

**City Manager's Comments
Affordable Housing Task Force Recommendations**

Accessibility

Statistically, persons with disabilities are more often in the low or very low-income categories than are other populations. Therefore, there is a greater need to ensure that new affordable housing be made accessible. However, provision of accessible and adaptable housing could greatly increase mobility for elderly and handicapped people but could add costs to construct certain types of housing. The benefits and costs of various options for improving accessibility require further analysis. The Affordable Housing Task Force identified accessibility as one of the top six items that should be acted on by the City Council. The Task Force addressed this need with several recommendations that will increase the City's knowledge of accessible housing issues and encourage the development of accessible and adaptable housing in the City of San Diego.

Recommendation 9.b.: Direct the Housing Commission, Planning Department and Development Services Department to provide information to developers regarding, and to encourage construction of, units incorporating universal design.

Implementation Requirements: Council direction needed. Direct the Development Services Department to create a "universal design" kiosk (on the 3rd floor of the Development Services Center) for the display and distribution of information on incorporating universal design into new construction.

Manager's Comments:

Staff could develop informational pamphlets on universal design that would be available at a variety of locations and through a variety of sources. Minimal additional resources should be allocated to accommodate the expense of developing, printing and distributing this information.

Recommendation 9.c.: Direct staff to track creation of adaptable housing projects in the City of San Diego and submit a status report to the City Council annually.

Implementation Requirements: Council direction needed.

Manager's Comments:

The Development Services Department could track the creation of adaptable housing projects in the City of San Diego and report to the City Council annually.

Recommendation 9.d.: Expand the current Technical Advisory Committee's (TAC) responsibilities to devise and effectively increase accessibility and adaptability in townhomes

and residential developments of three units or less. This Accessible Housing TAC will report back to the City Council with recommendations within 6 months.

Implementation Requirements: Council direction.

Manager's Comments:

Michael Conroy, a member of the Affordable Housing Task Force and an advocate for accessible housing, has joined the TAC in an effort to implement this recommendation. At the direction of the City Council, the mission of the TAC could be modified to include this objective and the TAC could report back with recommendations in six months.

Recommendation 9.a.: 25% of any and all public land, subsidies, redevelopment, collaborative funding mechanisms, bond proceeds, NOFA, etc. dedicated to affordable housing initiatives shall incorporate defined principles of universal design, accessibility for all, adaptability and visitability in all new housing, including townhomes. Should tracking measures show that there is little or no progress in number and percentages, then mandatory measures are recommended to be implemented.

Implementation Requirements: Council direction needed.

Manager's Comments:

Housing Commission staff has already begun to facilitate introductions between members of the disabled community and development industry to assist in a dialogue on incorporation of accessible design in new development. Upon City Council direction, tracking measures will be put in place and results will be reported to the City Council to evaluate the success of the recommendation.

Condominium Conversions

During the past two years there has been a dramatic increase in the number of rental units that have been converted or are proposed to be converted to condominiums. The results of condominium conversions have both beneficial and detrimental effects and therefore, any regulation must be carefully considered. A positive effect of conversions is the provision of home ownership opportunities at a price level significantly below that of any new construction in San Diego. In today's real estate market, these units often provide the only opportunity for first-time homebuyers. However, a significant negative impact is felt by existing renters that cannot afford to buy their unit and are, therefore, being displaced from their units and forced back into a housing market which offers few affordable opportunities for rental or for sale housing.

Only those condominium conversions that were not mapped as condominiums can be subjected to new discretionary requirements or fees. Many of the larger, newer and more costly apartment projects that are being converted to condominiums were mapped as condos when they were built.

A brief discussion of each recommendation is provided below. This issue is on the docket for Land Use and Housing Committee review on September 17, 2003. A more comprehensive discussion will be prepared for that hearing. Pros and cons of each of the recommendations below and a range of other options for addressing condominium conversions will be analyzed in a report to be prepared for the September 17 Land Use and Housing discussion.

Recommendation 7.b.i.: Apply 10% inclusionary housing requirement to condominium conversions.

Implementation Requirements: Amend the Inclusionary Housing Ordinance.

Manager's Comments:

If the Council desired to apply the newly adopted inclusionary housing ordinance to condominium conversions, only those converted units that were not originally mapped as condos and that will sell for more than 150% of area median income (AMI) would be subjected to this requirement. Applicants for conversions that meet this criteria would be required to either set aside affordable units on site or off site or pay an in lieu fee which would be used primarily to construct new units elsewhere. Application of the City's existing inclusionary requirement to condominium conversions would not directly benefit the lower income renters most negatively impacted by condominium conversions but could help to increase the supply of moderate income units in the long term.

Recommendation 7.b.ii.: Provide relocation assistance for seniors, disabled and low-income households.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

This proposal would provide assistance to renters who cannot afford or do not desire to purchase housing units that are being converted. Until January 2000, relocation assistance was required by the City of San Diego when the vacancy rate fell below 5%. This requirement was not carried over into the new Land Development Code. This proposal would help lower income renters who are unable to afford a condo but would increase the cost of conversion.

Recommendation 7.b.iii.: Require that converted properties meet building and zoning requirements at the time it was built and that plumbing, mechanical and electrical systems be in good working order. Require that roof systems be inspected by a licensed contractor or home inspector and that walls and roof have some insulation, or meet Title 24 at the time of construction

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

Significant staff resources would need to be dedicated to determine whether older buildings, which may have been rehabbed or modified over the years, were in compliance with codes at the time of permitting. Imposition of this requirement could be duplicative of existing regulations. Several laws are in place today on the local and the state levels (Department of Real Estate) that require plumbing, mechanical, electrical, wall and roof systems meet adequate standards. There is no justification based on public health or safety to require higher standards for for-sale units as compared to rental units. These requirements could increase the cost of conversions.

Recommendation 7.b.iv.: Provide down payment assistance for tenants to encourage homeownership.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

This requirement could be combined with a relocation requirement. Tenants could be allowed to use relocation funds either to rent another apartment or to help pay the down payment to purchase a unit that is being converted.

Development Fees

A majority of the Task Force's recommendations regarding development fees include reducing a variety of fees for affordable housing projects. Many of these recommendations are supported by the City Manager, and would provide development incentives for affordable housing developers. However, any reductions specific to development impact fees could have a significant negative impact on the provision of public facilities within those communities where the fees are collected. In addition, any reductions to development impact fees will require a legal rationale for the reduction.

Recommendation 2.c.ii: Delay payment of impact fees for affordable housing prior to final inspection or meter release.

Implementation Requirements: Amend the Municipal Code, including Municipal Code Section 61.2210(b), which allows deferred payments for Facilities Benefit Assessments.

Manager's Comments:

A fee deferral process for impact fees is currently in place, however an administrative fee is charged. The Council could direct the City Manager to amend the Municipal Code to allow impact fee deferrals specifically for affordable housing projects without an administrative fee.

Recommendation 5.g.: Approve the fees required for the Affordable, In-Fill Housing and Sustainable Buildings Expedite Program, but base the fees on square-footage instead of per unit (currently \$500 per unit).

Implementation Requirements: Adopt an Ordinance revising the Development Services Department's Fee Schedule.

Manager's Comments:

On May 20, 2003, the City Council adopted the fees required for the Affordable, In-Fill Housing and Sustainable Buildings Expedite Program. During the hearing the Council considered basing the fee on square-footage, but adopted the City Manager's recommendation to base the fee on a per unit basis, which is easier to implement. Implementing the fees on a per square foot basis could result in a penalty to affordable family housing that accommodates larger families.

Recommendation 5.i.: Direct staff to reevaluate development impact fees for multi-family residential development in order to charge more for larger and less for smaller multi-family units. Staff should report back on providing an alternative basis for applying fees, including utilizing the number of bedrooms or total square footage of a dwelling unit. Fees to be reevaluated include Development Impact Fees (DIF), Facilities Benefit Assessments (FBA), Water and Sewer Fees, and any other capacity based fees.

Implementation Requirements: Direct the City Manager to analyze alternative methods to calculate Development Impact Fees and Facilities Benefit Assessments for affordable housing.

Manager's Comments:

This can be done in conjunction with an outside consultant. It is recommended that the present method of discounting water and sewer capacity charges be retained which allows discounts for both density and an affordable housing unit classification. Normal water and sewer capacity charges are \$2,500 for an equivalent dwelling unit. Affordable housing units are charged reduced fees of \$1,500 each per unit. In addition, based on the density of a particular development, actual fees can range down to 60 percent of the affordable housing rate. The density factor application has been a practical method of determining the anticipated water and sewer service demands and effectively incorporates the relative impacts that might be associated with the square footage or the number of bedrooms in a particular development.

Recommendation 5.h.: Reduce impact fees by 10% for all housing projects affordable to households earning no more than 80 percent of area median income (AMI).

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

State law does not permit a reduction of impact fees for a particular group because doing so would result in other groups paying more than their share. Prior to implementing this recommendation, an alternative funding source should be identified to ensure that necessary facilities can be supported. Impact fees are used to fund public facilities and infrastructure within the communities where they are collected. There are significant unmet public facility needs City-wide and reducing fees would exacerbate this situation.

Development Regulations

The development regulations recommendations of the Affordable Housing Task Force focus primarily on two major themes. The first theme entails simplifying and/or expediting the development permit review process for affordable housing projects, and the second theme includes providing a wide array of incentives to affordable housing developers in an effort to promote the construction of as many affordable housing units as soon as possible.

Many of these recommendations have either already been implemented or are currently in the process of implementation, while other more challenging recommendations will require further direction from the City Council.

Recommendation 2.c.iii: Full implementation of expedite process as described in Council Policy 600-27.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The Affordable/In-Fill Housing and Sustainable Buildings Expedite Program (Council Policy 600-27) was approved by the City Council on May 20, 2003, and was implemented on August 4, 2003. The Development Services Department has established a specialized staff team to expedite the permit process for affordable/in-fill housing, and sustainable buildings. This specialized team includes highly qualified staff members from each relevant discipline involved in the review of land development permits.

Recommendation 5.c.: Fully implement the expedite process (Council Policy 600-27) for affordable housing projects, including maximum use of the deviation process. Amend the recently adopted process to specifically include affordable senior and affordable adaptable housing as eligible for expedited permit processing.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The Affordable/In-Fill Housing and Sustainable Buildings Expedite Program (Council Policy 600-27) was approved by the City Council on May 20, 2003, and implemented on August 4, 2003. The deviation process will go into affect after certification by the Coastal Commission (submitted 6/2/02). Affordable Senior and adaptable housing, although not specifically called out in the Policy, are currently eligible for expedited permit processing. If necessary, the Council could amend Council Policy 600-27 to specifically add affordable senior and affordable housing as eligible projects.

Recommendation 5.d.: Revise density bonus regulations to provide a 50% density bonus for eligible projects, including, but not limited to, projects in transit corridors and with proximity to other public services.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The existing City and state regulations governing density bonus currently allow a 50 percent density bonus for eligible projects.

Recommendation 5.a.: Affordable housing projects need to be provided with full utilization (with no additional City regulations) of the CEQA exemptions for projects of 100 units or less.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The Affordable/In-Fill Housing and Sustainable Buildings Expedite Team is currently in the process of researching all State CEQA exemption provisions, and will implement exemptions for affordable housing projects pursuant to CEQA guidelines and when warranted.

Recommendation 5.a.i.: Continue to allow Registered Civil Engineers to self-certify minor engineering approvals such as grading permits, and public improvements such as curb cuts, sidewalk repair, alley replacements.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

A Self-certification program for minor engineering approvals is currently in effect within the Development Services Department.

Recommendation 5.a.iv.: Continue to allow City staff to contract with outside companies to provide plan check for structural, electrical, and mechanical reviews when it takes longer than 30 days to check plans.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The Development Services Department currently contracts with outside companies to provide plan checks during heavy workload periods.

Recommendation 5.a.iii.: Allow City staff to contract with outside companies to provide inspection services.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The Development Services Department will pursue implementation of this program in the near future.

Recommendation 5.a.ii.: Allow licensed landscape architects to self-certify for landscape plan checks.

Implementation Requirements: Direct City Manager to develop program standards and train landscape architectural professionals.

Manager's Comments:

The Development Services Department has already developed the program, had it approved by the Land Use and Housing Committee's Technical Advisory Committee and by the San Diego Chapter of the American Society of Landscape Architects. Training of the landscape architects is scheduled for later this summer with implementation following in early Fall.

Recommendation 5.j.: The City should support State legislation for adoption of the International Residential Code. Improved building codes can reduce building costs 7-14%. The International Residential Code is widely used throughout the country and it uses more modern technology than current California codes.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

The City of San Diego, through the Development Services Department, supports and has encouraged the California Building Standards Commission to adopt the International Residential Code. The City Manager supports this recommendation; however on July 29, 2003, over the recommendations of four state agencies and an unprecedented number of stakeholders from the design, construction, enforcement, local government and school communities, the California Building Standards Commission voted to adopt only the non-structural provisions of the International Residential Code.

Recommendation 5.l.: Development Services should be completely overhauled from top to bottom within 3 years to make the recommended measures the norm for all projects. This recommendation can be implemented by monitoring the success of the Affordable/In-Fill Housing Program, which includes a specialized team of staff members whose primary goal is to process projects in half the time, and implementing this process for all projects Citywide.

Implementation Requirements: No action necessary to implement this recommendation.

Manager's Comments:

Monitor the success of the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program, which was adopted by the City Council on May 20, 2003. If this program proves successful, the Development Services Department would implement the program City-wide for all land development projects.

Recommendation 5.k.: Encourage green power housing that meets energy star ratings and generates a percentage of projected electrical needs thus providing continuing low utility costs to enhance the affordability of the housing. City of San Diego needs to explore energy efficiency incentives that can help the developer to build a more efficient project. City of San Diego permit desk should distribute info to builders about these programs when they are submitting their project. Need to develop a handout for developers/builders.

Implementation Requirements: Direct the Development Services Department to create an "energy efficiency" kiosk (on the 3rd floor of the Development Services Center) for the display and distribution of information on green power, sustainability, and energy efficiency.

Manager's Comments:

On May 20, 2003, the City Council adopted Council Policy 900-14 - The Sustainable Buildings Expedite Program, which provides expedited permit processing for sustainable buildings. Sustainable buildings utilize alternative energy resources and technologies such as photo voltaic to generate up to 100% of the electricity needed by the building and its occupants. The Development Services Department currently provides a variety of information bulletins on the land development process, and could distribute energy efficiency material as well.

Recommendation 5.e.: Adopt an amendment to the Municipal Code to allow applications for Tentative Parcel Maps (subdivisions of 4 lots or less) to be acted upon in accordance with Process 1 (ministerial approval). This would only apply to projects exempt from CEQA.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

Tentative Parcel Maps are currently decided in accordance with Process 2 (discretionary approval), which includes a Public Notice, a City staff decision, with appeal rights to the Planning Commission. Implementation of this recommendation would allow Tentative Parcel Maps to be approved by City staff without a Public Notice or appeal.

Recommendation 5.f.: Adopt an amendment to the Municipal Code to allow affordable housing projects to be acted upon in accordance with Process 2. The decision shall be made no less than 11 business days after the date on which the Notice of Future Decision is mailed to allow for sufficient time for public comment. This 11 business days minimum time frame for a staff decision will be extended by a period not to exceed an additional 20 business days to allow

time for a recommendation by a recognized community planning group, if requested by the group's chair or the chair's designee.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

Implementation of this recommendation would allow all affordable housing projects, regardless of size and location, to be approved by City staff, with a Public Notice, but without a public hearing unless appealed to the Planning Commission. The decision and noticing procedures recommended here are consistent with the current Municipal Code requirements for a Process 2 decision.

Recommendation 6.b.: Fully fund and staff the City's Land Development Code Update Team to implement necessary Code changes to add incentives and provide expedited review and processing for affordable/in-fill housing projects. If recommendation 5.a.ii. above is implemented, landscape planners can be reassigned to the Code Update Team.

Implementation Requirements: Amend the Development Services Department budget to add three Planner positions. Adopt an Ordinance amending the Development Services Department's fee schedule to increase fees in order to support these three additional positions.

Manager's Comments:

The Development Services Department presented this option to the Land Use and Housing Committee as part of the Land Development Code Update work program presentation on August 6, 2003. The Committee did not direct the Department to move forward with these additional positions. If landscape plan check self-certification (recommendation 5.a.ii) is implemented and landscape planner positions become available, they could be reassigned to the Code Update Team. Those reassignments would be dependent on the Department's overall work program, needs, performance goals, and/or Council direction.

Recommendation 5.b.: Parking ratios for affordable housing should be reduced pursuant to a parking study conducted over the next 90 days to build a universal standard. The study should include reviews of the impact on the community and accessibility. If there is a project with a lower parking need, a project applicant should be permitted to do a study to justify this lower ratio and allow City staff, after community planning group review, to approve the revised ratio.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

A study of parking ratios for affordable housing was conducted by Katz-Okitsu (consultants to the City). The study, completed in October 2002, indicated that parking requirements for affordable multi-family residential units in San Diego may be higher

than necessary. Many other studies have already been done on this issue that could help justify lower parking requirements if desired. Reductions in parking for affordable housing have been and will likely be strongly opposed by some community planning and neighborhood groups.

Recommendation 4.b.: The City should work with community planning groups citywide to develop Master Plans and/or create and apply an "Affordable Housing Overlay Zone" targeting and prioritizing areas where affordable housing should be encouraged. Master Environmental Impact Reports for these targeted areas could be utilized to significantly simplify and expedite the environmental review process for all subsequent affordable/in-fill housing projects.

Implementation Requirements: 1) Meet with community planning groups to identify affordable housing overlay zones; 2) Prepare revisions to the City's environmental review process; 3) Seek Council adoption of affordable housing overlay zones and revisions to the environmental review process; 4) Prepare Master Environmental Impact Reports.

Manager's Comments:

Affordable housing overlay zones could result in a concentration of low-income populations. Staff should ensure that planning groups be directly involved in the identification of appropriate locations for such zones. Strategies to distribute affordable units throughout the city rather than in specific zones are recommended. Master EIR's for large areas would not be detailed enough to allow subsequent development on specific parcels. Therefore this would not significantly shorten the time or reduce cost for environmental review. The City has been generally moving away from use of overlay zones as part of an overall effort to streamline the zoning code and reduce costs for development.

Financing/Revenue

The recommendations in this section focus on the issue of providing a consistent source of revenue to assist in providing subsidy to developers of affordable housing. While there are many types of local revenue that can potentially be used to offset the cost of providing affordable housing, the feasibility of adopting new local revenue sources may be challenging. The type of revenue source will specifically dictate the requirements necessary to adopt it. Several of the recommended sources below will only require a City Council vote resulting in a reprioritization of existing revenues; while, other recommendations would necessitate a citizen vote to establish new fees or taxes. New fees and taxes are required to have a vote of San Diego residents with an approval margin of two-thirds. In order to garner this level of voter support, a cohesive strategy must be developed in which a strong coalition of public and private interests establish a high level of trust and accountability with the voters. There are currently a variety of proposed uses being considered for some of the recommended revenue sources. In order to ensure that the City has all potential revenue options available, if it should wish to raise revenue for the purpose of providing infrastructure and affordable housing, a strategy should be developed within the next six to eight months.

The recommendations included in this section were included as a top priority for the Affordable Housing Task Force.

Recommendation 2.b.iii.: Reestablish the Housing Trust Fund Commercial Fee to its original level for a total of \$7,000,000 per year.

Implementation Requirements: Requires a simple majority vote of the City Council.

Manager's Comments:

Currently the only source of local funding dedicated to the Housing Trust Fund is the Housing Impact Fee (referred to above as the Housing Trust Fund Commercial Fee). The original fee amount was established through a nexus study that demonstrated the need for housing based on job production from commercial development types. The fee was then set at an amount equal to approximately 10% of that impact. Effective in 1997, San Diego's Housing Impact Fee was cut in half. Justification, based on the initial nexus study, still exists to reinstate the fee at its previous funding level. The current fee, which ranges from \$.27-1.06/SF based on development type, is substantially below the original nexus amounts. Furthermore, as compared to other similar cities' Housing Impact Fees, that range up to \$7 per square foot, the City of San Diego's fee is substantially lower.

The Land Use and Housing Committee may wish to consider a number of factors in its decision making on this recommendation. First, the environment in which companies do business has changed significantly over the last two decades. Improved technology has allowed much more flexibility in how base economy companies locate themselves. In order to remain competitive, these companies may choose to relocate based on the cost of operating their business in one city versus another. Although, the level of Housing Impact Fee only represent a very small fraction of the cost of development, when

combined with other city-imposed fees it has the potential to impact the city's ability to remain competitive in the global market. Fees such as development impact fees/facilities benefit assessments, water/sewer capacity fees, school fees, plan review fees, and Housing Impact Fees, can contribute to as much as 20% of the construction cost.

A second factor has been cited in the City of Villages Strategic Framework. It notes specifically the erosion of middle income jobs in San Diego, and those jobs are likely to be lost as a result of closures or relocations of manufacturing, distribution, and R&D operations. Those uses are most susceptible to cost pressures, and furthermore they are not tied to a specific San Diego market, so they can relocate to lower-cost locales.

There are a number of options available to address these concerns:

- 1) Immediately adopt a cost of living increase on the existing Housing Impact Fee and direct that a new nexus study be undertaken.
- 2) Increase Housing Impact Fees on all business uses except manufacturing, distribution, and R&D. A new nexus may need to be performed in order to provide justification for changes to the structure of the Housing Impact Fee.

Recommendation 2.b.ii.: Increase the allocation of CDBG funds from 20% to 40% per year for a total of \$8,000,000 per year.

Implementation Requirements: Requires vote of the City Council. Should be considered in CDBG allocation and budget discussions for future Fiscal Years.

Manager's Comments:

The CDBG set-aside for 2002 is 11% of the total CDBG funds provided to the City, while City Council 700-02 recommends the set-aside of 20% of the CDBG funds for affordable housing. Nationwide more than 35% of Community Development Block Grant (CDBG) funds are used for affordable housing. Allocation of CDBG at the recommended level would significantly limit the discretion which City Council members would have to spend the monies.

Recommendation 2.b.i.: Increase Redevelopment Agency (RA) Set-Aside from 20% to 35% for a total of \$17,500,000 per year.

Implementation Requirements: Requires simple majority vote of the Redevelopment Agency.

Manager's Comments:

Many California jurisdictions have adopted policies to increase the amount of tax increment dollars dedicated to the provision of affordable housing above the minimum set by the State. The percentage set-asides for other cities vary from 25% (in Los Angeles and Oakland) to 50% (in San Francisco). Any decision to increase the allocation must occur in accordance with the Redevelopment law, i.e., in updating the five-year implementation plans. Thus, this recommendation would have to be phased in over many

years and the projected revenue increase would not be available for more than a decade. In addition, there are numerous existing debt service and contract obligations that must be met before the Set-Aside can be increased in those areas.

In order to proceed with the proposed increase, it is recommended that Redevelopment Agency conduct an analysis of all existing debt service obligations in order to determine the immediate and future impact of an increase in Housing Set-Aside percentage from 20% to 35% on project activities in all Redevelopment project areas. It should be acknowledged that an increase could limit the bonding capacity necessary to implement major capital projects within redevelopment project areas that have been supported by the Council if the increase does not allow for the continuing allocation to these obligations. As a result, this could impact the Agency's ability to fund significant new redevelopment projects, such as the main downtown library, North Embarcadero, Parking garages, parks, public art, lighting etc.

Recommendation 2.d.i.: Increase the Transient Occupancy Tax from 10.5% to 12.5% for increased revenue of \$21,000,000.

Implementation Requirements: Requires 2/3 voter approval.

Manager's Comments:

The Transit Occupancy Tax (TOT) on hotels and motels provides an excellent nexus for dedication to an affordable housing fund. The demand for affordable homes, created by the jobs in the hotel and motel industry, provides a very good nexus for the tax. A portion of the TOT was originally dedicated to the Housing Trust Fund.

Currently the TOT is 10.5%. This level is low as compared to other major destination cities. Tourism creates the need for workforce housing due to its dependence on many low-wage jobs. Therefore, many cities have dedicated a portion of this fee to the production of affordable workforce housing.

A proposal for an increase has been submitted for the March '04 ballot. The proposal does not include affordable housing.

Recommendation 2.d.ii.: Create the equivalent of a 5% car rental tax for increased revenue of \$40,000,000.

Implementation Requirements: Requires 2/3 voter approval.

Manager's Comments:

The City of San Diego does not currently charge a tax on car rental receipts. The City does make reference to the tax (Transient Transportation Tax) in Municipal Code Chapter 3, Article 8, Division 1. The City adopted a 3% tax on car rentals in 1990. However, the State Board of Equalization found this tax to be an infringement on state sales tax laws.

Attachment 2

In response, the City passed a second ordinance which waived the imposition of the tax. At that time, an alternative was suggested to develop a flat business tax on the rental of all passenger vehicles. This recommendation was never pursued. A flat tax may be a viable alternative to the 5% car rental tax; however, may result in lower total revenues.

Housing Goals

The recommendations contained in this section propose specific goals for affordable housing production. Many of the recommendations of the AHTF have been formulated in response to the goal levels established by the Task Force.

Recommendation 1.a.: Total 2003-2013 Housing Need =113,696 of which 32,275 is past unmet need and 81,421 is projected need during next ten years. This estimate is based on anticipated population and employment growth.

Implementation Requirements: Adopt goal and implement other recommendations in the AHTF report.

Manager's Comments:

The implementation of this recommendation would be achieved through the adoption of other recommendations identified throughout this report.

Recommendation 1.b.: Total 2003-2013 Housing Goal should be 84,147 units or 8,415 per year. This figure was calculated by using an estimate from the Housing and Community Development Dept. extrapolated for ten years and assuming that 44% of regional housing need should continue to be met in the City of San Diego. 38% of this total (3197 units annually) should be for households with incomes at or below 80% of the Area Median Income.

Implementation Requirements: Adopt goal and implement other recommendations in the AHTF report.

Manager's Comments:

This is a reasonable set of 10-year housing goals for San Diego. However, 5-year goals in the next Housing Element will probably be more modest—in line with SANDAG/HCD regional goal numbers and reflecting concern that failure to meet ambitious goals could cause the City to lose eligibility for State funds.

Recommendation 4.c.: Direct CCDC to make 38% of new units affordable to households earning from 0-80% of AMI emphasizing sufficient square footage to accommodate families of any composition

Implementation Requirements: Amend Centre City Community Plan and revise 5-year Redevelopment Plan.

Manager's Comments:

The City Attorney would need to review State redevelopment requirements to determine whether this proposal is consistent with State law. If legality is determined, City Council would need to direct CCDC to change its priorities to fulfill this recommendation.

Attachment 2

The City (CCDC) would need to significantly reduce support for other ongoing projects to comply with this recommendation. Planned projects such as North Embarcadero improvements, Central Library, Park at the Ballpark and others might have to be delayed or cancelled. The Council should examine the overall CCDC program to determine whether priorities should be shifted and whether affordable housing should become a higher priority.

Inclusionary Housing Ordinance

The San Diego City Council adopted an Inclusionary Housing Ordinance on May 20, 2003. At that time, the Council requested that the Affordable Housing Task Force give input on several outstanding policy questions, including the structure of the shared-equity provision, the program requirements as they pertain to “large-scale” development, and the geographic boundaries for off-site provision of inclusionary units. In addition to providing recommendations on the above issues, the Task Force provided input on a number of other issues pertaining to the City of San Diego Inclusionary Housing program. Each of the recommendations is reviewed below.

Recommendation 10.f.: The City Council should evaluate the Housing Commission administration fee (currently 11%) annually to ensure that it is consistent with actual staff requirements.

Implementation Requirements: No action necessary to implement this recommendation.

Manager’s Comments:

The City Council-adopted implementing documents require that the level of administrative expense be reviewed and approved by City Council annually in the Affordable Housing Fund Annual Plan.

Recommendation 10.g.: Support legislative initiatives to protect local inclusionary housing ordinances.

Implementation Requirements: No action necessary to implement this recommendation.

Manager’s Comments:

The City Council has adopted its support for SB 178, current legislation that supports the ability for local jurisdictions to adopt inclusionary housing programs. We will continue to track its progress, as well as monitor any new legislation introduced on the topic. The Government Relations Department will track pertinent legislation and present it to the City Council for its consideration.

Recommendation 10.b.: The Inclusionary Housing Ordinance should continue to allow all projects, including “large-scale development” to pay the in-lieu fee for affordable units.

Implementation Requirements: No action necessary to implement this recommendation.

Manager’s Comments:

As adopted on May 20, 2003, the Ordinance does not make a distinction between “large scale development” and other development types. In April 2002 the Land Use and Housing Committee voted to include a provision to require that developers of projects with more than 250 units build affordable units on or off site near the market rate units

and not be permitted to pay an in lieu fee (an option open to smaller projects.) This provision was not included in the Ordinance that was adopted by City Council. However, it was one of several potential amendments to the ordinance that Council set aside for future consideration and on which they asked the Affordable Housing Task Force to make a recommendation. If the Land Use and Housing Committee directs that the in lieu fee option be eliminated for large scale projects, staff would prepare appropriate implementing language and bring this amendment to City Council for its consideration.

The primary advantage of prohibiting developers of large scale projects from utilizing the in lieu fee option is that the affordable units would in most instances be built much sooner and closer to the market rate units if they were built by the developer at the time of construction of the market rate units. Requiring developers to build affordable units has been very effective in the Future Urbanizing Area where more than 600 affordable units have been completed. A prohibition on use of the in lieu fee option would work best in areas with similar characteristics to the Future Urbanizing Area—i.e. large undeveloped greenfield and brownfield sites.

The greatest disadvantages of prohibiting use of the in lieu fee option for large-scale projects are for high density infill and redevelopment area projects—especially high rise developments. Due to the higher construction expense for high rise construction—including parking garages and Type 1 construction, imposing this restriction on high-rise residential projects could reduce the financial feasibility of high-density residential projects downtown where Council has supported policies to maximize density and growth. One option the Committee may want to consider is to require only those large scale developments that are located on sites of over a certain size threshold (such as 3 acres) to be prohibited from using the in lieu fee option.

Recommendation 10.a.: The Inclusionary Housing Ordinance should exempt projects of four units or less.

Implementation Requirements: Amend the Inclusionary Housing Ordinance.

Manager's Comments:

The City Council adopted the Inclusionary Housing Ordinance on May 20, 2003. As adopted, the Ordinance would apply to projects of two or more units. The City Council could amend the Ordinance to raise the threshold to four units; however, it is believed that this provision could significantly reduce the overall supply of affordable housing provided by the program. In addition, this provision may encourage developers to submit multiple development applications.

Recommendation 10.c.: The Task Force voted that the structure of the shared- equity for the for-sale inclusionary housing units be changed from a 15-years buy-in period to a 30-year, straight-line amortization of the share in equity. In addition, the Task Force recommended that 3% simple interest be applied annually to the “price differential” between the initial purchase price and the appraised value at the time of purchase.

Implementation Requirements: Amend the Inclusionary Housing Ordinance.

Manager's Comments:

The adoption of a provision requiring the payment of simple interest for price differential, in addition to the shared equity already included in the program, could violate state usury laws. The City's current structure for the shared-equity provisions within the inclusionary for-sale housing program, may or may not constitute a loan or forbearance that would subject the program to usury laws. There is no case law directly on point. However, if the City's program structure were considered a loan under state law, it would be consistent with state law provisions which are exempt from state usury laws. Added interest such as is proposed is not part of the approved structure and could therefore subject the program to usury laws. The program would need to be changed to add additional controls and analysis for each transaction (home purchase), on a transaction by transaction basis to ensure that the loan did not violate state usury laws.

Recommendation 10.d.: The Task Force voted to modify the geographic areas for off-site construction of inclusionary housing units to allow off-site units to be constructed within a 4-mile radius of the primary project rather than only locations within the same community planning area as the primary project.

Implementation Requirements: Amend the Inclusionary Housing Ordinance.

Manager's Comments:

Use of 4-mile radius rather than community plan boundary for off-site construction of inclusionary housing units has advantages and disadvantages. The advantage is generally that this radius would allow affordable units to be constructed in a larger area and provide more flexibility and options in locating these units. The disadvantage is that this radius would increase the ability to locate affordable units in lower income communities. For example, inclusionary units required by a market rate project downtown could be located in Barrio Logan or Southeastern San Diego and units required by a project in La Jolla could be located in Clairemont.

Recommendation 10.e.: The Task Force voted to allow developers to self-certify the eligibility of buyers' of units qualifying for the 150% AMI for-sale housing exemption for inclusionary housing. Developers would certify that buyers meet all requirements under the inclusionary housing program under penalty of perjury. Such certification would be submitted to the Housing Commission and subject to periodic audit.

Implementation Requirements: Amend the Inclusionary Housing Monitoring and Procedures Manual.

Manager's Comments:

This recommendation would provide minimal benefit to the developer. Housing Commission staff is currently able to provide this service within a 24-hour period if necessary documents are provided. While the developer would be able to qualify potential buyers, potential liability increases. An enforcement mechanism would be created as part of this recommendation.

Infrastructure

Recommendation 3.a.: Adopt a \$1 billion infrastructure bond paid for by an approximate \$11 per month parcel tax to address the \$2 billion infrastructure deficit in San Diego.

Implementation Requirements: Requires 2/3 voter approval.

Manager's Comments:

New fees and taxes are required to have a vote of San Diego residents with an approval margin of two-thirds. In order to garner this level of voter support, a cohesive strategy must be developed in which a strong coalition of public and private interests establish a high level of trust and accountability with the voters. If the Committee desires to raise revenue for the purpose of providing infrastructure, a strategy should be developed within the next six to eight months. Given Council direction, staff would work with the City Manager's Office and community and interest groups to explore the possibility of preparing for this ballot measure.

Recommendation 3.b. and c.: Use bond proceeds to fund streets, sidewalks, park and recreation facilities, libraries and fire facilities. Distribute 70% of funds to presently designated urbanized communities and 30% planned urbanizing communities. Coordinate with existing fire and library financing plans. To qualify for the bond funds communities must identify multi-family housing sites following the process described below in 4a.

Implementation Requirements: Requires 2/3 voter approval. Council approval to issue bonds.

Manager's Comments:

City staff, in consultation with the Strategic Framework Element Technical Advisory Committee and individual community planning groups, could begin prioritizing infrastructure improvements identified in the General Plan, community plans and public facilities financing plans.

Recommendation 3.d. and e.: A Citizens' Task Force should be formed using the Proposition MM approach to identify top priority facilities to be constructed in each community as referenced in recommendation 4a and to develop a strategy for tax increases in conjunction with the infrastructure bond.

Implementation Requirements: Implement recommendation 3a. Appointment of task force members.

Manager's Comments:

This recommendation would be implemented by the City Managers office, in consultation with the Government Relations Department, as part of a strategy to introduce a ballot measure to raise revenue for the infrastructure bond described above.

Recommendation 3.f.: Development impact fees should be reviewed for urbanized communities to ensure that growth pays for itself by requiring new development to pay its fair share toward public facilities.

Implementation Requirements: Prepare analysis of Development Impact Fees.

Manager's Comments:

Development Impact Fees (DIFs) are legislated by California State Government Code. Revisions to current methodology must continue to be consistent with existing legislation. In conjunction with the General Plan Update Work Program, staff could analyze the feasibility of preparing an RFP for consultant services to review the City's current methodology and propose alternative methodologies, if appropriate. The recommended course of action would include prepare scope of work, identify funding and advertise for consultant who can review the City's current methodology and provide suggestions and alternatives for improvement.

Recommendation 3.g.: Create an infrastructure bank where builders may opt to leave existing alleys which are paved with asphalt and pave an unpaved alley with either concrete or asphalt in the same community. The City would develop a map showing where alley, curbs and sidewalks could be replaced in the various communities. Community planning groups can develop the list and establish priorities.

Implementation Requirements: Amend Capital Improvements Financing Plan.

Manager's Comments:

Builders are required to improve curbs, gutters, sidewalks, alleys, and other public infrastructure only when needed to fully protect the public health, safety, and welfare of the community. Builders are typically required to complete these improvements adjacent to the project area and concurrently with development of the site. Requiring builders to make improvements off-site could be problematic, particularly in regards to nexus issues, cost comparison, timeliness of improvements, and access to private property. The implementation of this proposal would also require legal review to ensure the City does not run afoul of legal limitations on exactions on development. As a voluntary program, these direct issues may be resolved. However, there may be other unintended consequences, such as questioning the true need for the improvements that are otherwise required of other developers who do not opt for the voluntary infrastructure alternative.

If it is determined that this recommendations is legal, staff would work with Community Planning Groups to identify and prioritize areas where public infrastructure (i.e. curbs, gutters, alleys, sidewalks) improvements are needed. In addition, the City Manager and City Attorney should develop a procedure allowing builders to make required public infrastructure improvements off-site.

Recommendation 4.a.: Direct each community planning group to designate sites for 2500 multi-family units over the next two and a half years. The community must participate to be eligible for infrastructure funding under the bond package. City planners will assist the community planning group if the group is unable to identify these sites. (This item was one of the six key recommendations of the AHTF).

Implementation Requirements: Meetings and workshops with community planning groups.

Manager's Comments:

Community Planning Groups do not have legal authority to designate land uses and the City does not have legal authority to direct them to do so. However, the Planning Department could work with planning groups and other interested parties to identify locations where additional multi-family units could be constructed during a 10 year period corresponding to the period covered by the next two Housing Element cycles. An alternative process and methodology will probably need to be established to divide approximately 110,000 units (2500 units x 44) equitably among 44 planning areas based on factors such as land area, population, availability of vacant land, redevelopment potential and infrastructure capacity. Community plans and Facilities Financing Plans would need to be amended (requiring City Council action) to add additional residential capacity in many of the planning areas. Some community plans already allow for significant additional residential development while others do not and would need to be amended to provide additional capacity. In some communities there may be no reasonable feasibility to accommodate many more units. It must be recognized that this will be a difficult and contentious process that will require significant staff resources (either additional staff or a reallocation of staff priorities) to accomplish.

Internal Agency Coordination

Several of the recommendations made by the Affordable Housing Task Force require changes in internal City procedure or a joint effort with other agencies. Some of the recommendations will have fiscal impacts in terms of staff resources and some require the participation of other agencies that will cooperate in pursuit of these goals. These recommendations address both housing production and development efficiencies that could be achieved.

Recommendation 2.c.i.: Standardization of documents between agencies such as loan documentation, due diligence reports and specific developer agreements.

Implementation Requirements: No action necessary.

Manager's Comments:

Standardizing documents among various agencies has the potential to reduce time requirements and cost for developers and others. The City Manager will work with the Collaborative (composed of members from the Housing Commission, Redevelopment Agency, CCDC and SEDC) to identify areas of opportunity for standardization and implement any findings.

Recommendation 6.a.: Create a Housing Czar position in the City Manager's Office to focus on affordable housing to ensure recommendations of the Task Force are implemented. The position will coordinate all housing issues for the City, with a focus on affordable housing.

Implementation Requirements: Council direction needed.

Manager's Comments:

On May 20, 2003, the City Council adopted the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program (Council Policy 600-27). This program is designed to process affordable/in-fill housing and sustainable building projects twice as fast as the current system allows. Together with adoption of this program, the City Council also approved the addition of dedicated staff to manage and implement the process. One of the positions added included the creation of an unclassified, management level position within the Development Services Department to act as the City's "Housing Czar" (technically a Program Manager), with the authority to resolve project issues and prioritize staff efforts to meet aggressive project processing schedules. This Development Services Department Program Manager position was filled by Mike Westlake. In addition, a specialized team of highly qualified City staff members from a wide variety of disciplines has been identified and assigned to the expedite program.

The Affordable Housing Task Force supports the Affordable/In-Fill Housing and Sustainable Buildings Expedite Program, and recognizes that a "Housing Czar" (Program Manager) is managing that program within the Development Services Department. The Task Force's recommendation envisions creating a new, higher level "Housing Czar" in

the City Manager's Office who has the authority to implement policy and provide conflict resolution across all disciplines and Departments City-wide.

The City Manager suggests the designation of the Assistant City Manager for these duties. In addition, the Manager's Office could create a Housing Cabinet to support the Assistant City Manager, modeled after the NOFA collaborative, with representatives from contributing agencies and departments, such as the Planning Department, Development Services Department, Housing Commission, Redevelopment Agency and others. This group could monitor the progress made toward achieving the housing goals, particularly affordable housing, set forth by the Affordable Housing Task Force.

Recommendation 4.d.: Direct City staff to evaluate surplus public lands which are vacant or underdeveloped such as Rose Canyon operating station (21 acres) and Montgomery Field (528 acres) for the creation of affordable housing.

Implementation Requirements: Council approval of any land disposition.

Manager's Comments:

Most City-owned sites of sufficient acreage are severely limited by environmental or other constraints. Those sites identified as "underutilized" by the Affordable Housing Task Force currently have uses which could not be feasibly relocated (e.g. operations yards, airports). Developers often identify potential sites and contact the City upon ascertaining ownership, which provides an efficient identification of developable sites. Even these sites can present significant challenges in terms of environmental or other site constraints in addition to policy issues related to the disposition of City-owned property. If these sites are considered for alternative uses, staff recommends that they also be considered in the context of other use needs as well (e.g., manufacturing and R&D), in order to establish a jobs/housing balance.

Upon City Council direction, the Real Estate Assets Department will work with the Housing Commission to establish parameters to facilitate the review of City-owned sites for potential for affordable housing projects. Real Estate Assets Department will also work with the Housing Commission to identify potential opportunities utilizing the City's existing multi-family residential inventory. A timeline for such review cannot be established at this point as a complete review of the thousands of City-owned sites of marginal utility is labor intensive and resources to conduct such a thorough review would have to be allocated to the department.

Recommendation 8.b.ii.: Pursue State legislation that would require the School District to replace the housing that is demolished to make way for the construction of new schools.

Implementation Requirements: Council direction to Governmental Relations Department needed.

Manager's Comments:

Staff suggests that this item be voluntary on the part of the School Districts in order to increase the possibility of enactment. The law will need to change to allow school districts to do so if they desire, empower them to develop housing if they so choose, and to make housing development an eligible expenditure for school funds. Alternately, the City could seek to require inclusion of analysis of loss of housing by site selection. Staff will monitor new legislation introduced on the topic and will bring appropriate bills to the City Council for its consideration. In addition, at Council Direction, the Governmental Relations Department will meet with interested parties to explore the possibility of pursuing further legislation.

Landlord/Tenant Issues

The recommendations included in this section involve the critical balance between tenant and landlord rights and involve a multitude of state and case laws.

Recommendation 5.m.: Ensure that fees assessed by the Neighborhood Code Compliance Department represent full cost recovery and institute maximum punitive fees for property owners requiring repeat inspections.

Implementation Requirements: Adopt an Ordinance amending the Neighborhood Code Compliance Department's current fee schedule.

Manager's Comments:

The existing Neighborhood Code Compliance Department fee schedule has been in effect since 1996. Staff is currently in the process of taking necessary action to update the fee schedule so it accurately reflects current costs. In addition, staff is evaluating all current fines and penalties and will bring ordinance revisions to the Council for amendments as appropriate by July 2004. There are no direct costs to implement these recommendations.

Recommendation 8.a.: Use the existing community resource centers and appropriate community non-profit organizations to distribute information to the public regarding tenant and landlord rights. Incorporate into the lease of all City and Housing Commission restricted or subsidized units information referring tenants to community service centers for tenant's rights information

Implementation Requirements: Council direction desired.

Manager's Comments:

Given Committee direction, the Housing Commission would coordinate with all available resources to develop informational materials, the method for their distribution, and the publication their availability.

Recommendation 6.c.: Increase capacity of the Neighborhood Code Compliance Department and City Attorney's Office to target substandard housing through an increase in resources. Approximate cost is \$1,000,000 annually for 4 FTE for the Neighborhood Code Compliance for targeted inspections and 2 full-time attorneys and 2 investigative positions in the City Attorney's Office for more aggressive prosecution. The City Attorney should provide an annual report to City Council to document their prosecutorial efforts in this area. The increased resources are to be supported by the Rental Unit Tax currently deposited into the City's General Fund.

Implementation Requirements: Requires vote of the City Council. Should be considered in budget discussions for future Fiscal Years.

Manager's Comments:

This recommendation was included as a top priority for the Affordable Housing Task Force. Due to limited resources, most Neighborhood Code Compliance Department activities are complaint driven or reactive. Although the number of complaints generated from a proactive enforcement areas may be reduced, increasing the number of proactive enforcement areas will not eliminate the need to respond to complaints filed with NCCD for substandard housing. The public has a reasonable expectation that the City will respond to a complaint regarding an alleged violation.

In order to achieve the goal of aggressive code enforcement targeted specifically to substandard housing, and to avoid impacting the General Fund by \$1,000,000 in one fiscal year, Land Use and Housing could recommend phasing the enforcement program over three consecutive fiscal years, starting in FY 05 (July 1, 2004). Council approval would be necessary to add staff positions to the FY 05, FY 06, and FY 07 General Fund budgets. In addition, Council approval would be necessary to authorize Rental Unit Tax revenue be appropriated in the NCCD and City Attorney's budgets to be used for this purpose.

Recommendation 8.b.i.: Credit Reporting: (1) Pursue legislation that would require credit reporting agencies make copies of a tenant credit reports available to landlords for a specified amount of time, to eliminate the duplication of credit report charges (2) Pursue legislation that would prevent "unlawful detainer" labels on tenant credit reports when the eviction case has been dismissed. This would prevent an erroneous opinion that they are renters that the apartment industry would not want to rent to.

Implementation Requirements: Council direction to the Government Relations Department needed.

Manager's Comments:

This recommendation is likely to face some opposition from property owner groups. Pending direction from Council, the Government Relations Department can explore possibilities with delegation members.

Recommendation 8.c.: Good Cause Termination of Tenancy ordinance for all residents whose tenancy period exceeds 24 months with the following proposed language: "To terminate any periodic tenancy of at least two years in duration pursuant to California Civil Code § 1946, the lessor must serve, pursuant to California Code of Civil Procedure § 1162 or California Civil Code § 1946, a written notice stating good grounds upon which the lessor, in good faith, seeks to recover possession. If such statement of good grounds be controverted, the lessor shall establish its truth at the trial or other hearing."

Implementation Requirements: Adopt a new ordinance.

Manager's Comments:

This recommendation is among the most contentious of the items contained in the Affordable Housing Task Force report. Even the AHTF was divided in their opinion of this recommendation. The City Attorney's office does not recommend adoption of this provision as it is currently proposed. The State Supreme Court has upheld a City's ability to adopt "just cause eviction" regulations adopted to further a City's rent control ordinance. *Birkenfield v. City of Berkeley*, 17 Cal.3d 129 (1976). However, the City of San Diego has not chosen to adopt rent control and the proposed regulation does not appear to further the cause of affordable housing in the City. We recommend further discussion of the purpose of this proposed regulation and clarification of the proposed meaning of "good cause."

Civil Code section 1946.1 of State Law requires that landlords give tenants that have maintained occupancy for at least one-year 60-days notice to vacate. For tenancies of less than one year, 30 days notice is required. Tenants must be given 60-days notice for any rent increase over 10%. No specific reason is required to be given by Landlord to remove a tenant or raise rent; however, all State and Federal laws must be complied with.

Good cause eviction controls protect renters by ensuring that landlords cannot arbitrarily terminate tenancies. While the controls provide protections for renters, landlords retain the right to terminate a tenancy for any reason which is not "bad faith" or unlawful. Renters will also benefit by knowing in writing the reasons that the landlord is seeking to terminate the tenancy so that they can begin a dialogue to resolve any issues short of actually vacating or at least learn the reasons so that they can ensure the same issues do not occur again.

Single Room Occupancy Hotels

Single Room Occupancy Hotels are a critical form of housing stock that serves the most vulnerable and lowest income of our City's residents, including those on a fixed income such as seniors and disabled individuals. Due to the low rents available in these buildings, the only alternative housing available to SRO residents is in shelters or on the street. Formerly homeless people find that SROs are an affordable entry point into the housing market. The availability of low-cost SROs can also protect some people from becoming homeless. However, in times of high housing costs, the housing also serves a number of groups that are not traditionally thought to live there, including students and working class populations.

The City of San Diego has had some form of Single Room Occupancy Hotel regulations since 1977. However, it was not until 1985, that the regulations took a form similar to those that the City administers today. The Ordinance needs to be amended in order to ensure that its provisions meet the full intent of state law.

Recommendation 7.a.: Amend the existing Preservation ordinance to require that Single Room Occupancy (SRO) Hotels constructed prior to 1990 must, when proposing demolition or change of use, provide at least 6 months relocation assistance for senior, disabled or low-income tenants (Adopted 13 in favor-4 opposed-3 absent) and either provide a one-for-one replacement of equivalently affordable units (replacement does not have to be in downtown) or pay an in-lieu fee of 100% of the cost of replacement of the converted or demolished units. (Adopted 10 in favor-6 opposed-3 absent-1 abstention) The City should create a regulatory environment that gives incentive to construction of new housing serving SRO residents.

Implementation Requirements: Amend the Municipal Code.

Manager's Comments:

City, Housing Commission, and CCDC staff have organized a Working Group, made up of SRO property owners and developers and housing advocate and community representatives, to provide input on the recommendations for modifications to the existing SRO ordinance. The Working Group will also make recommendations for changes to the regulatory environment and potential incentives to create more housing to serve the SRO tenant populations. The recommendations will be presented at a Sept. 17 LU&H hearing.