

COALITION FOR
A JUST LOS
ANGELES

POSITION PAPER

ADDRESSING PROPOSED
AMENDMENTS TO THE
AFFORDABLE HOUSING
LINKAGE FEE

9/27/17



September 27, 2017

Dear Councilmembers,

The Coalition for a Just Los Angeles is encouraged by the Planning and Land Use Management (PLUM) Committee’s recent action to move the City of Los Angeles closer to approval of the Affordable Housing Linkage Fee (linkage fee).

Passage of a linkage fee is critical to addressing our City’s housing and homelessness crises, and we urge the Council to quickly enact a meaningful ordinance so Los Angeles can join the ranks of other major cities across the country with a permanent, local funding source for affordable housing.

This letter outlines the coalition’s position on several amendments that were recently introduced to the proposed ordinance. Our comments are guided by the coalition’s commitment to ensuring that the linkage fee maximizes funds collected and provides the City with enough funding to double the annual affordable housing production for those most in need.

Our coalition supports the amendments to include a penalty for projects creating a net loss of housing units, and further supports removing the exemption for small multi-family buildings in geographic areas that are deemed high markets. We also support the change in the overall fee structure to a four-tier approach, with stronger markets collecting higher fees. However, this approach does reduce the amount of funds that would be generated annually.

Therefore, we offer the following recommendations to ensure a meaningful and just linkage fee ordinance:

RECOMMENDATION #1

The high-market residential fee should be increased from \$15 to \$18 per square foot. High markets in Los Angeles produce significant profits and will not be negatively impacted by a higher fee—especially when the fee level is still well below what the nexus study supports

RECOMMENDATION #2

The proposed exemption for floor area obtained through a public benefit fee (TFAR) should either be removed, or altered to ensure funds remain purposed to address the housing crisis. Developers obtain additional floor area through a public benefit payment to the City, which often has nothing to do with the nexus between the development and overall housing needs. Although the public benefit fee can be used to support affordable housing, it generally does not. The public benefit fee and the linkage fee are completely separate in purpose, and should both apply to the additional TFAR square footage. Therefore, we strongly urge that the exemption indicate the public benefit payment must be purposed to build affordable housing. Otherwise, including this exemption will severely impact the revenue that the linkage fee collects and will keep the City from attaining a meaningful fee level.

RECOMMENDATION #3

We do not support geographic exemptions including the exemption for the low market commercial areas in South Los Angeles Transit Empowerment Zone. The four-tier approach accounts for the needs of lower markets by reducing the applicable linkage fee. Our coalition does not support geographic exemptions, even for limited timeframes. And given the focus on transit-oriented development, the linkage fee likely stands to lose several million dollars in revenue.

RECOMMENDATION #4

The amendment that calls for a phased-in approach of the fee, including collection of only half the fee during months 7 through 12 after passage of the ordinance, should be removed. There is a development boom in Los Angeles, and the housing crisis has never been more severe or urgent. Any delay in fees collected misses the opportunity to raise local funds to address the crisis, and based on the most recent estimate, a delay during this period of strong market activity leaves as much as \$28.5 million of much-needed dollars on the table.

We urge you to continue to support a strong linkage fee in Los Angeles, with the above recommendations included in the final ordinance.

Additionally, while we recognize that ongoing reporting is necessary to measure the impact of the linkage fee and address potential challenges, we believe that the report requested in one of the motions will not meet the stated purpose of measuring the economic viability of the linkage fee.

For example, the following triggers for the study are misguided and absolutely should not result in a suspended or lowered fee:

#1

Housing production falls below 10,000 units per year. The City of Los Angeles has produced far fewer than 10,000 units per year for much of the past decade, with no linkage fee in place. From 2006 through 2012, an average of about 6,700 units per year was produced. Additionally, any report on housing production must include units and affordability levels. During the same period, 83 percent of the housing produced was market rate, with the City meeting only about 17 percent of its affordable housing production need.

#2

Housing and/or rental prices increase by more than 10 percent. Purchase and rental rates in Los Angeles have increased at rates near these amounts recently, and therefore do not represent a change significant enough to revisit the linkage fee. According to Zillow, the median home price in Los Angeles has increase 9 percent over the past year, and rents are estimated to have increased 7 percent in the past year.

We urge the City Council to work with housing experts to create appropriate indicators of the housing market to include in ongoing reports, and not create mechanisms prematurely for possible suspension or reduction of fees.

Our coalition looks forward to swift council action on the linkage fee in Los Angeles that not only addresses concerns about maximizing fee generation and equity but also meaningfully addresses the housing needs of the lowest income Angelenos.

Sincerely,

Coalition For A Just Los Angeles