



August 9, 2013

RE: Workforce Housing Offsets

Dear Members of the Affordable Housing Best Practices Task Force:

To help address the City of San Diego's continuing need for affordable housing, the San Diego Housing Commission (SDHC) is recommending three updates to the City of San Diego's Municipal Code.

These recommendations are based on the updated Nexus Study recently completed by Keyser Marston Associates Inc., which evaluates the connection between commercial development and the need for affordable housing for low-income workers.

SDHC will present its recommendations and the updated Nexus Study at the next meeting of the Affordable Housing Best Practices Task Force, scheduled for August 29, from 10 a.m. to 12 p.m., at SDHC's headquarters, 1122 Broadway, San Diego, CA 92101.

SDHC Recommendations

- Rename the source of funding for the San Diego Housing Trust Fund as the "Workforce Housing Offsets" to better describe its purpose. The source of funding is currently known as "Commercial Linkage Fees" or "Housing Impact Fees."
- Reset the Workforce Housing Offsets to a level that represents 1.5 percent of total current development costs for commercial development, as outlined in the updated Nexus Study. The offsets are collected for each square foot of new commercial development.
- Require the Workforce Housing Offsets to be adjusted annually on a ministerial basis by SDHC based on changes to the Engineering News-Record (ENR) Building Cost Index.

Workforce Housing Offsets

Development Types	Current Levels (1.5% of 1990 construction costs, divided by half in 1996)	Proposed Updates (1.5% of 2013 construction costs)
Office	\$1.06	\$5.32
Hotel	\$0.64	\$4.73
Retail	\$0.64	\$4.96
R&D	\$0.80	\$4.14
Manufacturing	\$0.64	\$3.05

Warehouse	\$0.27	\$2.28
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Background

San Diego Municipal Code section 98.0619, enacted on April 16, 1990, requires SDHC to recommend revisions of Workforce Housing Offsets to the City Council annually.

The Municipal Code set Workforce Housing Offsets at 1.5 percent of total development costs in 1990.

In 1996, Workforce Housing Offsets were cut in half by the City Council.

On September 2, 2009, the San Diego City Council's Land Use & Housing Committee (LU&H) directed SDHC to update earlier Nexus Studies after the City Auditor concluded in a July 29, 2009, report that the Housing Trust Fund-related revenues "are outdated, substantially lower than comparable cities, and were not adjusted as required by the municipal code, resulting in an estimated underfunding of \$2.79 million for fiscal years 2006 through 2008."

At the request of LU&H on September 2, 2009, SDHC created the Affordable Housing Best Practices Task Force to update the Nexus Study and explore other potential sources of funding to create more affordable housing.

On July 11, 2011, SDHC presented a report with final recommendations on Workforce Housing Offsets to the San Diego City Council. The recommendations failed on a 4-4 vote. SDHC was asked to return with alternative, sustainable revenue sources.

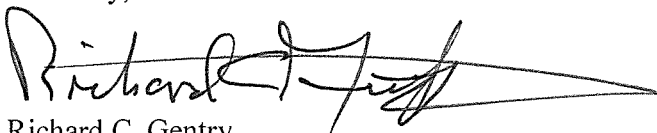
Outreach and Public Comment

In addition to the Affordable Housing Best Practices Task Force, SDHC anticipates meeting with local business groups and other interested organizations to present SDHC's recommendations.

Written comments can be submitted to WorkforceHousingOffset@sdhc.org.

SDHC's recommendations and any public comments will be forwarded to the City Council.

Sincerely,



Richard C. Gentry
President & CEO
San Diego Housing Commission