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HOUSING
COMMISSION

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City of San Diego
Single-Room Occupancy (SRO) Ordinance
Potential Regulation Changes for Discussion
SDHC Board Meeting
November 20, 2015

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City of San Diego SRO Ordinance

Introduction

- **March 16, 2015:** The San Diego City Council directed the San Diego Housing Commission (SDHC) to review the City of San Diego (City) SRO Ordinance and analyze it to address current conditions prior to the end of the year.
- SDHC administers the City SRO Ordinance (San Diego Municipal Code Section 143.0510 – 143.0590).
- SDHC has reviewed the City SRO Ordinance and has identified potential SRO regulation changes for discussion.
- SDHC held three public meetings regarding the potential SRO regulation changes: October 14, October 21, and November 4.
- Written public comments were accepted through November 6.





City of San Diego SRO Ordinance

Purpose

“The purpose of these regulations is to ensure the retention of the existing number of SRO hotel rooms and to provide assistance to tenants of SRO hotel rooms that will be displaced by the demolition, conversion, or rehabilitation of existing SRO hotel rooms. These regulations are intended to benefit the general public by minimizing the adverse impact on the housing supply and on displaced persons, particularly those who are very low income, elderly, or disabled, resulting from the permanent or temporary loss of SRO hotel rooms through their demolition, conversion or rehabilitation.”

(San Diego Municipal Code Section 143.0510)



City of San Diego SRO Ordinance

Potential SRO Regulation Changes for Discussion

- **Clarify Definition of SRO.** The potential changes may limit the scope of the definition of SRO to an updated inventory of SRO properties. The owner of a property on the SRO list would be able to request a due process hearing to determine whether the property should be removed from the list.
- **SRO Hotel Replacement Fund Fee.** The fee is currently 50 percent of the cost of providing replacement SRO units. The current development cost formula would be revised to establish a set fee that could be indexed. The fee would initially be set at the current 50 percent level.





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Potential SRO Regulation Changes for Discussion (Cont.)

- **SRO Replacement Requirement.** The current requirement to replace 100 percent of the SRO units that are being demolished or converted would be revised to require the replacement of 50 percent of the units, which is the same as the SRO Hotel Replacement Fund fee percentage.
- **SRO Replacement Location.** Allow replacement units to be built outside of Downtown San Diego and in areas near public transportation.
- **Density Bonus.** Allow replacement units requirement to be satisfied by density bonus units.





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Potential SRO Regulation Changes for Discussion (Cont.)

- **Sale of Unused Density.** As an incentive to preserve SRO units, allow owners to sell unused site density and use the proceeds to rehabilitate their SRO building.
- **Tenant Relocation.** Increase the tenant relocation payments to three times the fair market monthly rent; require utilization of a relocation consultant.
- **SDHC Option to Purchase SRO.** Owners who have decided to sell their SRO can offer the SDHC an option to purchase the SRO at an appraised fair market value, subject to the SRO requirements. This provision provides another potential market for the sale of SRO buildings and an opportunity to preserve SRO hotel units and ensure they remain affordable.





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Potential SRO Regulation Changes for Discussion (Cont.)

- **Update Redevelopment Language.** Eliminate redevelopment agency/California Redevelopment Law language from Section 143.0520 (b) of the SRO Ordinance because of recent State legislative actions concerning Redevelopment agencies.
- **Cost Recovery Deposit.** Require that a cost recovery deposit is to be submitted with application to SDHC.



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Potential SRO Regulation Changes for Discussion (Cont.)

Additional Proposals from the Public:

- **City Master-Lease Program.** Determine whether the City of San Diego should develop and implement a program similar to a City of San Francisco program in which the City or a nonprofit partner can master-lease an SRO building to ensure that the units remain affordable and available to low-income tenants.
- **Purchase of Existing Rental Units to Satisfy Replacement Requirement.** Evaluate whether the City of San Diego should allow the owner of an SRO to purchase existing rental units not otherwise subsidized or restricted, and place affordability covenants on these units to satisfy the SRO replacement requirement.





City of San Diego SRO Ordinance Next Steps

- SDHC will present these proposals to the City Council's Smart Growth & Land Use Committee on December 9, 2015.
- SDHC will request direction to move forward on any or all proposals and work with the City Attorney's Office to draft ordinance revisions.
- No draft ordinance provisions are presented at this time.



Questions?

