



# REPORT

**DATE ISSUED:** August 8, 2003

**ITEM 108**

**REPORT NO.:** HCR03-063  
For the Agenda of August 15, 2003

**SUBJECT:** Affordable Housing Task Force Report

## DISCUSSION

In December 2002, the City Manager established the Affordable Housing Task Force (AHTF). The Task Force was charged with looking at San Diego's affordable housing crisis in a comprehensive manner and making recommendations for specific actions that the City Council could take to address the City's housing issues. The AHTF was comprised of 20 experts from a wide variety of fields representing advocacy groups, business interests, communities, and for-profit and non-profit developers.

The attached AHTF report, which was distributed in June 2003, includes an Executive Summary of the recommendations and the individual reports made by each of the Task Force's four committees. The recommendations cover a broad range of issues, including: goals for housing production; development, regulations, and incentives; financing and revenue; and homeowners, renters, and preservation issues.

The City Council's Committee on Land Use & Housing will consider the recommendations made in the AHTF report at its September 3, 2003 meeting. Many of the Task Force recommendations are directly related to the work of the Housing Commission. The Housing Commission could provide input on any recommendations, including those that it feels should receive priority, for consideration by the Land Use and Housing Committee in its deliberations.

Respectfully submitted,

**Signature on File with Original Document**

Elizabeth C. Morris  
Chief Executive Officer

Attachment: Affordable Housing Task Force Report\*

\*Distribution limited due to its length. Complete copies are on file at the Office of the City Clerk, 2<sup>nd</sup> Floor, 202 C Street, and the Office of the San Diego Housing Commission, 1625 Newton Avenue.



# Affordable Housing Task Force

## Executive Summary

By almost any statistical measure, San Diego has become one of the most unaffordable cities in America. Between 2000 and 2002, the median price of an existing single family home increased by 35% compared to the U.S. average increase of 14%. The San Diego median price for a single family home is \$361,900 compared to the U.S. average of \$157,700.

Most experts attribute this price escalation in San Diego to a shortage of supply in the face of increasing demand. For example, although approximately 95,000 units were produced in the County of San Diego between 1990 and 2000, a University of San Diego study and the State Housing and Community Development Department found that during this period there was demand for approximately 170,000 units.

Furthermore, the construction of affordable housing as a percentage of the overall production is declining. In the City of San Diego between 1998 and 2002, an average of 6,313 units was built annually. While 38% of the City's households earn less than 80% of the average median income (\$60,100 for a family of four), only 985 units or approximately 16% of the units built were affordable for this income level.

Despite the history of growth management debates in San Diego, the level of housing production must be increased in order for residents of all incomes to benefit. Growth is now occurring principally by natural increases, rather than by migration. Therefore, the growth cannot be ignored.

The supply of available raw land has been virtually exhausted. Housing goals must be achieved in large part through redevelopment and increased density along transit corridors.

Addressing the housing crisis will require political courage. There are no easy solutions. The system must be changed and bold solutions must be developed. After meeting over the past six months, the Task Force identified several key themes for the Mayor and City Council to consider in order to begin to resolve this systemic housing problem.

The goals of affordable housing can only be achieved by a substantial infusion of City financial resources. This includes leveraging federal and state funds and tax credits, then using local funds to fill the gap.

It also includes reinvesting in infrastructure in older communities in order to support redevelopment. The Task Force recommends that the City begin to address the serious infrastructure problem in urbanized communities. There is a shortfall of approximately \$2 billion in infrastructure in these communities. For the City to accommodate the increased levels of affordable housing recommended, much of it must occur through

redevelopment in the older communities. These communities will require significant increases in infrastructure funding to support these new units. A new source of funds for infrastructure is critical to addressing the City's housing crisis.

The development system must be coordinated and streamlined in order to provide more affordable units. Within this context, the environment must be respected.

Finally, we need to ensure that renters and tenants are able to live in clean, adaptable and habitable housing and are treated fairly by landlords.

In keeping with these themes, the following are the key recommendations of the Affordable Housing Task Force:

- I. Community Site Identification:** Direct each community planning group to designate sites for 2,500 multi-family units over the next two and a half years, in order to be eligible for infrastructure funding. 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.
- II. Housing Czar:** Create a 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.
- III. Investment in Infrastructure:** In order to address the over \$2 billion infrastructure deficit in the City of San Diego, adopt a \$1 billion infrastructure bond paid for by an approximate \$11 per month parcel tax, which requires 2/3 voter approval.
- IV. Financial Support for Affordable Housing Projects:** The Task Force recommends that existing revenue sources should be increased for affordable housing, such as the Redevelopment Agency (RDA) Set-Aside, the allocation of CDBG funds (contingent upon approval of Infrastructure Bond above), and the reestablishment of the Housing Trust Fund Commercial Fees to its original levels. The Task Force also recommends, subject to voter approval, an increase in Transient Occupancy Tax and the implementation of a Car Rental Tax.
- V. Targeted Code Compliance:** Allocate \$1 million to increase targeted code enforcement efforts in the City using the current Rental Unit Tax.
- VI. Accessibility:** The Task Force recommends an increased emphasis on accessibility for affordable units and all housing in the City. To this end, the Task Force recommends that 25% of all public development shall incorporate the principles of universal design and progress shall be monitored closely and reported to ensure achievement of this goal.

While the themes listed above found wide support within the Task Force and are deemed immediately necessary to address the housing crisis in San Diego, there are additional actions the Task Force recommends the Council review closely and implement as appropriate to continue to address other aspects of the affordable housing problem. A summary of all of the recommendations supported by the Affordable Housing Task Force are listed below along with the Task Force votes on each issue and can be found in more detail in the subcommittee reports in the following appendices. The recommendations here have, in some circumstances, modified the recommendations by the individual subcommittees.

### **1. Housing Goal**

- a. The Task Force adopted an estimate of housing need for the next ten years based on anticipated population growth and anticipated employment growth. The total housing need figure adopted for the 2003-2013 period is 113,696 of which 32,275 is past unmet need and 81,421 is projected future need during the next ten years. (Adopted 12 in favor-0 opposed-8 absent)
- b. The Task Force determined that it is an unrealistic expectation for San Diego to entirely meet its housing need during the next ten years. Therefore, a somewhat more modest overall housing goal of 84,147 units, or 8,415 per year, for that period was adopted. This figure was calculated by using the highest of three different annual housing need estimates from HCD, extrapolating that figure for ten years and assuming that 44% of regional housing need should continue to be met within the City of San Diego. The goal is further broken down by segments of the population such that 38% of the goal, or 3,197 units annually, should be for households with incomes at or below 80% of the Area Median Income (AMI). (Adopted 12 in favor-0 opposed-8 absent)

### **2. Financing/Revenue**

- a. Of the 3,197 affordable units to be produced each year, we assume 700 of these units will be created by the existing inclusionary housing requirements and 100 through density bonuses. Assuming local funding of \$50,000 per unit is required to match State and federal dollars, this will require an annual subsidy of approximately \$120,000,000. Currently, Housing Commission Home Funds and Redevelopment Agencies Joint Housing Bonds will generate \$12,500,000 per year, leaving a required subsidy of \$107,500,000.
- b. To meet the remaining goal, the following existing revenue sources should be increased:

- i. Increase Redevelopment Agency (RDA) Set-Aside from 20% to 35% for a total of \$17,500,000 per year (Adopted 19 in favor-0 opposed-1 absent)
- ii. Increase the allocation of CDBG funds from 20% to 40% per year for a total of \$8,000,000 per year (Adopted 19 in favor-0 opposed-1 absent)
- iii. Reestablish the Housing Trust Fund Commercial Fees to its original levels for a total of \$7,000,000 per year (Adopted 14 in favor-5 opposed-1 absent)

These revenues sources as increased will provide \$32,500,000 per year. The Task Force recommends the increased allocation of CDBG funds assuming that the infrastructure bond described below will be approved.

- c. This leaves \$75,000,000 in additional required funding. The Task Force recommends a series of streamlining changes which will result in costs savings of approximately \$14,000,000 annually.
  - i. Standardization of documents between agencies, such as loan documentation, due diligence reports and specific developer agreements. (Adopted 17 in favor-0 opposed-3 absent)
  - ii. Delay payment of impact fees for affordable housing prior to final inspection or meter release. (Adopted 17 in favor-0 opposed-3 absent)
  - iii. Full implementation of expedite process as described in Council Policy 600-27. (Adopted 17 in favor-0 opposed-3 absent)
- d. The Task Force recommends adoption of the following revenue sources by the voters at the next general or special election to fill the remaining gap in funding of \$61,000,000:
  - i. Increase the Transient Occupancy Tax from 10.5% to 12.5% for increased revenue of \$21,000,000. (Adopted 15 in favor-1 opposed-4 absent)
  - ii. Create the equivalent of a 5% car rental tax for increased revenue of \$40,000,000. (Adopted 15 in favor-1 opposed-4 absent)

The Task Force feels that there is a nexus between these taxes and the employment opportunities created by the hospitality industry whose employees require a significant amount of affordable housing. The Task Force also recommends that a citizen group be formed to structure these tax measures in coordination with the infrastructure bond.

**3. Infrastructure: Making density attractive** (Adopted 17 in favor-1 opposed-2 absent)

- a. In order to address the over \$2 billion infrastructure deficit in the City of San Diego, adopt a \$1 billion infrastructure bond paid for by an approximate \$11 per month parcel tax, which requires 2/3 voter approval.

- b. Bond proceeds would be used for streets, sidewalks, park and recreation facilities, libraries and fire facilities. Funds would be distributed 70% to presently designated urbanized communities and 30% to planned urbanizing communities. This should be coordinated with the current fire and library financing plans.
- c. To qualify for eligibility for these funds, communities must identify multi-family housing sites as described in the process below in 4.a.
- d. Citizen task force should be formed using the Proposition MM approach to identify top priority facilities to be constructed in each community.
- e. The citizen task force should also develop a strategy for the two tax increases in conjunction with the infrastructure bond.
- f. Development Impact Fees should be reviewed for urbanized communities in order to ensure that "growth pays for itself" by requiring new development to pay its fair share toward public facilities.
- 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.

#### 4. Land availability and site identification

- a. Direct each community planning group to designate sites for 2,500 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 above. City Planners will assist the community planning group if the group is unable to identify these sites. (Adopted 19 in favor-0 opposed-1 absent)
- 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. (Adopted 19 in favor-0 opposed-1 absent)
- c. Direct CCDC to make 38% of new units affordable to households earning from 0 to 80% AMI, which emphasize sufficient square footage to

accommodate families, of any composition. (Adopted 16 in favor-0 opposed-4 absent)

- d. Direct City staff to evaluate surplus public lands which are vacant or underdeveloped such as the Rose Canyon operating station (21 acres) and Montgomery Field (528 acres) for the creation of affordable housing. Staff has developed a comprehensive list of vacant public lands which should be evaluated. The City should work with the school district to construct teacher housing on surplus school sites. (Adopted 19 in favor-0 opposed-1 absent)

#### 5. Development Processing and Incentives

- 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, priority building inspections, and maximum use of self-certification as follows:
  - 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, etc.;
  - ii. Allow licensed landscape architects to self-certify for landscape plan checks;
  - iii. Continue to allow City staff to contract with outside companies to provide inspection services;
  - iv. And 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.  
(Adopted 17 in favor-0 opposed-3 absent)
- 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. (Adopted 17 in favor-0 opposed-3 absent)
- 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. (Adopted 17 in favor-0 opposed-3 absent)

- 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. (Adopted 17 in favor-0 opposed-3 absent)**
- 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. (Adopted 17 in favor-0 opposed-3 absent)**
- 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. (Adopted 17 in favor-0 opposed-3 absent)**
- 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). (Adopted 19 in favor-0 opposed-1 absent)**
- h. **Reduce impact fees by 10% for all affordable housing projects affordable to households earning less than 80% of area median income (AMI). (Adopted 17 in favor-0 opposed-3 absent)**
- 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. (Adopted 17 in favor-0 opposed-3 absent)**
- 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. (Adopted 17 in favor-0 opposed-3 absent)**
- 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. (Adopted 19 in favor-0 opposed-1 absent)

- 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 City-wide. (Adopted 17 in favor-0 opposed-3 absent)
- 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. (Adopted 19 in favor-0 opposed-1 absent)

#### 6. Staffing recommendations

- 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. (Adopted 17 in favor-0 opposed-3 absent)
- 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 8.B. below is implemented, landscape planners can be reassigned to the Code Update Team. (Adopted 17 in favor-0 opposed-3 absent)
- 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. (Adopted 19 in favor-0 opposed-1 absent)

## 7. Affordable Housing Preservation

- 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.
- b. The following requirements should be applied to all unmapped (per State Map Act) condominium conversions:
  - i. Apply 10% inclusionary housing requirements on condo conversions.
  - ii. Relocation assistance for seniors, disabled, and low-income households.
  - iii. Require that:
    - (1) Property meet building and zoning requirements at the time it was built
    - (2) Plumbing, mechanical, electrical systems be in good working order
    - (3) Roof systems be inspected by a licensed contractor, or home inspector
    - (4) Walls and roof have some insulation, or meet title 24 at the time of construction
  - iv. Down payment assistance for tenants to encourage homeownership.(Adopted 17 in favor-0 opposed-3 absent)

## 8. Landlord/Tenant's Issues

- 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. (Adopted 16 in favor-0 opposed-4 absent)
- b. Council should direct legislative staff to pursue and/or support the following legislative issues:
  - 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.

ii. School Construction:

- (1) 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.

(Adopted 16 in favor-0 opposed-4 absent)

- 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."

(Adopted 9 in favor-7 opposed-4 absent)

**9. Accessibility issues**

- 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. (Adopted 14 in favor-2 opposed-4 absent)
- b. Direct the Housing Commission, Planning Department and Development Services Department to provide information to developers regarding and encourage construction of units incorporating universal design. (Adopted 16 in favor-0 opposed-4 absent)
- 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. (Adopted 17 in favor-0 opposed-3 absent)

- 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. (Adopted 17 in favor-0 opposed-3 absent)

#### 10. Inclusionary Housing

- a. The Inclusionary Housing Ordinance should exempt projects of 4 units or less (current draft Ordinance applies to all residential projects of 2 units or more). (Adopted 10 in favor-7 opposed-3 absent)
- b. The Inclusionary Housing Ordinance should continue to allow all projects, including "large-scale development" to pay the in-lieu fee for affordable units. (Adopted 9 in favor-6 opposed-5 absent)
- 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. (Adopted 15 in favor-0 opposed-5 absent)
- 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. (Adopted 15 in favor-0 opposed-5 absent)
- 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. (Adopted 15 in favor-0 opposed-5 absent)
- f. The City Council should evaluate the Housing Commission administration fee (currently 11%) annually to ensure that it is consistent with actual staff requirements.
- g. Support legislative initiatives to protect local inclusionary housing ordinances. (Adopted 17 in favor-0 opposed-3 absent)