



Board Report

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PLANNING AND PROGRAMMING COMMITTEE

JANUARY 15, 2020

EXECUTIVE MANAGEMENT COMMITTEE

JANUARY 16, 2020

SUBJECT: METRO AFFORDABLE HOUSING POLICIES AND TOOLS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

- A. RECEIVE AND FILE Metro Affordable Housing Policies and Tools; and
- B. ADOPT the proposed amendments to the 2020 State Legislative Program Goals.

ISSUE

Housing undersupply and affordability continues to worsen and homelessness continues to increase in Los Angeles County. In an effort to help address these crises, Metro Joint Development plans to undertake a thorough and thoughtful examination of its policies to assess what Metro could do to address the deepening crisis, particularly through the Joint Development program policy and process. Thoughtful consideration of the potential policy enhancements is needed to ensure that development is feasible and preserves Joint Development program's community-focused approach.

BACKGROUND

At its July 2015 meeting, the Metro Board adopted an updated Joint Development Policy, which, among other things, established a goal that 35% of the housing units in Metro's joint development portfolio be affordable to residents earning 60% or less than the Area Median Income for Los Angeles County, as established by the US Department of Housing and Urban Development. In an effort to provide further subsidy to support such affordable housing, the 35% goal was supported by a corollary provision that allows proportional discounts (up to 30%) to the fair market/rental value of Metro-owned property used for joint development purposes.

Prior to the adoption of the new affordable housing goal, approximately 29% of housing units in Metro's joint development portfolio were affordable. Since adoption of the new policy, the percentage of completed affordable units has increased to approximately 34%, and should increase to 36% when projects that are currently in negotiations are completed. A summary of the portfolio is provided as Attachment A.

Even though Metro's efforts to date are producing significant amounts of affordable housing, there continue to be numerous challenges to producing housing units across the full spectrum of need at levels that are impactful. These challenges often involve inadequate or nonexistent funding sources that are necessary to compensate developers for the covenanted, below market rents required in affordable housing projects.

Meanwhile, housing affordability continues to worsen, and homelessness continues to increase. According to the California Housing Partnership Corporation, as of April 2018, Los Angeles County has a shortfall of 516,946 homes affordable to lower income renters. Additionally, rents in Los Angeles County have increased 25% since 2013, while incomes have only increased by 10%. Today, 56% of Los Angeles households spend more than 30% of their income on housing, the threshold at which households are considered at risk of becoming homeless. In last year's homeless count, individuals experiencing homelessness in the county have increased 12% to 58,936 individuals.

In October 2019 the California Department of Housing and Community Development issued an updated Regional Housing Needs Assessment (RHNA) determination of 1.34 million new homes in the six-county Southern California region over the next eight years. In November 2019, Southern California Association of Governments (SCAG) adopted a draft allocation methodology for this RHNA allocation. The assessment calls for the construction of approximately 819,000 new homes in LA County, of which 27% are needed for very low-income households earning less than 50% of Area Median Income. While the LA region has been constructing significant amounts of housing, in the last 8 years only 11% of the new units have been affordable, where the need is greatest. To make matters worse, 13% of subsidized units are at high risk of losing their affordability in the next 5 years due to expiring affordability covenants on those properties.

Considering these pressures, Metro Joint Development will be undertaking a thorough examination of its policies to assess what more Metro may be able to do to address the situation.

DISCUSSION

Over the next six months, Joint Development staff, with support from technical consultants, will undertake an assessment of the current Joint Development policy and identify opportunities for strengthening Metro's commitment to meeting the County's housing needs. The effort seeks to identify interventions and policy changes that will ultimately be most impactful to achieve these goals. These interventions will consider real market conditions, developer concerns, funding constraints and other Joint Development policy goals, which include preservation of properties for existing and future transit uses; increasing transit ridership; engaging with and reflecting the needs and desires of the communities surrounding Metro Joint Development projects; producing projects with high quality design; and, observing fiscal responsibility. In addition, the evaluation will consider measures supported by the Transit Oriented Communities (TOC) Policy to stabilize and enhance existing communities in partnership with local jurisdictions through policies such as inclusionary zoning, rent control or rent stabilization, just-cause eviction and other anti-displacement measures.

Potential changes/additions to the existing policy that will be evaluated include, but are not limited to:

- Changing the percentage goal for affordable housing portfolio-wide;
- Adding target ranges of affordability levels to portfolio-wide goal;

- Changing the requirements for and amount of ground lease discount available to developers;
- Setting per site minimum levels of affordable housing (a “floor”) for each Joint Development project that includes a housing component;
- Exploring alternative means of allowing developers to achieve affordable housing requirements, including Community Land Trusts (CLTs) and other types of shared equity and inclusive development models;
- Adjusting the metrics used to track housing goals, including accounting for micro-units and co-housing;
- Adjusting requirements of the Metro Affordable Transit Connected Housing (MATCH) and Transit Oriented Communities Small Business (TOC-SB) Loan Programs;
- Seeking reasonable and impactful legislative changes; and
- Assessing opportunities to address regional housing needs and greenhouse gas reductions.

In addition to affordable housing, there are a wide range of community benefits that Metro strives to achieve in its Joint Development program. For example, the Joint Development program encourages local hire through application of its Project Labor Agreement and Construction Careers Policy; the inclusion of Community Based Organizations (CBOs), Small/Disadvantaged Business Enterprise (SBE/DBE), and Disabled Veteran Business Enterprises as part of development teams; the presence of local-serving, legacy businesses as commercial tenants; and on- and off-site improvements that enhance the public realm and transit connectivity. As staff revisits policies around land discounts, the broader series of potential community benefits, and related trade-offs, will be considered as well.

Process

In the next few months, Joint Development staff, working with consultants, will conduct listening sessions and one-on-one meetings with local industry and policy stakeholders, including:

- Developers (including developers who are working or have worked on projects with Metro)
- Metro Board staff
- Cities/County/SCAG
- Non-Profits Organizations focused on affordable housing
- Other affordable housing stakeholders such as community-based organizations, philanthropic organizations, academics, large employers, etc.

Through these conversations and consultant technical analysis, the team will complete a high-level evaluation of the potential strengths and weaknesses of potential policy interventions and recommend a shortlist of policies for more detailed evaluation. Joint Development staff will then facilitate a series of roundtables stakeholders to identify preliminary policy recommendations for the Board.

2020 Legislative Program

Through the policy evaluation process staff will also identify any state legislative measures that may

facilitate or otherwise impact development of housing on Metro-owned land or provide better housing outcomes in LA County more generally. At its December 2019 meeting, the Board approved Motion 38.1, which requested that staff prepare a supplemental legislative program to address the supply and affordability of housing in Los Angeles County. The following measures are proposed to supplement the State legislative program goals presented in that meeting:

GOAL #10.16: ADVOCATE FOR POLICIES AND FUNDING THAT INCREASE THE SUPPLY AND AFFORDABILITY OF HOUSING IN LOS ANGELES COUNTY.

Proposed Activities:

Support legislation, initiatives, and programs that

- Reduce the costs and time to deliver affordable housing
- Compliment Metro's TOC Policy;
- Stabilize and enhance housing affordability in existing communities.
- Provide resources to Metro, LA County jurisdictions and other partner agencies to develop land use policies that support equitable transit-oriented communities;
- Support legislation and funding opportunities that incentivize and support the development of affordable and transit-adjacent housing;
- Work with legislators and the Governor's office to preserve and increase the ability of the Joint Development Program to deliver on its portfolio approach to achieving housing goals;
- Identify and pursue opportunities to consolidate and streamline applying for transportation infrastructure and transit-oriented development grants; and,
- Seek to program modifications that recognize Metro's land discount as a significant contribution to affordable projects.

Over the course of next year's legislative session Metro Government Relations, working with Joint Development, will bring specific legislation to the Board for consideration if it is not specifically covered by these goals. Additionally, legislation is expected next year that would revive proposals that have been previously considered by the Legislature. These include proposals to require density increases around transit projects, linking land use decisions to transportation funding as well as specific proposals relating to the implementation of the State's Sustainable Communities Strategy. As these proposals develop, staff will both keep the Board apprised of those developments and work with staff and the Board offices to develop any positions that would be appropriate for the Board to consider.

Equity Platform

The evaluation will invoke all four pillars of the equity platform. With the support of a consultant, we will start by defining and understanding the problem; bringing all stakeholders into the conversation; advancing changes that deliver beneficial outcomes to low-income households; and establishing an

on-going system for monitoring these outcomes.

DETERMINATION OF SAFETY IMPACT

The proposed assessment of affordable housing policies and tools and amendment of the legislative agenda will have no impact on safety.

FINANCIAL IMPACT

There is no financial impact related to this receive and file and amendment of the legislative agenda.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The evaluation and amendment of the legislative agenda will fulfill both Strategic Plan Goal 3.2, by seeking to catalyze transit-oriented communities with affordable housing and helping to stabilize neighborhoods, and Strategic Plan Goal 3.4 by playing a leadership role in addressing homelessness.

NEXT STEPS

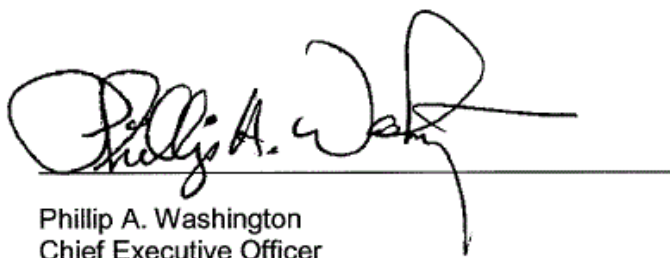
Based on the findings from this process, staff will return to the Board no later than September 2020 with a summary of the study results and recommendations for updating the Joint Development policy.

ATTACHMENTS

Attachment A - Summary of Completed and Pipeline Joint Development Portfolio

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