

2023

City of El Segundo Affordable Housing Strategic Plan

Table of Contents

Summary	2
Background	2
Overview of Affordable Housing	3
Benefits of Affordable Housing	4
Housing-Related Public Outreach and Engagement	4
Business Community Input	5
Housing Efforts in Progress	6
Affordable Housing Opportunities	6
Affordable Housing Priorities	7
Policy	7
Program	8
Funding	9
Appendix	13
Result	13

Summary

The City of El Segundo ("City") is committed to achieving a State-mandated objective of constructing affordable housing for low- and moderate-income residents, with an estimated 40% of the population eligible for this housing. On November 15, 2022, the City Council officially endorsed the Housing Element Update for El Segundo, ultimately accepted by the State Department of Housing and Community Development (HCD) in January 2023. This document delineates specific actions that the City may undertake to fulfill these State-imposed housing targets. The Affordable Housing Strategic Plan ("AHSP") outlines several strategic opportunities in alignment with the Housing Element, all geared towards advancing the creation of affordable housing within the City.

Background

The Southern California Association of Governments (SCAG) conducts a comprehensive assessment of anticipated housing requirements for each city and county in the Southern California region, a process referred to as the Regional Housing Needs Assessment (RHNA). For the 6th cycle Housing Element, the City has been assigned a total RHNA obligation of 521 units. Among these, 207 units are designated for extremely/very low-income households (earning less than 30%/50% of the Area Median Income or AMI, respectively), and an additional 99 units are allocated for low-income households (earning less than 80% of the AMI). It's important to note that these figures also include a carryover of 29 lower-income units (18 very low and 11 low-income units) from the 5th cycle Housing Element.

Income Category	5 th Cycle Carryover	6 th Cycle RHNA	Total RHNA	Percent
Extremely/Very Low Income*	18	189	207	39.7%
Low Income*	11	88	99	19.0%
Moderate Income	0	84	84	16.1%
Above Moderate Income	0	131	131	25.1%
Total	29	492	521	100.0%
<p>Note: The City has a RHNA allocation of 207 very low income units (inclusive of extremely low income units). Pursuant to State law (AB 2634), the City must project the number of extremely low income housing needs based on Census income distribution or assume 50% of the very low income units as extremely low. Assuming an even split, the City's RHNA allocation of 207 very low income units may be divided into 104 very low and 103 extremely low income units. However, for purposes of identifying adequate sites for the RHNA allocation, State law does not mandate the separate accounting for the extremely low income category.</p> <p>* Includes the 5th Cycle Housing Element shortfall of 18 extremely/very low and 11 low income units.</p> <p>Source: Southern California Association of Governments (SCAG), 6th Cycle Final RHNA Allocation Plan, 2021.</p>				

Meeting RHNA goals presents a formidable challenge for the City. Currently, there are no deed-restricted affordable housing units within the City, as defined by Gov. Code § 65583 (A) (8).

Progressing significantly towards achieving RHNA goals is of paramount importance for several reasons. Firstly, in 2021, HCD established a Housing Accountability Unit (HAU) with the authority to take escalating enforcement measures to ensure municipalities comply with their RHNA goals

if persistent noncompliance is observed. This may involve imposing fines and further revoking local control over housing decisions.

Additionally, the City's desire to create more affordable housing is driven by the fact that approximately forty percent of households in the City earn moderate incomes (less than 120% of the Area Median Income or AMI), with twenty-five percent of households earning lower incomes (less than 80% of the AMI). Furthermore, 7.8% (1,306) of the City's residents live in poverty, and 7.8% (1,306) are disabled. Yet, housing options for this significant portion of El Segundo's population are severely limited.

The median sale price of condos, single-family homes, and new homes in El Segundo stands at approximately \$1,466,000, well exceeding the maximum affordable purchase price of \$359,325 for households qualifying as moderate income. Naturally occurring affordable housing is scarce and unreliable, often falling victim to issues such as dilapidation, overcrowding, or market forces. These circumstances underscore the need for a thoughtful, coordinated, and a strategic approach beyond the Housing Element to foster an environment conducive to increasing the supply of decent, safe, and high-quality affordable housing for all City residents.

Overview of Affordable Housing

Affordable housing is typically defined by the U.S. Department of Housing and Urban Development as housing in which occupants pay no more than 30 percent of their gross income for housing costs, including utilities.

The development of affordable housing caters to several "special needs groups" as recognized in the 2021 – 2029 Housing Element of the City's General Plan. These groups encompass:

- Seniors
- Large households
- The Homeless
- Military veterans
- Farmworkers
- Persons with disabilities

Affordable housing units frequently accommodate a diverse range of occupants, including essential workers, vulnerable young adults, and survivors of domestic violence and human trafficking.

Benefits of Affordable Housing

The advantages of affordable housing extend to:

- Enabling lower-income individuals, seniors, and children to remain in the communities where they have roots
- Enhancing educational outcomes for lower-income adults and children
- Improving overall health by alleviating overcrowding, enhancing living conditions, and allowing more disposable income to be allocated to healthcare expenses
- Stimulating local economic activity by creating construction-related employment and increasing disposable income spent on goods and services
- Enhancing employers' capacity to attract and retain employees, thus maintaining competitiveness in the global economy
- Reduction in the homeless population results in significant cost savings within public health and safety systems, such as police and fire departments.

Moreover, affordable housing developments frequently provide a range of on-site services to residents at no cost. These services may encompass:

- Children's homework tutoring programs
- Children's summer camps
- Life skills workshops covering topics such as financial management, nutrition, and healthcare
- Job skills workshops
- Supportive services for homeless residents, including case management, mental health services, and substance abuse treatment services

These services can be offered by the developer and/or partnering organizations, offering residents opportunities to acquire the knowledge and skills necessary for independent living.

Housing-Related Public Outreach and Engagement

City staff and consultants have implemented multiple outreach initiatives to date with the goal of gathering community input to shape its housing initiatives. The following is a summary of outreach activities:

- Community meeting on April 13, 2021
- Development of a City webpage for the Housing Element Update
- Community survey
- YouTube video regarding Housing Element Update
- Social media (Facebook, Twitter, City's website, etc.)
- Postcards to agencies, local businesses, non-profits, & religious facilities
- Notices published in El Segundo Herald on April 8, May 13, & June 10, 2021

- Joint Planning Commission/City Council meeting on June 14, 2021
- Planning Commission review of the Housing Element on September 30, 2021 & January 13, 2022
- City Council review & adoption of the Housing Element on February 1, 2022
- The Housing Element was reviewed and adopted by the City Council on February 1, 2022.
- On March 24, 2022, the Planning Commission held a study session on the Affordable Housing Strategic Plan.

Business Community Input

The El Segundo Economic Development Corporation (ESEDC) emphasized the need for increased housing opportunities, enabling younger professionals to reside within the City. They recognized that integrating work and life aspects, such as housing, in the same city fosters employee well-being. The consensus was that more housing is essential for the thriving of the business community in the City.

Housing Efforts in Progress

The Housing Programs outlined in the El Segundo Housing Element for the 6th Cycle represent a commendable initial step in addressing the City's unmet housing needs. Notably, three of these Programs (Programs 3, 5, and 8) have the potential to contribute to the City's affordable housing production significantly. However, additional efforts are imperative to stimulate the development of affordable housing, as the Programs outlined in the Housing Element are unlikely to yield a sufficient number of units to fulfill the City's RHNA goals. Specifically:

- The properties identified in the Housing Element's Site Inventory are privately owned, and their owners may not be inclined to sell at a viable price point during this housing cycle.
- The City is predominantly developed, and many existing parcels are too diminutive, even when combined, to be considered viable. This is due to various factors such as rising land costs, escalating construction expenses, increasing interest rates, and governmental funding criteria that favor large-scale projects. Building more than 30 units, and ideally 50 or more units, is imperative for the feasibility of an affordable housing development.
- It is highly improbable that market-rate developments will be capable of meeting the City's RHNA goals on their own, especially regarding very low-income units. To illustrate, despite being the first apartment project approved in over 30 years and exceeding the capacity of all other rezoning sites in size, density, and height (e.g., 90 units per acre compared to the 30/50 units per acre for the rezoning sites), the Pacific Coast Commons (PCC) project is expected to create 32 affordable housing units of the total 263, including 3 designated for very low-income individuals. Consequently, it would take 3.41 PCC projects to satisfy the City's low-income RHNA goals and a staggering 69 PCC projects to meet the very low-income goals.

Affordable Housing Opportunities

The initiatives outlined in this AHSP to promote affordable housing align with, complement, and execute the Housing Programs outlined in the City's Housing Element Update, originally adopted on February 1, 2022, by the City Council. This AHSP also aligns with the Housing Goals and Policies articulated in the Housing Element to fulfill the City's RHNA affordable housing production goals. The following are five strategic goals that guide the 2021-2029 Housing Element:

Goal 1: Preserve and protect the existing housing stock by encouraging the rehabilitation of deteriorating dwelling units and the conservation of the currently sound housing stock.

Goal 2: Provide sufficient new, affordable housing opportunities in the City to meet the needs of groups with special requirements, including the needs of lower and moderate-

income households.

Goal 3: Provide opportunities for new housing construction in a variety of locations and a variety of densities.

Goal 4: Remove Governmental constraints on housing development.

Goal 5: Provide housing opportunities including ownership and rental, fair-market and assisted, in conformance with open housing policies and free of discriminatory practices.

Affordable Housing Priorities

While all policy, program, and funding strategies will be studied for future implementation to spearhead affordable housing developments, the City has selected four primary strategies (in **bold** below) to prioritize efforts toward meeting RHNA goals.

Research Design

The following methodology was used to select the affordable housing strategies prioritization:

- A total of ten policies, programs, and funding strategies were created to encourage the creation of affordable housing within the City of El Segundo and further implement housing element goals.
- All council members were given a list with a description of all the strategies and then asked to independently recommend one policy, two programs, and one funding strategy to prioritize.
- Council members' preferences are shown anonymously as provided in the Appendix.
- Strategies with the highest choice are given preference for implementation.

The proposed services and programs support the core vision of what the Housing Element hopes to accomplish by reducing the displacement of lower-income households, expanding affordable housing opportunities, and conserving existing housing stock affordable to lower-income households. These opportunities are categorized by policy, program, and funding. The strategies highlighted in **bold** were selected as the Council Member's Affordable Housing Strategies prioritization.

Policy Strategies

Live/Work Preference Policy

- Codify that part of the affordable housing agreement (including, but not limited to, a Development Agreement, or Density Bonus Agreement) includes a local priority preference for people who live or work in El Segundo when applying for new affordable housing rental units
- Remedy or mitigate the displacement and gentrification impacts that may result from development activities

Long-lasting Affordable Homes Policy

- Currently, most affordability restrictions are placed for 30 or 55 years, after which time those units return to market rate
- It is recommended that any new pro-housing policies or development agreements include language restricting the affordable units in perpetuity.

Waiver or Deferment of Fees for Affordable Homes Policy

- Alleviate cost burden for affordable housing developers
- Improve the competitiveness of certain affordable housing funding sources

Program Strategies

Helping Affordable Housing Grow Program

- Give money to developers building affordable homes
- Buy land and encourage developers to build affordable homes there
- Pay developers or homeowners to keep homes affordable

Restructuring Park Vista for Housing Credits Program

- Refinance using a government funding source that will deed-restrict the property as low-income housing
- Park Vista will be subject to a Land Use Regulatory Agreement (LURA) that is recorded against the property and establishes the affordability for RHNA credit
- Keep current residents, no rent increase

Affordable Housing Focus Area Program

- Community survey shows residents want affordable housing in high-resource areas:
 - Smoky Hollow
 - West side of PCH between Imperial and El Segundo Blvd
 - E. Imperial Ave.
 - Downtown El Segundo
- These areas are competitive for tax-exempt bonds and low-income tax credits to build affordable housing because of the proximity to amenities
- Workforce Housing in Smoky Hollow

Downtown Homes for Young Professionals to Work, Live, and Play Program

- Integrate work/life in the downtown area by developing more housing opportunities and cooperating with El Segundo Development Corporation and the City’s Economic Development staff to attract younger professionals

Funding Strategies

Charge fees and other in-lieu fees for new developments

- Commercial Linkage Fees may be charged to developers of new, non-residential buildings including office, retail, industrial, and manufacturing facilities to generate revenue for the City’s Affordable Housing Fund
- In-lieu fees, such as the in-lieu fee of \$5.3 million charged by the City in 2017 to the developer of a former school site who ultimately did not provide 6 affordable units in accordance with the permits issued for the project

Enhanced Infrastructure Financing Districts (EIFDs)

- Financed through increased property tax within designated boundaries
 - I. Freeze the property tax revenues that flow from a designated project area to the city at the “base level”
 - II. Additional tax revenue in future years is diverted into a separate pool of money for affordable housing
- All housing that is developed must be affordable

Local Trust Fund for Affordable Housing

- Apply to State’s Local Housing Trust Fund Program
- Match funds to local housing trust funds dedicated to the creation of affordable housing

These opportunities are categorized by policy, program, and funding. To guide plan implementation, the strategies highlighted in bold were identified as the short-term priorities.

PROGRAM			OUTCOME	PRIORITY
Category	TASK/PROJECT	DESCRIPTION	MILESTONES	Timeframe
Policy	Live/Work Preference	•Codify that part of the affordable housing agreement (including, but not limited to, a Development Agreement, or Density Bonus Agreement) includes a local priority preference for people who live or work in El Segundo when applying for new affordable housing rental units	1. City attorney deems policy legal 2. Text Amendment	1-5 years

Policy	Long-lasting Affordable Homes	<ul style="list-style-type: none"> •Currently, most affordability restrictions are placed for 30 or 55 years, after which time those units return to market rate •It is recommended that any new pro-housing policies or development agreements include language restricting the affordable units in perpetuity. 	1. Text Amendment	5-10 years
Policy	Waiver or Deferment of Fees for Affordable Homes	<ul style="list-style-type: none"> •Alleviate cost burden for affordable housing developers •Improve the competitiveness of certain affordable housing funding sources 	<ol style="list-style-type: none"> 1. City Council approval 2. Create a "No Fee" Permit Ordinance 	5-10 years
Program	Affordable Housing Focus Area	<ul style="list-style-type: none"> •Community survey shows residents want affordable housing in high-resource areas: <ul style="list-style-type: none"> o Smoky Hollow o West side of PCH between Imperial and El Segundo Blvd o E. Imperial Ave. o Downtown El Segundo •These areas are competitive for tax-exempt bonds and low-income tax credits to build affordable housing because of the proximity to amenities •Workforce Housing in Smoky Hollow 	1. Rezone any necessary sites to allow for housing	1-5 years
Program	Downtown Homes for Young Professionals to Work, Live, and Play	<ul style="list-style-type: none"> •Integrate work/life in the downtown area by developing more housing opportunities and cooperating with El Segundo Development Corporation and the City's Economic Development staff to attract younger professionals 	1. Adopt the Downtown Specific Plan	1-5 years

Program	Helping Affordable Housing Grow	<ul style="list-style-type: none"> •Give money to developers building affordable homes •Buy land and encourage developers to build affordable homes there •Pay developers or homeowners to keep homes affordable 	<ol style="list-style-type: none"> 1. The adopted city budget includes matching funds for affordable housing 2. Submit grant application(s) 3. Receive funding 	5-10 years
Program	Restructuring Park Vista for Housing Credits	<ul style="list-style-type: none"> •Refinance using a government funding source that will deed-restrict the property as low-income housing •Park Vista will be subject to a Land Use Regulatory Agreement (LURA) that is recorded against the property and establishes the affordability for RHNA credit •Keep current residents, no rent increase 	<ol style="list-style-type: none"> 1. Refinance PV 	5-10 years
Funding	Local Trust Fund for Affordable Housing	<ul style="list-style-type: none"> •Apply to State’s Local Housing Trust Fund Program •Match funds to local housing trust funds dedicated to the creation of affordable housing 	<ol style="list-style-type: none"> 1. Budget Housing Fund 	1-5 years
Funding	Charge fees and other in-lieu fees for new developments	<ul style="list-style-type: none"> •Commercial Linkage Fees may be charged to developers of new, non-residential buildings including office, retail, industrial, and manufacturing facilities to generate revenue for the City’s Affordable Housing Fund •In-lieu fees, such as the in-lieu fee of \$5.3 million charged by the City in 2017 to the developer of a former school site who ultimately did not provide 6 affordable units in accordance with the permits issued for the project 	<ol style="list-style-type: none"> 1. Adopt text amendment 2. Update fee schedule 	5-10 years

Funding	Enhanced Infrastructure Financing Districts (EIFDs)	<ul style="list-style-type: none"> •Financed through increased property tax within designated boundaries I. Freeze the property tax revenues that flow from a designated project area to the city at the “base level” II. Additional tax revenue in future years is diverted into a separate pool of money for affordable housing •All housing that is developed must be affordable 	1. Establish EIFD	5-10 years
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Appendix

Prioritization Result

The below displays each council member's selection. The results are as follows: Live/Work Preference, an Affordable Housing Focus Area, Downtown Homes for Young Professionals, and a Local Trust Fund for Affordable Housing strategy.

Policy					
Live/Work Preference	•	•	•	•	•
Long-lasting Affordable Housing					
Waiver or Deferment of Fees for Affordable Housing					

Program					
Helping Affordable Housing Grow					
Restructuring Park Vista for Housing Credits		•			
Affordable Housing Focus Area	•	•	•	•	•
Downtown Homes for Young Professionals	•		•		•

Funding					
Charge Fees and Other In-Lieu Fees for New Developments	•				
Enhanced Infrastructure Financing Districts					
Local Trust Fund for Affordable Housing		•	•	•	•

RESOLUTION NO. 5454

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL SEGUNDO ADOPTING AN AFFORDABLE HOUSING STRATEGIC PLAN AFFIRMING THAT AFFORDABLE HOUSING IS A PRIORITY IN THE CITY OF EL SEGUNDO

The City Council of the City of El Segundo does resolve as follows:

SECTION 1: The City Council finds and declares that:

- A. In 2016, the City Council approved a residential development (24 single-family units and 34 multi-family units) at the former Imperial Street School located at 540 East Imperial Avenue. After this approval, there were several meetings to discuss the number of multi-family units that might be dedicated as "affordable units." On March 17, 2020, the City Council amended the project's Specific Plan to allow the developer, DR Horton, to pay an "in-lieu" fee of \$5.3 million to the City in place of dedicating and/or producing future affordable housing units. Before looking to spend any of the \$5.3 million, the City established an Affordable Housing Fund, and the money was formally established with the adoption of the FY 2020-2021 Citywide Budget and became effective on October 1, 2020.
- B. In accordance with California law, the City is required to prepare a Housing Element for its General Plan every 8 years. The current planning cycle runs from October 15, 2021, through October 15, 2029, for jurisdictions within the Southern California Association of Governments ("SCAG") region.
- C. The Regional Housing Needs Allocation ("RHNA") for the City of El Segundo for the period of 2021-2029 indicates that the City has a total housing need of 521 units. From this allocation, the RHNA designates:
 1. Among these, 207 units are designated for extremely/very low-income households (earning less than 30%/50% of the Area Median Income or "AMI," respectively),
 2. 99 units are allocated for low-income households (earning less than 80% of the AMI)
 3. 84 units for moderate-income families with an AMI ranging from 81% to 120%, not to exceed \$105,600; and
 4. 131 units for above moderate-income families with an AMI above 120%
- D. On February 1, 2022, the City Council initially adopted El Segundo's 6th Cycle Housing Element, which articulated the City's commitment to adopting an Affordable Housing Strategic Plan ("AHSP").
 1. A public workshop and study session with the City's Planning Commission was held on March 24, 2022, to provide an opportunity for the Commission and the public to provide input on the draft AHSP.

2. On June 21, 2022, the City Council was asked to review the draft AHSP and provide feedback to staff on existing and proposed affordable housing programs. Feedback was incorporated into the final AHSP

SECTION 2: Findings and Conclusions. The City Council finds as follows regarding the Affordable Housing Strategic Plan:

- A. The Affordable Housing Strategic Plan aligns with the Housing Element of El Segundo's General to preserve and enhance the community's residential character, expand housing opportunities for all economic segments, and provide guidance and direction for local government decision-making in all matters relating to housing.
- B. The policies, programs, and funding opportunities have the potential to contribute to the City's affordable housing production.
- C. The proposed Affordable Housing Strategic Plan clarifies the direction and prioritization to accelerate affordable housing production in El Segundo.

SECTION 3: Environmental Assessment. Based on the facts set forth in Section 2, and on the evidence in the record as a whole, the City Council finds and determines that as a policy document, there is no substantial evidence that the proposed project will have a significant effect on the environment, cumulative or otherwise. The AHSP provides direction on facilitating affordable housing by outlining several opportunities categorized by policy, program, and funding; it does not modify or affect any allowable use or development standard within the City. Future development will require independent environmental assessment at time of implementation. Accordingly, adoption of this Resolution is exempt from further review under the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines § 15061(b)(3), since it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

SECTION 4: Approval. The City Council adopts and approves the AHSP attached as Exhibit "A" and incorporated by reference.

SECTION 5: Severability. If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

SECTION 6: Signature Authority. The Mayor, or presiding officer, is hereby authorized to affix his signature to this Resolution signifying its adoption by the City Council of the City of El Segundo, and the City Clerk, or her duly appointed deputy, is directed to attest thereto.

SECTION 7: Effective Date. This Resolution will take effect immediately upon adoption and will remain effective unless repealed or superseded.

SECTION 8: City Clerk Direction. The City Clerk will certify to the passage and adoption of this Resolution, enter it in the City's book of original Resolutions, and make a record of this action in the meeting's minutes.

PASSED, APPROVED AND ADOPTED this 19th day of December 2023.



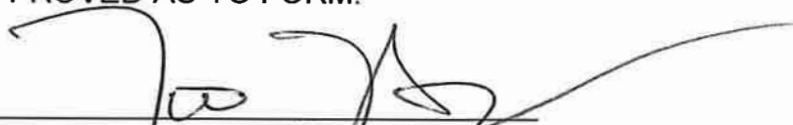
Drew Boyles, Mayor

ATTEST:



Tracy Weaver, City Clerk

APPROVED AS TO FORM:



Mark D. Hensley, City Attorney

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF EL SEGUNDO)

I, Tracy Weaver, City Clerk of the City of El Segundo, California, do hereby certify that the whole number of members of the City Council of said City is five; that the foregoing Resolution No. 5454 was duly passed, approved, and adopted by said City Council, at a regular meeting of said Council held on the 19th day of December 2023, approved and signed by the Mayor, and attested to by the City Clerk, by the following vote:


AYES: Mayor Boyles, Mayor Pro Tem Pimentel, Council Member Pirsztuk,
 Council Member Giroux, and Council Member Baldino

NOES: None

ABSENT: None

ABSTAIN: None

WITNESS MY HAND THE OFFICIAL SEAL OF SAID CITY this 19th day of December, 2023.



Tracy Weaver, City Clerk
of the City of El Segundo,
California