

City Council Meeting October 10, 2023

LAND VALUE RECAPTURE DISCUSSION



Background

- 2021-2029 Housing Element
- February 20, 2021 - City Council/Planning Commission discussion – housing strategies
- Land Value Recapture – capturing increased value of land upzoned or intensified
- Housing Element Sites Inventory – residential on non-residential properties

Background

- August 8, 2023 – Housing Element adopted
LVR Program included as Program #7
- City to perform LVR feasibility analysis
- Completion of zoning changes required for
State certification
- LVR must accompany property zoning
changes to be effective

Discussion

- City's very-low and low income RHNA is > 63% of allocation
- City currently has no affordable housing.

6th Cycle RHNA by Income Category—Hermosa Beach

Income Level	Very Low	Low	Moderate	Above Moderate	Total
Units	232	127	106	93	558
Percentage	41.6%	22.8%	19%	16.6%	100%

Discussion - Applicability

- Applicability
 - Housing Element Sites Inventory Sites
 - Future non-residential sites where residential is allowed
- Non-residential projects are exempt
- Mixed use projects are pro-rated
- Fee would be multiplied by square foot (sq. ft.) of market rate residential development



Discussion – Exemption Tiers

- Exemption Tiers (dependent on Housing Element Sites Inventory Minimum Density)
 - Sites for 5 or more units (eligible for density bonus)
 - Must develop 10% very low, 15% low, or 20% moderate income units
 - Sites for 3 – 4 or 1 - 2 units
 - Must develop to minimum density and include 1 affordable unit

Land Value Recapture Analysis

- Considerations: land cost, capitalization rate, operating cost, cost of housing for different income levels, ability to use density bonus program, value impact per sq. ft.; etc.
- \$66 – 94 per sq. ft. is economically equivalent to developer providing affordable housing
- Suggests \$60 per sq. ft. due to program infancy; economic uncertainty

Other Programs

- 30% of cities in California have programs to facilitate creation of affordable housing

Affordable Housing Programs

Jurisdiction	Inclusionary	Affordability Threshold	Fee	Fee Unit
Rancho Palos Verdes	Yes	5–10%	\$308,716	Unit
Santa Monica	Yes	5–30%	\$41.39– \$48.35	Sq. Ft.
Long Beach	Yes	11%	\$37.90– \$38.50	Sq. Ft.
Newport Beach	Yes	7%	\$33.80– \$36.60	Sq. Ft.
Laguna Beach	Yes	25%	\$247,317– \$348,197	Unit
Huntington Beach	Yes	10%	\$3–\$36	Sq. Ft.

Proposed Fee

- Kosmont Analysis - \$60 / sq. ft.
- Range of fees from other cities
 - \$35 - \$48 / sq. ft.
 - ~\$250,000 - \$350,000 sq. ft.
- Staff proposes a fee of \$50 / sq. ft.
- Annual review for effectiveness



Planning Commission Action

- Discussed over three meetings
- Policy and structure of program
 - Sites with 1 - 2 units
 - Lower requirements for affordability
 - Different fee
 - Number of sites
- September 19, 2023 - voted to recommend City Council adoption



City Council Discussion

- Fees are the purview of City Council
- Provide direction on proposed program and structure
 - Applicability/Exemption Tiers
 - Fee amount(s)
 - Any other modifications

Next Steps

- Housing Element-related General Plan and zoning amendments scheduled for October 24, 2023 public hearing
- LVR Program terms are part of the rezoning text amendments and would apply to Housing Element sites
- If adopted, would take effect when Housing Element receives certification.

