

DATE ISSUED: July 31, 2002

REPORT NO. 02-181

ATTENTION: Honorable Mayor and City Council
Docket of August 6, 2002

SUBJECT: AFFORDABLE/IN-FILL HOUSING EXPEDITE PROGRAM

REFERENCE: Manager's Report No. 02-085 Dated April 15, 2002

San Diego Housing Commission Report No. HCR 02-028

SUMMARY

Issue - Should the City Council approve the implementation of the affordable/in-fill housing expedite program and associated staffing proposed in this report?

Manager's Recommendation -

1. Direct the City Manager to prepare revisions to the Municipal Code as outlined in this report and to carry them through the normal public review process including review and recommendation by public interest groups, the Community Planners Committee, and Planning Commission prior to City Council consideration;
2. Direct the City Manager to implement the procedural changes for an affordable/in-fill housing expedite program along with approval of the revised Municipal Code regulations;
3. Add a limited unclassified Program Manager position (\$115,000 per year, salary and benefits inclusive) to the Development Services Department Budget; and
4. Direct the City Manager to appropriately staff the program together with the changes to the Municipal Code by returning to the City Council in the fall with a fee plan to support the additional expedited service.

Other Recommendations –

Committee on Land Use and Housing: At its meeting of April 17, 2002 the Committee on Land Use and Housing voted 3-2 in favor of approving the affordable/in-fill housing expedite program and associated staffing proposed in this report.

The Technical Advisory Committee of the Committee on Land Use and Housing helped develop the proposed affordable/in-fill housing expedite program and support the staff recommendation.

Environmental Impact - None with this action.

Fiscal Impact – Implementation of this program will require the addition of a Program Manager in the FY 2003 budget to oversee the program. The additional staff needed for the affordable/in-fill housing expedite will be fully cost recoverable through permit fees.

Code Enforcement Impact – None with this action.

Housing Impact Statement – Implementing the recommendations in this report in conjunction with the recommendations presented by the Housing Commission in Report No. HCR02-028 would increase the supply of affordable housing and market rate housing in San Diego.

BACKGROUND

In July of 2000, the San Diego City Council was asked to authorize submittal of the draft Housing Element Update to the State of California Department of Housing and Community Development for review prior to its adoption. At that time, the City Council adopted a resolution that included direction to the City and Housing Commission staffs to pursue several new housing policies and incentive programs.

Since that time, numerous distinct proposals have emerged. On February 13, 2002, LU&H requested that a “Housing Day” be scheduled for April 17th at which a citywide inclusionary program and other affordable housing issues was discussed. The Housing Commission staff presented a report outlining a series of inclusionary housing proposals. As part of the proposed recommendations, a series of developer incentives were recommended. A program to provide expedited processing for in-fill and affordable housing projects was one of the incentives and is outlined in the discussion section below.

DISCUSSION

The following incentives are to be applied to all projects that provide affordable housing throughout the City and to those in-fill housing projects consisting of 10 units or more in *Urbanized* areas of the City. Infill projects need to provide a larger number of affordable housing units than they replace.

Project Review

A package of incentives is recommended to assist and expedite the entitlement process for residential projects that include affordable housing onsite or that propose in-fill development. It is recommended that the complementary incentives be implemented as a package in order to maximize savings of both time and money. The incentives would act to reduce project-processing times in the development review process for both discretionary and ministerial projects and increase accountability of all parties. The incentives would include dedication of staff and the establishment of a timeline for processing with clear accountability.

Dedication of Staff

The addition of staff dedicated to managing and reviewing residential applications is recommended. This includes creation of an unclassified, management level position to act as the Affordable/In-fill Housing Program Manager to oversee affordable and in-fill residential projects as defined in this program. This position will act as the City's "Housing Czar" with the authority to resolve project issues and prioritize staff efforts to meet aggressive project processing schedules. Additionally, a staff team comprised of Development Project Managers and Reviewers would be assigned, exclusively, to see projects within this program through the regulatory process. This staff team could be used for personalized pre-application review, proactively working within timelines, and working as a liaison between City departments and agencies as well as community groups. Residential project review involves the input of multiple entities. Assignment of personnel to act as a liaison and assist in shepherding the project through the process can be a significant advantage to developers by saving time and money in the entitlement process. A key component of the success of this program will be identifying the "carrying-capacity" of this staff team in order to maintain efficiency and effectiveness within established timelines. It will be critical to have staff that can resolve issues quickly and efficiently as well as to staff the program appropriately thereby maintaining the ability to meet established timetables. It is anticipated that more experienced staff will be assigned to this team.

Processing Timeline

It is recommended that the review process begin with a pre-application or a preliminary review of the projects. Mandatory preliminary review allows for early feedback regarding project proposals and helps developers to fashion a proposal that best meets the City's guidelines. Further, pre-application review provides an opportunity to identify important stakeholders in the community review process. This enables staff to identify issues for the project applicant prior to formal design and submittal of the project application and documents. At the conclusion of preliminary review, a unique project schedule should be developed. This should include commitments of both the developer and City to meet review turnaround times.

In addition, the project applicant shall fund the environmental initial study at the time of preliminary review. This enables staff to determine the scope of the project and any additional information or studies early in the project submittal process, as well as advance the schedule of the environmental document. It is also recommended project plans be provided to the respective Community Planning Committee and the scheduling of a preliminary project presentation by the developer and City staff. This front-loads the review process for the Planning Committee so they are better able to complete their advisory vote in a timely fashion.

Once a discretionary project application has been submitted; the following schedule is proposed for the City's processing timelines:

- ❑ Completeness Check 5 business days for initial determination
- ❑ First Review Cycle 20 business days
- ❑ Subsequent Review Cycles 10 business days

Should the City fail to meet its review times, the subsequent review cycle should be decreased by an amount equal to the time the schedule was exceeded.

A project review meeting to identify outstanding issues and resolve project conflicts would be scheduled within 10 business days after the completion of the first review cycle. Assuming all project issues have been resolved and necessary documentation provided to the City, the project could proceed to a public hearing based upon the availability of the environmental document.

Should the project issues and/or documentation be incomplete at the end of the first review, upon completion of no later than the third review cycle and environmental document, the City would schedule the project for a public hearing. The City would recommend denial of any project that has not demonstrated compliance with the applicable regulations or submitted adequate documentation to complete the project review and environmental analysis.

Other actions could help to facilitate the expediting of all processing. These include:

- ❑ Authority to expire an application due to inactivity after 180 calendar days would enable the Development Services Department to better manage workload and avoid projects being submitted in an attempt to circumvent changes to land development regulations. This would require an amendment to Municipal Code Chapter 12, Article 6, Division 1.
- ❑ Amend Planned District Ordinances through the Community Plan update process to provide for a streamlined process to deviate from existing development regulations. This would provide greater flexibility to implement smart growth, and traditional neighborhood design, especially for constrained in-fill and redevelopment sites.
- ❑ In order to meet the above timeline, strict enforcement of Council Policy and Development Services Department project processing procedures must be met.

These would require community-planning committees to respond in a timely fashion and provide for accountability.

Similar recommendations are proposed for the ministerial process.

It is expected that the utilization of the above incentives related to project entitlement would result in substantial timesavings in permitting time. The timesavings will translate into direct financial savings through reduced holding costs in interest on land and property taxes.

Regulatory Changes

To further facilitate affordable/in-fill housing projects, staff proposes an alternative to the planned development permit regulations. Often, affordable/in-fill housing projects are either delayed or made infeasible because of their inability to meet the often strict and detailed development regulations of the Municipal Code. Detailed planned district ordinance regulations, engineering regulations, and others combine to limit particular design solutions that would make these types of projects practical. These types of regulations are very prescriptive and in many cases do not allow any deviation or alternative. In addition, very little guidance is provided for what the community or the decision maker would agree to be an acceptable deviation.

The proposed change to the planned development permit regulations would provide a process alternative to use when affordable/in-fill housing projects run into these types of obstacles. Customers for these projects would be given an option to comply with performance standards rather than specific regulations. Staff, working with both community and development industry leaders, would bring forward standards that deal with the key community design issues while providing relief from restrictive regulations contained in other parts of the code. Attachments 1 and 2 are examples of guidelines developed by other organizations for residential projects and are examples of the type of performance based design standards staff would recommend.

Planned development permits would be processed through a Process 3 or 4 Decision (initial decision by the Hearing Officer or Planning Commission, respectively; with appeal rights to Planning Commission or City Council, respectively), these projects would be open for community group input and involvement. In addition, the changes would provide findings more appropriate to a project's compliance with the design standards, rather than those necessary for a variance or deviation that do not allow consideration of other City policy objectives in the decision on a project.

Affordable/in-fill housing project customers would benefit from these changes by their ability to design a feasible project. In addition, this change would allow the Planning Commission and City Council to be the final judge of a project's compliance with the performance-based standards while providing the community with direct input to the decision.

CONCLUSION

Staff recommends the affordable/in-fill housing expedite program outlined in this report and further recommends that the staff be directed to develop the Municipal Code and procedural changes necessary to implement the program. Staff also recommends that the City Council direct the addition of a management level staff position and review staff to the Development Services Department FY 2003 budget to manage the program. These recommendations will simplify and streamline the review process for affordable/in-fill housing projects and provide incentives to the housing industry to produce a wider range of housing types that are more affordable in the City of San Diego.

The timesavings will translate into direct financial savings through reduced holding costs in interest on land and property taxes.

ALTERNATIVES

1. Direct the City Manager to implement the procedural changes and staffing proposals outlined in this report but do not direct changes to the Municipal Code.
2. Direct the City Manager to implement the procedural changes and staffing proposals outlined in this report and evaluate changes to the Municipal Code in relationship to other expedite programs currently under evaluation such as the “Green Power Ordinance.”

Respectfully submitted,

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Development Services Director

Approved: P. Lamont Ewell
Assistant City Manager

ESCOBAR-ECK/ BROUGHTON

Attachments: [1. Design Guidelines for Compact Housing](#)
[2. Design Considerations Checklist](#)