



REPORT

TO: Honorable Mayor and Members of the City Council

DATE ISSUED: July 29, 2004

REPORT NO.: CCR04-004/ CMR04-070
For the Docket of August 3, 2004

SUBJECT: Affordable Housing Task Force Recommendations Update and Other
Affordable Housing Activities (Citywide)

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE CITY COUNCIL.

BACKGROUND

At the request of Mayor Dick Murphy, this informational report is provided to update the City Council on the progress of the City's activities to expand affordable housing opportunities.

On August 6, 2002, ("Housing Day"), the San Diego City Council declared a housing state of emergency in the City in response to the serious shortage of affordable housing and directed various City Departments and agencies to undertake several actions to improve the availability of affordable housing in the City.

The City Council directed the City Manager to form an Affordable Housing Task Force with direction to return to the City Council within six months of their first meeting to provide recommendations to improve affordable housing options and strategies in the City. The Task Force was asked to look at San Diego's affordable housing crisis in a comprehensive manner and make recommendations for specific actions the City Council could take to address the City's housing issues.

In June 2003, the Affordable Housing Task Force completed their final report which included 60 recommendations, and on June 18, 2003, that report was presented to the Land Use and Housing Committee. The Land Use and Housing Committee voted to accept the Task Force report, close the public hearing, and the Committee then examined each Task Force recommendation during extended meetings held in September and October 2003.

Among other actions taken on Housing Day 2002, the City Council accepted the recommendation of the Comprehensive Affordable Housing Collaborative (comprised of the City's Redevelopment Division, Centre City Development Corporation, Southeastern Economic Development Corporation and the San Diego Housing Commission) to prepare a bond issuance of up to \$55 million to fund housing production. On January 28, 2003, the Council authorized the release of a Notice of Funding Availability to solicit and evaluate proposals from the private sector for construction of affordable units. Lastly, the Council also directed the Development Services Department to create an expediting process for affordable housing development proposals. This program has been in effect for over one year.

Subsequent to Housing Day 2002, the City Council has considered and enacted additional major housing policy initiatives including an inclusionary housing program, condominium conversion protections, and the Tenant's Right to Know program.

DISCUSSION

Affordable Housing Task Force (AHTF)

The Committee on Land Use and Housing Committee (LU&H) took action on all 60 recommendations during a series of their regularly scheduled public meetings September 3 through October 1, 2003. An index of those recommendations is provided as Attachment 1. LU&H meeting times were extended in order to fully consider the Task Force's recommendations. Each recommendation was considered and approved, modified, opposed, forwarded to another Council committee for consideration, or referred to the City Manager for further analysis. The matrix (Attachment 2) summarizes the most recent action taken on each of the Task Force recommendations and the next anticipated action that will be taken, if any.

Many (23) of the recommendations are being implemented now and do not require any further approvals. These recommendations are included in the first section of the matrix entitled "Implementation Occurring/ Complete". Included in the AHTF recommendations already implemented are some that staff has pursued, such as collecting information regarding accessible design, authorizing self certification by design professionals, and evaluating surplus public lands. Others required extensive community discussion, legal research, and landmark policy decisions by City Council. Several of these, described further below, include adoption of a flexible inclusionary housing program to augment the successful one underway in the North City Future Urbanizing Area (NCFUA), a Condominium Conversion Ordinance to provide notice and purchase opportunities to

renters in apartments converting to condominiums, and adapting the AHTF recommendations regarding “Good Cause” termination of tenancy into the “Tenant’s Right to Know” law approved by the City Council in March 2004.

Many other recommendations that necessitate Municipal Code amendments are currently moving through the public input process. This process includes review by a number of public bodies including the Community Planners Committee, Planning Commission, Housing Commission, and/or Centre City Development Corporation committees and Board. These recommendations are organized in the attached matrix according to when the next anticipated action is expected to occur. Several recommendations required further staff or legal analysis prior to action being taken. These recommendations have also been organized according to the next steps needed.

Finally, some recommendations were not approved at the Committee level for a variety of reasons. These recommendations are found in a separate section at the end of the matrix.

Housing Production

In 2002, a comprehensive listing of affordable housing produced by all city agencies during the prior ten years (1992-2002) was prepared. Attachment 3 of this report compiles information on all affordable housing produced and in development since Affordable Housing Day 2002, specifically for the years 2003 and 2004 through the activities of the City Redevelopment Division, CCDC, SEDC, and the Housing Commission. This chart identifies over 3,000 new housing units completed (average of 1,500 per year) and over 2,000 more in production. Rental housing, for-sale housing, special purpose housing and housing rehabilitation are included in the production totals. Project details, affordability restrictions, and public financing are also described. These production totals compare favorably with the housing activities of the previous ten years (Attachment 4), during which almost 5,000 units were produced (average of 500 annually).

Notice of Funding Availability (NOFA)

To date, four projects submitted under the Redevelopment NOFA have undergone rigorous analysis and public review, culminating in Redevelopment Agency approval of funding commitments. Two of these also captured all of the tax credit allocation allotted to San Diego County in the first round of competition for 2004. At this time, nine additional projects are under consideration for NOFA funding (see Attachment 5).

Additional funding provided by California Proposition 46 (the subject of another Information Report) has contributed significantly to affordable housing production in the region.

Unfortunately, some barriers to affordable housing development must also be reported. During this two-year period the cost of land, construction materials and insurance has increased greatly, driving up building costs and increasing the need for project subsidies. This increase in project cost in turn

will reduce the number of units that can be funded from the original (\$55 million) bond issuance. To address this issue, the City Manager in September 2004 will recommend to the Committee on Land Use and Housing that additional funds for affordable housing be generated by raising the tax increment set-aside for low/moderate housing in the Redevelopment Division's ten project areas to 25 percent (from the minimum 20 percent now). Finally, the issuance of a second NOFA may be required by the end of the calendar year as funds from the current NOFA are committed.

Affordable/In-Fill Housing and Sustainable Building Expedite Program

On August 4, 2003, the Development Services Department began implementing new Council Policy 600-27, known as the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program (Expedite Program). Over the past year the Expedite Program has been tremendously successful in both fast-tracking affordable and sustainable housing projects, and attracting a great deal of interest from the development community. Over the past year the Expedite Program has managed a total of 25 projects, 10 of these projects are sustainable building projects, and 15 are affordable housing projects.

One of the most important and unique aspects of the Expedite Program includes a carrying capacity component. This carrying capacity component allows staff to guarantee developers that all submitted discretionary affordable/sustainable projects will be processed twice as fast as the standard process allows. The reason City staff can offer this guarantee is because the carrying capacity component of Council Policy 600-27 authorizes City staff to stop accepting new applications into the Expedite Program when heavy workloads exceed City staff's ability to meet the expedited timelines.

Due to the heavy demand for the Expedite Program exceeding its capacity, on May 24, 2004, the Development Services Department implemented the carrying capacity component of Council Policy 600-27. Currently the Development Services Department is accepting new applications into the Expedite Program only for the top three priority (of nine total) projects as follows:

- Priority 1: City of Villages Pilot Projects selected by the City Council that provide affordable housing as defined in the eligibility section of Council Policy 600-27.
- Priority 2: Residential development projects that qualify as both "Affordable Housing" and "Sustainable Building" projects as defined by City Council Policies 600-27 and 900-14.
- Priority 3: Residential development projects that qualify for the 9 percent tax credit or multifamily revenue bonds.

This action was intended to be implemented only temporarily (90 days), and the Expedite Program is scheduled to re-open on August 24, 2004.

Inclusionary Housing Program

Effective July 2003, all residential development projects of two or more units, including condominium conversions, are subject to the Inclusionary Housing Ordinance.

Two hundred proposed projects are currently subject to the Inclusionary Housing Ordinance. Twenty-four (24) projects plan to build the affordable housing. These numbers do not include affordable housing being developed under the City's North City Future Urbanizing Area (NCFUA) Inclusionary housing program. Since its inception, over 500 affordable units have been completed under the NCFUA program, with an additional 370 units in design or construction.

One hundred seventy-six (176) projects outside the NCFUA are electing to pay In-Lieu Fees of approximately \$3.6 million. Fees are collected at the time of building permit issuance and the fee amount is to phase in over four years. The amount of In-Lieu Fees collected as of June 30, 2004 is \$763,041. Of the \$3.6 million anticipated, approximately \$1.4 million is from the Downtown area, \$600,000 is from the Mission Valley area, \$350,000 is from Carmel Valley, and \$200,000 (each) is from the Uptown, La Jolla, and University City areas. As approved in the Affordable Housing Fund Annual Plan, \$890,000 of inclusionary housing funds will be made available in FY2005 for a Condominium Conversion Purchase Assistance Program.

Condominium Conversion Ordinance

In March 2004, the City Council approved a new ordinance regarding condominium conversions; the ordinance applies to projects needing to process a tentative map or map waiver in order to convert to condominiums. Under the ordinance, developers must provide eligible tenants with advanced notice and relocation assistance equivalent to three months' rent.

Since the ordinance was adopted, it has been applied to 68 projects totaling 1,648 units. All of these projects became subject to the inclusionary housing program late in their development, and each is proposing to pay in-lieu fees to meet the requirements of the Inclusionary Housing Ordinance. These fees will be used to provide financial assistance to tenants who want to buy their units.

The Housing Authority authorized shared equity loans specifically for renters in converting complexes. Loans of up to \$15,000 are now available to households earning up to 100% of Area Median Income (AMI). This new loan program will be offered by the Housing Commission in addition to the other loan programs for first-time homebuyers, for which condominium conversion residents are also eligible. The Housing Commission will also provide homebuyer education and individual counseling to residents of condominium conversions.

Other Activities

Additional activities are underway. Future reports will include information on the evaluation of public-owned sites suitable for housing, progress on the Pilot Villages process, setting the level of the Housing Trust Fund Linkage Fee, an update to the Inclusionary Housing Ordinance, proposals to revamp the SRO Ordinance, possible expansion of the Redevelopment bond funding of \$55 million for housing, and other items.

Respectfully submitted,

Approved,

Elizabeth C. Morris
President and CEO

P. Lamont Ewell
City Manager

Attachments: [1. Index of Affordable Housing Task Force Recommendations](#)
[2. Affordable Housing Task Force Recommendations Action Summary](#)
[3. Comprehensive Affordable Housing Listing 2003-2004](#)
[4. Comprehensive Affordable Housing Listing 1992-2002](#)
[5. Redevelopment Agency Affordable Housing Program NOFA Update Chart](#)