



EXECUTIVE SUMMARY

HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

DATE: October 4, 2019

HCR19-106

ORIGINATING DEPT: Procurement & Compliance

BOARD REPORT: KIPP San Diego Request for Variance from Payment of the City of San Diego's Housing Impact Fee

CONTACT/PHONE NUMBER: Julia Sauer, 619-578-7593

EXECUTIVE SUMMARY OF KEY FACTORS:

- KIPP San Diego is developing a school campus located at 326 Euclid Avenue in the Encanto community of San Diego and has applied for a hardship variance from the Housing Impact Fee pursuant to San Diego Municipal Code Section 98.0616.
- These Fees are governed by San Diego Municipal Code Chapter 9, Article 8, Division 6 (Code) and are charged to non-residential development. The Code provides standards for granting variances from the Fees in §98.0614 – 98.0617. Requests for variances with a dollar value of up to \$15,000 may be granted by the President & Chief Executive Officer of the Housing Commission. Requests with a dollar value greater than \$15,000 are granted by the Housing Commission Board in accordance with Section 4.5 of Housing Commission Policy BEF 301.09.
- To qualify for a hardship variance, an applicant must meet all four of the following conditions:
 1. Special circumstances unique to that project justify the grant of the variance;
 2. The project would not be feasible without the modification;
 3. A specific and substantial financial hardship would occur if the variance were not granted; and
 4. No alternative means of compliance are available which would be more effective in attaining the purposes of the Fee than the relief requested.
- Since 1990, the Housing Commission has reviewed 53 applications and granted 49 full or partial variances. The majority of applications were for projects with specific uses that involved few or no new employees. All denials were for hardship variances and/or projects with either more than two employees or an undetermined number of employees.
- No hardship variances have been approved. In the past twenty years, two hardship variance waivers were considered and denied. The projects included the San Diego Natural History Museum space for exhibits, storage, etc. and US International University for a sports center.
- KIPP San Diego is a free, open enrollment, college preparatory public charter school, dedicated to preparing all students for success in college and life. KIPP's proposed campus is a collaboration of civic, community and educational leadership. The campus will be located within the Jacobs Neighborhood Innovation (JCNI) campus. The area is included in the San Diego Promise Zone. The campus will eventually serve up to 500 students in grades 5 through 8 and employ 42 individuals.

- A Housing Impact fee of \$21,688 was assessed. The fee was assessed based on the lowest fee rate of \$0.80 per square foot
- Staff thoroughly reviewed the application, appropriate municipal code sections, and historical variance request data and has determined the project does not qualify for a hardship variance. The project does not meet the four conditions necessary to grant the hardship variance. This action conforms with prior Housing Commission variance decisions and does not impact the Housing Trust Fund program. Alternative actions to adjust the fee have not been identified.

San Diego Housing Commission 1122 Broadway, Suite 300 San Diego, CA 92101 619.231.9400 www.sdhc.org



REPORT

DATE ISSUED: September 26, 2019

REPORT NO: HCR19-106

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of October 4, 2019

SUBJECT: KIPP San Diego Request for Variance from Payment of the City of San Diego's
Housing Impact Fee

COUNCIL DISTRICT: 4

REQUESTED ACTION:

Deny KIPP San Diego's request for a hardship variance from the City of San Diego's Housing Impact Fee pursuant to San Diego Municipal Code Section 98.0616.

STAFF RECOMMENDATION:

That the San Diego Housing Commission (Housing Commission) deny KIPP San Diego's request for a hardship variance from the City of San Diego's Housing Impact Fee of \$21,688.

SUMMARY:

The San Diego Housing Trust Fund was established in 1990. It supports various affordable housing activities administered by the Housing Commission and is primarily funded by the City of San Diego's Housing Impact Fees, also known as Linkage Fees (Fees). These Fees are governed by San Diego Municipal Code Chapter 9, Article 8, Division 6 (Code) and are charged to non-residential development. The Code (Attachment 1) provides standards for granting variances from the Fees in §98.0614 – 98.0617. Requests for variances with a dollar value of up to \$15,000 may be granted by the Housing Commission's President & Chief Executive Officer. Requests with a dollar value greater than \$15,000 may be granted by the Housing Commission Board of Commissioners in accordance with Section 4.5 of Housing Commission Policy BEF 301.09.

Since 1990, the Housing Commission has reviewed 53 applications and granted 49 full or partial variances. The majority of applications were for projects with specific uses that involved few or no new employees. All denials were for hardship variances and/or projects with either more than two employees or an undetermined number of employees. To date, no hardship variances have been approved as specific criteria must be met to qualify.

KIPP San Diego is developing a school campus located at 326 Euclid Avenue in the Encanto community of San Diego and has applied for a hardship variance. A summary of the project development is below. The application (Attachment 2) includes a project budget and provides greater detail regarding financing issues.

Project development background

KIPP San Diego is a free, open enrollment, college preparatory public charter school, dedicated to preparing all students for success in college and life. KIPP San Diego is developing a 27,110-square-foot campus located at 326 Euclid Avenue in the Encanto community of San Diego.

KIPP San Diego’s proposed campus is a collaboration of civic, community and educational leadership. The campus will be located within the Jacobs Center for Neighborhood Innovation (JCNI) campus. The area is included in the San Diego Promise Zone. The campus will eventually serve up to 500 students in grades 5 through 8 and employ 42 individuals.

Recommendation

KIPP San Diego has applied for a hardship variance. To qualify for a hardship variance, an applicant must meet all four of the following conditions:

1. Special circumstances unique to that project justify the grant of the variance;
2. The project would not be feasible without the modification;
3. A specific and substantial financial hardship would occur if the variance were not granted; and
4. No alternative means of compliance are available which would be more effective in attaining the purposes of the Fee than the relief requested.

Staff thoroughly reviewed the application, appropriate Municipal Code sections, and historical variance request data and has determined the project does not qualify for a hardship variance. The project does not meet the four conditions necessary to grant the hardship variance. This action conforms with prior Housing Commission variance decisions and does not impact the City of San Diego’s Housing Trust Fund. Alternative actions to adjust the fee have not been identified. The fee was assessed at the lowest Housing Impact Fee rate of \$0.80 per square foot (see below).

| Citywide HIF: Non-Residential Development | |
|--|-----------------------|
| Type of Use | \$ Per Sq. Ft. |
| Office | \$ 2.12 |
| Retail & Hotel | \$ 1.28 |
| Research and Development | \$ 0.80 |

FISCAL CONSIDERATIONS:

This action will have no impact on the collection of the assessed fee of \$21,688.

PREVIOUS HOUSING COMMISSION ACTION:

No hardship variances have been approved. In the past 20 years, two hardship variance waivers were considered and denied. The projects included the San Diego Natural History Museum space for exhibits, storage, etc., and US International University for a sports center.

KEY STAKEHOLDERS and PROJECTED IMPACTS:

The key stakeholder is KIPP San Diego and its students. Approval of this action will result in no change to the assessed fee of \$21,688.

September 26, 2019

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ENVIRONMENTAL REVIEW:

This activity is not a project as defined under the California Environmental Quality Act Guidelines Section 15378. This activity is exempt from the National Environmental Policy Act pursuant to 58.34(a)(2) information and financial services and 58.34 (a)(3) administrative and management activities.

Respectfully submitted,

Julia Sauer

Julia Sauer
Director, Grants & Compliance
San Diego Housing Commission

Approved by,

Jeff Davis

Jeff Davis
Executive Vice President & Chief of Staff
San Diego Housing Commission

Attachments:

1. San Diego Municipal Code; Chapter 9, Article 8, Division 6
2. Application from KIPP San Diego for Variance from Payment of Housing Trust Fund Impact Fees

Hard copies are available for review during business hours at the security information desk in the main lobby and at the fifth floor reception desk of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.