



**TESTIMONY BY
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**SAN DIEGO CITY COUNCIL
SMART GROWTH & LAND USE COMMITTEE
HOUSING SUMMIT**

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INTRODUCTION

Good afternoon, Chair Sherman, Vice Chair Alvarez, and Committee Members Cate and Gomez. I am Richard C. Gentry, the President and Chief Executive Officer of the San Diego Housing Commission (SDHC). I am honored to be here today to participate in this Housing Summit to discuss public-private partnership solutions to the housing crisis in the city of San Diego.

Identifying solutions to the housing crisis in the city of San Diego requires a variety of approaches to address two main issues:

- 1) **Affordable Housing** – Creating and preserving rental housing that is affordable for low-income San Diegans with income up to 80 percent of San Diego’s Area Median Income, or approximately \$68,000 a year for a family of four. The city of San Diego needs 38,680 affordable rental housing units for low- and very low-income residents by 2020, according to the 2011 San Diego Association of Governments’ (SANDAG) [Regional Housing Needs Assessment](#). Low-income San Diegans may include military Veterans, families, senior citizens, and disabled San Diegans.
- 2) **Housing Affordability** – Creating additional market-rate workforce housing that is affordable to moderate-income households with income up to 120 percent of San Diego’s Area Median Income, or \$88,200 a year for a family of four. These households may include teachers, police officers or firefighters.

I am pleased to share with this committee the solutions that SDHC has identified and implemented to address these issues, with greater detail in the following pages.

**A. “ADDRESSING THE HOUSING AFFORDABILITY CRISIS:
AN ACTION PLAN FOR SAN DIEGO” – 11 Recommended Actions**

Several actions have been taken toward accomplishing the recommendations by SDHC in its November 25, 2015, report “[Addressing the Housing Affordability Crisis: An Action Plan for San Diego](#)” to lower the costs of developing affordable housing and increase production:

1. Have the City Council set annual goals for housing production, with a scorecard to track progress in meeting the goals.

Actions: SDHC set an Objective to create 2,000 units of mixed-income and affordable housing units in SDHC’s 2016-2020 Strategic Plan under the Goal, “Increase the number of housing opportunities that serve low-income and homeless individuals and families in the city of San Diego.”

SDHC’s Board of Commissioners approved this four-year Strategic Plan on September 9, 2016.

Specific annual production goals, which also consider the number of housing units that are at risk of conversion from affordable to market-rate, will also be set by SDHC by June 30, 2017.

In addition, SDHC is working with several agencies and advocacy groups to develop a method to track affordable housing production, as well as units lost, on a regional basis.

2. Introduce tax rebates and exemptions to encourage workforce housing developments, such as 80/20 developments, in which 80 percent of units are at market-rate and 20 percent are affordable. This could reduce the cost of the affordable housing by \$56,000-\$85,000 per unit.

Actions: SDHC is exploring options to participate in the development of “workforce housing” for moderate-income San Diegans. Information on these options will be provided at a later date.

3. Defer impact fees, permit fees and other fees until after construction, saving up to \$2,000-\$7,000 per unit.

Actions: On March 8, 2016, the San Diego City Council amended the San Diego Municipal Code to allow the deferral of the payment of Housing Impact Fees, also known as Linkage Fees, on commercial developments. Through the use of a Fee Deferral Agreement, these Housing Impact Fees can be paid at final inspection instead of when the building permit is issued.

- 4. Reduce parking requirements for housing developments by alternatives such as tandem parking and car-sharing programs, saving up to \$10,000-\$19,000 per unit.**

Actions: On July 12, 2016, the San Diego City Council amended the City of San Diego's Density Bonus Ordinance to include further parking reductions for housing near transit. This amendment also increased the allowable density by 15 percent.

- 5. Reduce requirements on developers, where applicable, to include commercial space in multifamily complexes, which could save \$10,000-\$19,000 per unit.**

Action is needed on this recommendation.

- 6. Open more vacant or underutilized land for development, which could reduce the cost of affordable housing by \$27,000-\$39,000 per unit.**

Actions: The City of San Diego's Real Estate Assets Department is providing SDHC with information about its inventory of properties.

In addition, SDHC and Civic San Diego jointly recommended today that the Smart Growth & Land Use Committee recommend that the City Council and the Housing Authority of the City of San Diego authorize the implementation of the San Diego Affordable Housing Transit-Oriented Development Fund. This fund will provide a source of funding to acquire affordable housing properties.

- 7. Shorten the permit approval process by allowing conceptual reviews of discretionary building permits, self-certification, online permitting, etc., to save \$5,000-\$9,000 per unit.**

Action: Community Plan updates are including overlay zones and specific plans to shorten the permit process for high-density housing. If a proposed development adheres to the overlay zone, it can be processed without discretionary reviews.

- 8. Approve Master Environmental Impact Reports (EIRs), which can reduce the time and expense of reviewing individual EIRs, saving \$3,000-\$6,000 per unit.**

Action: If a proposed development does not deviate from the overlay zone included in the new Community Plan, it can use the Community Plan EIR.

9. Reform the California Environmental Quality Act (CEQA).

Action: Local CEQA thresholds that were adopted in 2011 are being reviewed by City staff to determine if there are additional opportunities to streamline environmental reviews. In addition, a greenhouse gas “checklist” was adopted in July 2016 to simplify reviews.

10. Align the State government’s oversight over housing policy, which is now split between five agencies.

State action is needed on this recommendation.

11. Increase State and Federal resources such as the U.S. Department of Housing and Urban Development’s Continuum of Care to address homeless and Low-Income Housing Tax Credits to support the development of affordable housing.

Actions: Under the leadership of U.S. Representative Scott Peters, an alternative proposal that could positively impact Federal funding for homelessness programs in the city and county of San Diego received regional support, and SDHC provided technical assistance:

- Formula E would more equitably distribute Federal Funds across regions, such as San Diego, that are experiencing the highest levels of homelessness. The formula is based on the San Diego region’s experience with homelessness and the high cost of housing.

The alternative proposal also was strongly supported by Mayor Kevin L. Faulconer.

For the first time in three years, HUD requested public comment on the funding formula for homelessness programs by releasing four different proposals to update its process. These formulas included new factors that were intended to provide better indicators of potential homelessness.

Formula E was also unanimously endorsed on August 18, 2016, by the San Diego Regional Continuum of Care Council (RCCC) that oversees the Federal funding for homelessness allocated to the San Diego region.

SDHC and RCCC submitted letters to HUD in support of Formula E.

As actions are accomplished, SDHC will update its report, with additional recommended actions to create more affordable and market-rate housing.

The next update of this report will be completed by the end of February 2017.

B. SINGLE-ROOM OCCUPANCY HOTEL ORDINANCE REVISIONS

City Council action is needed to revise the City's Single-Room Occupancy (SRO) Hotel Regulations Ordinance.

SDHC will present updated proposed revisions of the SRO Hotel Regulations Ordinance to the Smart Growth & Land Use Committee in April 2017.

These updated proposed revisions will reflect changes that have occurred in residential development in downtown San Diego in the last year, such as new types of residential rental housing, higher density, and reduced parking requirements near public transportation. SDHC's proposed revisions will include these same incentives for the preservation and replacement of SRO housing in downtown San Diego and in neighborhoods with public transportation.

In addition, SDHC will hold public outreach meetings to receive comments from the public on the revisions of the SRO Ordinance that will be proposed.

SRO hotels have traditionally provided some of San Diego's most "naturally affordable" rental housing. Over the years, market conditions have placed pressure on SRO hotel owners to demolish or convert SRO hotels into more profitable uses.

The stated purpose of the City's SRO Hotel 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).

SDHC is responsible for administering the City's SRO Hotel Regulations Ordinance on behalf of the City.

SDHC analyzed the City's SRO Hotel Regulations Ordinance, as directed by the City Council on March 16, 2015. SDHC also commissioned Trestle Development to conduct a review and update to the city-wide SRO Hotel inventory list.

On December 9, 2015, SDHC presented to the Smart Growth & Land Use Committee 10 proposed revisions to the SRO Hotel Regulations Ordinance that were identified by SDHC, as well as two proposed revisions that were suggested by members of the public at outreach meetings held by SDHC.

The Smart Growth & Land Use Committee returned the proposed revisions to SDHC to work with City staff and return to the Committee for action at a later date.

The details of these proposed revisions were outlined in SDHC's report to the Smart Growth & Land Use Committee, which is accessible on the Internet:

http://docs.sandiego.gov/councilcomm_agendas_attach/2015/sglu_151209_5.pdf

SDHC is re-evaluating its initial proposed revisions of the SRO Ordinance. During 2016, a significant rise in downtown development activity occurred. This included alternate types of downtown residential rental housing units, such as "living units" that are modern versions of SRO's. "Living units" provide a smaller footprint in square footage; however, they include private kitchens and baths. In addition, on July 12, 2016, the San Diego City Council amended the City of San Diego's Density Bonus Ordinance to increase the allowable density by 15 percent and reduce parking requirements for rental housing near public transportation. SDHC and Civic San Diego are also jointly recommending the implementation of the San Diego Affordable Housing Transit-Oriented Development Fund, which can assist with site acquisition and potentially rehabilitation of SRO housing that is near transit and/or employment.

C. HOUSING FIRST – SAN DIEGO, SDHC's Homelessness Action Plan

HOUSING FIRST – SAN DIEGO, SDHC's landmark three-year Homelessness Action Plan (2014-17), includes innovative approaches to provide solutions to homelessness by creating affordable permanent housing with supportive services for homeless San Diegans.

SDHC leveraged its available resources to address homelessness through **HOUSING FIRST – SAN DIEGO**.

Launched on November 12, 2014, **HOUSING FIRST – SAN DIEGO**, will impact the lives of as many as 1,500 homeless San Diegans.

The next phase of **HOUSING FIRST – SAN DIEGO**, which I anticipate announcing this year, will impact the lives of different homeless population groups.

HOUSING FIRST – SAN DIEGO is rooted in the national "Housing First" model of addressing homelessness – to provide homeless individuals with housing as quickly as possible, with supportive services as needed.

HOUSING FIRST – SAN DIEGO was originally launched as a five-point action plan:

Accomplishments:

1. **Award Development Funds – Up to \$30 Million** (up to \$10 million per year)
To date, SDHC has awarded \$12 million in Federal, State, and City of San Diego funds administered by SDHC to four developments, which will provide a total 167 affordable housing units for homeless individuals, of which 46 are set aside for homeless Veterans.

The SDHC Board of Commissioners will also be asked next month to approve funding awards totaling \$11.75 million to three developments, which will provide a total of 188 affordable housing units for homeless Veterans.

2. **Commit up to 1,500 Federal Rental Housing Vouchers** for Permanent Supportive Housing to provide housing to homeless individuals and families (Award up to 300 new housing vouchers each year to complement 576 housing vouchers already awarded)

To date, SDHC has awarded a total of 1,075 Federal rental housing vouchers.

3. **Renovate Hotel Churchill – 72 Units of Permanent Supportive Housing**
56 units for homeless Veterans; 8 units for transitional age youth ages 18-25, such as youth aging out of foster care; and 8 units for adults exiting the corrections system who also need supportive services

The grand reopening of the historical Hotel Churchill was celebrated on Monday, September 19, 2016. SDHC worked with our nonprofit affiliate, Housing Development Partners, to rehabilitate Hotel Churchill. SDHC invested \$9.2 million in Federal Moving to Work (MTW) funds; \$2.9 million in HOME Investment Partnerships Program funds awarded by the HUD to the City of San Diego and administered by SDHC; and \$3.2 million in City of San Diego funds administered by SDHC toward the \$20.6 million rehabilitation cost.

4. **Invest “Moving to Work” Federal Funds to Acquire Property** that sets aside 20 percent of its units for permanent supportive housing for homeless San Diegans.

SDHC invested \$15 million in MTW Federal funds to purchase the 120-unit Village North Senior Garden Apartments in Clairemont Mesa. Thirty-six percent of the units – 44 units – are set aside for homeless seniors.

5. **Dedicate SDHC-Owned Housing Units – 25 for Homeless San Diegans.**

SDHC is one of the first public housing agencies in the nation to commit affordable rental housing that it owns for this purpose.

This is a rapid re-housing component of **HOUSING FIRST – SAN DIEGO**. Since the program began on January 1, 2015, 15 families have become financially self-reliant and are now able to pay full rent or have moved to another apartment. The program has served 137 individuals, including 88 children and 14 Veterans.

In the 2015-16 Fiscal Year (July 1, 2015 – June 30, 2016), SDHC announced three new initiatives of **HOUSING FIRST – SAN DIEGO**:

Accomplishments:

1. **SDHC’s 1,000 Homeless Veterans Initiative** – Provide housing opportunities for 1,000 homeless Veterans in the city of San Diego within one year – March 2017.

As of January 17, 2017, 474 homeless Veterans have secured housing and 285 homeless Veterans are looking for housing through SDHC’s 1,000 Homeless Veterans Initiative, which has four program components:

- Landlord Outreach – “Housing Our Heroes”
 - Rapid Re-housing Assistance
 - SDHC Federal Veterans Affairs Supportive Housing Vouchers
 - SDHC Federal Housing Vouchers with Supportive Services
2. **The Guardian Scholars Program at San Diego State University (SDSU)** – A nationally unprecedented partnership between SDHC and SDSU to provide rental assistance for up to 100 students who have been homeless or at risk of homelessness. To date, 61 Guardian Scholars students have secured housing, and 32 are currently searching for housing.
 3. **The Monarch School Project** – Federal housing vouchers for 25 families with students impacted by homelessness. Twenty families have secured housing, and two families are currently searching for housing.

News Releases about these new initiatives are available on SDHC’s website:

- December 20, 2016: The 1,000 Homeless Veterans Initiative
http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR_SDHC_VeteransInitiative_Update_122016.pdf

- December 3, 2015: The Guardian Scholars Program and The Monarch School Project http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR.SDHC-SDSU%20HousingFirstSanDiego.12.3.15.pdf

SDHC's multimedia digital report about **HOUSING FIRST – SAN DIEGO** was updated on September 22, 2016, and is posted on SDHC's website: <http://online.fliphtml5.com/swlmv/zoct/>

D. SDHC ACHIEVEMENT ACADEMY

More than 15,000 low-income households in the city of San Diego, including formerly homeless San Diegans and chronically homeless Veterans, receive Federal Section 8 Housing Choice Voucher rental assistance from SDHC.

These households include more than 37,000 men, women and children.

Of these 15,000 households, SDHC has identified 6,587 Federal rental assistance families as able to work (Work-Able).

Under the Path to Success program, Work-Able families pay either a minimum monthly rent payment amount or the rent payment amount based on the family's annual income, whichever is greater.

More than 2,800 of these 6,587 Work-Able families pay the minimum monthly rent payment amount. The initial minimum monthly rent payment amounts were based on California's minimum wage standards—\$8/hour at the time the program was implemented on July 1, 2013. Before Path to Success, these families were required to pay \$50 of their rent.

In the third year of Path to Success, the average annual earned income of all Work-Able families was \$22,193—which is 19 percent higher than five years ago.

This is great news.

SDHC guides Work-Able families to become more financially self-reliant through enrollment at the SDHC Achievement Academy, a state-of-the-art learning and resource center and computer lab at SDHC's headquarters in Downtown San Diego.

The SDHC Achievement Academy provides programs that emphasize career planning, job skills and personal financial education—at no cost to Federal Section 8 Housing Choice Voucher rental assistance participants and public housing residents.

In Fiscal Year 2016 (July 1, 2015 – June 30, 2016), 1,374 participants attended SDHC Achievement Academy workshops and counseling; 222 found jobs; and 300 increased their earnings through the SDHC Achievement Academy.

The SDHC Achievement Academy is a critical initiative to help low-income residents break the cycle of poverty and become more financially self-reliant.

E. AFFORDABLE HOUSING POLICY CENTER

Addressing the ongoing challenges of addressing affordable housing and housing affordability in the city of San Diego in the years ahead will require collaboration and innovation.

To foster solutions through public-private partnerships, SDHC will be creating and funding an affordable housing policy center that will meet regularly to address these issues.

CONCLUSION

As SDHC's programs demonstrate, creating and preserving affordable housing and addressing housing affordability requires a multifaceted approach to resolve the housing crisis in the city of San Diego.

I encourage all of us to be constantly open to identifying a continuously changing variety of solutions and to recognize the importance of both the government and the private sector to meeting the housing needs in the city of San Diego.