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San Diego Housing Commission (SDHC)

Preserving Affordable Housing

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Suket Dayal
Senior Vice President, Strategic Operations and Policy

Wendy DeWitt
Vice President, Strategic Operations and Policy

Marcus Sproll
Preservation Coordinator, Strategic
Operations and Policy





Preserving Affordable Housing in the City of San Diego

Introduction

- Addressing the housing affordability crisis requires both the creation of new affordable housing and the preservation of affordable rental housing that currently exists in the City.
- Affordable housing preservation was identified as a priority in Smart Growth & Land Use Committee's 2018 Work Plan.
- SDHC hired Housing Preservation Coordinator in 2019.
- SDHC created a new comprehensive database of deed-restricted affordable rental housing units citywide.



Preserving Affordable Housing in the City of San Diego

Introduction (Continued)

- SDHC commissioned a study:
 - Analyze the data
 - Identify the City's housing preservation needs
 - Estimate costs for addressing the challenges
 - Recommend a framework with strategies for policymakers to consider
- Contracted with HR&A Advisors and National Housing Trust



Preserving Affordable Housing in the City of San Diego

Introduction (Continued)

- Preserve **affordable rents** at existing housing
- Both deed-restricted and *unrestricted* naturally occurring affordable housing (NOAH)
 - Expiring covenants for deed-restricted housing
 - Loss of NOAH
 - Displacement of tenants and homelessness
- 2020 Affordable Housing Preservation Study report, “Preserving Affordable Housing in the City of San Diego”



Preserving Affordable Housing in the City of San Diego

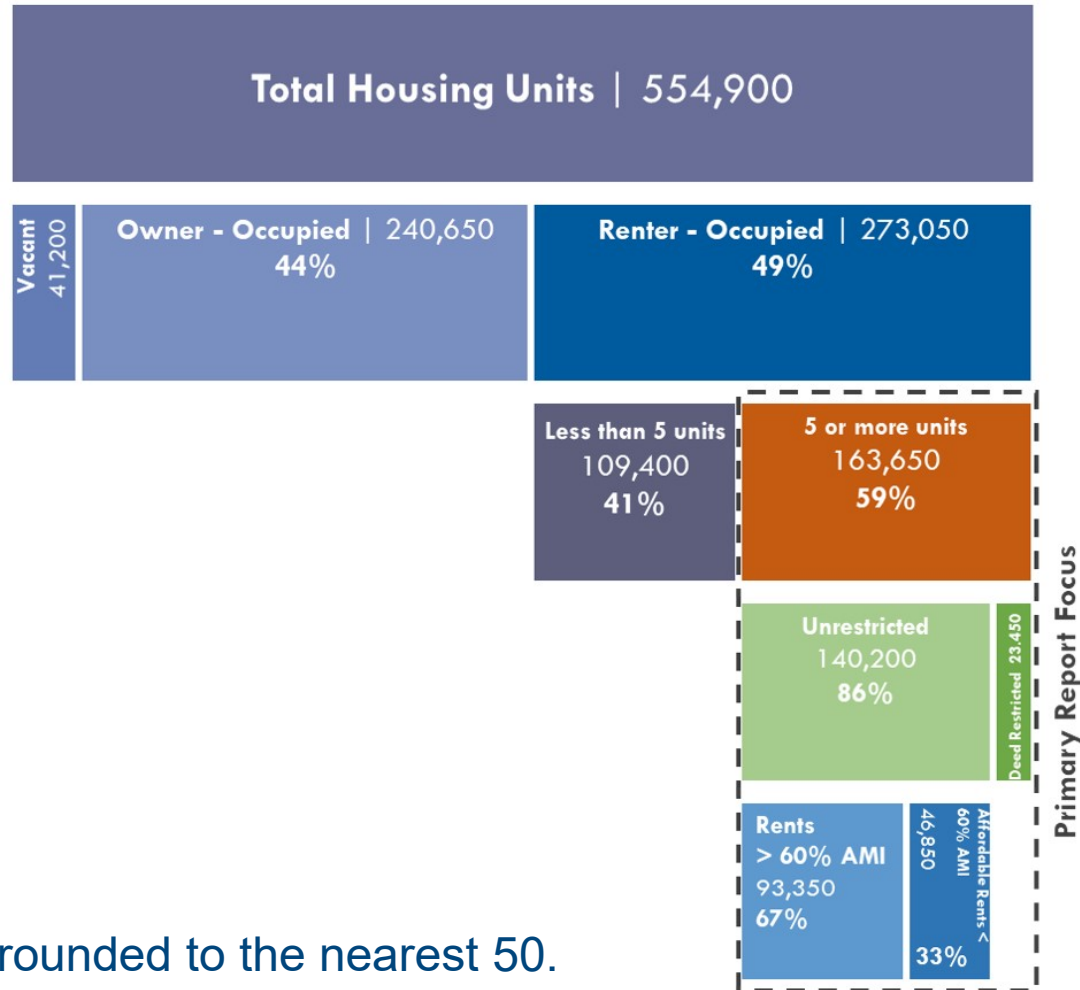
Multifamily Rental Housing Inventory

- Create a comprehensive database of deed-restricted affordable multifamily properties.
- Determine rents at each unrestricted multifamily property with 5 or more units:
 - Separate NOAH (rent level at 60 percent of AMI) properties
- Map the inventory



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Multifamily Rental Housing Inventory (Continued)



*Numbers are rounded to the nearest 50.



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Multifamily Rental Housing Inventory (Continued)

- 163,650 rental housing units
(properties with 5 or more units)
 - 23,450 deed-restricted
affordable rental housing units
(14 percent)
 - 140,200 unrestricted market-
rate units (86 percent)
 - 46,850 units (33 percent)
of naturally occurring
affordable housing
(NOAH), affordable to
households with up to 60
percent of Area Median
Income (AMI)



*Coronado Terrace – San Ysidro
310 affordable apartments (deed-restricted)
Rehabilitation completed: December 14, 2018*



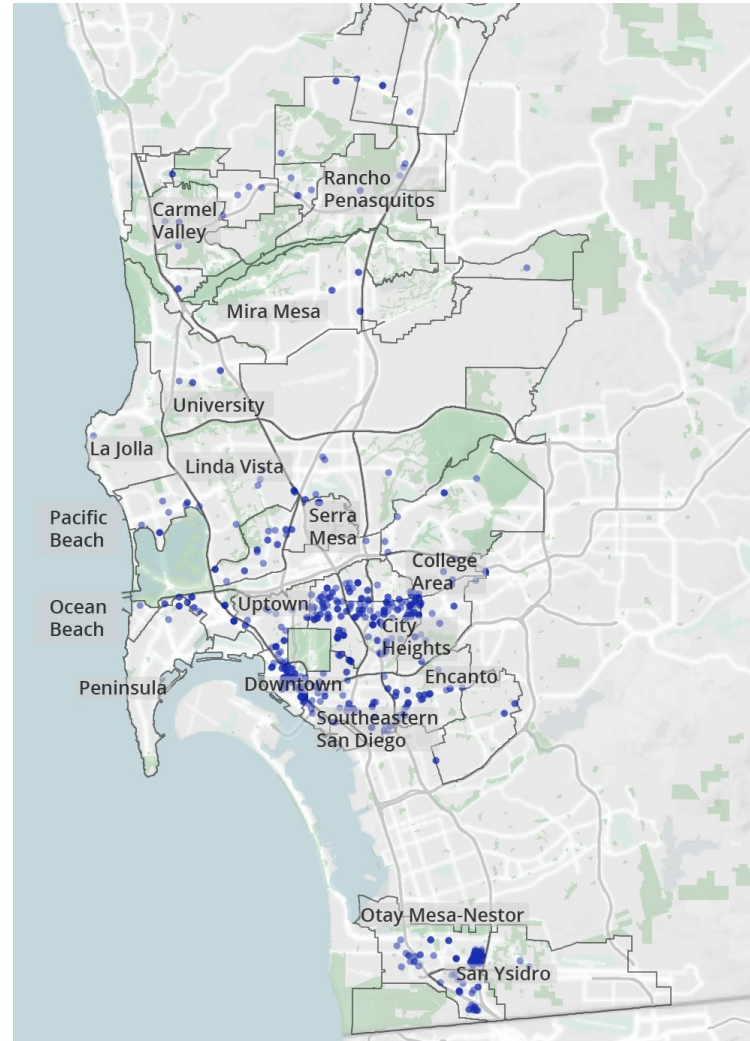


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Multifamily Rental Housing Inventory (Continued)

Parcels with Deed-Restricted
Affordable Units



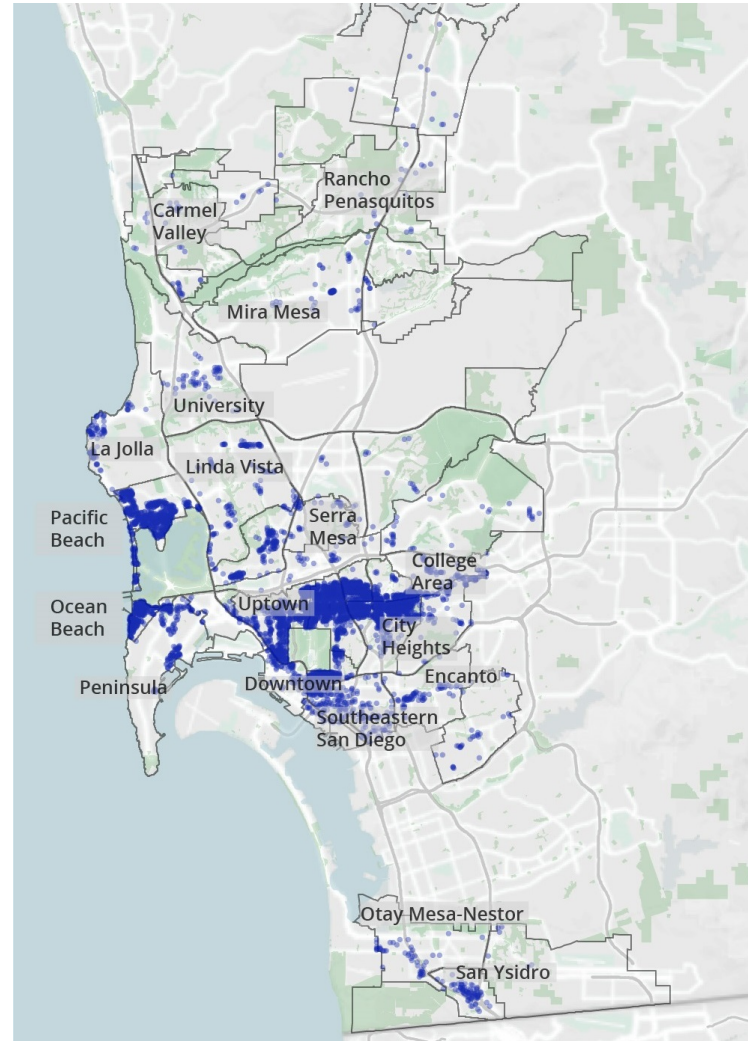


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Multifamily Rental Housing Inventory (Continued)

Parcels with
Unrestricted NOAH Units



Preserving Affordable Housing in the City of San Diego Trend Analysis

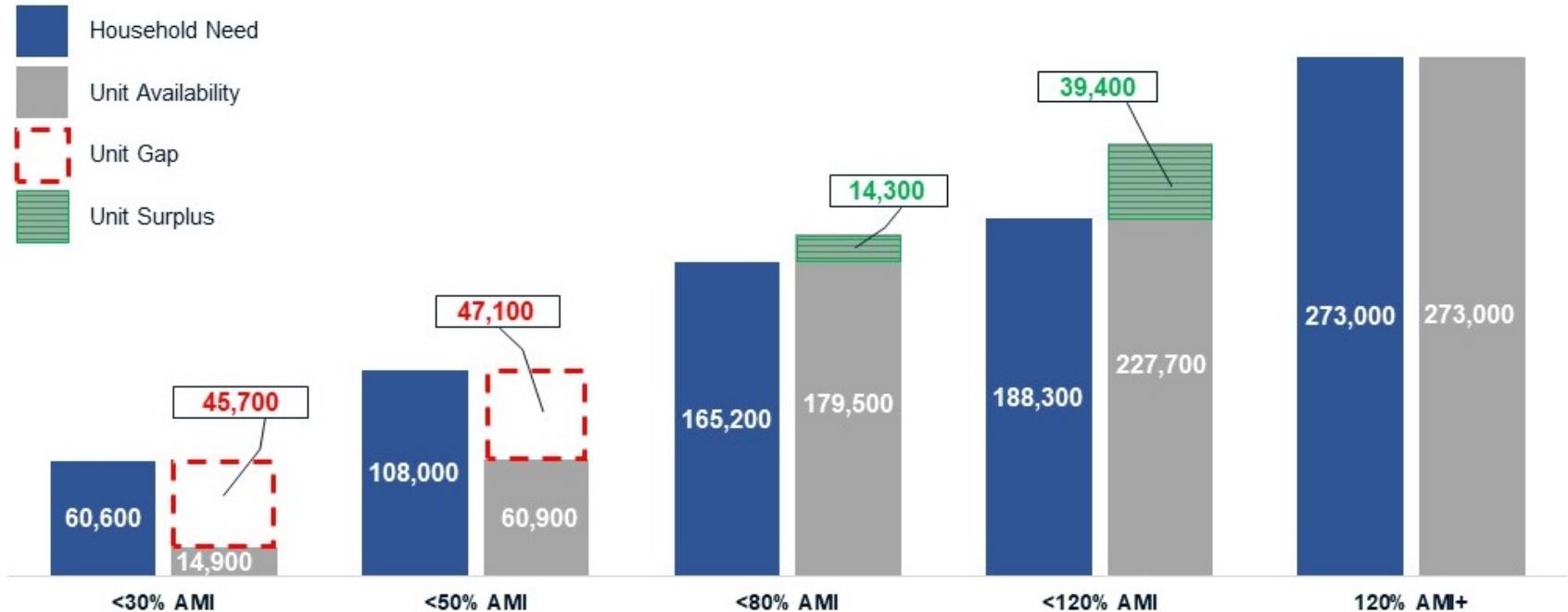
- Census data for affordable housing need and availability
- SDHC database for production and expiration of deed-restricted affordable housing
- Market and Census data for NOAH
- Projection of future trends for both restricted and unrestricted affordable housing to 2040



Preserving Affordable Housing in the City of San Diego

Trend Analysis (Continued)

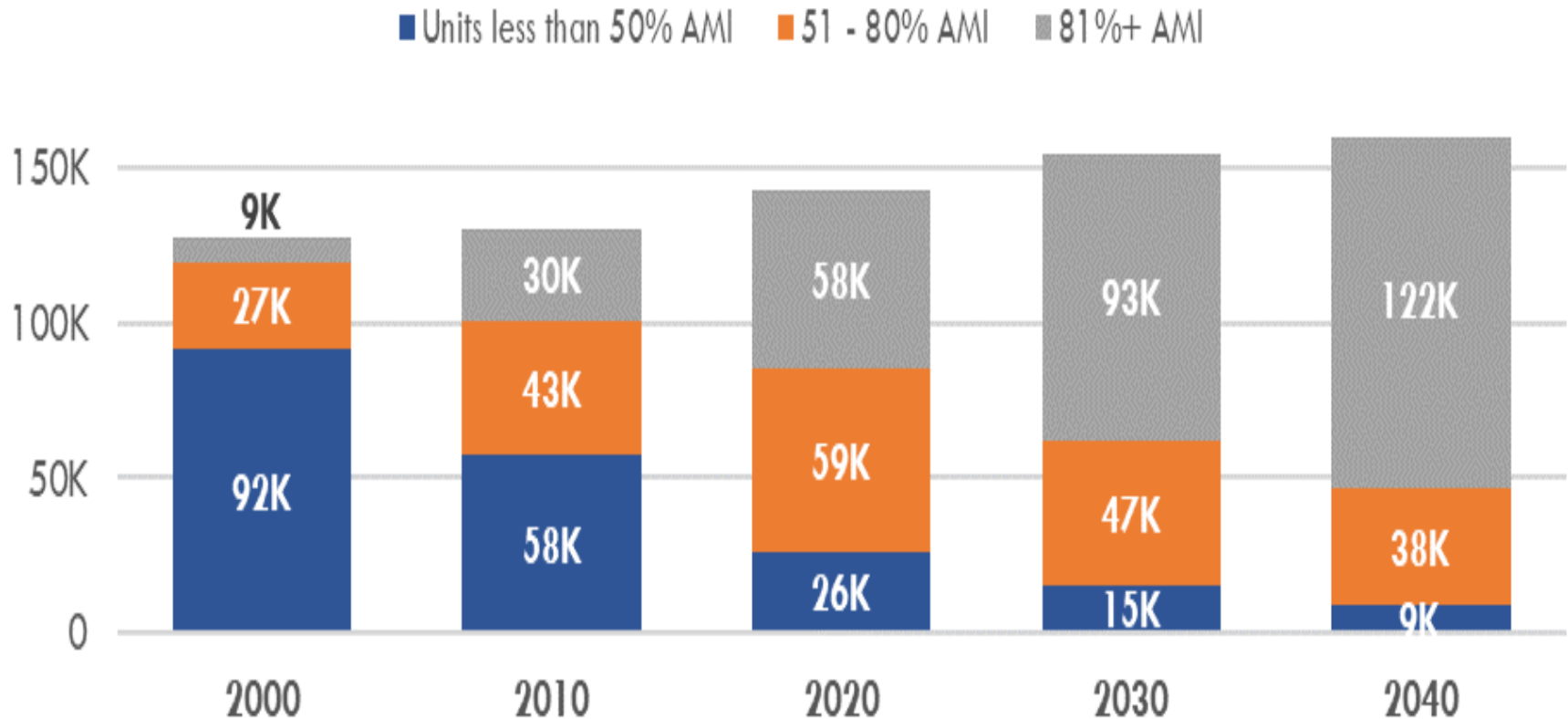
2018 Aggregate Affordable Rental Housing Need and Availability by Income Level



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Trend Analysis (Continued)

Change in *Unrestricted* Unit Affordability 2000 – 2040



Preserving Affordable Housing in the City of San Diego

Cost Estimates

- Using inventory data, established “types” of NOAH
- Financial modeling on three most common types
- Cost estimate for preserving these units

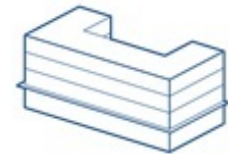
Typology A: Small developments (six units or smaller) residential-infill buildings built in the 1970s to 1980s (“Huffman Six-Packs”)

Current Unit Estimate:	12,550 units
Estimated Loss (2020 – 2040):	2,350 units
Total Cost (Acquisition + Rehab)	\$486,000/ unit
Total Preservation Cost (2020 – 2040)¹	\$1.8 Billion
Total Potential State /Local Gap (2020 – 2040):	\$358 Million



Typology B: Mid-size developments (10 – 50 units) built in the 1970s to 1980s

Current Unit Estimate:	13,450 units
Estimated Loss (2020 – 2040):	5,250 units
Total Cost (Acquisition + Rehab)	\$471,100/ unit
Total Preservation Cost (2020 – 2040)	\$3.5 Billion
Total Potential State /Local Gap (2020 – 2040)	\$880 Million



Typology C: Large garden-style apartment communities built in the 1990s and 2000s

Current Unit Estimate:	6,250 units
Estimated Loss (2020 – 2040):	1,650 units
Total Cost (Acquisition + Rehab)	\$426,100/ unit
Total Preservation Cost (2020 – 2040)	\$1.0 Billion
Total Potential State /Local Gap (2020 – 2040)	\$210 Million



Preserving Affordable Housing in the City of San Diego

Cost Estimates (Continued)

Estimated Preservation Cost 2020 – 2040

	Units At Risk (2020- 2040)	Units At Risk Per Year	Gap Financing Needed Per Year	Estimated Total Preservation Cost Per Year
Deed- Restricted Units	4,200	210	\$14 million	\$85 million
NOAH Units	9,250	462	\$72 million	\$315 million
TOTAL	13,450	672	\$86 million	\$400 million

- *Gap financing will require new State and Local funding.*
- *Dollar amounts have been adjusted to incorporate projected cost increases over the next 20 years.*



Preserving Affordable Housing in the City of San Diego

Preservation Strategy Framework

- 10 recommendations grouped in to 4 categories:
 - Capital Resources (*3 recommendations*)
 - Preservation Policies (*3 recommendations*)
 - Tenant Protections (*1 recommendation*)
 - Capacity Building (*3 recommendations*)



Preserving Affordable Housing in the City of San Diego Recommendations

Capital Resources

1. Provide seed funding to create a public-private Affordable Housing Preservation Fund that is a dedicated source of funding for preservation activities.
2. Redirect funds originally associated with the Redevelopment Agency of the City of San Diego and its dissolution to fund preservation.
3. Implement a Short-Term Residential Occupancy (STRO) Fee with revenue dedicated to preservation.



Preserving Affordable Housing in the City of San Diego

Recommendations (Continued)

Preservation Policies

4. Adopt a Preservation Ordinance to strengthen and expand the rights granted by the State Preservation Notice Law.
5. Offer incentives to owners of unrestricted properties in exchange for recording affordability restrictions.
6. Strengthen San Diego's existing Single-Room Occupancy (SRO) Ordinance to maintain affordability.



Preserving Affordable Housing in the City of San Diego

Recommendations (Continued)

Tenant Protections

7. Require relocation assistance for displaced residents.

Capacity Building

8. Develop and staff the administration of a preservation program.
9. Create an interagency preservation working group, to be convened by the San Diego Housing Commission.
10. Create a preservation collaborative composed of non-governmental preservation stakeholders.



Questions & Comments

