



LAND USE & HOUSING INFORMATIONAL REPORT

DATE ISSUED: July 12, 2011

REPORT NO: LUH 11-008

ATTENTION: Chair and Members of the Land Use & Housing Committee
For the Agenda of July 20, 2011

SUBJECT: 2011 Affordable Housing Best Practices Task Force Recommendations

SUMMARY:

On March 30, 2011, the Land Use and Housing Committee (“LU&H Committee”) heard a report from the San Diego Housing Commission regarding Affordable Housing Best Practices and Potential Funding Sources (LUH 11-005). The LU&H Committee reviewed a list of Common Interests and Topical Areas of Discussion that was brought forward by the 2011 Affordable Housing Task Force (“Task Force”) after a series of stakeholder meetings. The list included a statement of affordable housing “Common Interests,” as well as specific directives in six categories entitled “Topical Areas Of Discussion.” These categories include clarifying rules governing affordable housing, increasing revenue sources, new incentives, new and revised policies, planning and zoning ideas.

LU&H Committee members identified certain items within these categories and requested that the Housing Commission staff work with a small group of interested persons to provide further analysis and recommendations regarding these specific items. See ITEM-3, of the LU&H Committee Actions For Wednesday, March 30, 2011 (“Attachment 1”). The items referred to this smaller group of interested persons have been reviewed by a subset of the original 2011 Affordable Housing Task Force and are the subject of the discussion and recommendations included in this report. None of these items involve the suggested new revenue sources. It is anticipated that after review of the recommendations in this report and after further comment and direction from LU&H Committee, that the Task Force will return to the LU&H Committee and the full City Council with a complete master plan for affordable housing that includes steps for implementation as well as a method to monitor and report out on progress and accomplishments.

DISCUSSION

The results of additional analysis and a recommendation for each of these topics are itemized as follows:

1. **Establish a land bank to manage and use publicly assembled properties.**

The land bank concept was discussed at length by the task force. Members of the San Diego Community Land Trust attended a task force meeting and presented the land trust concept as well. It was the consensus of the task force that land banking and Community Land Trusts would not be a strategic priority in San Diego. The obstacles identified by the task force are as follows:

- The high cost of land. A land bank for affordable housing has been shown to work in cities where the land is free or of minimal value. In high-cost areas, it is less effective due to the amount of resources needed to acquire the land;
- The City, as well as other public agencies, have inventories of publicly-owned land but no inventory has been made for the specific purpose of potential development of affordable housing;
- Public entities that own land typically need to sell it at market value;
- Not just any land can be “banked” for the development of affordable housing. To be productive, the land has to be thoroughly vetted for suitability and financial feasibility. This requires the up-front identification of resources;
- The Community Land Trust concept focuses on single-family home ownership; in San Diego, the cost of producing the single family home plus the cost of maintenance, places this housing at the moderate income level. This method will not be a significant contributor to affordable housing production in terms of total units and at lower household income levels.
- The best “bang for the buck” in terms of per unit cost and in numbers of affordable units is with rental housing

Recommendation:

It is recommended that the following steps be taken to remove the obstacles to land banking for affordable housing:

- The City should conduct a comprehensive review of its list of excess land and identify sites for use for affordable housing development, whether multifamily housing or single family housing;
- That the city find a way to designate such sites for affordable housing as a contribution toward development rather than a public sale at market value;
- Entertain proposals for development of these sites for affordable housing.

2. Establish a “Master Plan for Affordable Housing,” or an “Affordable Housing Overlay Zone,” with a Master EIR to simplify and expedite environmental review. Include in Policy 600-19 for ministerial approvals.

The community planning process typically designates residential land for development by density and not by zones. While the group liked the inclusion of affordable housing in the planning process, there was a concern that the proposed designation of an affordable housing zone would create community fear and push-back, as well as fear of creating zones of poverty. It was felt that such zones would never get approved. Getting projects into a ministerial approval process on the other hand would help expedite development. Incentives for affordable housing, zoning for higher residential densities, and the streamlining of the development process would all be beneficial for development of affordable housing. Creating more “by-right” zoning gets projects out of the discretionary approval process which often presents barriers and extends the development timeline.

The importance of regular community plan updates was discussed. Without regular and timely updates, the plans cannot respond to affordable housing and market residential development needs and the proper housing balance cannot be maintained. The funding for community plan updates needs to become more secure, as well as adherence to the plan update cycles.

The goal of Council Policy 600-19, Fostering of Balanced Community Development for the City Of San Diego, has now been incorporated into the General Plan policies. Any additional details or updates can now be done through the Housing Element updates.

Recommendation:

- Support City efforts in the Community Plan update cycles to achieve more certainty in the development review process, including “by-right” land use designations, in accordance with the specific Community Plan, and consistent with the city’s General Plan;
- In each Community Plan, specify the incentives and densities allowable for affordable housing development;
- Institutionalize funding for community plan updates;
- Council Policy 600-19 should be rescinded, as it is now included in the General Plan.

3. Standardize construction and financing documentation among agencies.

The Redevelopment Agency’s Affordable Housing Transaction Guidelines have provided a standardized underwriting approach among the redevelopment agencies. These guidelines were part of the efforts of the Redevelopment Agency’s Affordable Housing Collaborative. The transaction guidelines are very similar to the San Diego Housing Commission’s underwriting standards and differ where program funding and objectives require. Standardizing construction and financing documentation among agencies is not recommended. Construction financing is predominantly obtained from private banks. Each bank has its own requirements. The public agency financing documents are driven by requirements that are particular to the funding program and must reflect that program’s requirements.

A conflict among programs that impacts the economics of an affordable housing development’s ongoing operations is the difference in the way redevelopment law calculates its affordable rent levels. The result is that the rent levels are lower and more restrictive than the tax credit program at the same area median income level. Because all programs require that the most restrictive program rules prevail, a project that uses redevelopment funds in conjunction with tax credits becomes overly restricted according to tax credit rent levels. This reduces the development’s cash flow over time and increases the amount of public funding required to complete the project’s development. A change in the calculation methodology to align redevelopment rents with tax credit rents would require a change in state law.

Recommendation:

As part of the City’s legislative program, introduce legislation to the state that would require that the financial feasibility analysis with regard to calculation of the required affordable rent provide alternate criteria where necessary to be consistent with pertinent federal statutes and regulations governing federally assisted affordable housing, including the regulations promulgated by the California Tax Credit Allocation Committee. Work with the Redevelopment Agency’s Affordable Housing Collaborative to identify and join with other efforts that advocate this and other efforts to align redevelopment rent levels with tax credit rent levels. In addition, work with the Collaborative to identify other areas of commonality and possible standardization in local processes and documentation.

4. **Revise Development Impact Fees for multi-family housing so that larger units pay more and smaller units pay less.**

Recommendation:

The affordable housing impact fee as well as the inclusionary affordable housing fee are calculated on a square foot basis and already take into account the size of the development so that smaller units pay less and larger units pay more. No action is required.

5. and 6.

Enlist City leaders to champion affordable housing vision & goal.

Establish, annually update, and make readily available the City's affordable housing goals.

Create concrete strategy.

The City is currently beginning the process to update the Housing Element of the City's General Plan - a statement of the City's policy on Housing. It contains an outline of the housing needs of the community, the barriers or constraints to providing housing, and actions proposed to address these concerns over an eight-year period (2013 – 2020). The housing needs data is drawn from SANDAG's Regional Housing Needs Assessment (RHNA) that is prepared just prior to the Housing Element update cycle. The RHNA is being conducted in conjunction with the 2050 Regional Transportation Plan and its Sustainable Communities Strategy. These plans together create a regional strategy for housing, transit-oriented development, and goals for jobs-housing balance. SANDAG controls local funds through TransNet that could be used to incentivize development that is consistent with these planning goals.

The City's Housing Element contains a set of quantifiable objectives and programs to address housing needs for all income levels. The Housing Element update includes an evaluation of the results of housing programs and policies implemented during the review period. One component of the Housing Element is the Annual Progress Report which is now posted on the City's website and sent to each City Council Office, prior to April 1 of each year. The Annual Report includes annual building activity of affordable units, the annual activity of housing which was rehabilitated, preserved and acquired, annual activity of above-moderate units, the City's progress in meeting its regional housing needs allocation, and the City's progress in its implementation of all the programs listed in the Housing Element during the previous calendar year.

Recommendation:

- It is proposed that the recommendations of this task force be included in the Housing Element update as a part of the overall housing strategy, so far as they are consistent with other elements of the City's General Plan.
- The City should take the position that SANDAG should establish a criteria for allocation of all competitively awarded local funds that includes: 1) a requirement that all developments supported by the funds include an affordable housing component; 2) give strong priority for jurisdictions taking more than their "fair share" of affordable housing under the RHNA process; and 3) gives preference for providing funding to governmental or public-private partnerships

which result in the acquisition of land for affordable housing development adjacent to major transit nodes concurrent with the acquisition of transit right of way.

- That Task Force members continue to work together and propose additional specific strategies (in addition to those that appear in this report) that fall into three phases of implementation: strategies that can be started immediately with results that will be seen within a year from their adoption; strategies that require obtaining additional planning and resources and have an implementation of one to two years; and those strategies such as ballot measures for new funding sources that require multiple year implementation of three years or more.
- The creation of a “Housing Czar” position, and whether this position could oversee the implementation of the Housing Element strategies is discussed under item 12 below.

7. 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 tenant rights.

Some of this information does exist, but is not in one place where it can be easily accessed. Each public agency posts information about their own programs on their website; the City’s Development Services Division provides information bulletins regarding land development requirements for affordable housing; affordable housing finance programs appear on federal, state and local websites. What is needed is a type of clearinghouse function for all affordable housing information so that an individual can go to one place and find the most utilized resources. This goes beyond providing links to other websites. The clearinghouse function could provide a framework to show how the affordable housing resources are linked, how they are used, the timing of when they come into play. It could provide a background to users on the information provided so that it is more understandable; provide referrals to services or other entities that may have the information needed. The clearinghouse function needs to be explored, a process developed and resources identified.

Recommendation:

It is proposed that the San Diego Housing Commission take the lead in the development and implementation of a comprehensive Affordable Housing Information and Referral Services website, in partnership with the Housing Opportunities Collaborative, which is located on the ground floor of the Housing Commission offices. See “Affordable Housing in San Diego – Comprehensive Information and Referral Services”, (Attachment 2) for a general description of the concept. The development and implementation shall occur in phases, with Phase I providing links to affordable housing information already available online; Phase II to incorporate more in-depth descriptions of programs, “how-to” sections and other information on how to work through the programs and services that are available to both users and producers of affordable housing; Phase III to be interactive with question and answer, and referral to services after a determination of what is needed. The first phase shall be operational within 12 months, with the balance of Phases II and III operational in 2 years.

8. Expand the expedited permit process for affordable housing.

Recommendation:

This is addressed under item 13 below.

9. **Authorize an expedited permit review process upon payment of an expedite fee for market-rate housing.**

Recommendation:

Creation of an expedite program for market rate housing has not been brought forward or drafted.

10. **Give priority to affordable housing for designated lands.**

Recommendation:

Rather than designate land for affordable housing, it is recommended that the City proceed through the Community Plan update process to designate more areas for development “by-right” placing housing development in those areas into a ministerial approval process as opposed to a discretionary approval process, as further described under item 2 above.

11. **Fee deferrals for affordable housing made permanent.**

Recommendation:

City staff is proposing that all fee deferrals for affordable housing be made permanent. The Task Force supports this proposal.

12. **Request that at the time the Task Force reports back, SDHC staff report on the feasibility of creating a “Housing Czar” position.**

The proposed position of a “Housing Czar,” a Housing Advisor, Chief Housing Officer or Housing Coordinator was discussed. The first issue raised was jurisdictional in nature. What level of authority could this position have as a City employee, or as a Housing Commission employee? Just creating the position would not make affordable housing happen. The position would need to promote new affordable housing policy and obtain cooperation across city departments and public agencies to implement the policies, procedures, programs and fee structures in order to meet stated goals. If so, where should the position be located so that it could have this level of authority? Or is the position meant to be more of a clearinghouse and coordinator of information. It was felt that the clearinghouse role could be accomplished without a Housing Czar position. The Task Force in general felt that this topic needed a broader discussion and more work to define the actual roles and responsibilities. Once defined, is it possible to create a position that has the authority to accomplish the tasks? Otherwise, the position could not do what it is charged to do. The draft position description that was discussed by the Task Force is shown in “Attachment 3.”

Recommendation:

Obtain additional feedback from LU&H Committee members and refer the item back to the larger Task Force for a discussion on the specific responsibilities and level of authority that could be achieved.

13. **Refer incentives portion of “Topical Areas” (“No. 3 series”) for consideration by Development Services Department (DSD), and if appropriate, request that DSD return with recommendations to proposed amendments to Council Policy 600-27, “Affordable/In-Fill Housing and Sustainable Buildings Expedite Program.”**

Recommendation:

Council Policy 600-27 has been revised by the City Development Services Division. The affordable housing expedite items in the policy have been separated from the sustainable buildings items and each are being brought forward separately. The affordable housing expedite recommendations are targeted to be brought forward by the Development Services Division prior to the August 2011 recess of City Council. The other incentives listed are as follows:

a. **Reduce parking ratio requirements for affordable housing.**

A parking study addressing reduced parking requirements has been completed and recommendations to adjust parking requirements for affordable housing are presently being formulated for adoption. The study will be presented to City Council in the fall, with recommended changes to the City’s Land Development Code anticipated to be presented to Council in the spring. The recommended changes will be taken through the public hearing process for implementation.

b. **Expand the expedited permit process for affordable housing.** See item 8. above.

c. **Authorize an expedited permit review process upon payment of an expedite fee for market rate housing.** See item 9 above.

d. **Offset impact fees by 10 percent using public funds for affordable housing units for families with incomes below 80 percent of AMI.** (The Task Force and City Planning staff are unsure what this statement/request means).

e. **Give priority to affordable housing for designated lands.** Addressed in item 2. above.

f. **Fee deferrals for affordable housing made permanent.** See item 11. above.

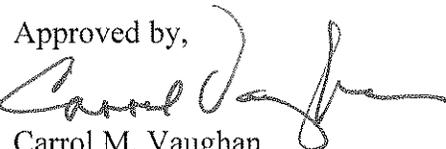
14. **Request that the Task Force review Council Policy 600-19 “Fostering of Balanced Community Development for the City of San Diego,” and report back with suggested modifications to this policy.**

Recommendation:

This policy was reviewed and it was found that the policy language had been placed the General Plan itself. If there is further policy direction, those policy statements can be included in the Housing Element update. Refer to item 2 recommendation above.

Respectfully submitted,


for Wendy DeWitt
Director of Policy

Approved by,

Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

Attachments:

- 1) March 30, 2011, LU&H Committee Actions
- 2) Affordable Housing in San Diego – Comprehensive Information and Referral Services
- 3) “Housing Czar” Position

COMMITTEE ACTION SHEET

COUNCIL DOCKET OF _____

Supplemental Adoption Consent Unanimous Consent

R -

O -

Affordable Housing Best Practices and Potential Funding Sources

Reviewed Initiated By LU&H On 3/30/11 Item No. 3

RECOMMENDATION BY:

See page 2

VOTED YEA: Lightner, Gloria, Faulconer, Alvarez

VOTED NAY:

NOT PRESENT:

CITY CLERK: Please reference the following reports on the City Council Docket:

REPORT TO THE CITY COUNCIL NO.

INDEPENDENT BUDGET ANALYST NO.

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

San Diego Housing Commission's Report No. 11-005

COUNCIL COMMITTEE CONSULTANT



RECOMMENDATION:

ACTION: Motion by Councilmember Gloria, second by Councilmember Alvarez, as follows:

1. The LU&H Committee requests that the Task Force provide further analysis on the following "Topical Areas" (as noted in Attachment 1 of San Diego Housing Commission Report No. LUH 11-005) and provide final recommendations to the LU&H Committee. "Topical Areas" include:
 - 6f. Establish a land bank to manage and use publicly assembled properties.
 - 4a. 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.
 - 4b. Standardize construction and financing documentation among agencies.
 - 4c. Revise Development Impact Fees for multi-family housing so that larger units pay more and smaller units pay less.
 - 1e. Enlist City leaders to champion affordable housing/vision & goal.
 - 1a. Establish, annually update, and make readily available the City's affordable housing goals. Create concrete strategy.
 - 1b. 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.
 - 3b. Expand the expedited permit process for affordable housing.
 - 3c. Authorize an expedited permit review process upon payment of an expedite fee for market-rate housing.
 - 3e. Give priority to affordable housing for designated lands.
 - 3f. Fee deferrals for affordable housing made permanent.
2. Request that at the time the Task Force reports back, SDHC staff report on the feasibility of creating a "Housing Czar" position.
3. Refer incentives portion of "Topical Areas" ("No. 3 series") for consideration by Development Services Department (DSD), and if appropriate, request that DSD return with recommendations to proposed amendments to Council Policy 600-27, "Affordable/In-Fill Housing and Sustainable Buildings Expedite Program."
4. Request that the Task Force review Council Policy 600-19, "Fostering of Balanced Community Development for the City of San Diego," and report back with suggested modifications to this policy.
5. Request that the Task Force report back with recommendations in no more than 4 months from March 30, 2011, or sooner, if there is no progress.

VOTE: 4-0; Lightner-yea, Gloria-yea, Faulconer-yea, Alvarez-yea

Affordable Housing in San Diego
Comprehensive Information and Referral Services

1. **Audience**: Those who use affordable housing and services; developers who build affordable housing; private market rate developers who need to know what affordable housing requirements they must meet
2. **What is affordable Housing?** – A general description that will help the reader use and understand the information that is available on line from public agencies or with private developers/owners offering housing. This can be an advocacy piece.
 - a. definition, why it is important
 - b. affordability levels (rent charts)
 - c. various types of affordable housing and populations served;
 - d. how affordable housing is produced;
 - e. wait lists and qualifications
3. **Links to affordable housing information**:
 - a. other public agencies
 - b. lists of available housing, programs and services
 - c. ordinances, policies, Development Services Bulletins
 - d. affordable housing finance and development resources,
 - e. how to develop affordable housing
 - f. landlord and tenant rights
4. **Q & A and referral services**

"ATTACHMENT 3"

Housing Oversight or "Czar" Position with the City of San Diego

The position should be in the Mayor's Office and should have the ability to direct City Staff, coordinate efforts between departments and provide follow-up.

Potential Title: Housing Advisor, Chief Housing Officer, Director of Housing, Housing Coordinator

Position responsibilities include:

- Report annually on the state of housing in the City of San Diego;
- Promote housing goals for all sectors of the community and the economic impact that housing has on the City with elected officials and city leaders;
- Link affordable housing development with jobs and transportation;
- Knowledge of General Plan Housing Element content, and track progress toward housing production or retention goals;
- Understand and advise on City regulatory tools that achieve affordable housing such as Density Bonus, Inclusionary and Housing Impact Fee, Single Room Occupancy units, Second Units;
- Identify and recommend ways to reduce regulatory and other barriers to housing;
- Serve as the City Housing Representative on various legislative boards, committees, task forces, advisory groups and community groups on regional housing issues and/or homeless issues;
- Coordinate housing goals and their implementation among various agencies and departments such as the City's Redevelopment Agencies, the San Diego Housing Commission, City Planning & Community Investment Department, and the Development Services Department;
- Promote collaboration between public and private organizations to reach housing goals;
- Proactive involvement in significant new housing development for the purpose of including affordable housing units;
- Set up a housing information resource center for the jurisdiction.