



# **Zoning Code Amendment - Inclusionary Housing Policy Update to Chapter 21.67 of the Long Beach Municipal Code**

**Planning Commission – December 19, 2024**

# Project Overview

Zoning Code Amendment (ZCA24-003) and Local Coastal Program Amendment (LCPA24-003) to amend Chapter 21.67 of the Zoning Regulations as it relates to Inclusionary Housing Regulations for the City of Long Beach.

The amendment proposes expansion of the current Inclusionary Housing Regulation beyond the Downtown and Midtown submarkets to be applied Citywide as well as modifying affordability requirements and other technical refinements.

This project also includes a future amendment to the Local Coastal Program for areas in the Coastal Zone and is subject to certification by the California Coastal Commission for the coastal zone only.

# Background: 2017 - 2020

- In May 2017, the City Council adopted 29 policy recommendations to encourage the production of affordable and workforce housing. Policy 3.2 directed staff to develop an Inclusionary Housing Policy.
- Inclusionary Housing is designed to facilitate the production of mixed-income housing by requiring developers to include a certain proportion of affordable housing units in new market-rate residential developments.

# Background: 2017 – 2020 (cont.)

- City staff conducted a multi-year process to develop the current Inclusionary Housing Policy, including extensive outreach with community members and stakeholders and a Planning Commission study session.
- As part of that process, an Economic Feasibility Study determined the maximum supportable Inclusionary requirements, including single-income and mixed-income options.
- In 2020, City staff presented Inclusionary requirement options to the Planning Commission:
  - Rental Projects: Mix of Very-Low Income, Low-Income, Moderate Income affordability levels.
  - Ownership Projects: Only supportable at 10% of total project units for Moderate Income households.

# Current Inclusionary Housing Policy

## 2020 Planning Commission Recommendation to City Council

<b>Rental Housing</b>	12% of Total Project Units 25% Very-Low, 25% Low, and 50% Moderate
<b>Ownership Housing</b>	10% of Total Project Units 100% Moderate Income

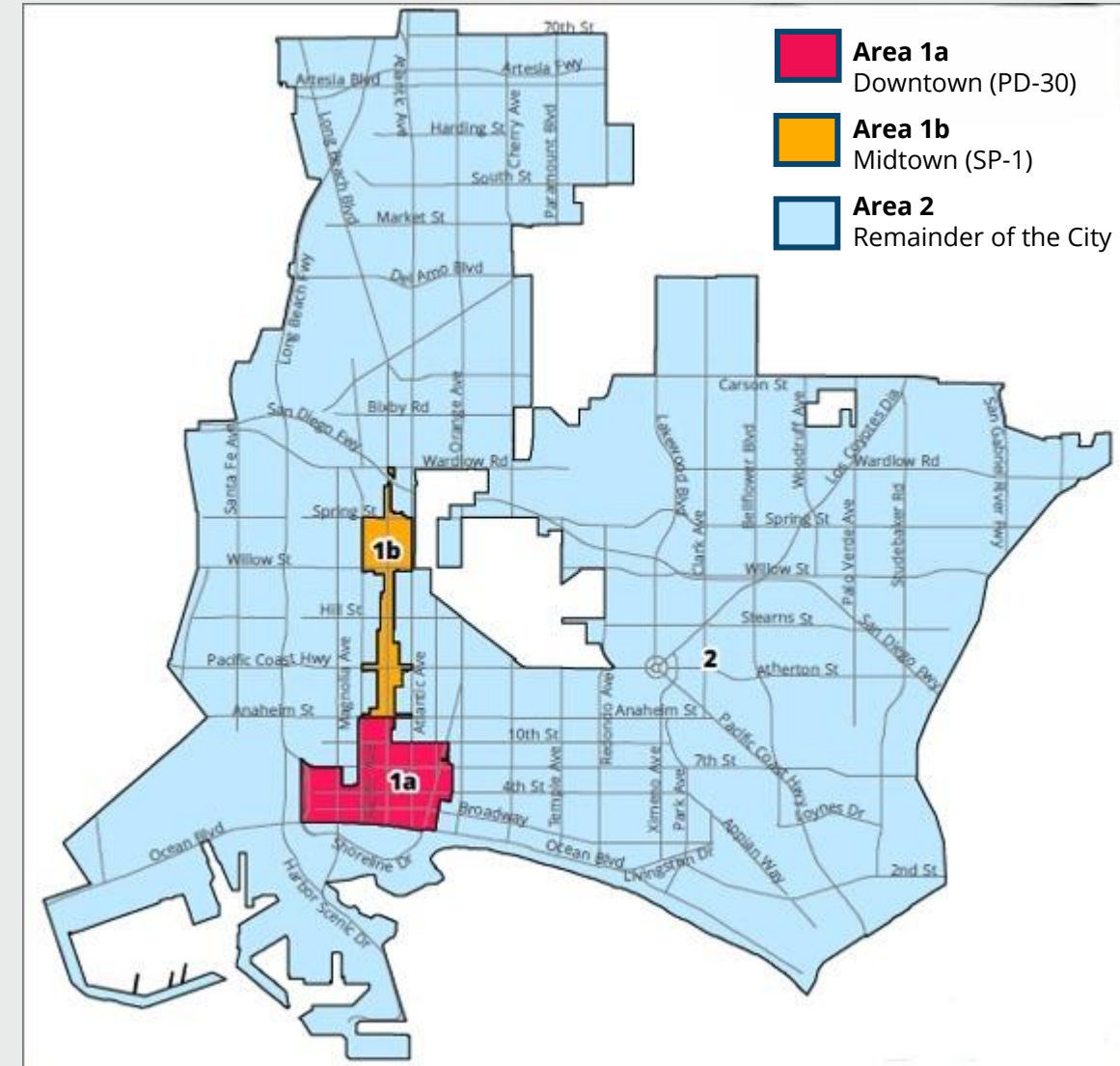
## 2021 City Council Adopted Policy

<b>Rental Housing</b>	11% of Total Project Units 100% Very Low-Income
<b>Ownership Housing</b>	10% of Total Project Units 100% Moderate Income



# Current Inclusionary Housing Policy (cont.)

- Applies to new housing development with 10+ units in Downtown and Midtown.
- This limited area was established for the first phase of the Policy based on a 2019 analysis of the residential development market.
- City staff committed to monitoring and updating the Policy as development conditions evolve.



# Housing Development since the Policy Went into Effect

## Housing units entitled in Downtown and Midtown (2021 – 2023):

- 2,365 total units
- 970 affordable units (rental/ownership)
- 168 Inclusionary Housing affordable units (rental only)

Housing Entitlements in Downtown and Midtown	
Before Inclusionary Requirements 2019-2020 Yearly Average	After Inclusionary Requirements 2022-2023 Yearly Average
847 units entitled	1,067 units entitled

# 2013-21 Long Beach RHNA Results

## 5<sup>th</sup> Cycle RHNA Target: 7,048 Units

Income Level	Total Annual RHNA Target (2014-2021)	Total units permitted through 2020	Total units remaining to meet RHNA Target	Average Annual RHNA Target	% of RHNA met by # of permitted units (2014-2020)
Very Low	1,773	410	1,363	222	23%
Low	1,066	216	850	134	20%
Moderate	1,170	39	1,131	147	3%
Sub-total Affordable	4,009	665	3,383	502	16%
Above-Moderate	3,039	3,504	-465	380	115%
<b>TOTAL</b>	<b>7,048</b>	<b>4,169</b>	<b>3,830</b>	<b>881</b>	<b>59%</b>

Although the market rate RHNA was met for Long Beach's 5th cycle RHNA, only 16% of the affordable allocation was achieved from 2013-2021.



# Progress on Meeting RHNA Targets

## Long Beach Annual RHNA Targets

Income Level	Total Annual RHNA Target (2021-2029)	Total units remaining to meet RHNA Target	Average Annual RHNA Target	% of RHNA met by # of permitted units (2021-2023)
Very Low-	7,141	6,871	893	4%
Low-	4,047	3,806	506	6%
Moderate-	4,158	4,158	520	0%
Sub-total Affordable	15,346	14,835	1,919	3%
Above-Moderate	11,156	8,953	1,394	20%
TOTAL	26,502	23,788	13,313	10%

Through end of 2023, the second full year of the current 6<sup>th</sup> RHNA Cycle, Long Beach permitted only **3% of its affordable** housing unit RHNA target.

By contrast, we permitted roughly **20% of the above-moderate allocation** and are therefore roughly on track to meet the above-moderate requirement

# 2024 Initiative to Advance Affordable Housing Production

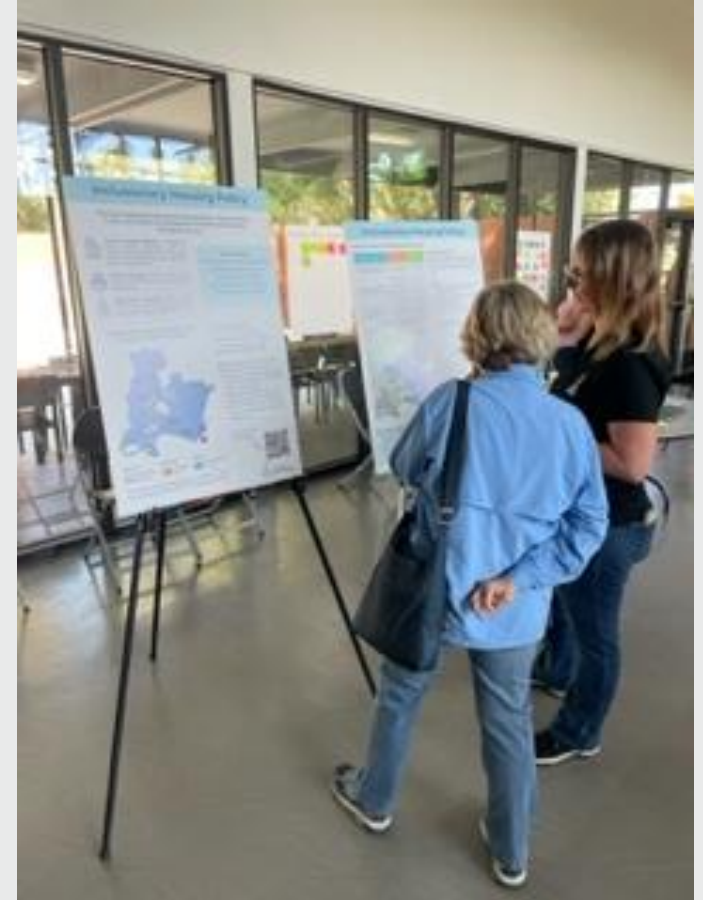
- On May 7, 2024, the Mayor and City Council requested City staff explore and report back on the expansion of the Inclusionary Housing Policy citywide.
- On May 14, 2024, City staff presented an update on implementation progress and next steps to expand Inclusionary requirements citywide.
- Several Councilmembers requested that City staff also present options for Inclusionary affordability requirements for rental units that encompass a mix of income levels.

# Housing Committee and Planning Commission Presentations

- On June 11, 2024, City staff presented recommended Policy updates, including options for rental unit affordability levels, to the Housing and Public Health Committee.
- On August 15, 2024, City staff held a study session with the Planning Commission.
- Planning Commissioners' key feedback:
  - Clarifying questions on various technical aspects of the Policy.
  - Concern that the proposed three-year phase-in schedule is too long.
  - Concern that rounding up Inclusionary units overburdens smaller projects.
  - Concern that removing the 1-mile radius requirement for land dedication may allow developers to avoid providing Inclusionary units in higher resource areas.
  - Interest in examining other zoning reforms alongside Inclusionary requirements.

# Community and Stakeholder Outreach

- Presented updates and held study sessions at City Council, Housing and Public Health Committee, and Planning Commission.
- Three (3) in-person Housing Policy Forums
  - 133 attendees
  - 75 written comments (in-person and online)
- Focus groups:
  - Housing Developers
  - Landlord Advocates
  - Housing Advocates



# Summary of Community and Stakeholder Feedback

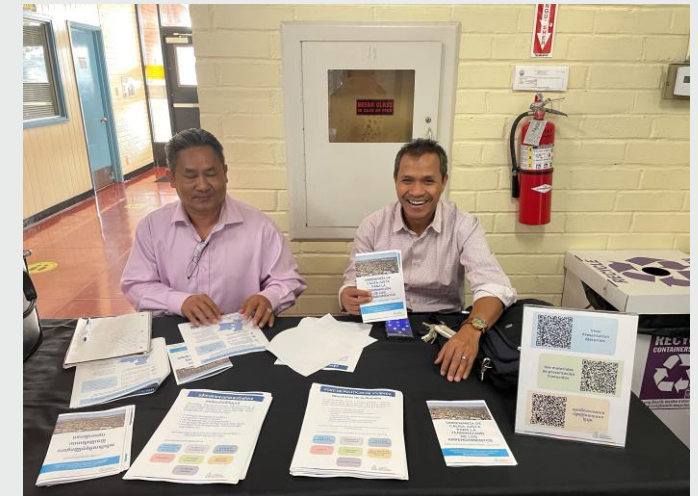
- Broad support for citywide expansion from residents and housing advocates.
- Majority of resident participants and housing advocates want affordability requirements exclusively for very low- and extremely low-income households; some support for a mix of affordability levels.
- Desire to increase Inclusionary requirement percentages.
- Desire to remove three-year phase-in period.
- Interest in adding local hire provisions for housing construction.





# Summary of Community and Stakeholder Feedback

- Concern from developers that Inclusionary requirements may reduce the number of ownership units that can be built.
- Interest from residents for more affordable homeownership opportunities.
- Desire from housing advocates/residents to keep City Council as the approval body for alternative compliance options.
- Broad support for more development incentives and zoning reform to work alongside Inclusionary requirements.



# Recommendation: Expand Inclusionary Housing citywide

- City staff recommend applying Inclusionary Housing requirements citywide, based on direction from the Mayor and City Council and the City's Housing Element Program 6.7.2 to facilitate the production of mixed-income and affordable housing.

# Revised Policy Recommendations

- Based on feedback from Councilmembers, Planning Commissioners, community members and stakeholders, as well as additional research, City staff have revised some of their recommendations to update the Inclusionary Policy:
  - Rental housing affordability levels
  - Ownership affordability levels
  - Technical changes to refine the Policy

# Rental Projects: Prior Recommendation

## Very low-, low- and moderate-income affordability levels based on Long Beach Opportunity Areas

Opportunity Areas	Income Level	Inclusionary Requirement
High and Highest Resource	Very Low-Income	11%
Moderate Resource	Very Low-Income	6%
	Low-Income	3%
	Moderate-Income	3%
Low Resource and High Segregation/Poverty	Moderate-Income	19%

# Rental Projects: Revised Recommendation

- City staff no longer recommend moderate-income affordability level.
- Recommend establishing Submarket Areas with different affordability requirements to achieve fair housing goals.

Submarket Areas	Income Level	Inclusionary Requirement
Downtown	Very Low-Income	6%
	Low-Income	6%
Midtown	Low-Income	12%
High Resource	Very Low-Income	11%
Moderate Resource	Very Low-Income	6%
	Low-Income	6%
Low Resource	Low-Income	12%



# Low-Income Affordability

**Low-income units can achieve workforce housing and economic integration goals at a deeper affordability than moderate-income units.**

- Low-income limits exceed median income and come close to moderate income, due to a federal income adjustment for Los Angeles County as a high cost of living area.

Income Limits for a Family of Four		
Median Income		\$98,200
Income Level	% of Median Income	Income Limit
Very Low-Income	71%	\$69,350
Low-Income	113%	\$110,950
Moderate-Income	120%	\$117,850

**Small income margin:**  
\$6,900/year difference

# Low-Income Affordability (cont.)

Low-income units can achieve workforce housing and economic integration goals at a deeper affordability than moderate-income units.

- Low-income rent is significantly more affordable than moderate-income rent, as the federal income adjustment does not apply to rent calculations.
- Moderate-income rents can exceed market-rate rents in some cases.

2024 Income Limits for a Family of Four			Maximum Rent	
Median Income		\$98,200		
Income Level	% of Median	Income Limit	2 Beds	3 Beds
Very Low-Income	71%	\$69,350	\$1,105	\$1,228
Low-Income	113%	\$110,950	\$1,326	\$1,473
Moderate-Income	120%	\$117,850	\$2,431	\$2,701

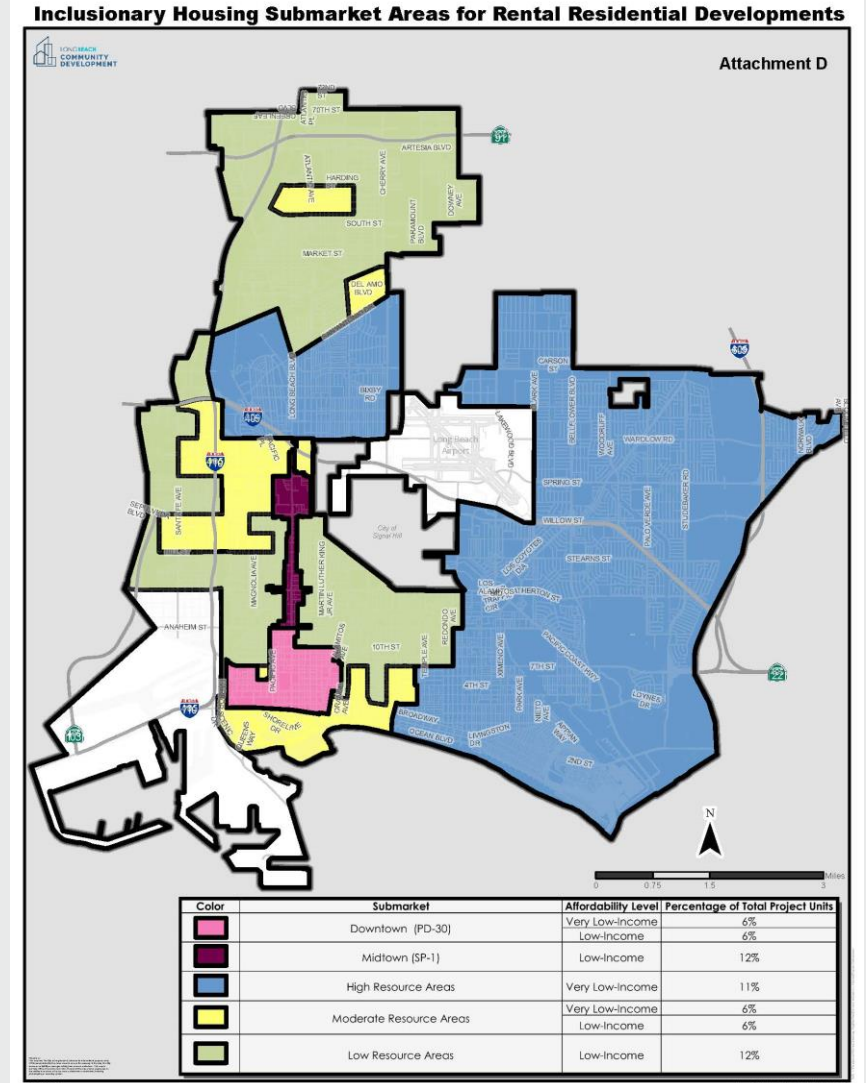
**Large rent margin:**  
\$13,260 -  
\$14,736/year  
difference

# Low-Income Affordability (cont.)

- Most tools to facilitate affordable housing prioritize households at or below very low-income, including:
  - Subsidies for 100% affordable housing
  - City and State Density Bonus incentives
  - Housing vouchers issued by the Housing Authority
- Inclusionary Housing requirements present a unique opportunity to facilitate housing production for low-income households and expand the City's housing toolbox to serve a broader income range.

# Proposed Inclusionary Rental Submarkets

- Resource Areas:
  - Based on State-designated census tracts and factors associated with economic, educational and health outcomes for low-income families.
  - Varying affordability requirements by resource area helps achieve fair housing goals.
- Standalone submarkets:
  - Downtown: ensures all projects here have at least some very low-income units.
  - Midtown: helps deconcentrate poverty in this area.
- The Zoning Administrator will adopt and oversee any future amendments to the map.



# Proposed Inclusionary Requirement Phase-In Schedule for Rental Projects

- City staff propose a three-year phase-in schedule for Inclusionary requirements for rental projects in all areas of the city except Downtown and Midtown, which are already fully phased-in.
- A phase-in period allows the housing market to adjust, as developers plan projects and financing several years in advance.

Submarket	Income Level	Percentage of Total Rental Project Units		
		2025	2026	2027
High Resource Areas	Very Low-Income	5%	6%	11%
Moderate Resource Areas	Very Low-Income	3%	4%	6%
	Low-Income	3%	4%	6%
	<i>Total Requirement</i>	6%	8%	12%
Low Resource Areas	Low Income	6%	7%	12%



# Ownership Projects: Revised Recommendation

## Phase-in affordability levels to facilitate more ownership housing development

- Apply Inclusionary requirements citywide at 10% of total project units.

Milestone Threshold	% of Area Median Income	Income Limit for Family of 4
Two years or when 200 total ownership units (market-rate and Inclusionary) are entitled, whichever is longer	200%	\$196,400
One year thereafter or when 200 additional ownership units are entitled, whichever is longer	150%	\$147,300
One year thereafter or when 200 additional ownership units are entitled, whichever is longer	135%	\$132,570
Thereafter	120%	\$117,840

# 2021 – 2024 Ownership Housing Development

- Applying a higher income threshold initially increases the limit on the affordable sales price for each Inclusionary unit and thereby increases the incentive to develop ownership units.
- Only three ownership projects have been entitled since 2021:
  - 712 Baker St.: 226 Units mix of townhomes, SFR and condos
  - 5801 Atlantic Ave.: 84 Townhomes
  - 2200 7<sup>th</sup> St.: 23 Townhomes
- No ownership projects have been entitled in the current Inclusionary Housing zones (Downtown and Midtown) or in high resource areas since 2021.
- In-lieu fees are allowed by-right for ownership developments.

# Proposed Policy Modifications - Revised

- **Inclusionary unit calculation:**
  - Round up fractional units for larger rental projects (21+ units).
  - Revised recommendation: Small rental projects (<21 units) and ownership projects have the option to pay an in-lieu fee for the fractional units instead of rounding up.
  - Fractional units at different income levels will be added together and applied to the lowest affordable level (For example, 0.2 very low-income unit and 0.4 low-income unit would be delivered as 1 very low-income unit).



# Proposed Policy Modifications - Revised (cont.)

- **Ownership units:** Add requirement that units must be sold to first-time homebuyers.
- **Alternative compliance options:** Designate the approval body as the Planning Commission, instead of the City Council. Planning Commission decisions are appealable to the City Council.
- **Land dedication option:** Land must be located within one mile of the housing development, unless the land is in a High or Highest Resource Area. Location will still be appropriate and reviewed and approved by staff/decision-making body.



# Proposed Policy Modifications - Revised (cont.)

- **Other Alternative Compliance Methods:**

- Currently, developers can propose an alternative method to providing the Inclusionary units, if the method provides for more units at the same or a deeper affordability level or provides a greater public benefit.
- Clarify that City staff will evaluate whether the developer's proposal helps achieve the City's fair housing goals, Housing Element policies, and Regional Housing Needs Assessment and recommend the Planning Commission approve or deny the proposal based on their findings.





# Proposed Policy Modifications - Revised (cont.)

- **Expand the Use of In-Lieu Fees:**
  - Allow City staff flexibility to use in-lieu fees to provide a broader range of affordable housing assistance, such as homebuyer down payment and Community Land Trust programs.
  - Remove the very low-income limit to serve a wider range of households.



# Proposed Policy Modifications - Revised (cont.)

- **Exempt developments that exceed the Inclusionary requirements:** Exempt projects that will restrict at least half of the total units as affordable to very low- or low-income households.
- **Inclusionary Housing Regulatory Agreement:** Amend the provision to require the inclusionary housing regulatory agreement to be recorded against the residential development earlier in the development process: within 30 days of submitting for plan check, rather than prior to issuance of any building permit.



# Public Noticing

## Notice of Public Hearing was:

- Published as a one-eighth (1/8) page advertisement in the Long Beach Press-Telegram newspaper on December 05, 2024, in accordance with the requirements of Chapter 21.21, Division III of the Zoning Regulations
- Posted in at least three (3) public places within the boundaries of the City
- Provided to stakeholders and other interested parties
- Posted at City Hall and City libraries
- Posted on the Department's website and distributed through the City's *LinkLB* notification system.
- Mailed, together with all proposed changes, additions, modifications or deletions to all City libraries and to anyone requesting such notice

## Public Comment:

- Since the publishing of the Public Hearing notice and distribution to interested parties, staff has received three (3) comments in response opposition to the proposed zoning code amendment. One (1) explicitly opposes the proposed update and two (2) provide additional context to consider

# Environmental Review and Next Steps

- This project falls within the scope of what was analyzed in the previously certified and Addended Program Environmental Impact Report (PEIR) EIR 03-16 (SCH NO. 2015051054) prepared for the General Plan LUE update. There are no conditions requiring a new subsequent or supplemental environmental impact report, as stated in Section 21166 of the Public Resources Code or in Sections 15162 or 15163 of the CEQA Guidelines, are present.
- Additionally, action is also Categorically Exempt (CE-24-174) from CEQA under Section 15061(b)(3) of the State CEQA Guidelines (the “common sense exemption”), which states “CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.”
- City Council Public Hearing tentatively scheduled for February 2025.
- Updated Policy would take effect Spring 2025.

# Recommendation

Request City Council approve Zoning Code Amendment (ZCA24-003) and Local Coastal Program Amendment (LCPA24-003), and adopt the proposed findings related thereto, to amend Chapter 21.67 of the Zoning Regulations to expand the existing Inclusionary Housing Ordinance applicability beyond the Downtown Plan (PD-30) and Mid-Town Specific Plan (SP-1) submarkets and apply the ordinance citywide, including sites within the coastal zone; change the affordability requirements for Inclusionary Housing units; and implement other changes to the Inclusionary Housing Ordinance; and

Request City Council adopt a Resolution directing the Director of Community Development to submit the Local Coastal Program Amendment to the California Coastal Commission for approval.





Thank you

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