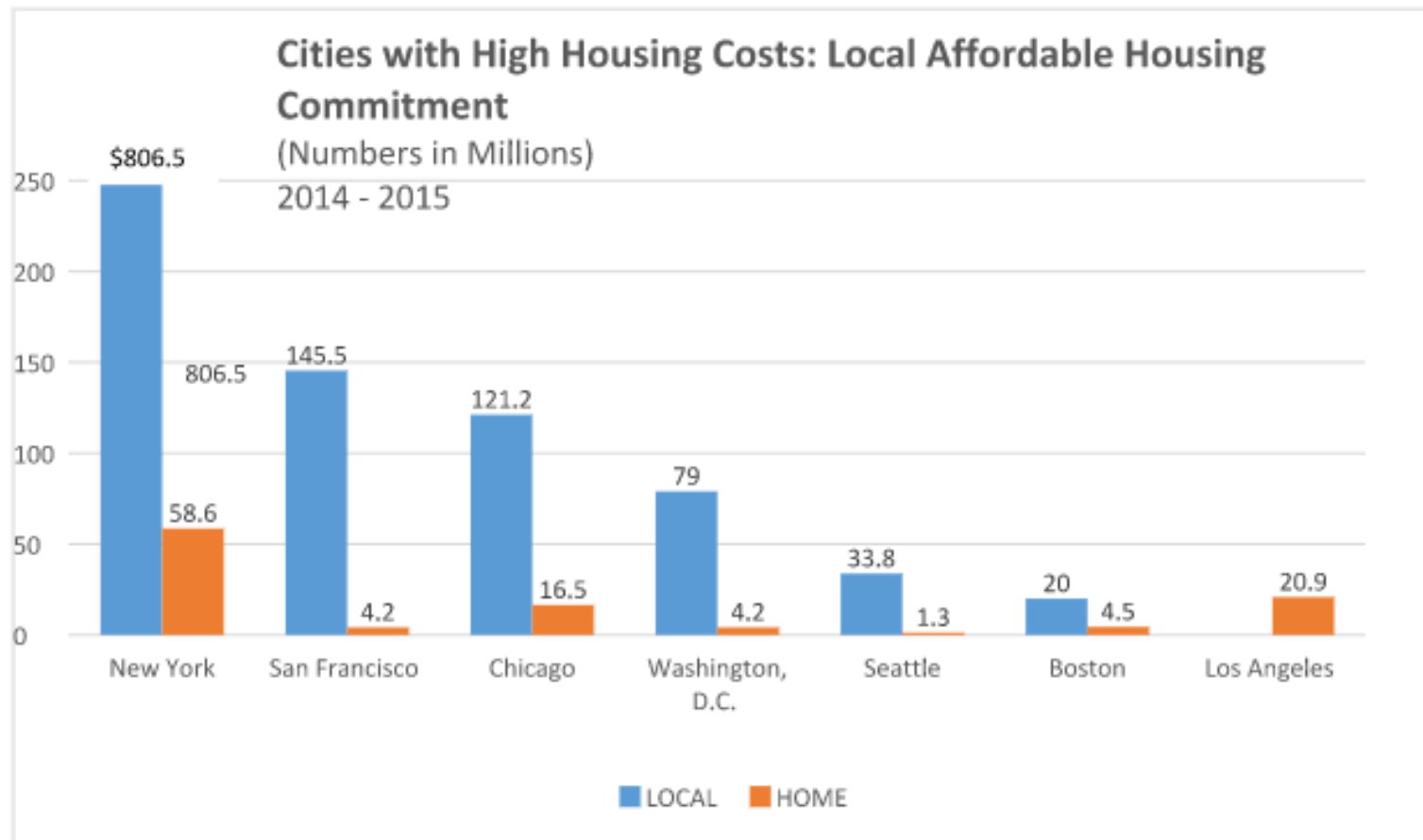
By **Alice Walton** · Contact Reporter

Total Impact Fees as a Percentage of Permitted Construction Costs



LA Collects \$5 million/year in Impact Fees (out of \$5.3 billion in permitted construction)

LOCAL AFFORDABLE HOUSING COMMITMENT LOS ANGELES VS. OTHER CITIES



NEXUS STUDY METHODOLOGY

HOUSING NEED CREATED THROUGH **COMMERCIAL**

Commercial Type	Worker Households per 100,000 Square Feet					Maximum Legal Fee (per sq. ft.)
	Extremely Low	Very Low	Low	Moderate	Total	
Office	17.3	16.6	24.2	8.9	67	\$247.84
Retail	22.9	23.3	27.8	8.1	82	\$308.82
Industrial	8.1	10.2	13	3.9	35.3	\$130.60
Hotel/Motel	8.6	10.4	12.5	4.2	35.7	\$132.68
Warehouse	8.5	8.6	11	3.3	7	\$117.52
Medical	12.9	13.2	20.1	7	53.2	\$195.78

NEXUS STUDY METHODOLOGY

HOUSING NEED CREATED THROUGH **RESIDENTIAL**

Market Rate Housing Type	Worker Households per 100 Market-Rate Units					Maximum Legal Fee (per Unit)
	Extremely Low	Very Low	Low	Moderate	Total	
Multifamily Rental	6.1	6.0	8.0	2.6	22.8	\$84,964
Multifamily Condominiums	6.9	6.8	9.0	2.9	25.6	\$95,484
Single Family Attached	5.0	5.0	6.6	2.1	18.7	\$69,900
Single Family Detached	10.5	10.4	13.7	4.5	39.1	\$145,901

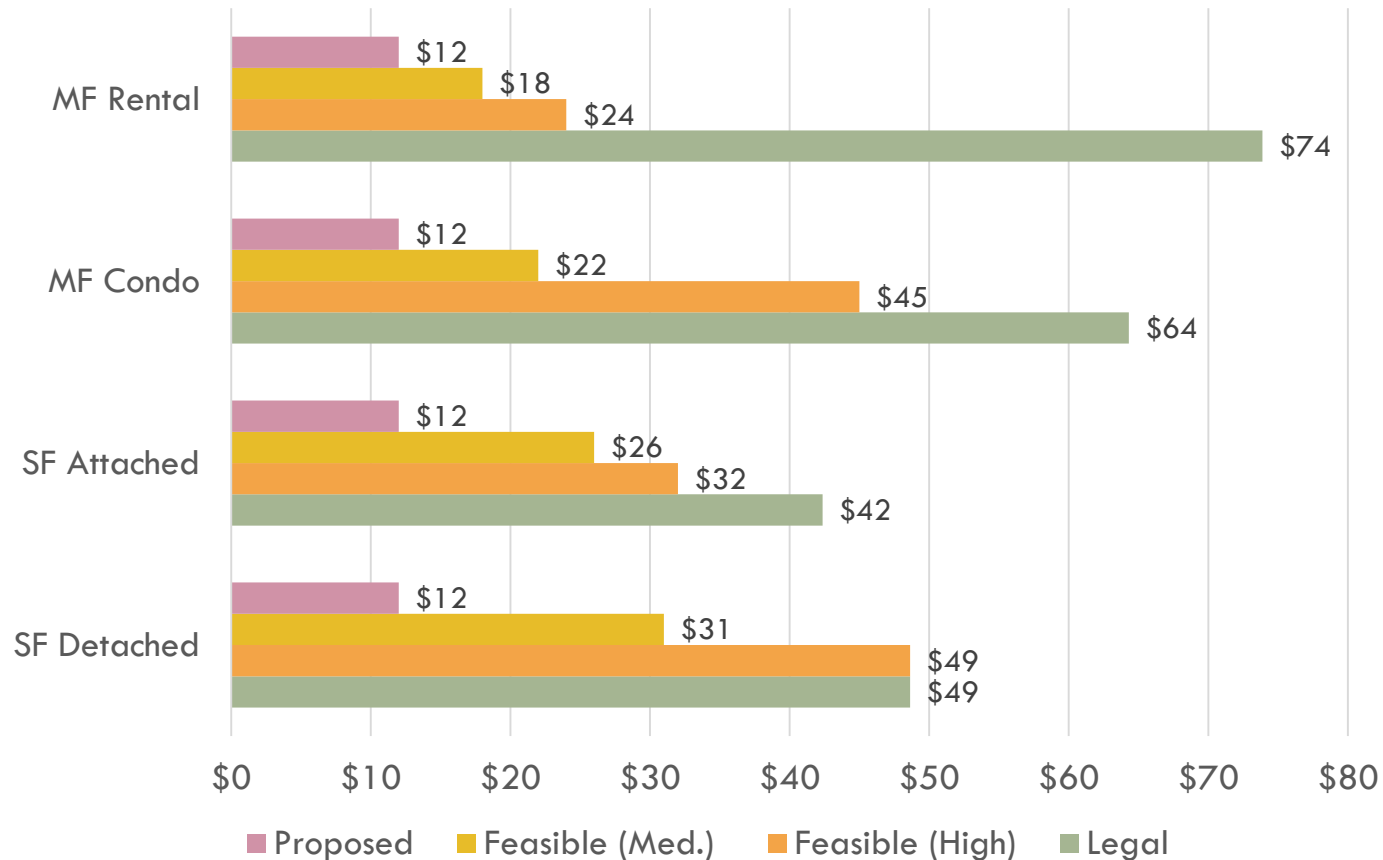
LEGAL FEE, FEASIBLE FEE AND PROPOSED FEE

COMMERCIAL FEE



FEASIBLE FEE COMPARED TO MAX LEGAL FEE

HOUSING FEE



EXEMPTIONS AND CREDITS

- Excludes hallways, common areas, stairs, etc. (10-20%)
- Credit for adaptive reuse (\$5)
- Excludes multi-family buildings w/ 5 units or less
- Excludes first 10,000 sq. ft. of non-residential
- Excludes affordable housing units
- Excludes mixed-income housing developments
 - 40% mod (FS), 20% low or 11% very low income
- Excludes new single family or additions of 1,500 sf or less

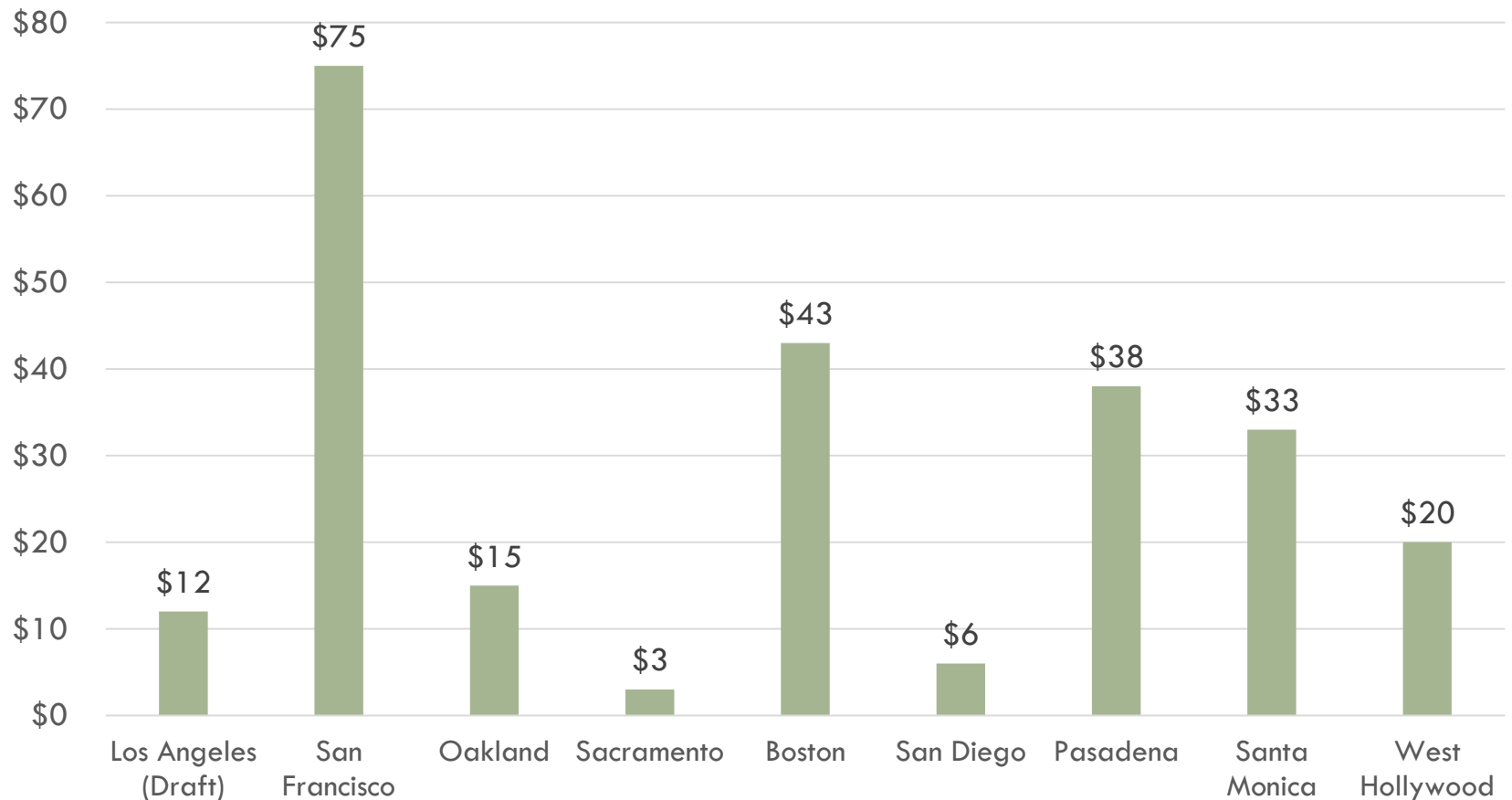


COMPARISON TO OTHER CITIES (COMM. FEE / SF)



Note: Except for LA, Boston and West Hollywood, these are average figures based on fee ranges

COMPARISON TO OTHER CITIES (RESIDENTIAL FEE / SF)



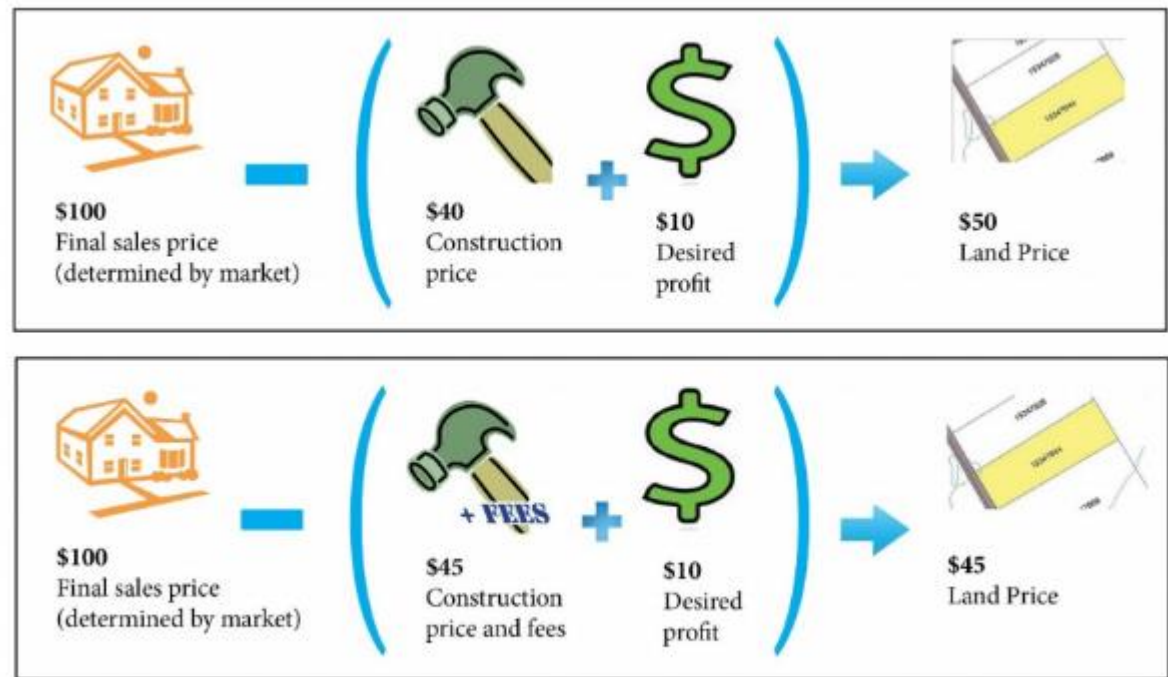
FEE/ESTIMATED ANNUAL REVENUE

- \$5/sq. ft. commercial
 - Estimated \$10 million annually
- \$12/ sq. ft. residential
 - Estimated \$80-120 million annually
- Fees go to the City's Affordable Housing Trust Fund



WHO REALLY “PAYS” THE FEE?

- Renters/Homebuyers?
- Developers?
- Landowners?
- Answer: Depends on elasticity of supply & demand by homebuyers/renters vs landowners.



COURTESY OF THE CITY OF SEATTLE. TAKEN FROM THE [POLICY OPTIONS REPORT ON INCENTIVE ZONING REFORM](#).

ADDITIONAL CONSIDERATIONS

- Fee only one part of City's housing strategy
- Would Significantly Increase Housing Funding
- Value of Workforce Housing and Increased Housing Opportunity
- Flexible Funding Source
- A Much Lower Burden Vs. Inclusionary Zoning
 - (Fee = between 2% and 5% inclusionary)
- Adds Predictability and Certainty
- Helps Support Housing Development
- Affordable Housing is Economic Engine



NEXT STEPS

- Staff Public Hearing, October 19th at 2pm
 - Deaton Auditorium Downtown
- Release staff report
- City Planning Commission – November 10th
- Planning and Land Use Management Committee (PLUM)
- City Attorney, form and legality
- PLUM for final approval
- Council for adoption

