

Culver City Affordable Housing Commercial Linkage Fee Study

Frequently Asked Questions

What is a commercial linkage fee?

A commercial linkage fee, also known as a jobs-housing linkage fee, is a type of impact fee that is charged to developers of new real estate properties—specifically, new non-residential properties—to help support affordable housing in the City.

How is the fee justified?

The conceptual underpinning of the commercial linkage fee is that new non-residential development creates new jobs, and some of these jobs will pay wages below what is required for a worker to afford a market-rate housing unit in the city. Therefore, a nexus is established between the projected number of these lower-wage jobs that will be created by new development, and the subsidy needed to support the creation and maintenance of units that are affordable to workers in these jobs. Assessing an impact fee based on an established nexus is allowed under the State of California’s Mitigation Fee Act, also known as AB 1600 or California Government Code sections 66000 *et seq.*

Why is Culver City considering a linkage fee?

Until 2012, affordable housing in Culver City had largely been produced by the former Culver City Redevelopment Agency. Since that time, the City has been using funds from an Educational Revenue Augmentation Funds (ERAF) loan to operate affordable housing programs. The funds are anticipated to be depleted over the next several years so alternative methods of funding affordable housing must be identified. A commercial linkage fee is one such alternative. The City is additionally considering a rent stabilization ordinance and an inclusionary housing ordinance, which are other tools that cities can use to support the preservation and development of affordable units. Those tools relate to existing and new residential development, while the linkage fee relates to new non-residential development.

How long have linkage fees been around? Do other cities have them?

Commercial linkage fees have been established in California cities and counties as early as 1981. Dozens of cities and counties throughout the state levy commercial linkage fees, including several of Culver City’s neighbors such as the cities of Santa Monica, West Hollywood, and Los Angeles.

What is the fee study process?

Economic & Planning Systems (EPS) was engaged by the City in March 2020 to prepare a commercial linkage fee nexus study and conduct associated stakeholder and community outreach. In the first few months of the study, EPS is conducting the technical analysis needed to establish the nexus between new nonresidential development that occurs in the City and the need for additional affordable housing as a result of this new development. This will include engagement with targeted community stakeholders who can provide insights into the technical inputs required for the analysis.

Following the completion of the preliminary analysis, EPS and the City will host a virtual town hall meeting to discuss preliminary findings, obtain community input and answer community questions. EPS will present its findings to the Economic Development Subcommittee and City Council during public meetings. These meetings will occur during the second half of 2020. More information will be available on the City's website in the coming weeks.

How is the fee calculated?

The fee is based on assumptions related to the types of new jobs projected to be generated by new commercial development; the number of those jobs likely to pay lower-income wages; the estimated number of households generated by employees in those jobs; and the estimated cost of developing housing units affordable to those employees. These factors vary by the type of commercial buildings being developed and types of businesses that occupy those buildings. A generic example is provided below:

Calculating the number of households needing affordable housing:

100,000 square feet of new commercial space ÷ 400 square feet per employee =
250 new employees

250 new employees x 60% earning lower-income wages =
150 lower-income workers

150 lower-income workers ÷ 1.5 workers per household =
100 lower-income households

This number of lower-income households is multiplied by the typical subsidy required to produce affordable housing units to calculate the maximum fee that could be justified through the nexus analysis. The subsidy required is calculated by comparing typical development costs for new housing units in the City to the value of those units when priced at a level affordable to lower-income households.

While the study will calculate the maximum justifiable fee, the City is not required to charge the fee at that level. Through the study process, the City will consider the implications of charging the maximum fee level and whether a lower fee might be charged to ensure that other policy objectives are being met, such as the City's economic development goals.

EPS is using data from a variety of sources to conduct its analysis. These include:

- Publicly-available data on typical development costs and values for housing units in the City;
- Data from the Bureau of Labor Statistics on average incomes by occupation for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA);
- Data from the California Department of Housing and Community Development on household income tiers; and
- Feedback from City staff and community stakeholders on the above data.

How can the City use the collected fees?

The collected fees are used by the City to support the preservation and development of affordable units. This can occur through several different means. One example is a grant or loan program to affordable housing developers to support the financing for a new affordable housing project—such as the City’s partnership with Habitat for Humanity on the construction of affordable homes on Globe Avenue (<https://www.culvercity.org/City-Projects/Affordable-Housing-Projects>). Another example is City participation in the renovation of existing affordable housing units. While there are many allowable uses for the fees, the nexus underpinning of the fee requires that those uses relate to the provision of affordable housing units in the City for working households.

How can community members and others provide input during the study?

- As stated above, EPS and the City will host a virtual town hall meeting in late summer/early fall 2020 to share preliminary findings, obtain community input and answer community questions. More information on that meeting will be available on the City’s website in the coming weeks. Members of the community may submit comments during the virtual town hall meeting. These comments will be reviewed by EPS and shared with the City Council.
- **Community members can provide comments below** or contact Todd Tipton, Economic Development Manager at todd.tipton@culvercity.org or (310) 253- 5783;
- Community members will also have an opportunity to attend and make comments during EPS’s presentations to the Economic Development Subcommittee and City Council. Again, more information on the timing of these presentations will be available on the City’s website in the coming weeks. If you’re interested in being notified of these meetings you may sign up for the City’s GovDelivery service at:
https://public.govdelivery.com/accounts/CACULVER/subscriber/new?topic_id=CACULVER_12