



SAN DIEGO
HOUSING
COMMISSION

LAND USE & HOUSING INFORMATIONAL REPORT

DATE ISSUED: March 18, 2011

REPORT NO: LUH 11-005

ATTENTION: Chair and Members of the Land Use & Housing Committee
For the Agenda of March 30, 2011

SUBJECT: Affordable Housing Best Practices and Potential Funding Sources

SUMMARY

The City Internal Auditor's Office presented its performance audit report of the San Diego Housing Commission to the Land Use & Housing Committee (LU&H) on September 2, 2009 and to the San Diego Housing Authority (Housing Authority) on October 20, 2009. After review of the performance audit report, LU&H and the Housing Authority directed the Commission to collect data on what other jurisdictions, similar to San Diego, do or plan to do to increase their affordable housing inventory. In response, the Housing Commission contracted with Bay Area Economics (BAE) to conduct a study of the best practices and funding sources for affordable housing of 18 economically-comparable jurisdictions. The Commission presented the results and recommendations of the study to LU&H on November 10, 2010. Following discussion of the report, LU&H directed Commission staff to provide an opportunity for the general public to review the study's results and recommendations.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Housing Commission held a Stakeholders meeting on December 8, 2010 at which time the staff presented a PowerPoint presentation that highlighted the recommendations from the "Affordable Housing Best Practices and Funding Sources" Study. Afterwards, stakeholders expressed several ideas on how to review, analyze and make recommendations regarding the study. Furthermore, the group suggested that a January 2011 meeting be scheduled as an "orientation meeting" to acquaint interested stakeholders with general information on affordable housing and City policies and processes. At the suggestion of the stakeholders, Housing Commission staff invited the business investment districts, members of the SBA Advisory Group, the Community Planning Group chairs, and the original members of the "Affordable Housing Task Force" (appointed by previous City Council) to participate on the committee or task force.

The requested "orientation meeting" was held on January 19, 2011 for stakeholders interested in working with the resource task force. The presentation highlighted the housing needs' information and current policies and incentives. In addition, the presentation summarized the various reports/tools developed over the years around increasing affordable housing in the City of San Diego. The stakeholders suggested that a task force be established to review the current and past report recommendations in order to develop a menu of recommendations for potential policy changes, incentives and other revenue resources. This will be presented for consideration to the LU&H

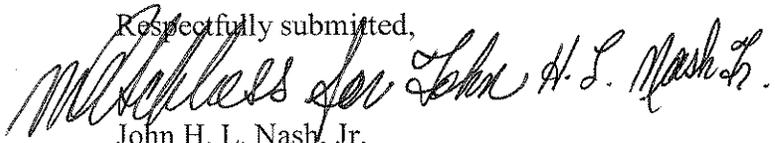
Committee and the City Council. The task force is chaired by Susan Tinsky from the Housing Federation and Matt Adams of the BIA. A facilitator from the National Conflict Resolution Center (NCRC) was engaged to facilitate meetings of the task force.

The 2011 Affordable Housing Task Force

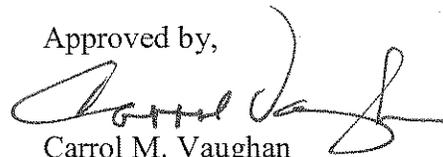
On January 25, 2011, the first of two scheduled "2011 Affordable Housing Task Force" meetings was conducted. The first order of business was to identify the "Common Interests" among the participants (see Attachment 1 for list of items). The discussion later centered on these three topical areas that would initially be pursued: (1) Regulatory Issues; (2) Funding Sources; and (3) Land Availability. This led to further identification and discussions of subtopics under each topical area.

The second of two scheduled meetings occurred on February 9, 2011. The majority of the discussion focused on the recommendations from the 1995 and 2003 Task Forces and "Affordable Housing Best Practices and Funding Sources" Study. Stakeholders expanded the topical areas identified during the first task force meeting from three to six topical areas in order to accommodate a more in-depth identification and discussion of potential funding sources. The "2011 Affordable Housing Task Force" made some significant strides during the two meetings. The consensus among the participants is to capture the synergy from this early work and continue with the task of identifying best practices for consideration and additional funding sources for the Housing Trust Fund.

Respectfully submitted,


John H. L. Nash, Jr.
Director of Policy

Approved by,


Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachment 1 – "Common Interests"

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

COMMON INTERESTS

WE BELIEVE:

1. ...in more access to affordable housing for San Diegans, through both production of new and preservation of existing affordable housing.
2. ...that affordable housing is good for the economy.
3. ...that the availability of affordable housing is impacted by the overall cost of housing.
4. ...that, with the goal of housing all San Diego residents, the question arises of how best to allocate resources in accomplishing this.
5. ...in the importance of clarifying the rules governing creation of and access to affordable housing, and for whom affordable housing is to be focused.
6. ...that the solutions to providing affordable housing are multi-faceted.
7. ...in the need for more potential revenue sources for affordable housing.
8. ...in the need for more incentives to build affordable housing.
9. ...in the need to adopt more efficient policies governing affordable housing.
10. ...that affordable housing should be distributed in the region consistent with a jobs / transportation / housing fit, with regulatory / density / financial incentives focused at these locations.
11. ...that properties should be identified that can be rezoned or otherwise made available for housing. And...
12. ...that we should reach consensus on recommendations for affordable housing and collectively promote their implementation.

TOPICAL AREAS OF DISCUSSION

Listed below are the topical areas discussed by the “2011 Affordable Housing Task Force.” Further discussion will be held during meetings beginning in April 2011 and recommendations will be presented to LU&H and the City Council following those discussions.

Attachment 1

1. Clarify the rules governing creation of and access to affordable housing, and for whom affordable housing is to be focused.
 - a. Establish, annually update, and make readily available the City's affordable housing goals. Create concrete strategy.
 - b. Make available online information regarding rules on restricted and subsidized units, how to develop and make affordable units available, how to qualify for these units, and general landlord and tenants rights.
 - c. Enforce Council Policy 600-19.
 - d. Include local mandates in the SD Housing Element, Make affordable housing a priority.
 - e. Enlist City leaders to champion affordable housing / vision & goal.
2. Increase revenue sources for affordable housing.
 - a. Increase the Redevelopment Agency housing set-aside from the minimum 20% to 35%.
 - b. Increase the allocation of Community Development Block Grant funding to affordable housing from the current 10% to 35%
 - c. Place on the ballot an increase in the Transient Occupancy Tax rate from 10.5% to 12.5%, with the increase allocated to affordable housing.
 - d. Place on the ballot a 5% car rental tax for affordable housing.
 - e. Place on the ballot a 1% utility user tax for affordable housing.
 - f. Place on the ballot a title transfer tax for affordable housing.
 - g. Place on the ballot an increase to the business tax, or a conversion to a gross receipts tax, for affordable housing.
 - h. Place on the ballot a utility franchise tax for affordable housing.
 - i. Place on the ballot an entertainment ticket tax for affordable housing.
 - j. Place on the ballot a special property tax assessment for affordable housing.
 - k. Place on the ballot a trash collection tax for affordable housing.
 - l. Place on the ballot a capital gains surtax for affordable housing.

Attachment 1

- m. Upon the adoption of one or more property-based tax, issue a bond secured by the tax(es) to capitalize the Housing Trust Fund.
 - n. Infrastructure bond to pay for affordable housing infrastructure costs.
 - o. Ballot measure – Adopt a document recordation tax.
 - p. Ballot measure – Tax on second homes, non owner-occupied.
 - q. Tax on condo conversions.
 - r. Solicit private investments to the Trust Fund (including sale of tax credits).
3. Increase the incentives to build affordable housing.
- a. Reduce parking ratio requirements for affordable housing. Under study.
 - b. Expand the expedited permit process for affordable housing.
 - c. Authorize an expedited permit review process upon payment of an expedite fee for market-rate housing.
 - d. Offset impact fees by 10% using public funds for affordable housing units for families with incomes below 80% of AMI.
 - e. Give priority to affordable housing for designated lands.
 - f. Fee deferrals for affordable housing made permanent.
4. Improve the efficiency of policies governing affordable housing.
- a. Establish a “Master Plan for Affordable Housing,” or an “Affordable Housing Overlay Zone,” with a Master EIR to simplify and expedite environmental review. Put into 600-19 for ministerial approvals.
 - b. Standardize construction and financing documentation among agencies.
 - c. Revise Development Impact Fees for multi-family housing so that larger units pay more and smaller units pay less.
 - d. BPR – Business Process Re-engineering should be continued with emphasis on affordable housing.
 - e. Adopt a General Plan Maintenance Fee to update community plans.

Attachment 1

5. Distribute affordable housing in the region consistent with a jobs / transportation / housing fit, with regulatory / density / financial incentives focused at these locations.
 - a. Identify specific properties along transit corridors and nodes that may be used for housing (both market-rate and affordable).
 - b. Provide a 50% density and/or FAR bonus for affordable housing that meets the jobs / transportation / housing fit requirement.
 - c. Apply incentives (financial, regulatory, efficiency) to identified sites.
 - d. Study “best practices” for co-location of housing with business.
6. Identify properties that can be rezoned or otherwise made available for housing.
 - a. Direct CCDC to make 38% of new units downtown affordable for families.
 - b. Identify publicly-owned land (City, Redevelopment Agency, School District) in conjunction with for-profit and non-profit housing developers to determine what may be used for housing (both market-rate and affordable).
 - c. Restrict the demolition of affordable housing units, or require 1-to-1 replacement ratio or 100% replacement cost fee.
 - d. Place on the ballot the requirement that the School District replace any affordable housing units demolished for school construction.
 - e. Institute an aggressive policy of assembling properties that are vacant, abandoned, tax-delinquent, being foreclosed upon, or are otherwise made available, especially in T.O.D. areas.
 - f. Establish a land bank to manage and use publicly assembled properties.
 - g. State law amendments to revise.
 - h. “Surplus” definition; SANDAG to acquire T.O.D. properties beyond transit properties.