San Diego City Council

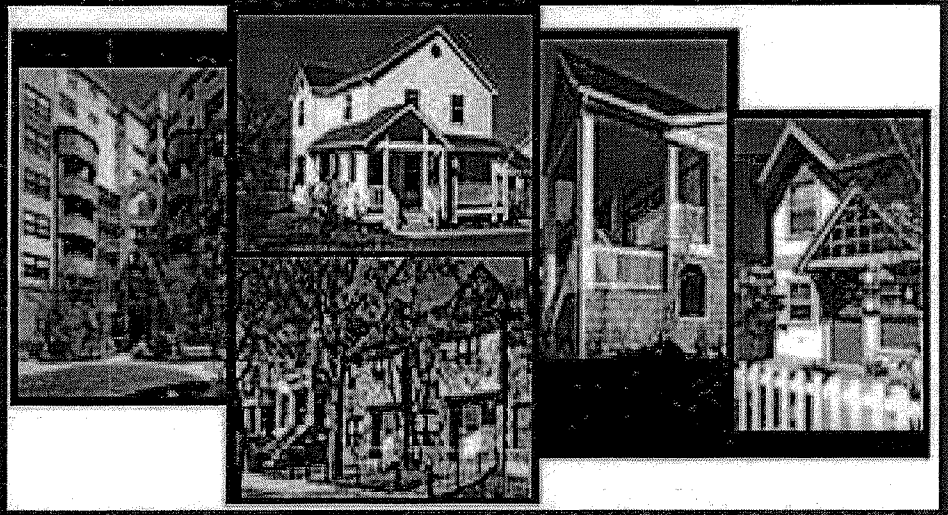
Land Use & Housing Committee

Wednesday, February 7, 2007

San Diego Regional Chamber of Commerce

Chamber Housing Action Plan

SAN DIEGO™ REGIONAL CHAMBER OF COMMERCE



LU&H FEB 07 2007 #2

2007 Chamber Housing Action Plan

San Diego Regional Chamber of Commerce voted Housing as its top priority in 2005 & 2006.

Housing an important business issue

- **Retention-** High home prices make it more difficult to keep the region's work force. Work force will opt out to relocate elsewhere with lower home prices.
- **Recruiting-** High home prices make it more difficult for San Diego Businesses to attract skilled workers to the region.
- **Quality of Life-** Many employees will choose to commute long distances in order to find less expensive housing, but it will reduce their quality of life.

High home prices hurts San Diego's competitive edge

- **Higher Overhead Costs:** San Diego Businesses lose their competitive advantage because they must increase salaries to attract or keep employees.
- **Lost Time & Productivity:** Employees who commute spend more time in traffic, devote less time to work, reduced job performance and greater job-related stress.

Societal Costs: Greater stress, less time w/ family, more traffic & pollution.

2007 Chamber Housing Action Plan

Addressing the Regional Supply Problem

San Diego Association of Governments (SANDAG) forecast on residential construction:

- **San Diego region needs to produce a minimum of 89,000 units between 2003-2010; however, it will the region should build 365,000 homes (18,000 units annually) between 2000-2020 to keep up with population demands.**

Year	Employment Change	Required Housing	Actual Permits	+Surplus -Shortfall		
1991	-4,000	-3,100	7,908	11,008	0.775	1.290
1992	-14,800	-11,600	6,059	17,659	0.784	1.276
1993	-600	-500	5,602	6,102	0.833	1.200
1994	8,100	6,400	6,935	535	0.790	1.266
1995	23,300	18,300	6,608	-11,692	0.785	1.273
1996	27,600	21,700	6,868	-14,832	0.786	1.272
1997	48,000	37,700	11,402	-26,298	0.785	1.273
1998	51,300	40,300	12,173	-28,127	0.786	1.273
1999	47,400	37,200	16,427	-20,773	0.785	1.274
2000	40,900	32,100	15,927	-16,173	0.785	1.274
2001	27,800	21,800	15,650	-6,150	0.784	1.275
2002	23,200	18,200	14,234	-3,966	0.784	1.275
2003e	23,500	18,435	17,500	-935		
Total	278,200	218,500	125,793	-92,707		
	297,600					

Source: Alan Gin, USD Real Estate

The San Diego Region has an existing housing deficit of approximately 100,000 homes. The San Diego region needs to build around 465,000 units between 2000-2020 to meet the anticipated need combining SANDAG's forecast with the region's existing housing deficit,.

2007 Chamber Housing Action Plan

Reality: The San Diego Region has not enough produced enough Housing

The Regional Supply Problem:

Annual number of building permits issued in the county:

- **2001 - 9,380 (SFUs), 6,030 (MFUs) - 15,410 total ***
- **2002 - 8,880 (SFUs), 4,800 (MFUs) - 13,680 total ***
- **2003 - 9,885 (SFUs), 8,176 (MFUs) -18,061 total ***
- **2004 - 7,750 (SFUs), 9,556 (MFUs) - 17,306 total ***
- **2005 – 7,500 (SFUs) 6,740 (MFUs) - 14,200 total ***
- **2006 - 4,750 (SFUs) 4,450 (MFUs) – 9,190 total (35% decrease from 2005) ***

City of San Diego - 1,290 (SFUs) 3,260 (MFUs) issued 4,450 permits in 2006 (31% decrease from 2005)**

* *National Association of Homebuilders Report (Published 11/20/06)*

** *City of San Diego Development Services Activity Report June 2006*

2007 Chamber Housing Action Plan

Law of Supply and Demand: Low supply with High Demand increased home prices well out of reach for much of San Diego's work force.

In spite of slowing real estate market, many are priced out of the market

- According to the California Association of Realtors (CAR) Survey, San Diego's median home price is **$585,970**, while the nation's average is **$224,900** in **December 2006**.
  - **San Diego Median Price is still $439,000 ***
- The NAHB Survey Housing Opportunity Index (HOI) Survey calculates San Diego's Area Median Income (AMI) is **$64,900** in the **3rd quarter 2006**
  - U.S. AMI is **$57,837 (3rd Quarter 2006)**.
  - Typical family would need an annual income of approximately **$146,300** to purchase a **$439,000** home in San Diego. *
  - NAHB Survey Housing Opportunity Index (HOI) ranks the San Diego **Region 195 out of 212 U.S. Cities** in terms of affordability.

* DataQuick San Diego Union Tribune Zip Code Chart for recorded home sales (December 2006)

2007 Chamber Housing Action Plan

How does San Diego compare with other competitor cities?

Housing Opportunity Index: 3rd Quarter 2006
By Affordability Rank

Metro Area	HOI 1st Qtr 2006 Share of Homes Affordable for Median Income	2006 Median Family Income (000s)	1st Qtr 2006 Median Sales Price (000s)	1st Qtr 2006 Affordability Rank	
				National	Regional
Greensboro-High Point, NC	71.4	56.4	142	47	11
Atlanta-Sandy Springs-Marietta, GA	66.6	68.1	186	50	12
Charlotte-Gastonia-Concord, NC-SC	63.6	64.4	175	56	16
Portland-Vancouver-Beaverton, OR-WA	30.0	66.9	270	132	17
Raleigh-Cary, NC	61.2	71.6	206	62	20
Austin-Round Rock, TX	57.8	69.6	197	71	24
Phoenix-Mesa-Scottsdale, AZ	26.6	60.1	259	147	24
Seattle-Bellevue-Everett, WA ^^^	22.8	74.3	357	156	29
Chicago-Naperville-Joliet, IL ^^^	44.8	72.1	254	107	33
Las Vegas-Paradise, NV	13.7	58.2	306	174	39
New York-White Plains-Wayne, NY-NJ ^^^	5.1	59.2	500	194	41
Tampa-St. Petersburg-Clearwater, FL	40.6	54.4	198	114	44
Sacramento--Arden-Arcade--Roseville, CA	7.9	65.4	385	186	49
San Francisco-San mateo-Redwood City, CA ^	6.8	91.2	759	190	52
Riverside-San Bernardino-Ontario, CA	6.7	57.5	393	191	53
Santa Barbara-Santa Maria, CA	6.1	65.8	500	193	55
Orlando-Kissimmee, FL	28.9	57.4	244	136	56
San Diego-Carlsbad-San Marcos, CA	**4.9**	**64.9**	**477**	**195**	**56**
Washington-Arlington-Alexandria, DC-VA-MD-V	20.5	88.2	420	161	62
Santa Ana-Anaheim-Irvine, CA ^^^	3.8	78.3	626	201	62
Los Angeles-Long Beach-Glendale, CA ^^^	1.8	56.2	523	203	64

National Association of Home Builders - Published 11/20/06

2007 Chamber Housing Action Plan

Fees for permits limit housing production & adds to the cost of housing.

17-Oct-06	City of San Diego FY 2007 - Facilities Benefit Assessment or Development Impact Fee for Residential Units	
Community	**Single-Family**	**Multi-Family**
Black Mountain Ranch	$47,776	$33,443
Del Mar Mesa	$80,270	$56,189
Pacific Highlands Ranch	$66,460	$46,524
Torrey Highlands	$64,995	$45,498
Golden Hill	$8,124	$8,124
Midway/Pacific Highway	$6,526	$6,526
Otay Mesa - Nestor	$9,957	$9,957
Skyline/Paradise Hills	$5,632	$5,632
Uptown	$7,665	$7,665

Data taken from the Development Services Department DIF/FBA Fee Schedule

2007 Chamber Housing Action Plan

- Increase supply and decrease cost by:
  - Creating more developer incentives or create or utilize existing funding sources to help produce more housing units.
  - Expanding or implementing programs/policies that help increase housing production & reforming or eliminating programs/policies that hinder housing production

List of Policy Recommendations-

1. Extend and support NOFA Funding.

   Extend Notice of Funding Availability (NOFA) process and expedite the approval process of such funding. The City of San Diego should continue to raise additional money (either through lines of credit or bonds) and increase the amount for affordable rental and for-sale housing projects. The city should convene a stakeholders group to review the experience to date of the collaborative process and underwriting criteria to determine how greater effectiveness and efficiency can be achieved. The City's Redevelopment Agency should immediately present an implementation plan to the Land Use & Housing Committee on extending the NOFA program.

2007 Chamber Housing Action Plan (CHAP)

2. **Single Room Occupancy (SRO) Hotels**

The city should update its existing SRO ordinance and should establish an incentives program that would support and require the city and its redevelopment agency to increase the number of rent regulated subsidized/efficiency units (Single Room Occupancy, SRO Hotels) that are created for very low-income individuals. Policies need to be implemented to increase the inventory of market rate workforce housing by restoring the economic viability for development of new SRO Hotels.

3. **Publicly-Owned Land**

City should direct its Real Estate Assets Department to conduct an analysis report to evaluate all publicly owned parcels for potential use for affordable or workforce housing projects, such as military or teacher housing.

2007 Chamber Housing Action Plan

4. Density Bonus

The city should adopt a new density bonus ordinance that provides increased incentives to residential builders encouraging them to build projects meeting inclusionary housing requirements. In addition, the City Council should immediately adopt and implement a new citywide density bonus to compliment or surpass the State's Density Bonus law. The city should exceed bonus minimums, as allowed, by Senate Bill 1818. This ordinance should include additional incentives encouraging residential builders to use density bonuses and to include moderate-income projects.

2007 Chamber Housing Action Plan

5. Appointment of Housing Director

The city should implement the Affordable Housing Task Force (AHTF) recommendation to establish a "Housing Director or Advocate" position and immediately begin identifying possible "enterprise" funding sources to pay for the costs associated with this position.

The Chamber recommends that the Mayor select the advocate or director and have the position be a part of the Mayor's staff. The director or advocate should be a recognized and reputable member of the industry or former city official familiar with the full range of issues that affects the city's ability to build housing of all types (multifamily, workforce, affordable, inclusionary, market rate housing, etc.). The position should have adequate authority and independence to direct/guide the city to meet its housing needs and promote/educate the public on the importance of housing in the region.

2007 Chamber Housing Action Plan

6. Parking Requirements

The city should ease, not restrict, parking requirements for new residential projects and communities; and repeal the 2001 amendments for Transit Area Overlay Zones (TAOZ) and Residential Tandem Parking Overlay Zones (RTPOZ). The Chamber recommends that the city ease parking requirements for new transit related projects and develop a definition for transit-oriented developments. The city should offer incentives to residential and mixed-use builders who encourage use of mass transit, and give priority to employees that work in the area. In addition, the city should allow new projects to have tandem parking by right. Parking standards should be lowered for seniors, moderate, low, and very-low income.

2007 Chamber Housing Action Plan

7. Subsidies for Housing

The city should pursue the maximum amount of funding for the variety of housing types and related infrastructure created by Proposition 1C that is available for allocation to urban cities. Larger and more significant incentives are needed in today's market to encourage the creation of appropriately priced housing stock.

The Chamber recommends that the city continue to support the San Diego Housing Commission (SDHC) down payment assistance and shared equity loan programs for first-time homebuyers. The city should support efforts to create a permanent funding source for housing programs under Proposition 1C. In addition, it is recommended that the state issue block grants to the cities so they have the flexibility to apply the money in areas where the greatest needs exist.

2007 Chamber Housing Action Plan

8. **Affordable Housing Expedite Program**

   The city should be commended for creating the Affordable Housing Expedite Program (AHEP). The city should provide additional "enterprise-funded" personnel to expand the Program. Affordable Housing should be given a priority over "environmental" projects.

9. **Companion Units**

   The city should modify all existing regulations to allow companion units for new residential single-family construction. Companion units would provide an additional source of housing for younger citizens and seniors.

2007 Chamber Housing Action Plan

10. Reduce Regulatory Barriers & Self Certification

The city should direct its Planning Department and Development Services Department (DSD) to implement regulatory reforms or streamline regulatory processes to reduce processing times for all residential projects. The city should establish "time certain" guidelines and adopt a "self-certification" program for specific types of residential development. The Chamber also recommends that DSD allow developers to "spot check" or contract services to private inspectors to expedite processing in addition to going through the process of hiring and training more employees.

The Mayor, acting in the Strong Mayor form of government, is encouraged to update the processes practiced by the Planning, Development Services, and Redevelopment Departments. The areas of concern are the calculations, and assessment timing of processing fees; time allotted to Community Planning groups; and communications between applicants and staff members.

2007 Chamber Housing Action Plan (CHAP)

11. **Live-work Residential Units**

The city should implement regulations that promote the use of "live-work" residential units that allow a wide range of professional, retail, and neighbor convenience services. The implementation of this type of residential mixed-use units would increase the walkability in communities and reduce the dependence of residents on the automobile.

12. **Defiscalization of Land Use**

The city should endorse or support the defiscalization of land use. The city also should enter into regional partnerships or coalitions with other municipalities to influence or lobby the state government to approve legislation that would remove fiscal disincentives to zone for housing.

2007 Chamber Housing Action Plan (CHAP)

13. **Redevelopment Agencies**

The City of San Diego should create a new redevelopment authority similar to its Housing Commission. The authority would oversee all of the city's seventeen-redevelopment areas, excluding CCDC and SEDC. The city council would appoint the authority's board members; these members would be private individuals with no formal affiliation to the city. The funding for redevelopment areas should be centrally allocated.

14. **Performance Measures**

The city should identify all departments and agencies that deal with housing issues and establish quantifiable performance measures. These entities should be required to provide annual progress reports to the City Council.

2007 Chamber Housing Action Plan

15. Update Community Plans

The city should establish a program to update community plans on a regular basis. The program should (a) establish a prioritized schedule for updates, based upon appropriate criteria consistent with these recommendations and with the goal of updating at least two plans every calendar year, and (b) provide for the expeditious processing of plan updates to minimize costs, delays and uncertainty. The updates should not reduce existing densities, and should include increased densities where adequate infrastructure exists, and the increase would be consistent with smart-growth principles. The revised plan should conform to the "City of Villages" concept.

2007 Chamber Housing Action Plan

16. **Partnership with Jurisdictions**

The Chamber should work with the City of San Diego to bring together other municipalities and the County to expand the supply of affordable housing within the entire County.

17. **Infrastructure Bond**

The city should create a detailed financing needs plan for creation of an infrastructure bond in order to finance critical infrastructure projects to facilitate additional housing. The Chamber recommends that the city model its future infrastructure bond after Proposition MM, which has been successful. The city should continue to work with property owners in establishing community facilities districts and/or infrastructure improvement districts to help finance infrastructure improvements in neighborhoods with deficient infrastructure.

2007 Chamber Housing Action Plan

It's up to San Diego's Leadership…

What will happen

Big 5, Target, Sports Authority

Sports Chalet, REI, etc

OR

What could be

KB Homes, DR Horton, Continental,

Urban Housing Partners, Lennar,

Shea Homes, Brookfield Homes, Fairfield, etc.