



The San Diego Affordable Housing Fund (AHF) is a permanent source of funding to help meet the housing assistance needs of the City’s very low, low and median-income households. The AHF is generated annually through local fees levied on private development projects and is comprised of the Housing Trust Fund and the Inclusionary Housing Fund. The ordinance requires the San Diego Housing Commission (SDHC) prepare an annual investment plan, which is presented to the City Council by June 30.

Housing Trust Fund

On April 16, 1990, the San Diego City Council passed the Housing Trust Fund (HTF) Ordinance. Funded through an impact fee assessed on non-residential development, the HTF was enacted to finance affordable housing for low-income workers whose jobs were created by commercial, industrial or retail development.

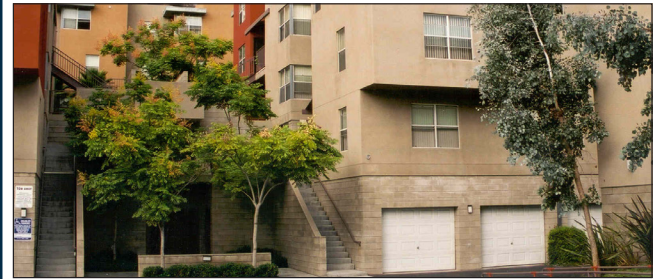
The Housing Impact Fee or Commercial Linkage Fee as it is called was established after a Nexus Study commissioned by the City Council in 1989 concluded that commercial development creates jobs that warrant the need for more affordable housing due to employment growth.

Commercial Linkage Fees are calculated by the City’s Facilities Financing Department, collected by the Development Services Department and deposited into the City of San Diego’s HTF, which is administered by the San Diego Housing Commission.

Annually, the City Council adopts a plan to allocate HTF monies to a variety of eligible uses, including rental housing development, special needs housing, first-time homebuyer programs and housing rehabilitation grants and loans for low-income residents.

In 1996, the Commercial Linkage Fee was cut in half by the City Council and currently ranges from \$.27 to \$1.06/ square foot based on the type of commercial development.

In 2004 and 2008, the Nexus Study was updated but never formally presented to the City Council.



Mission Terrace Apartments 1996
76 Affordable Housing Units
\$905,000 Linkage Fees

On September 2, 2009, the San Diego City Council’s Land Use & Housing Committee (LU&H) directed SDHC to update the earlier Nexus Studies after the City Auditor determined that the “HTF-related commercial linkage fees are outdated, substantially lower than comparable cities, and were not adjusted as required by the municipal code resulting in an estimated underfunding of \$2.79 million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.”

As part of the update, SDHC was also directed to collect data on the linkage fees being assessed by other cities of similar size to San Diego.

SDHC paid for two independent studies, which were conducted by Keyser Marston Consultants (KMA) and Bay Area Economics (BAE), respectively, and completed in October 2010.

Inclusionary Housing Fee

The Inclusionary Housing Ordinance was enacted by the City Council on May 20, 2003 and took effect on July 3, 2003. The Ordinance applies to all new residential development (including condominium conversions) of 2 units or more. It requires all home builders to set aside at least ten percent of the total number of dwelling units in the project for households with an

income at or below 65 percent area median income (AMI) for rental units, or at or below 100 percent AMI for for-sale units. Rents are restricted for 55 years.

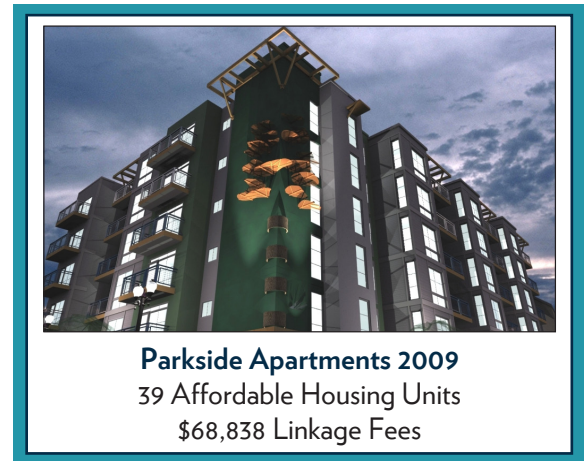
Developers have the option of paying fees “in lieu of” providing ten percent of the homes in any development at affordable rates for low to moderate-income families.





Since 1990, the City of San Diego has raised \$51,359,821 through commercial development impact fees to fund the Housing Trust Fund (HTF). Through the HTF, the agency has:

- Financed sixty five housing developments containing 3,957 affordable rental units at a cost of \$18,797,811 for low-income families, seniors and the disabled;
- Provided funding to over 900 First-Time Home Buyers;
- Provided \$19.1 million in grants to nonprofit agencies for the creation of transitional housing for individuals and families facing homelessness, chronic mental and physical health care issues, and domestic violence;
- Provided grants and loans to low-income home owners to rehabilitate their properties.



The HTF is comprised of the Commercial Linkage Fee, which is paid by developers who are building commercial projects such as offices, hotels, retail centers, and medical facilities.

The San Diego Housing Commission administers the HTF on behalf of the City of San Diego. Presently, \$1.5 million remains in the fund and is being allocated for several projects.

Where Are We Today?

The need to build more affordable housing is even greater today as a result of the severe economic downturn that has resulted in job and home losses for many families.

The recent HTF Nexus Study determined that Linkage Fees should be set at a higher level than originally established in 1990. SDHC, however, recommended that the Linkage Fee remain at its current level through 2013, and then gradually increase over five years (2017) until restored to the 1990 level. The recommendation was approved by the San Diego City Council's Land Use & Housing Committee (LU&H) on March 30, 2011 and will be heard by the City Council on May 24, 2011.

Land-Use	Current Fee/sq. ft. (Since 1996)	07/2013	07/2014	07/2015	07/2016	07/2017 (Restored to 1990 Level)
Retail	\$0.64	\$0.76	\$0.89	\$1.02	\$1.15	\$1.28
Office	\$1.06	\$1.27	\$1.49	\$1.70	\$1.91	\$2.12
Warehouse	\$0.27	\$0.32	\$0.38	\$0.43	\$0.49	\$0.54
Manufacturing	\$0.64	\$0.76	\$0.89	\$1.02	\$1.15	\$1.28
R&D	\$0.80	\$0.96	\$1.12	\$1.28	\$1.44	\$1.60
Hotel	\$0.64	\$0.76	\$0.89	\$1.02	\$1.15	\$1.28
Education	\$0.80	\$0.96	\$1.12	\$1.28	\$1.44	\$1.60
Medical	\$1.06	\$1.27	\$1.49	\$1.70	\$1.91	\$2.12

SDHC also submitted an "Affordable Housing Best Practices and Funding Study" to LU&H and was directed to establish a task force to explore an array of additional funding sources. SDHC will bring back its final recommendations to LU&H in August 2011.

