June 2, 2017

Dear Councilman Huizar:

The organizations listed below write to express our strong opposition to the proposed Linkage Fee, a fee of $12.00 per square foot on new homes and $5.00 per square foot on commercial development. With the current crisis of housing undersupply and exploding unaffordability, it is troubling that the City has proposed a strategy that would significantly increase housing costs for everyone except a very small percentage of those households. This would disproportionately impact teachers, firefighters, police, nurses, service employees in the public and private sector, minorities, and millennials. This can only increase inequality in Los Angeles.

The City’s optimistic analysis estimates that the linkage fee will produce $75-92 million annually. According to the City’s own 2016 Linkage Fee Study conducted by BAE Urban Economics, the average affordable unit development cost in the City of Los Angeles is $448,479. The city’s contribution, in a best-case scenario, for the affordable unit would be around $150,000. Even assuming an unlikely ideal situation, the Linkage Fee would produce about 613 units annually. Similar programs in San Francisco, Boston and Chicago produced 86, 100 and 55 units per year respectively.

Even if the City were to somehow massively outproduce these other large urban cities, it would be of little consolation to the overwhelming majority of the 652,879 households in Los Angeles that make less than $50,000 per year and are already housing cost burdened. Considering that 52,834 of these households live in subsidized units, there are still 600,045 households competing for scarce non-subsidized housing. This proposed linkage fee will help at best a 0.1% of that number per year (613 units out of 600,045 households).

Conversely, the remaining 99.9% will likely see higher rents and home prices due to the increased cost on market-rate housing to compensate for the increased subsidy of the 0.1% that will receive the benefit of the linkage fee program. Overall housing production is also likely to decrease because fewer projects will be financially feasible and/or sellers of land will be unwilling to sell since they have cash-flowing properties that are more financially viable than absorbing the necessary decrease in their land value.

This proposal is akin to filling an ocean with a garden hose, and will make no real progress toward alleviating the housing crisis. The Los Angeles housing market will likely become further stagnated and begin to suffocate under the weight of the program.

It is for these reasons that we voice our ardent opposition to this measure, and ask the City to go through a similar successful process that was used to address the homelessness crisis. The City should perform careful analysis examining all alternate proposals to increase housing production and improve affordability.

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1 Los Angeles Affordable Housing Linkage Fee Nexus Study Prepared by BAE Urban Economics, September 21, 2016
2 https://censusreporter.org/profiles/16000US0644000-los-angeles-ca/
3 https://affordablehousingonline.com/housing-search/California/Los-Angeles
Sincerely,

Building Industry Association of Southern California, Los Angeles / Ventura Chapter
Building Owners and Managers Association of Greater LA
Apartment Association of Greater Los Angeles
Los Angeles Area Chamber of Commerce
Los Angeles County Business Federation
National Association of Industrial and Office Properties
The Warner Center Association
Valley Industry & Commerce Association

Cc: The Honorable Eric Garcetti, Mayor
    The Honorable Gil Cedillo, Councilmember
    The Honorable Paul Krekorian, Councilmember
    The Honorable Bob Blumenfield, Councilmember
    The Honorable David Ryu, Councilmember
    The Honorable Paul Koretz, Councilmember
    The Honorable Nury Martinez, Councilmember
    The Honorable Marqueece Harris-Dawson, Councilmember
    The Honorable Curren Price, Councilmember
    The Honorable Herb Wesson, Council President
    The Honorable Mike Bonin, Councilmember
    The Honorable Mitchell Englander, Councilmember
    The Honorable Mitch O'Farrell, Councilmember
    The Honorable Joe Buscaino, Councilmember
    Greg Good, Office of Mayor Eric Garcetti
    Ben Winter, Office of Mayor Eric Garcetti