



SAN DIEGO
HOUSING
COMMISSION

“We’re About People”

San Diego Housing Commission

Addressing the Housing Affordability Crisis in San Diego

October 9, 2015

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SDHC - Addressing the Housing Affordability Crisis Introduction

San Diego City Council and San Diego Housing Commission (SDHC) Board are concerned about Housing Affordability in San Diego:

- Rising Costs of Housing; and
- Inadequate Production of Housing

SDHC staff was tasked with studying the issues and proposing solutions.





SDHC - Addressing the Housing Affordability Crisis Introduction (Cont.)

Key Issues:

- Identify the costs to develop affordable housing
- Recommend solutions to address costs and housing production
- Identify the roles of City, State and Federal government agencies necessary to implement recommended solutions

Housing Affordability Report

SDHC is preparing a report that will provide a replicable framework for to address San Diego's Housing Affordability Crisis.

The report will:

- Analyze current housing affordability in San Diego; and
- Recommend action steps to address housing affordability and production.



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Housing Affordability Action Steps

Housing Affordability Action Steps

Lead and Innovate	<ol style="list-style-type: none"> 1. Set annual housing production goals 2. Create more incentives for 80/20 developments 3. Defer all development fees
Unlock Land	<ol style="list-style-type: none"> 4. Reduce parking requirements 5. Reduce commercial space requirements 6. Increase ground leases
Streamline Regulation	<ol style="list-style-type: none"> 7. Shorten entitlement process 8. Approve master EIRs 9. Support CEQA Reform 10. Align State oversight
Increase Financing	<ol style="list-style-type: none"> 11. Increase Federal resources <ol style="list-style-type: none"> A. Advocate for fair share of homeless funds B. Expand LIHTC C. Increase Federal rental assistance D. Expand Moving to Work Authority



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Preliminary Estimate of Cost Savings per Unit Affordable Units

Action Step	Savings per Unit	
	Low	High
Incentivize more 80/20 developments	\$56,000	\$85,000
Unlock Land & Increase Ground Leases	\$27,000	\$39,000
Reduce Commercial Space Requirements	\$11,000	\$19,000
Reduce Parking Requirements	\$5,000	\$10,000
Shorten Entitlement Process	\$5,000	\$9,000
Approve Master EIRs	\$3,000	\$6,000
Defer Development Fees	\$2,000	\$6,000



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Preliminary Estimate of Total Cost Savings

Action Step	Potential Applicability	Total Savings per Year 650 Units per Year	
		Low	High
Shorten Entitlement Process	100%	\$3.25 M	\$5.85 M
Incentivize more 80/20 developments	10%	\$3.64 M	\$5.53 M
Defer Development Fees	100%	\$1.30 M	\$3.90 M
Reduce Parking Requirements	50%	\$1.63 M	\$3.25 M
Approve Master EIRs	50%	\$0.98 M	\$1.95 M
Reduce Commercial Space Requirements	15%	\$1.07 M	\$1.85 M
Unlock Land & Increase Ground Leases	5%	\$0.88 M	\$1.27 M
Total		\$12.74 M	\$23.60 M





SDHC - Addressing the Housing Affordability Crisis Methodology

SDHC is working with two local leading consulting firms to complete the analysis and propose recommendations:

- **Keyser Marston Associates, Inc.**

- Keyser Marston Associates, Inc. is preparing a summary memorandum comparing costs of market rate housing to affordable housing and then recommending potential policy initiatives to impact affordable housing costs.

- **LeSar Development Consultants**

- LeSar Development Consultants is building upon the Keyser Marston study and working with SDHC to develop an action plan that identifies highest impact opportunities. LeSar Development Consultants is utilizing extensive research, its own knowledge base, and interviews with key stakeholders.





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Key Market Metrics

Housing affordability impacts everyone. San Diegans spend less money in the local economy as they struggle to pay for housing, reducing economic activity, productivity and local demand in San Diego.

Some of the **key metrics** of the City of San Diego housing market:

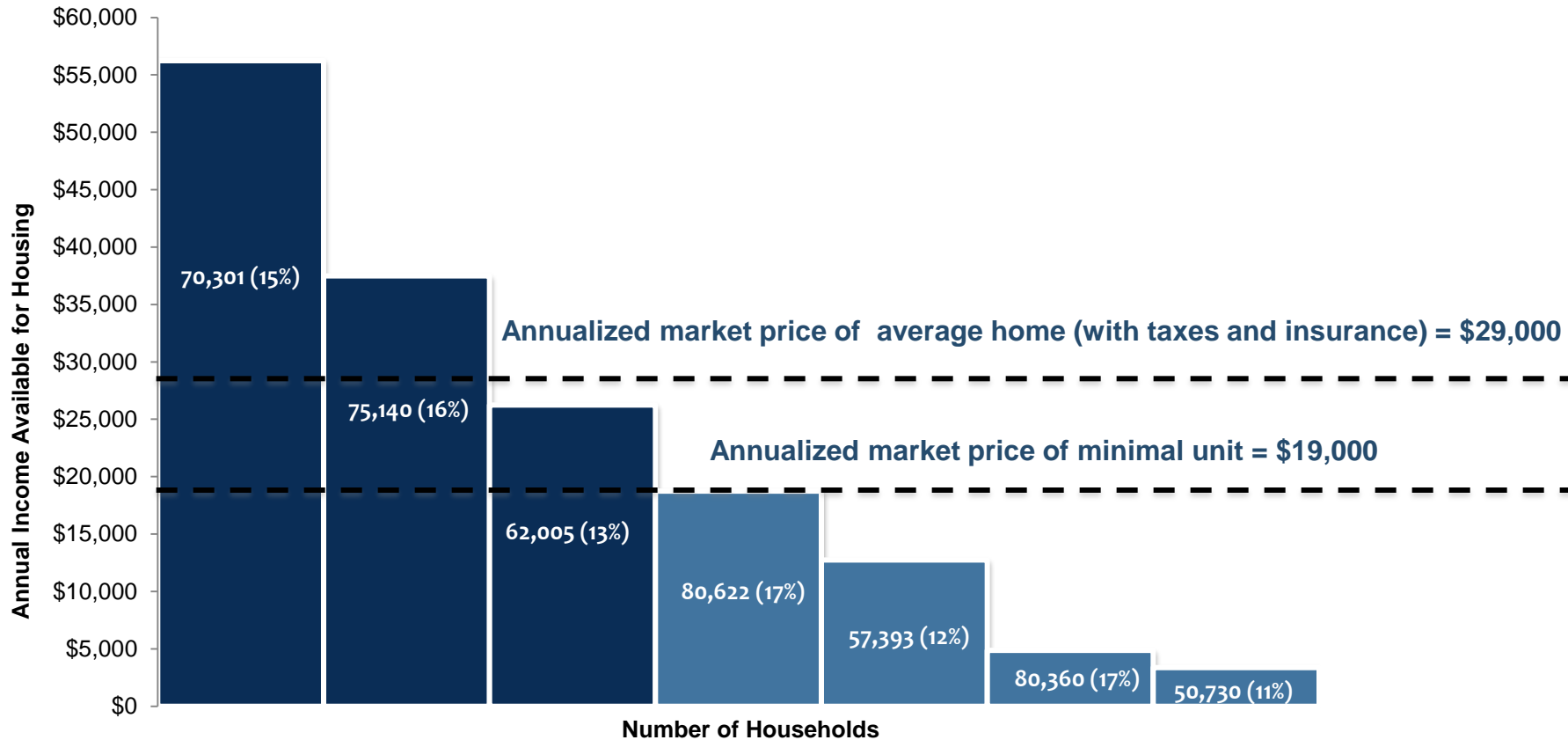
- Annual **housing affordability gap** equal to **2.5% of City Gross Domestic Product**
- One of the six least affordable cities for housing in the US (Source: Zillow.com real estate website)
- **More than 70% of San Diegans cannot afford to purchase an average home**
- **More than half of San Diegans face housing affordability challenges**
- Home prices have risen more than 35% over the past 5 years (Source: Zillow.com)
- Wages have not kept pace with inflation over the past 5 years (Source: U.S. Bureau of Labor Statistics)
- Low-income families are severely rent-burdened. \$468 monthly rent is affordable at minimum wage (Source: National Low-Income Housing Coalition) compared to \$1,819 average San Diego rent for a 2-bedroom unit (Source: Jones Lang LaSalle)
- **120,000 extremely low-income families** and only **20,000 units** available for them. (Source: Urban Institute)



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Annual Affordability Gap

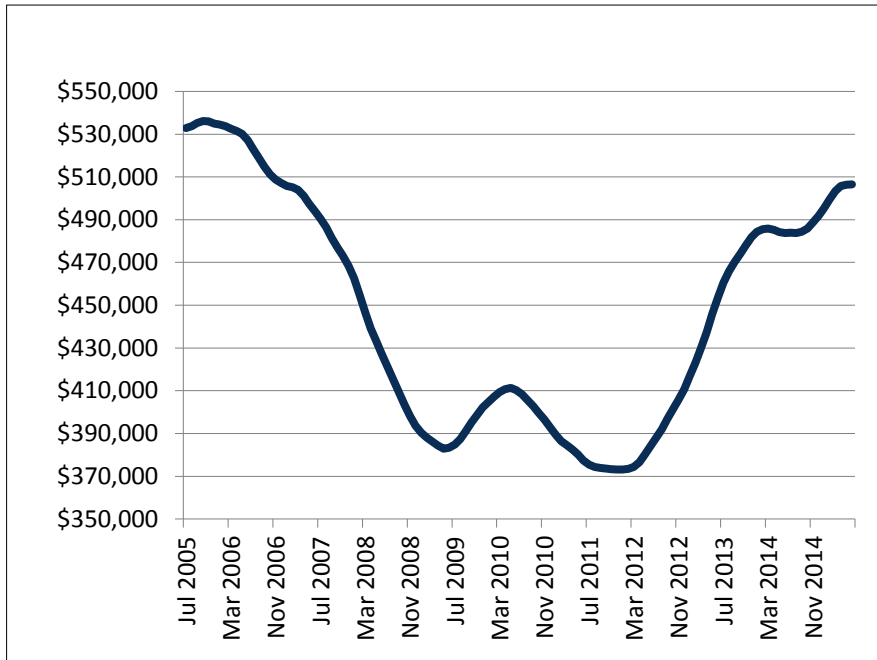
- San Diego has an Affordability Gap of \$2.4 billion, approximately 2.5% of GDP
- More than 50% of San Diego City Households cannot afford a minimal unit.
- More than 70% cannot afford the average San Diego home.



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Wages Have not Kept Pace with Rising Housing Costs

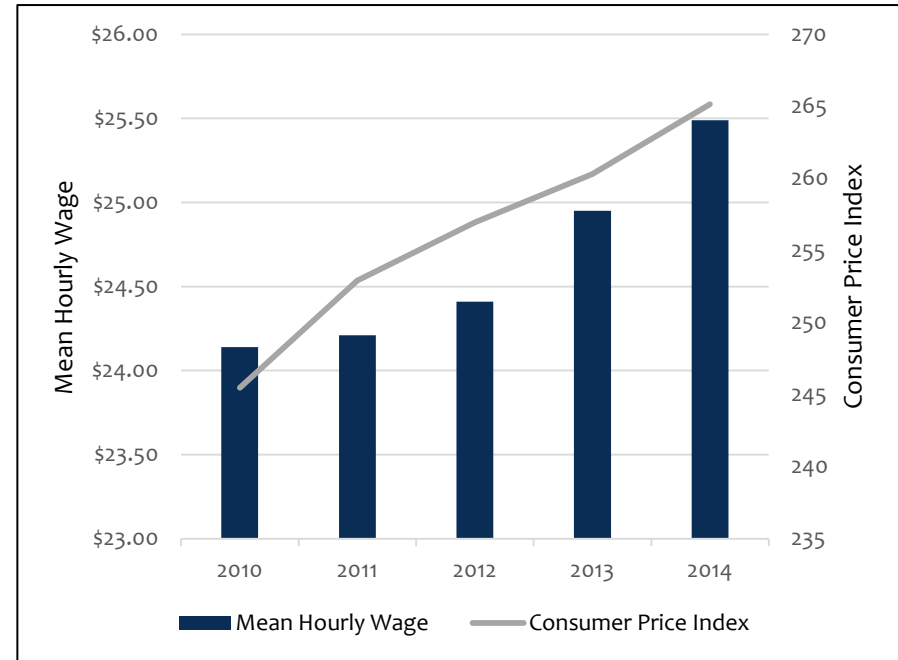
San Diego Home Prices (2005-2015)



Source: Zillow

Home Prices are up 35% in the last 5 years

San Diego Mean Hourly Wage (2010-2015)



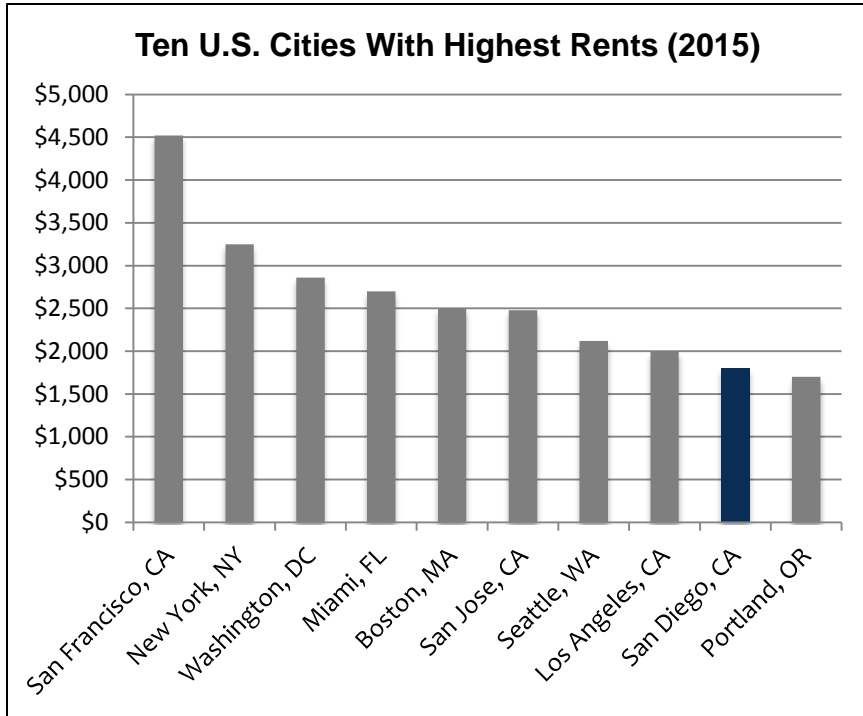
Source: US Bureau of Labor Statistics

Wages are up 5.6% while inflation is up 8% over the past 4 years, so purchasing power is down

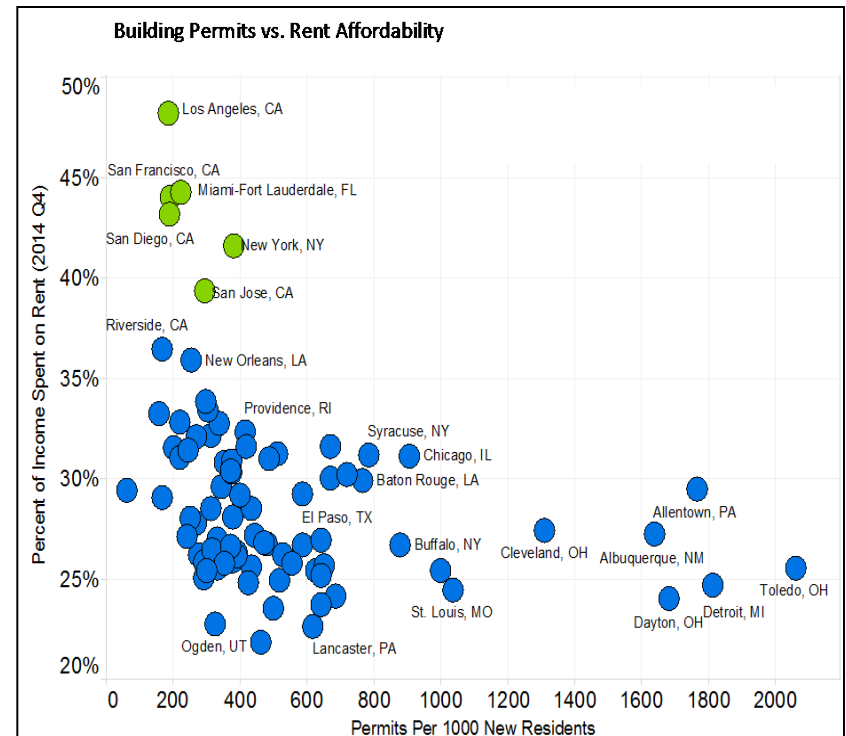


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San Diego is One of the Least Affordable Markets and Building Permits Lag Behind Demand



Source: ApartmentList.com



Source: Zillow



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Low-Income Families are Severely Rent-Burdened

One in Three San Diego Households Do Not Have Sufficient Income to Meet Basic Expenses, and Housing is the Largest Component of Expenses

- Two full-time, minimum wage earners: \$33,280 in gross income
(Source: United Way of California).
- Basic **annual expenses exceed income by \$18,034**
(Source: United Way of California)..
- The minimal cost of housing in San Diego annually is approximately \$19,000, or more than 50% of annual income for a family with two minimum wage earners.

Extremely Low-Income Families Are Severely Rent-Burdened and Face a Shortage of Available Affordable Units

- San Diego has **120,000 extremely low-income renters** and **20,000 units** affordable to those renters (Source: Urban Institute).
- The San Diego Area Median Income (AMI), determined by HUD, for extremely low-income renters is \$24,300 per year for a family of four. The **minimal housing cost** of \$19,000 is **78.1% of this AMI amount**.





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Questions & Comments

