



REPORT

DATE: For the Agenda of June 7, 2002 **Item 106**

REPORT NO.: HCR02-049

SUBJECT: Article XXXIV Referendum Authority

SUMMARY

Issue: Should the Housing Commission seek voter approval for development of low rent housing pursuant to Article XXXIV of the California Constitution?

Recommendation: That the Housing Commission ratify the Rules Committee recommendation of June 5, 2002, and recommend that the City Council place an Article XXXIV referendum on the November 5, 2002, ballot.

Fiscal Impact: None with this action.

Affordable Housing Impact: None specific to this action. However, voter approval is necessary in order for the City to consider (for approval or disapproval) the construction or acquisition of certain types of low rent housing projects in the future and to fully take advantage of and get its share of a proposed \$2.1 billion bond measure if voters approve the measure.

Previous Related Actions: City Council has referred similar measures to the voters, and the voters supported the referendum in 1972, 1976, and 1981. The Rules Committee will have considered this item on June 5, 2002. Staff will be available at today's Housing Commission meeting to report on the Rules Committee discussion.

Future Related Action: If the Rules Committee and Housing Commission recommend this referendum go before the City Council, the Council will discuss this item on June 17, 2002.



BACKGROUND

In 1950, California voters added Article 34 to the State Constitution. Article 34 states in part:

“No low rent housing project shall hereafter be developed, constructed, or acquired in any manner by any state public body until a majority of the qualified electors of the city, town, or county, as the case may be, in which it is proposed to develop, construct, or acquire the same, voting upon such issue, approve such project by voting in favor therefore at an election to be held for that purpose, or any general or special election.”

Article 34 has a long history of interpretation by the California Attorney General, Supreme Court, and the Legislature. Basically, the referendum is required only if three narrowly defined factors are found to exist (1) a state public body (including the City, Housing Authority, Redevelopment Agency, or Housing Commission) (2) develops, constructs, or acquires (3) a low rent housing project.

If any one of the three factors is not present, Article 34 is not applicable. In addition, the provision does not apply to projects where 49 percent or less of the units fit this affordable housing description.

San Diego voters have approved 5,500 units of Article 34 referendum authority in three separate ballot measures. In November 1972, voters approved 500 units of publicly-owned housing for low-income elderly persons. In November 1976, voters approved 2,500 units of low rent housing for low-income persons including, but not limited to, elderly persons or persons with disabilities. In November 1981, voters approved “2,500 dwelling units on scattered sites for living accommodations for low-income persons including but not limited to low-income elderly or low-income disabled persons.”

The City is nearing the limit of 5,500 units of Article 34 referendum authority. It, therefore, recommends the first new Article 34 referendum authority in 21 years be again placed before the voters in 2002.

DISCUSSION

San Diego is in the midst of an affordable housing crisis, with approximately three quarters of all San Diegans unable to afford to purchase homes at today’s average or median prices, partly due to the fact that between 1997 and 1999, only one home had been created for every 3.61 new jobs, while experts recommend a ratio of one home to 1.5 jobs.

The family of four earning the median income of just over \$60,000 can afford to purchase a home with an estimated \$200,000 price tag, but the median pre-owned home costs \$307,250, and the median new home costs \$394,000.

For renters – and San Diego has one of the nation’s highest ratio of renters to homeowners – the situation is equally bleak, especially considering almost 40 percent of San Diegans are considered low income. Rents have increased over 30% in the last five years alone.

The San Diego Housing Commission manages 1,782 publicly owned apartments. Unlike the “low income projects” California voters addressed in 1950, these developments are attractive and well kept, primarily small, and they are scattered all over the city.

In addition, working with for-profit and nonprofit developers, the Commission, Housing Authority, and Redevelopment Agencies have helped create over 26,000 apartments (3,882 of which are subject to Article 34 authority), over 10,200 of which have been affordable.

A recent poll conducted for SANDAG confirmed that lack of affordable housing is among the greatest concerns of City residents. The City is in the process of creating an aggressive strategy to address housing needs and it is unclear at this point exactly what all of the components of the strategy will be, including which financing tools and ownership mechanisms (public or private) will be pursued. Because voter approval would be a precondition to many of these components, it is prudent to put an Article 34 measure on the November 2002 ballot. The timing of the ballot is driven in part because the State Legislature has placed a \$2.1 billion housing bond measure on the November ballot. Article 34 authorization would allow San Diego to take full advantage of such bonds and utilize our fair share of the proceeds.

In response to potential concerns, please note:

- Passage of this referendum would not obligate City financial resources.
- Approval would not require “low rent housing” development. Rather, it would simply enable affordable housing that meets the strict requirements of Article 34 to be constructed, subject to Housing Authority or Redevelopment Agency approval on specific projects.
- Article 34 does not pre-determine whether affordable housing developments be publicly or privately owned. This is enabling legislation that does not require any particular/specific projects to be built. Such projects would go through the normal public review process.

The proposed language of the ballot proposition is:

**CITY OF SAN DIEGO AFFORDABLE HOUSING FOR QUALIFIED SENIORS,
FAMILIES, AND PERSONS WITH DISABILITIES**

Do the voters of the City of San Diego approve the development, construction, or acquisition of not more than 9,000 apartment units in low rent housing projects designed for low income seniors, families, and persons with disabilities, as defined by Article 34 of the California Constitution, to be located on scattered sites in the City of San Diego?

Approval does not require development of housing or expenditure of public funds. Further, nothing in this measure relieves each individual development from complying with adopted development regulations and normal public review process.

Respectfully submitted,

Approved by,

Signature on File with Original Document

Bobbie Christensen
Acting Director

Elizabeth C. Morris
Chief Executive Officer