



REPORT TO THE CITY COUNCIL'S SMART GROWTH AND LAND USE COMMITTEE

DATE ISSUED: November 24, 2015

REPORT NO: SGLU15-003

ATTENTION: Chair and Members of the San Diego City Council's
Smart Growth and Land Use Committee
For the Agenda of December 9, 2015

SUBJECT: Proposed Revisions to City of San Diego Single-Room Occupancy (SRO) Hotel
Regulations Ordinance (San Diego Municipal Code 143.0510 – 143.0590)

COUNCIL DISTRICT: Citywide

REQUESTED ACTION

Recommend the San Diego City Council approve the proposed revisions to the SRO Hotel Ordinance as recommended by staff.

STAFF RECOMMENDATION

That the San Diego City Council's Smart Growth and Land Use recommend the San Diego City Council (City Council) take the following actions:

- 1) Approve the proposed revisions (Attachment 1) to the City of San Diego (City) Single Room Occupancy (SRO) Hotel Regulations Ordinance (San Diego Municipal Code 143.0510 – 143.0590) as described in this report; and
- 2) Direct the City Attorney to work with the Housing Commission President & Chief Executive Officer (President & CEO) and Housing Commission General Counsel to draft ordinance revisions that reflect the Housing Commission proposals and return to City Council for introduction and adoption of the revised ordinance.

SUMMARY

The Housing Commission is responsible for administering the City's SRO Hotel Regulations Ordinance (Attachment 2) on behalf of the City. On March 16, 2015, the City Council directed the Housing Commission to review the City's SRO Hotel Regulations Ordinance and analyze it to address current conditions, prior to the end of the year.

The purpose of the City's SRO Hotel Regulations is to "ensure the retention of the existing number of SRO hotel rooms and to provide assistance to tenants of SRO hotel rooms that will be displaced by the demolition, conversion, or rehabilitation of existing SRO hotel rooms. These regulations are intended to benefit the general public by minimizing the adverse impact on the housing supply and on displaced persons, particularly those who are very low income, elderly, or disabled, resulting from the permanent

or temporary loss of SRO hotel rooms through their demolition, conversion, or rehabilitation.” (San Diego Municipal Code Section 143.0510).

The Housing Commission has reviewed the SRO Hotel Regulations Ordinance and conducted the following activities:

1. Contracted for and produced an update to the citywide SRO Hotel Inventory (Attachment 3);
2. Performed public outreach and held a series of three public meetings to receive comments on potential changes to the City’s SRO Hotel Regulations. The meetings were held October 14, October 21, and November 4, 2015, at the offices of the Housing Commission. Meeting invitations were either emailed or mailed by regular mail delivery to SRO Hotel owners of record, tenant advocacy groups who have expressed interest in the past, as well as affordable housing developers and real estate professionals who have contacted the Housing Commission about SRO Hotels. The meeting notices were also published on the Housing Commission’s website. The meetings were attended by each of the interest groups identified and comments were given both verbally and in writing. See Attachment 4 for written comments filed with the Housing Commission; and,
3. Developed a set of 10 proposed regulation changes for consideration by the City Council. (Attachment 1)

Background

SRO hotels have traditionally provided some of San Diego’s most affordable housing. Over the years, market conditions have placed pressure on SRO hotel owners to demolish or convert SRO hotels into more profitable uses. On December 16, 1983, the City Council adopted an emergency SRO Preservation Ordinance to slow the loss of SRO hotel units to market forces. The Ordinance was made permanent on October 26, 1987, and mitigation measures were enacted, including tenant relocation assistance provisions and a 1:1 replacement requirement for SRO hotel units removed from the rental market. On September 7, 2004, the City Council amended the SRO Ordinance (Attachment 2) to ensure compliance with California Government Code Section 7060--7060.7 (Ellis Act), which had previously established a property owner’s right to remove rental units from the market in order to exit the rental housing business. The amended SRO Ordinance also addressed AB 1217 (2003) which officially granted cities the authority to regulate SRO hotels separately from traditional rental housing under the Ellis Act. AB 1217 was applied prospectively, which meant that SRO hotels that filed a “Notice of Intent to Withdraw Accommodations from Rent” under the Ellis Act before January 1, 2004, were not affected by the provisions of the bill. The City received 22 such notices from SRO hotel owners. These properties are known by the Housing Commission as the “Exempt List” and are exempted from the SRO replacement requirements of the ordinance, but are still required to provide tenant relocation assistance under the terms of the existing ordinance

Over the past year, two Downtown development projects came before the City Council to request a modification or waiver of the SRO replacement requirements so that their projects could proceed. Both projects received a modification and/or exemption from the SRO housing replacement requirement. As a result of these actions, on March 16, 2015, the City Council directed the Housing Commission to review the City’s SRO Hotel Ordinance and analyze it to address current conditions.

Current Ordinance Provisions

Relocation

Applicants proposing the demolition or conversion of an SRO are required to pay relocation expenses to long-term tenants (residencies of 90 days or more). Tenant relocation payments are equal to two times the tenant's average monthly rent for the preceding 12 months where the SRO hotel is being demolished or converted or one times the average monthly rent if the SRO hotel is being rehabilitated. In addition, each long-term tenant is entitled to a "rent rebate" of \$10.00 per month for each month's residency in excess of 90 days, not to exceed \$210.00.

Housing Replacement Requirement

Application of the housing replacement provision of the City's SRO Hotel Regulations is required where the SRO hotel had an occupancy permit issued prior to January 1, 1990, and the owner or operator did not deliver a Notice of Intent to Withdraw Accommodations from Rent to the City before January 1, 2004. An exemption to the housing replacement requirement is provided for the following demolitions or conversions:

1. Conversion of all or part of an SRO hotel or SRO hotel room to a very low income housing project;
2. Demolition of all or part of an SRO hotel or SRO hotel room to allow for the new construction of a very low income housing project on the same site within two years pursuant to an agreement with the Housing Commission; and
3. Demolitions or conversions that result in the development of a project for housing low-income senior citizens that is operated by a nonprofit corporation.

Projects not eligible for exemption from the replacement requirements must provide one-for-one replacement within the same community plan area, by means of new construction, rehabilitation or conversion of hotel rooms vacant for more than one year, or conversion of nonresidential structures to SRO hotel rooms. The units must be affordable to very-low-income single-person households, with occupancy and affordability restrictions recorded for at least 30 years.

In-Lieu Fee

In lieu of replacement, an applicant may contribute to the SRO Hotel Replacement Fund in an amount equal to 50 percent of the replacement cost, calculated by multiplying one-half of the hotel area demolished or converted by the current development cost per square foot of comparable SRO hotels in the City, including land development costs.

Exemption

The City Council may exempt demolition or conversion of all or part of an SRO hotel or SRO hotel room that is necessary to implement a redevelopment project. An exemption shall not be granted by the City Council unless it finds:

1. That the proposed project will contribute to the public health, safety and welfare; and
2. That the contribution exceeds the negative impact on the supply of SRO hotels and SRO hotel rooms that will result from the demolition or conversion.

Proposed Revisions

Major considerations for the proposed revisions included updating the SRO inventory; increasing protections for SRO residents; providing incentives for SRO preservation and/or new development of affordable units; and providing more clarity as to how the SRO Hotel Regulations Ordinance applies so that both SRO owners and potential purchasers of SRO hotels understand the requirements. The Housing Commission has identified the following proposed revisions to the SRO Hotel Regulations Ordinance:

1. Clarify SRO Definition. Limit the scope of the definition of SRO to include those SRO's listed on the updated inventory (Attachment 3). The current ordinance does not provide absolute clarity as to whether a building is subject to the SRO Hotel Regulations. By limiting the application of the ordinance to those properties listed on the SRO Hotel Inventory, the ordinance application can be determined more readily. It is also recommended that the owner of a property on the SRO list be able to request a due process hearing, to be heard initially at the Housing Commission, with an appeal to the appropriate City review body, to determine whether the property should be removed from the SRO Hotel Inventory.
2. Replacement Fund ("in-lieu") Fee. Revise the current development cost formula from 50 percent of the cost of providing replacement SRO units to an established set fee that is updated regularly based on changes to an established index. Establishing a set fee will make it easier for prospective applicants to determine costs and will reduce consultant costs.
3. Housing Replacement Requirement. Revise the current requirement to replace 100 percent of the SRO units that are being demolished or converted to require the replacement of 50 percent of the units, to match the SRO Hotel Replacement fee formula percentage. This revision will result in a lower replacement ratio and have the effect of lowering the SRO replacement in-lieu fee. Lowering the cost of compliance with the replacement requirement may increase the likelihood of actual unit replacement or the payment of in-lieu fees instead of seeking a waiver or modification.
4. Replacement Location. Allow replacement units to be built outside of Downtown San Diego and in areas near public transportation. This revision will provide more replacement options that are less expensive than downtown new construction but that are intended to provide residents with access to transportation and/or services.
5. Density Bonus. Allow the replacement unit requirement to be satisfied by density bonus units. Typically, where projects have overlapping affordable housing restrictions, the most restrictive applies in order to satisfy the affordability level of all of the programs. This will apply only in situations where the replacement project involves an application for density bonus for new residential construction.
6. Sale of Unused Site Density. Allow owners to sell unused site density and utilize the proceeds to rehabilitate their SRO building. This incentive is offered to produce a revenue source for preservation of SRO buildings.

7. Tenant Relocation. Revise the tenant relocation payment requirement from two times monthly rent to three times monthly rent and require the utilization of a relocation consultant. The amount of monthly rent payment would be the U.S. Department of Housing and Urban Development (HUD) fair market rent for an efficiency unit. The HUD fair market rent (FMR) schedule is updated and published annually. The current Fiscal Year 2016 HUD FMR for an efficiency unit is \$1,028.00.
8. SDHC Option to Purchase. Owners who have decided to sell their SRO can offer the Housing Commission an option to purchase the SRO at an appraised fair market value, subject to the SRO requirements. This provision will provide a potential market for the sale of an SRO that might otherwise be difficult due to its location, condition or restrictions. This revision will allow the opportunity to preserve the SRO hotel units and ensure they remain affordable should the Housing Commission have the available resources to do so. The Housing Commission would not have the obligation to exercise the option in any instance.
9. Update Redevelopment Language. Eliminate redevelopment agency/California Redevelopment Law language from Section 143.0520 (b) of the SRO Ordinance because of recent State legislative actions concerning Redevelopment agencies.
10. Cost Recovery Deposit. Require that a cost recovery deposit be submitted with an application to the Housing Commission.

During the public meetings, the following additional suggestions were received that the Housing Commission seeks City Council direction as to whether the suggestions should be included in the proposed revisions.

1. City Master-Lease Program. Determine whether the City of San Diego should develop and implement a program similar to a City of San Francisco program in which the City of San Francisco or a nonprofit partner can master-lease an SRO building to ensure that the units remain affordable and available to low-income tenants.
2. Purchase of Existing Rental Units to Satisfy Replacement Requirement. Evaluate whether the City of San Diego should allow the owner of an SRO to purchase existing rental units not otherwise subsidized or restricted, and place affordability covenants on these units to satisfy the SRO replacement requirement.

AFFORDABLE HOUSING IMPACT

An increase to the required relocation payments will better assist tenants and help minimize the impact on displaced low-income, elderly and disabled individuals. Providing additional options for SRO hotel replacement provides flexibility and is intended to result in more SRO hotel units being replaced. The ability for owners to offer the Housing Commission an option to purchase the SRO in the event of a sale provides another opportunity to preserve additional SRO units when the resources are available to do so.

FISCAL CONSIDERATIONS

This action has no fiscal impact at this time.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On December 16, 1983, the City Council adopted an emergency ordinance to slow the loss of SRO hotel units to market forces. The ordinance was made permanent on October 26, 1987.

On September 7, 2004, the City Council amended the SRO Ordinance to ensure compliance with California Government Code Section 7060-7060.7 (Ellis Act) and AB 1217.

On March 16, 2015, City Council waived the SRO replacement fee for the Bay View Hotel and required that 10 percent of the units be occupied by and affordable to individuals earning at or below 60 percent of Area Median Income. It was at this hearing that the Housing Commission was directed to review the SRO Hotel Regulations Ordinance and analyze it to address current conditions prior to the end of the year.

On November 20, 2015, the Housing Commission Board of Commissioners approved the staff recommended actions in this report.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

Public Hearings were held on October 14, 2015, October 21, 2015, and November 4, 2015, at which the proposed revisions were presented to stakeholders. A written public comment period was open until November 6, 2015. Written comments that were received are provided in Attachment 4.

KEY STAKEHOLDERS and PROJECTED IMPACTS

SRO hotels have traditionally provided some of San Diego's most affordable housing. Many low- and very low-income individuals, including seniors and individuals with disabilities, reside in these units.

Additional stakeholders include SRO owners or operators, as well as prospective purchasers and developers.

ENVIRONMENTAL REVIEW

Revision of the City's SRO Hotel Regulations Ordinance (San Diego Municipal Code 143.0510 – 143.0590) is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and State CEQA Guidelines Section 15378(b)(4), as it is a municipal code revision that does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. Approval of the City's SRO Hotel Regulations Ordinance revisions is also exempt under the National Environmental Policy Act pursuant to Section 58.34(a)(2) and (3) of Title 24 of the Code of Federal Regulations.

Respectfully submitted,

Wendy DeWitt

Wendy DeWitt
Director
Real Estate Division

Approved by,

Deborah N. Ruane

Deborah N. Ruane
Senior Vice President
Real Estate Division

November 24, 2015

Proposed Revisions to City of San Diego Single-Room Occupancy (SRO) Hotel Regulations Ordinance
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Attachments: 1) Recommended Revisions to the City's SRO Hotel Regulations Ordinance
2) City's SRO Hotel Regulations Ordinance (San Diego Municipal Code 143.0510 – 143.0590)
3) Updated SRO Hotel Inventory
4) Public Comments

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

Attachment 1

SUMMARY OF RECOMMENDED REVISIONS TO THE CITY’S SRO HOTEL REGULATIONS ORDINANCE

RECOMMENDED REVISION	MUNICIPAL CODE
<p>1. Clarify SRO Definition. Limit the scope of the definition of SRO to include those SRO’s listed on the updated inventory. The current ordinance does not provide absolute clarity as to whether a building is subject to the SRO Hotel Regulations. By limiting the application of the ordinance to those properties listed on the SRO Hotel Inventory, the ordinance application can be determined more readily. It is also recommended that the owner of a property on the SRO list be able to request a due process hearing, to be heard initially at the Housing Commission, with an appeal to the appropriate City review body, to determine whether the property should be removed from the SRO Hotel Inventory.</p>	No Current Definition
<p>2. SRO Hotel Replacement Fund (“in-lieu”) Fee. Revise the current development cost formula of 50 percent of the cost of providing replacement SRO units to establish a set fee that can follow an index and can thus be updated by ministerial action. Establishing a set fee will make it easier for prospective applicants to determine costs.</p>	Section 143.0550(d)(4)
<p>3. SRO Housing Replacement Requirement Revise the current requirement to replace 100 percent of the SRO units that are being demolished or converted to require the replacement of 50 percent of the units, to match the SRO Hotel Replacement fee formula percentage. This revision will result in a lower replacement ratio and have the effect of lowering the SRO replacement in-lieu fee. Lowering the cost of compliance with the replacement requirement may increase the likelihood of actual unit replacement or the payment of in-lieu fees instead of seeking a waiver or modification..</p>	Section 143.0550(d)
<p>4. SRO Replacement Location Allow replacement units to be built outside of Downtown San Diego and in areas near public transportation. This revision will provide more replacement options that are less expensive than Downtown new construction but that are intended to provide residents with access to transportation and/or services.</p>	Section 143.0550(a)
<p>5. Density Bonus Allow the replacement unit requirement to be satisfied by density bonus units. Typically, where projects have overlapping affordable housing restrictions, the most restrictive applies in order to satisfy the affordability level of all of the programs. This will apply only in situations where the replacement project involves an application for density bonus for new residential construction.</p>	Not Currently Allowed
<p>6. Sale of Unused Density. Allow owners to sell unused site density and use the proceeds to rehabilitate their SRO building. This incentive is offered to produce a revenue source for preservation of SRO buildings.</p>	Not Currently Allowed
<p>7. Tenant Relocation Revise the tenant relocation payment requirement from two</p>	Section 143.0570(b)(1)

<p>times monthly rent to three times monthly rent and require the utilization of a relocation consultant. The amount of monthly rent payment should be the U.S. Department of Housing and Urban Development (HUD) fair market rent for an efficiency unit. The HUD fair market rent schedule is updated and published annually. The current Fiscal Year 2016 fair market monthly rent for an efficiency unit is \$1,028.</p>	
<p>8. San Diego Housing Commission(Housing Commission)Option to Purchase SRO. Allow owners the option to provide the Housing Commission with a right of first refusal to purchase the SRO in the event of a sale, at an appraised fair market value, subject to the SRO requirements, in exchange for a release of the SRO replacement requirement. The restrictions will be released only if the Commission exercises its option to acquire the SRO Hotel. This revision will allow the opportunity to preserve the SRO hotel units and ensure they remain affordable should the Housing Commission have the available resources to do so. The Housing Commission would not have the obligation to exercise the first right of refusal in any instance.</p>	<p>Not Currently Allowed</p>
<p>9. Update Redevelopment Language. Eliminate redevelopment agency/California Redevelopment Law language from Section 143.0520 (b) of the SRO Ordinance because of recent State legislative actions concerning Redevelopment agencies.</p>	<p>Section 143.0520(b)</p>
<p>10. Cost Recovery Deposit Require that a cost recovery deposit is to be submitted with application to the Housing Commission</p>	<p>No Current Provision</p>

Article 3: Supplemental Development Regulations**Division 5: SRO Hotel Regulations***(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)***§143.0510 Purpose of SRO Hotel Regulations**

The purpose of these regulations is to ensure the retention of the existing number of *SRO hotel rooms* and to provide assistance to tenants of *SRO hotel rooms* that will be displaced by the demolition, conversion, or rehabilitation of existing *SRO hotel rooms*. These regulations are intended to benefit the general public by minimizing the adverse impact on the housing supply and on displaced persons, particularly those who are *very low income*, elderly, or disabled, resulting from the permanent or temporary loss of *SRO hotel rooms* through their demolition, conversion, or rehabilitation.

*(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)***§143.0515 When SRO Hotel Regulations Apply**

This division applies to any *development* that proposes the demolition or rehabilitation of all or part of an *SRO hotel* or *SRO hotel rooms* or the conversion of all or part of an *SRO hotel* or *SRO hotel rooms* to another use, except as provided in Section 143.0520.

*(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)***§143.0520 Exemptions from SRO Hotel Regulations**

(a) The regulations in sections 143.0540 and 143.0550 do not apply to the following demolitions or conversions:

- (1) Conversion of all or part of an *SRO hotel* or *SRO hotel room* to a *very low income* housing project.
- (2) Demolition of all or part of an *SRO hotel* or *SRO hotel room* to allow for the new construction of a *very low income* housing project on the same site within 2 years pursuant to an agreement with the San Diego Housing Commission.
- (3) Demolitions or conversions that result in the *development* of a project for housing *low income* senior citizens that is operated by a nonprofit corporation.

- (b) The City Council may exempt demolition or conversion of all or part of an *SRO hotel* or *SRO hotel room* that is necessary to implement a redevelopment project. An exemption under this section shall not be granted by the City Council unless it finds that the proposed project will contribute to the public health, safety, and welfare and that the contribution exceeds the negative impact on the supply of *SRO hotels* and *SRO hotel rooms* that will result from the demolition or conversion. An exemption under this section shall not exempt a redevelopment agency from requirements for replacement and other applicable requirements under California Community Redevelopment Law or other state or federal laws.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

§143.0530 Administration of SRO Hotel Regulations

The San Diego Housing Commission or successor agency, as the agency responsible for administering the *SRO hotel* regulations, shall do the following:

- (a) Review each application for a permit to demolish or convert a hotel to identify any *SRO hotel* or *SRO hotel room* that is not exempt from these regulations under Section 143.0520.
- (b) Advise the *applicant* of the requirements of these regulations.
- (c) Review each replacement plan prepared by an *applicant* and advise the *applicant* as to whether or not the plan satisfies the requirements of these regulations. A replacement plan is a plan to replace *SRO hotel rooms* that is prepared by the *applicant*, approved by the San Diego Housing Commission, and incorporated into a Housing Replacement Agreement.
- (d) For each replacement plan that meets the requirements of these regulations, draft and execute with the *applicant*, a Housing Replacement Agreement that incorporates the terms of the replacement plan. A Housing Replacement Agreement is a written agreement between the San Diego Housing Commission and the *applicant* specifying the manner in which the housing replacement requirements in Section 143.0550 will be met.
- (e) Prepare and implement a system to monitor compliance of the Housing Replacement Agreements with the regulations in this division.
- (f) Manage the City of San Diego Single Room Occupancy Hotel Replacement Fund and cause replacement units to be acquired, constructed, or rehabilitated.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

§143.0540 Demolition or Conversion Permit Requirement for SRO Hotel Rooms

Before a permit to convert or demolish all or part of an *SRO hotel* or *SRO hotel room* is issued, the *applicant* shall execute a Housing Replacement Agreement with the San Diego Housing Commission in accordance with Section 143.0550. A Housing Replacement Agreement is not required unless the *SRO hotel* had an occupancy permit issued prior to January 1, 1990, and the owner or operator did not deliver a notice of intent to withdraw accommodations from rent to the City before January 1, 2004.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000)

(Amended 9-7-2004 by O-19313N.S.; effective 10-7-2004)

§143.0550 Housing Replacement Requirement for SRO Hotel Rooms

- (a) Replacement *SRO hotel rooms* shall be provided within the community plan area in which the *SRO hotel rooms* were demolished or converted unless the San Diego Housing Commission approves alternate sites on public transportation corridors outside the community plan area. The replacement rooms shall be completed and ready for occupancy before occupancy of the redeveloped site upon which the former *SRO hotel rooms* were located.
- (b) Replacement *SRO hotel rooms* shall be made available to and occupied by *very low income* households at rents affordable to a *very low income*, single-person household as most recently established by the U.S. Department of Housing and Urban Development or successor agency for the San Diego Standard Metropolitan Statistical Area.
- (c) Occupancy and affordability restrictions shall be recorded for at least 30 years.
- (d) *SRO hotel rooms* shall be provided at a ratio of one replacement room for each existing *SRO hotel room* proposed to be demolished or converted. The replacement rooms shall be provided by one of the following methods:
 - (1) Construction of new *SRO hotel rooms*;
 - (2) Rehabilitation or conversion of hotel rooms that have been continuously vacant for more than one year before the permit application for use as *SRO hotel rooms*. Rehabilitation means reconstruction, renovation, repair, or other improvement to all or part of an *SRO hotel* or an *SRO hotel room*;

- (3) Conversion of nonresidential *structures* to *SRO hotel rooms*;
- (4) In lieu of providing *SRO hotel rooms*, an *applicant* may contribute to the Single Room Occupancy Hotel Replacement Fund. The amount of the contribution shall be equal to 50 percent of the replacement cost of the *SRO hotel rooms* to be demolished or converted. That cost shall be calculated by multiplying one-half of the hotel area demolished or converted, by the current *development* cost per square foot of comparable *SRO hotels* in the City, including land development costs. Monies deposited in the fund shall be used solely for the production or rehabilitation of *SRO hotel rooms* or the conversion of nonresidential *structures* to *SRO hotel rooms*.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

§143.0560 SRO Hotel Relocation Provisions

- (a) An *applicant* for a permit for or related to the demolition, conversion, or rehabilitation of all or part of an *SRO hotel* or *SRO hotel room* shall, concurrent with the filing of the permit application, submit a list of all tenants who resided in the hotel within the 180-calendar-day period preceding the application filing date. The *applicant* shall provide or make available the relocation benefits and notices specified in Sections 143.0570 and 143.0580. The permit to demolish, convert, or rehabilitate shall not be issued until the San Diego Housing Commission verifies full compliance with this Section and Sections 143.0570 and 143.0580.
- (b) The relocation provisions in this division shall not apply to proposed *developments* for which greater relocation benefits and payments are required under state or federal law.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

§143.0570 SRO Hotel Relocation Assistance Benefits

- (a) Each tenant of an *SRO hotel* to be demolished, converted, or rehabilitated who has resided in the *SRO hotel* for at least 90 consecutive calendar days preceding the permit application date shall be considered a long-term tenant for purposes of this division and is entitled to the benefits and rights described in Section 143.0570(b) through (e). Each tenant of an *SRO hotel* to be demolished, converted, or rehabilitated who has resided in the *SRO hotel* for at least 30 consecutive calendar days preceding the permit application date is entitled to the benefits and rights described in Section 143.0570(c) through (e).

(b) Financial Assistance

- (1) Except as provided in Section 143.0570(b)(3), each long-term tenant is entitled to one lump sum payment in an amount equal to two times the tenant's average monthly rent for the preceding 12 months if the *SRO hotel* is being demolished or converted or an amount equal to the tenant's average monthly rent for the preceding 12 months if the *SRO hotel* is being rehabilitated. In addition, each long-term tenant is entitled to a rent rebate of \$10.00 per month for each month's residency in excess of 90 calendar days, not to exceed \$210.00. Length of residency shall be calculated from the date of initial occupancy to the date of application for a building or other permit.
- (2) The financial benefits shall be paid by the *SRO hotel* owner to the long-term tenant within *5 business days* of written notice by the tenant that he or she will vacate the *premises* on a date specified by him or her, but no more than 30 calendar days in advance of the move-out date. Written notice forms approved by the San Diego Housing Commission shall be provided to the long-term tenants by the owner.
- (3) If the *SRO hotel* is being rehabilitated, the financial assistance benefits required by this section need not be provided if comparable accommodations, as defined by the California Code of Regulations, are provided on or off the *premises* to the long-term tenants during the period of rehabilitation. The owner shall give a right of first refusal to relocate to a rehabilitated unit to each long-term tenant who qualifies as *very low income*. When comparable living space is provided, the *applicant* shall pay each affected long-term tenant all reasonable moving and related expenses.

(c) Technical Assistance

The San Diego Housing Commission shall provide assistance in locating decent, safe, and affordable housing opportunities to tenants who have resided in the *SRO hotel* for at least 30 consecutive calendar days.

(d) Notice of Termination of Tenancy

To terminate a tenancy or the purpose of demolition, conversion, or rehabilitation of an *SRO hotel* or *SRO hotel room* regulated under the *SRO hotel* regulations, the owner must fully comply with Sections 143.0560, 143.0570, and 143.0580. The notice of termination of tenancy may not be given before the date of the notice required by Section 143.0580.

(e) Evictions

- (1) This subsection 143.0570(e) applies to any *SRO hotel* that received a certificate of occupancy prior to January 1, 1990, and for which the owner or operator did not deliver to the City on or before January 1, 2004, a notice of intent to withdraw accommodations from rent.
- (2) In addition to the tenant list required by Section 143.0560(a), the *applicant* shall submit a list of the names of any tenants who have moved, been removed, or evicted during the preceding 180 calendar days and the reasons for the move, removal, or eviction.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

(Amended 9-7-2004 by O-19313N.S.; effective 10-7-2004)

§143.0580 SRO Hotel Relocation Assistance Notice

- (a) Before submittal of an application for a permit for or related to the demolition, conversion, or rehabilitation of all or part of an *SRO hotel* or *SRO hotel room*, the owner must deliver a Relocation Assistance Notice to each tenant. The notice shall clearly state the benefits established by Section 143.0570 for all tenants.
- (b) The San Diego Housing Commission shall have available a sample notice format that the owner must use.
- (c) The notice required by this section shall be delivered to each tenant personally or by mail, and written acknowledgment of service on and receipt by the tenant shall be secured.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

§143.0590 SRO Hotel Long-Term Tenant Rights

A long-term tenant of an *SRO hotel*, as described in Section 143.0570(a), who is injured by any violation of these regulations, shall be entitled to declaratory relief, injunctive relief, and damages in a civil action. Counsel for the aggrieved party shall notify the Office of the City Attorney of the City of San Diego of any action filed pursuant to this section.

(Added 12-9-1997 by O-18451 N.S.; effective 1-1-2000.)

SRO Inventory List October 2015

Property Name	Property Address	Number of Units
1035 E St	1035 E St	9
1486 1st Ave	1486 1st Ave	33
1918 Broadway	1918 Broadway	20
1944 Broadway	1944 Broadway	6
2404 F St	2404 F St	9
2422 San Diego Ave	2422 San Diego Ave	16
2608 University Ave	2608 University Ave	9
2904 Market St	2904 Market St	9
3095 J St	3095 J St	12
3204 Mission Blvd	3204 Mission Blvd	9
3833 Estrella St	3833 Estrella St	12
4057 Marlborough St	4057 Marlborough St	8
420 Ash Street	420 Ash St	16
4930 Santa Monica Ave	4930 Santa Monica Ave	8
715 San Fernando Pl	715 San Fernando Pl	6
745 15th Ave	745 15th Ave	
941 26th St	941 26th St	20
981 Coast Blvd	981 Coast Blvd	24
Agnes Talbot	4045 30th St	9
Amigos Sobrios	741 11th Ave	
Astor Apt. Hotel	1558 8th Ave	8
Astor Hotel	421 E St	26
Beechwood Hotel	1465 4th Ave	30
Broadway View Apartments	2525 Broadway	30
Callan Hotel	460 Island Ave	39
Chadwick Hotel	646 A St	42
Clermont Coast Hotel	501 7th Ave	57
Cole Block Building	444 G St	44
El Paso Rooms	1504 India St	14
El Toreador Apartments	631 E. San Ysidro Blvd	49
Embassy Hotel	3645 Park Blvd	79
Friendship Hotel	3942 8th Ave	76
Gaslamp Quarter Hotel	417 Market St	20
Gibraltar Lodge	2905 Clay Ave	7

Property Name	Property Address	Number of Units
Hawthorne Inn	2121 1st Ave	29
Hillcrest Inn	3754 5th Ave	44
Historic Gaslamp Quarter Hotel	536 4th Ave	17
Home Run Hotel	1427 Market St	13
Hotel 434	434 13th St	57
Hotel Churchill	827 C St	73
Hotel Metro	435 13th St	136
Island Hotel	461 5th Ave	22
Island Inn	202 Island Ave	200
K Street Apartments	1903 K St	28
Kendrick	740 Cedar St	29
La Nola Hotel	148 W. San Ysidro Blvd	25
Las Flores Hotel	725 4th Ave	39
Lincoln Hotel	536 5th Ave	40
Loma Manor Motel	1518 Rosecrans St	28
Lynne Hotel	740-750 Broadway	22
Mahi Investment LLC	2126-2128 Abbott	31
Mason Hotel	1345 5th Ave	17
Nelson-Haven	1268 22nd St	23
New Life Hotel	950 Park Blvd	13
New Palace Hotel	1814 5th Ave	80
Newcastle	1425 C St	
Nile Apts	3793 Park Blvd	
North Park Inn	2625 University Ave	
Outrigger Motel	1370 Scott St	13
Pacifica Hotel	551 4th Ave	34
Palms Hotel	509 Park Blvd	70
Park Madison Hotel	4588 Park Blvd	56
Peachtree	901 F St	300
Pine Hotel	1445 Front St	24
Redwood Apartments/Hotel	3105 5th Ave	24
Reiss Hotel	1468 1st Ave	58
Rosarito Hotel	1619 9th Ave	18
Royal Apts	2051 Bacon St	47
Royal Guest Home	3223 Duke St	58

Property Name	Property Address	Number of Units
Royal Hotel	562 5th St	13
Salvation Army Adult Rehabilitation Center	1335 Broadway	94
San Ysidro Hotel		15
Sanford Hotel	1301 5th Ave	130
Sara Francis Hotel	943 10th Ave	168
SD A.G.S.T. Childhood Center	3101 Berger Ave	16
Spindrift Apts	2041 Paseo Dorado	95
St. Joseph's Studios	1130 11th Ave	32
St. Paul's Villas	2340 4th Ave	180
Star Hotel	522 7th Ave	44
Studio 819	819 University	157
The Lighthouse at San Diego	3880 Rosecrans St	33
The Newport	1343 C St	9
Tierra Palms Apartments	2950 Bayside Walk	31
Trolley Court	940 Park Blvd	185
Villa Victoria	719 14th St	24
Villas Chapultepec	4028 Ampudia St	17
Vista Balboa Crisis Center	545 Laurel St	8
Wilsonia Apartments	1545 2nd St	36
Yale Hotel	1111 F St	14
YWCA	1012 C St	147
90		3872

SRO Properties Exempt from Replacement Housing Requirements

Property Name	Property Address	Number of Units
SRO Owners who submitted notices pursuant to AB 1217		
Arlington Hotel	701 7th Ave	88
C Street Inn	636 C St	95
Centre City Apartments/Hotel	1440 4th Ave	77
Golden West Hotel	720 4th Ave	325
Heritage Hotel	547 9th Ave	36
Hotel Mediterranean	1331 E St	22
J St Inn	222 J St	221
Jasmine Inn (aka Workman Hotel)	1335 J St	85
Paris Hotel	759 4th Ave	18
New Plaza Hotel	1037 4th Ave	185
Simmons Hotel	542 6th Ave	27
Southern Hotel	1159 6th Ave	89
Windsor	843 4th Ave	31
13		1299



110 West C Street, Suite 1811
San Diego, CA 92101
Phone: (619) 239-6693
Fax: (619) 239-5523
www.housingsandiego.org

October 26, 2015

Mr. Rick Gentry
President and CEO
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

Re: City of San Diego's Single Room Occupancy (SRO) Ordinance proposed changes

Dear Mr. Gentry:

On behalf of the San Diego Housing Federation, I am writing to share our comments regarding proposed changes to the City of San Diego's Single Room Occupancy (SRO) Ordinance. Founded in 1990, the San Diego Housing Federation (SDHF) serves as the collective voice of those who support, build, operate, and finance affordable homes in the San Diego region.

SDHF appreciates the opportunity to provide comments and feedback during the review process of the SRO ordinance. We hope that any proposed changes to the ordinance will result in policies that will enhance opportunities to preserve and improve the existing stock of affordable housing options that serve at-risk populations. As currently drafted, SDHF has concerns that the proposed changes to the SRO ordinance could be counterproductive to the city's goals to end homelessness. More clarification is needed on the proposed changes to better understand the impact that the changes would have. Below are our comments on the proposed changes.

- **Definition of SRO.** As is mentioned in the "Potential Changes for Discussion" document dated October 11, 2015, the proposed definition changes could reduce SRO inventory to 51 properties. We would like to know more about the language defining an SRO and how this determination was created.
- **SRO Hotel Replacement Fund Fee.** We have concerns about the proposal to set a fee for SRO replacement that would be indexed. More information is needed to understand the policy and procedure to index the fee.
- **SRO Replacement Requirement.** We are concerned that the proposal to reduce the replacement requirement from 100 percent to 50 percent will have a significant impact

San Diego's Voice for Affordable Housing



on the city's SRO inventory. We would like to understand what, if any, other measures would be taken to help fully replace SRO inventory.

- **Density bonus.** It is unclear if allowing replacement units to be satisfied by density bonus would have an impact on the creation of new affordable housing stock through the density bonus program. How the SRO ordinance and the density bonus ordinance would interact with each other needs to be clarified.
- **Sale of Unused Density.** The provision to allow for the sale of unused density and use proceeds for rehabilitation of an SRO could provide a promising incentive for preservation and improvement of SROs. We would like to see more information on how this is proposed to be implemented.
- **Tenant Relocation.** We would like to see more information about tenants who will be affected by these new policies and what steps will be taken to ensure dislocated tenants will not end up on the streets.
- **SDHC Option to Purchase SRO.** Ordinance language here will be important to the impact the proposed change would have on SRO properties that undergo acquisition rehabilitation restructures involving related parties. Clarification is needed to better understand how right of first refusal would apply to these transactions.

We thank you for taking these comments into consideration during this process and look forward to continuing to work with you to preserve and increase San Diego's supply of affordable homes.

Sincerely,



Tom Scott
Interim Executive Director



October 14, 2015
San Diego Housing Commission
1122 Broadway, Suite 300
San Diego, CA 92101

RE: Proposed Regulation Changes to the Single-Room Occupancy Ordinance

Dear San Diego Housing Commission:

On behalf of Access to Independence, I am writing to provide formal comment to the proposed changes to the Single Room Occupancy (SRO) ordinance that is used to preserve affordable homes for San Diegans in need. Founded in 1976, Access to Independence serves people with disabilities and their interests in San Diego and Imperial counties.

The City of San Diego's SRO ordinance is an important tool to help preserve existing affordable homes and generate local resources for the creation of new affordable homes for low-income San Diegans. We applaud the San Diego Housing Commission and the city of San Diego's leadership in adopting and implementing these local-level solutions. These policies create mixed-income and vibrant communities, work to help meet the housing needs of San Diego's workforce, and prevent those at-risk from becoming homeless and ending up on the streets.

Access to Independence agrees that the current SRO Ordinance should be reviewed and changed to assist owners and tenants in maintaining and enhancing this affordable housing option. We hope that these types of conversations continue and that the City can make meaningful changes to the ordinance to have the greatest impact on the community.

Regarding the SRO Replacement requirement change from 100% to 50%, we would not support this change. By reducing the percentage of replacement requirement you are essentially removing affordable housing from the market when an SRO is redeveloped. We understand that this replacement requirement can be difficult for owners and developers to maneuver so we would hope the Housing Commission and City of San Diego would use all available resources to assist in this process.



Additionally, regarding the change to allow replacement units to be satisfied by density bonus, we also do not support this change. Density bonus should be used to create new affordable housing units, not replace existing units. By making this change you would be limiting the number of new affordable housing units created and this would be detrimental to the people we serve.

Access to Independence works with low income seniors and people with disabilities who rely on the availability of SRO's as an affordable housing option. The wait lists for subsidized housing are very long and many low income San Diegans with disabilities simply cannot afford market rate rent. SRO's are often the only viable option for these individuals to have access to a place to live. We ask that the Housing Commission and city of San Diego look at the broader SRO issue and also focus on the livability of these units because many of them are sub-standard. The residents deserve to live in habitable environments free of bed bugs, decay and other structural issues. As the Housing Commission and city of San Diego make changes to the SRO ordinance, we hope that you will also look at ways the habitability of these SRO units can be monitored and improved.

We thank you for taking these comments into consideration and look forward to continuing to work with you to preserve and increase San Diego's supply of affordable homes.

Sincerely,

A handwritten signature in blue ink that reads "Louis Frick".

Louis Frick
Executive Director
Access to Independence

From: Sugeno, Kimi [REDACTED]
Sent: Thursday, October 22, 2015 8:20 AM
To: Tina Kessler
Cc: "<mailto:toddgloria@sandiego.gov>" [REDACTED]
Subject: Proposed changes to SRO Ordinance

I am writing in response to the proposed changes to the SRO Ordinance. The proposed changes appear to benefit developers by reducing the requirements (replacement units and financial obligations). Especially because the number of homeless neighbors in downtown San Diego has increased exponentially over the past few years, it would be useful to understand the thought process behind the proposed change, and how it will positively impact parties other than developers.

Clarify definition of an SRO: The explanation suggests that the proposed definition will reduce the number of units. What is the inventory under the current definition? Is the due process noted in the summary new or existing? Particularly if it is the latter, what does it comprise?

Replacement fee: What is the expected impact of the proposed change—generally higher fees or lower fees?

Replacement requirement: Other than aligning with the numeric value of the replacement fee, what is the thinking behind only requiring a 50% replacement? Has it been found that the current requirement results in too much housing or is stymieing development?

SRO Replacement location: Is there any requirement other than being near public transportation? E.g. must be in the City of San Diego? Must be near supportive services?

Thank you in advance for considering all sides in this matter that has the potential to negatively impact all downtown residents.

Kimi Sugeno

Cortez Hill Resident

From: info@pacificahotelsd.com [mailto:info@pacificahotelsd.com]

Sent: Wednesday, October 21, 2015 1:18 PM

To: Tina Kessler

Subject: SRO-Ordinance Meeting.

Good Afternoon Tina Kessler,

Thanks for arranging the meeting of this mid morning, It was well coordinated & more Informative.

We as an owner- operator of so called "SRO" Hotel would like to present the following points to the Housing Commission & the all Hon members of the City Council.

(1) The Label "SRO" was created by the Politicians who has no clue how these Businesses are struggling to operate under Adverse Conditions.

(2) The "SRO" Hotels are like a "Step Child's" to all Municipal Agencies including but NOT limited to Law Enforcement, Housing Commission, Legal Aid and the "Judiciary" System.

The whole system is "RIGGED" against the small property owners.

(3) Most of these units are in Gas Lamp Quarter Historical District & most are Designated as Century Old Historical Properties.

(4) The complaint of ADA Laws are next to impossible for all these properties but if one apply to renovate these properties, The City of San Diego's Development Dept insist to apply all Cal Housing Codes up to latest of 2014.

(5) We sympathies with Low income Residents but once they are in these unit more than 30 Days they take advantage of current Laws & The Court allowed them to take a "FREE" ride for more than 3. Months and at the end of eviction process the Owners wind up with completely "TRASHED" unit which cost Money to bring it up to habitable condition & Legal Fees.

(6) In City of San Francisco there is a program where the City buy or lease these units & rent them to low income tenants and perform all maintenance and assume all "LEGAL" Liabilities.

We "HUMBLY" request the Hon Council to look in to this program & implement in San Diego.

Thanks for allowing us to express our concern in this matter.

Sincerely,

M.G.Bhakta.

Pacifica Hotel

San Diego,CA.

From: Wery, Dan [REDACTED]
Sent: Wednesday, October 14, 2015 10:06 AM
To: Tina Kessler
Subject: City of San Diego – Single-Room Occupancy (SRO) Ordinance

Dear Tina:

I am concerned that the proposed revisions to the SRO Ordinance appears to result in a significant reduction in the requirement to replace or compensate for the loss of existing SROs without any explanation as to the rationale behind the proposed revisions. It is my understanding that the guiding policy is a no net loss of SROs. Can you provide the rationale for the proposed reduction of the direct SRO unit replacement from 100% to 50%? It would appear that rather than reduce the direct replacement ratio to match the lower 50% in lieu fee, it would make more sense to increase the in lieu fee to assure the goal of no net loss. The existing provision of Section 143.0505(d)(4) is inconsistent with zero net loss purpose of Ordinance. It will systematically underfund replacement of existing SROs by at least 50%, more if consider inflation and loss of service time and inventory and uncertainty of new construction.

Thank you Tina for your assistance in providing the guiding policy, principles, goals of the ordinance and the proposed revisions. Who is proposing these amendments and why?

Sincerely,

Dan

Dan Wery, AICP, LEED AP | Senior Associate, Project Manager | Michael Baker International
9755 Clairemont Mesa Boulevard, Suite 100 | San Diego, CA 92124-1324 | [O] [REDACTED] | [M] [REDACTED]
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-----Original Message-----

From: Curt Floit [REDACTED]
Sent: Monday, October 26, 2015 2:48 PM
To: Hill, Stephen
Subject: Smart Growth and Land Use Committee Priorities for 2015

Dear Stephen Hill:

RE: Todd Gloria Memorandum dated January 23, 2015, Subject Smart Growth and Land Use Committee Priorities for 2015.

We own and manage the Friendship Hotel, a 77-unit SRO located at 3927-42 8th Avenue in Hillcrest, and would like to draw your attention to the last bullet point of Mr. Gloria's Memorandum: SRO Ordinance.

We are in agreement with Todd Gloria that sustaining operations has become more and more difficult due to the rising costs of building improvements and with the bed bug problems that we are continually addressing with our current pest control vendor, Orkin Pest Control.

We have recently raised our rates above the daily \$25 Transient Occupancy Tax (TOT) SRO exemption rate, and have found that a small increase of \$2 to \$5 per day has been burdensome to our renters considering the additional TOT to their charges.

The SRO TOT exemption threshold has not been raised since 2002, at \$20 in 1989 to \$25 in 2002. It is our understanding that City Council reviews this practice every 5 years, but we cannot find any results of such reviews. We try to keep our rates as affordable as possible given the low income status of most of our patrons.

We suggest asking the City Council, SG&LU, and the Housing Commission to consider raising the TOT exemption rate for SROs to \$35.

Thank you for this consideration.

Sincerely,
Curt Floit

Floit Properties
3565 7th Ave
San Diego Ca 92103

[REDACTED]
[REDACTED]