



City of Culver City

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Staff Report

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Item #: A-2.

CC - Discussion of Whether to Place a Ballot Measure for Affordable and Workforce Housing on a Future General Municipal Election; (2) (If Desired) Creation of an Ad Hoc Affordable and Workforce Housing Ballot Measure City Council Subcommittee and Appointment of Two City Council Members thereto; (3) Discussion of Whether the City Should Partner with Culver City Unified School District (CCUSD); and (4) Direction to the City Manager as Deemed Appropriate.

Meeting Date: January 10, 2022

Contact Person/Dept: Onyx Jones/Finance

Phone Number: (310) 253-6016

Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☒

Public Hearing: ☐ **Action Item:** ☐ **Attachments:** ☒

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (01/05/2022)

Department Approval: Onyx Jones, Chief Financial Officer (01/04/2022)

RECOMMENDATION

Staff recommends the City Council: (1) discuss whether to place a Ballot Measure for Affordable and Workforce Housing on a future General Municipal Election; (2) (if desired) create an Ad Hoc Affordable and Workforce Housing Ballot Measure City Council Subcommittee and appointment of two City Council Members thereto; (3) discuss whether the City should partner with Culver City Unified School District (CCUSD); and (4) direction to the City Manager as deemed appropriate.

BACKGROUND

At the September 27, 2021, City Council meeting, there was support among City Council Members to move forward with the examination of an affordable housing ballot measure. It has been recognized there is a severe shortage of affordable housing, where cost burden is the most common housing problem experienced by both renters and owners of households. The lack of affordable housing has

contributed to individuals experiencing homelessness within the City.

With the elimination of the Redevelopment Agency, City Council has expressed an interest in examining alternatives for incentivizing the production of homeless, very-low-, low- and moderate-income and workforce housing in Culver City to address the problem of housing affordability. The elimination of the Redevelopment Agency has also caused the disintegration of the only continual revenue source through the Low- and Moderate-Income Housing Fund (LMIHF) for the support of affordable housing programming. The Housing Division currently provides a total of 42 programs that are supported with the repayment to Culver City of deferred LMIHF and Supplemental Educational Revenue Augmentation Fund (SERAF) payments, which will be fully repaid in FY 2022/2023. To replenish these funds, the City Council recently approved an Inclusionary Housing Program and Linkage Fee as mechanisms to create a funding stream for affordable housing programming. Unfortunately, these mechanisms are not enough, and a majority of the City Council at the September 27th, 2021 Council Meeting asked staff to investigate ballot measure options for sustainable funding for affordable and workforce housing programs.

The Culver City Unified School District (CCUSD) has also approached the City to enter into a partnership for the production of affordable and workforce housing for CCUSD employees on CCUSD-owned land.

DISCUSSION

What is Affordable and Workforce Housing?

Income limits and affordable housing costs are defined under California Redevelopment Law (Health & Safety Code section 33000, et seq.) (CRL). Income limits are published annually by the California Department of Housing and Community Development (HCD) and are adjusted to the actual size of a household. For 2021, Los Angeles County median income for a household of four persons is \$80,000. Both the minimum and maximum incomes are calculated mathematically using the published County median income as the base.

Workforce income limits are not defined by HCD under the Health and Safety Code. Workforce housing is defined as any housing made available for households above moderate-income set at 120% of Area Median Income. Each local jurisdiction sets its workforce housing limits based upon the characteristics of its labor force that exceed the moderate-income limits. The qualifying income for workforce units has been defined by Culver City as greater than 80% and not more than 129% of County median income. For a household of four persons, this translates to a maximum annual income of \$103,200. (See attachment 1 for more examples of income limits for affordable and workforce housing.)

The ballot measure for potential Affordable and Workforce Housing funding sources discussed below could also seek voter approval of a specified number of low-income housing units to be developed in the City. Under State law, obtaining such advance approval would facilitate the City's ability to structure Affordable and Workforce Housing developments to best suit the needs of the Culver City's residents.

Potential Partnership with CCUSD

To improve access to affordable housing, promote employee and student retention, and balance life and work, Culver City Unified School District (CCUSD) has approached the City for help in securing funds and assistance in the improvement of CCUSD land for the production of affordable and workforce housing for its employees.

Potential Funding Sources of Affordable and Workforce Housing

Potential funding sources of Affordable and Workforce Housing are listed. Note that each of the revenue sources below would require voter approval; in order to assess voter opinion regarding potential funding sources should City Council wish to proceed, staff recommends hiring a research firm to conduct a survey to assess voter support.

General Obligation Bond (GO)

- Overview
 - Annual tax levied on property tax roll in proportion to total assessed property values (ad valorem tax)
 - 2/3rds voter approval
 - Voters approve total bond amount and use of proceeds, not tax rate or annual payment
- Advantages
 - Generates new revenue source to repay debt
 - Broad-based tax support for public improvements
 - Lowest interest cost due to ad valorem security and unlimited tax pledge
 - The GO can be authorized for a large amount and then issued in tranches over several years.
- Disadvantages
 - Time, expense, and uncertain outcome of election
 - The General Obligation Bond is for a certain amount of funding. Once the bond funds have been fully spent the City would have to find an alternate funding source any future affordable housing projects and/or long-term operational cost.

Parcel Tax

- Overview
 - Annual tax levied on property tax roll
 - 2/3rds voter approval
- Advantages
 - Generates a new ongoing revenue source
 - Based on estimates provided by the City's consultant a flat tax of \$784 could raise \$10M in revenues. Culver City could also do a variable parcel tax rate structure based on type of parcel such as commercial, industrial, residential etc. (See Attachment 2 for examples)
 - Broad-based tax support for public improvements
 - The City could issue Lease Revenue Bonds/COP's for Affordable Housing projects, which could be secured by available General Fund Revenues, which would include the

parcel tax.

- Disadvantages
 - Time, expense, and uncertain outcome of election
 - Affordable or workforce housing projects would be limited to the amount of parcel tax received annually so large-scale projects could be delayed several years until funding can be set aside for the proposed project.

Business License Tax Measure

It should also be noted that City Council previously gave direction to the Finance Advisory Committee (FAC) to research a possible Business License Tax Measure. As a result of that direction, Finance staff and a Business Tax Review Subcommittee (Subcommittee) of the FAC worked with City's consultants Fairbank, Maslin, Maullin, Metz & Associates (FM3) to conduct a survey to get consensus of the voters on a potential Business Tax measure. The results of this survey were presented to the Finance Advisory Committee (FAC) on November 20, 2019 and the survey indicated that 65% - 67% of the registered voters would be in favor of a business license tax increase. During the February 12, 2020 FAC meeting, Committee members received a report from the Subcommittee regarding the potential tax and they recommended the report be transmitted to City Council. That report was scheduled to be presented to City Council on March 18, 2020; however, due the impact of COVID-19 and the shelter in place orders, it was decided to pull this from the City Council Agenda.

Potential Timeline for an Affordable and Workforce Housing Ballot Measure

Task	Responsible Party	Date
City Council Meeting - Approve "Exploring" Feasibility of a GO Bond or Parcel Tax Measure	City	January
Prepare and Conduct Survey	Consultant	February / March
City Council Meeting – Survey Results Presentation	Consultant	March / April
Initiate Public Information Program, Speaking with Stakeholders and Community Groups to Discuss Proposed Tax Measure	City	Ongoing
Finalize Capital and Financing Plan	Consultant	May

Task	Responsible Party	Date
Prepare Resolution for Calling Election, Including Language for all potential ballot measures, Project List, and Tax Rate Statement to Reflect Community Feedback	Consultant/ City Attorney / City Clerk	June
City Council Meeting – Discussion to Request Placement of a Revenue Measure Ordinance on Ballot	City	July 11th
Second discussion of Revenue Ballot Measure Ordinance and Approval of Resolution Calling the Election.	City	July 25th
City Council Meeting for Approval of Arguments before Submittal Deadline of August 19 (E-81).	City	August 8th
Deadline to place notice of election for a measure in CC News	City	August 9th
Deadline to Submit Ballot Measure to LACRR/CC (E-88)	City	August 12th
Prepare and Submit Impartial Analysis of Ballot Measure & last day to submit arguments	City Attorney	August 19th
Deadline to Submit Rebuttals to LA County	City	August 29th
Create and Distribute Education Materials	City	up to election day
Election Day for General Election (E-10-E)		October 29- November 8, 2022

FISCAL ANALYSIS

If approved, the ballot measure will increase the City's cost to hold the General Municipal Election in November by approximately \$6,000. That additional cost includes Los Angeles County's costs to print and provide the measure on the ballot. A public education program to inform the public about the ballot measure, if desired, is estimated to cost approximately \$30,000. These expenses would be paid from the General Fund's Non-Departmental Acct #10116100.619800.

If approved by voters, depending on the tax structure selected by City Council the parcel tax increase could have a positive impact of up to \$10 million or more annually to the General Fund.

ATTACHMENTS

2022_01_10_ATT_Attachment 1 Income Limits for Affordable Housing

2022_01_10_ATT_Attachment 2 Parcel Tax Scenarios

MOTION

That the City Council:

1. Discuss whether to place a ballot measure for affordable and workforce housing on a future General Municipal Election; and
2. (If desired) Create an Ad Hoc Affordable and Workforce Housing Ballot Measure City Council Subcommittee and appoint two Council Members thereto; and
3. Discuss whether the City should partner with Culver City Unified School District (CCUSD); and
4. Direction to the City Manager as deemed appropriate.