

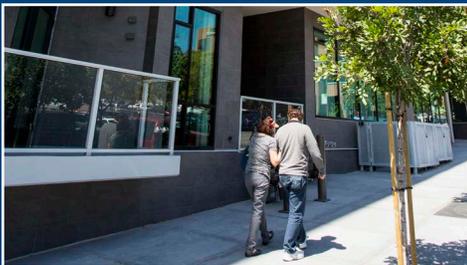


SAN DIEGO
HOUSING
COMMISSION

We're About People

Addressing The Housing Affordability Crisis

2018 Status Report



February 9, 2018



Message from the President & CEO

February 9, 2018

In the more than two years since the San Diego Housing Commission (SDHC) released its landmark report, *Addressing the Housing Affordability Crisis: An Action Plan for San Diego*, momentum has grown throughout the region and the state to address the continuing housing crisis.

Our report grew out of collaborative efforts to identify solutions to the need for additional affordable housing for low-income families, as well as housing affordability for middle-income households.

Under the leadership of our Board of Commissioners, SDHC added an important objective to our 2014-16 agency-wide Strategic Plan: “Ensure that the most effective and cost-efficient business practices are in place to create and preserve quality affordable housing” in the city of San Diego.

This objective to focus on cost-efficiency has been mirrored by the San Diego City Council. Mayor Kevin Faulconer has also been a proponent of finding more cost-efficiencies in affordable housing development.

We also received input and unanimous support from the San Diego Jobs and Housing Coalition, composed of local business and civic groups, including the San Diego Regional Chamber of Commerce, San Diego Building Industry Association, and San Diego County Taxpayers Association.

The spirit of collaboration that fostered the creation of our original report continues.

I am pleased to share with you that action has occurred on all 11 of the recommendations in SDHC’s *Addressing the Housing Affordability Crisis* report, with some completed and others ongoing.

This 2018 Status Report provides a comprehensive update on the progress that has been made on these recommendations, as well as related efforts to create and preserve additional housing.

I commend and thank our Mayor, City Council, County Supervisors, and State and Federal elected officials for their leadership and commitment to initiatives to address the housing affordability crisis.

As we move forward, SDHC is guided by our mission: “Provide affordable, safe, and quality homes for low-and moderate-income families and individuals in the City of San Diego and provide opportunities to improve the quality of life for the families that SDHC serves.”

Together with our partners, we continue to work toward solutions that will meet the City of San Diego’s housing needs now and in the years to come.

Sincerely,



Richard C. Gentry
President & CEO
San Diego Housing Commission

Contributors and Reviewers

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Report Structure

This 2018 Status Report provides updates on actions taken on each “Action Opportunity” in SDHC’s report, *Addressing the Housing Affordability Crisis: An Action Plan for San Diego*, since its release in November 2015. Each original “Action Opportunity” from the 2015 report is shown in its entirety, followed by a summary of the “Action Taken” on that recommendation.

Figure 1, “Recommended Action Opportunities – Actions Taken to Date,” provides an overview of the actions taken in 2016 and 2017 on the 11 original recommended Action Opportunities that were identified in the 2015 report as most actionable and effective to boost housing production and reduce costs.

Introduction

The San Diego Housing Commission (SDHC) was one of the first public housing authorities in California to develop a comprehensive blueprint to identify the costs of developing affordable rental housing and make recommendations on how to lower those costs.

On November 25, 2015, SDHC published the report *Addressing the Housing Affordability Crisis: An Action Plan for San Diego*.

The report contained 11 recommended actions at the local, state, or federal level to reduce costs and to increase production, such as shortening the approval process, deferring development fees, and making underutilized land available.

Action has occurred on all 11 recommendations in the report.

This 2018 Status Report summarizes the progress made on each of the recommendations in the *Addressing the Housing Affordability Crisis* report, which continues to provide the framework for actions in San Diego that also can be replicated in other cities throughout California.

Statewide and Local Interest

In addition to the actions taken to date, SDHC's *Addressing the Housing Affordability Crisis* report has garnered statewide and local attention as California and the San Diego region continue to experience housing challenges.

On February 25, 2016, SDHC's report was featured in an article posted online by the California Economic Summit, launched in 2012 by the California Stewardship Network, an alliance promoting economic vitality, and California Forward, a bipartisan good government reform effort.

Less than two weeks after the publication of that article, SDHC President & CEO Richard C. Gentry presented SDHC's *Addressing the Housing Affordability Crisis* report in testimony on March 9, 2016, to the California State Senate Transportation and Housing Committee.

Mr. Gentry was part of a distinguished panel of housing experts testifying about innovative solutions to build more affordable housing in California.

At the committee hearing, State Senator Benjamin Allen of Redondo Beach, who serves on the committee, held up a copy of the report and said that it includes great ideas, proposals, and thoughts.

"I have to just commend you for this extraordinary report. It is just fantastic. I really do hope that folks get a chance to see it—*Addressing the Housing Affordability Crisis*," Senator Allen said.

In addition, SDHC presented the report and its recommendations to the League of California Cities in October 2016.

On March 9, 2017, California Forward President & CEO Jim Mayer cited the recommendations in SDHC's *Addressing the Housing Affordability Crisis* report in his presentation at a half-day forum of San Luis Obispo County civic and community leaders discussing solutions to their housing shortage.

Additional presentations of SDHC's recommendations included the San Diego Housing Federation's annual Affordable Housing & Community Development Conference in October 2016 and the County of San Diego's 33rd annual Economic Roundtable on January 19, 2017.

San Diego Housing Production Objectives

Building on the initial housing affordability report, SDHC released a second report on September 21, 2017: *Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028*.

This report provides important data that will help the City of San Diego (City) establish realistic and achievable housing goals, which was the first recommended action of the 2015 housing affordability report.

Developed in collaboration with City Councilmembers Scott Sherman and David Alvarez, the 2017 Chair and Vice Chair, respectively, of the City Council's Smart Growth & Land Use Committee, SDHC's housing production objectives report identified San Diego's 10-year housing need (150,000 to 220,000 additional housing units), as well as proposals to meet that need.

SDHC's housing production objectives report was presented to the Smart Growth and Land Use Committee on September 21, 2017, and to a meeting of the California State Assembly Select Committee on Housing Affordability for the Middle and Working Class that was hosted by SDHC on December 7, 2017.

Creating Additional Housing

In addition, SDHC's initial housing affordability report and its housing production objectives report support one of the three major goals identified in SDHC's 2016-2020 Strategic Plan: "Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego."

SDHC continues to pursue cost-efficiency as the agency is guided by its mission to provide affordable, safe, and quality homes for low-and moderate-income families and individuals in the City and provide opportunities to improve the quality of life for the families that SDHC serves.



SDHC President & CEO Richard C. Gentry – California Senate Committee on Transportation & Housing – 3.9.16

Figure 1: Recommended Action Opportunities – Actions Taken to Date

Proposed Action	Level of Government	Scope	Actions Taken
1. Set Annual Housing Production Goals	Local City Council	Affordable & Market	<ul style="list-style-type: none"> SDHC's 2016-2020 Strategic Plan set a production goal of 2,000 units—approximately 500 per year—of mixed-income and affordable housing during the Strategic Plan period. SDHC released a report on September 21, 2017, about the City's 10-year housing needs, which provided important neighborhood-level data that will help the City of San Diego establish realistic and achievable housing goals.
2. Incentivize More 80/20 Developments	Local City Council SDHC	Affordable	<ul style="list-style-type: none"> SDHC worked with Assemblymember Todd Gloria and the City of San Diego on Assembly Bill 1637, which allows public housing authorities in the City of San Diego and the County of Santa Clara to make gap financing loans to developers of mixed-income developments if 40 percent of the units are affordable to low-income households up to 80 percent of Area Median Income, and at least 10 percent of the units are affordable to middle-income households (up to 150 percent of Area Median Income). The bill was signed into law on October 14, 2017.
3. Defer Development Fees	Local City Council	Affordable & Market	<ul style="list-style-type: none"> The City's Fee Deferral Program was expanded to include the Housing Impact Fee, (also known as the Commercial Linkage Fee). Fees that were previously hourly were made fixed fees, and 538 fees were simplified and reduced to 313 fees.
4. Reduce Parking Requirements	Local City Council SDHC	Affordable & Market	<ul style="list-style-type: none"> Parking requirements were reduced for Accessory Dwelling Units within a ½ mile of Transit Priority Areas, and for developments near transit under the City's Density Bonus ordinance. The City has also implemented a review of its Comprehensive Parking Plan and is considering reducing parking for housing units produced under new middle-income density bonus and Floor Area Ratio density bonus initiatives.
5. Reduce Commercial Space Requirements	Local City Council SDHC	Affordable & Market	<ul style="list-style-type: none"> The City Planning Commission held a Commercial Planning Workshop to discuss the possibility of reducing existing ground floor commercial requirements.
6. Unlock Land and Increase Ground Leases	Local City Council SDHC	Affordable	<ul style="list-style-type: none"> Available City land is being utilized for affordable housing by Civic San Diego, which also released a \$25 million Notice of Funding Availability (NOFA) for affordable housing development. SDHC is working with the City to revise land use regulations in ways that leverage public land and make more land available for affordable and market-rate developments.
7. Shorten Entitlement Process	Local City Council	Affordable & Market	<ul style="list-style-type: none"> The City's Development Services Department (DSD) accomplished a number of process improvements, including reviewing 89.3 percent of permits on time, up from 87.5 percent the previous year; implementing the Professional Certification Program for Completeness Check, which reduced discretionary processes timeframes by 30 days; implementing OpenDSD, which provides real-time permit and enforcement status and online payment; simplifying the fee structure and reducing 538 fees to 313 fees; converting 62 deposit accounts into flat fees; and completing the 10th Land Code Update, which included 38 code amendments and streamlining measures, many of which are listed throughout this report.

Figure 1: Recommended Action Opportunities – Actions Taken to Date (Continued)

8. Approve Community Plans with Master EIRs	Local City Council	Affordable & Market	<ul style="list-style-type: none"> • In 2016, Mayor Kevin L. Faulconer announced a new timeline for updating Community Plans in three years, a process that took about a decade to complete historically. • The Community Plans of Golden Hill, North Park, San Ysidro, and Uptown were updated in 2016, all with Programmatic Environmental Impact Reports (PEIRs). • The City’s Planning Department created a checklist for projects that comply with Community Plan updates (CPU) PEIRs to save developers time and money.¹
9. Support CEQA Reform	State Local	Affordable & Market	<ul style="list-style-type: none"> • The City adopted its Climate Action Plan (CAP) in December 2015, and the CAP Checklist (previously known as the Greenhouse Gas Checklist) has been implemented.² • The City continues to review CEQA thresholds to identify areas where they can be lowered.
10. Align State Oversight	State	Affordable	<ul style="list-style-type: none"> • SDHC worked with state housing finance agencies, including the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (TCAC), through the public comment process to revise regulations to better align processes, including processes for lending by public housing authorities.
11. Increase State and Federal Resources	State Federal Congress HUD	Affordable	<ul style="list-style-type: none"> • U.S. Representative Scott Peters led a collaborative effort to advocate that the U.S. Department of Housing and Urban Development (HUD) adopt an alternative formula to determine Continuum of Care funding for local homelessness programs. • SDHC advocated throughout 2016 and 2017 to strengthen and expand HUD funding that supports SDHC programs, including rental assistance and the Low-Income Housing Tax Credit, used to create affordable housing and serve low-income San Diegans.

¹ [https://onbase.sandiego.gov/OnBaseAgendaOnline/Documents/ViewDocument/Staff%20Report%20for%20-%20%20\(\),pdf?meetingId=987&documentType=Agenda&itemId=17892&publishId=14715&isSection=false](https://onbase.sandiego.gov/OnBaseAgendaOnline/Documents/ViewDocument/Staff%20Report%20for%20-%20%20(),pdf?meetingId=987&documentType=Agenda&itemId=17892&publishId=14715&isSection=false)

² https://www.sandiego.gov/sites/default/files/city_of_san_diego_cap_checklist.pdf

Action Opportunity #1

NOVEMBER 25, 2015 REPORT

Set Annual City Goals for Housing Production and Publish Progress Annually.

Type: Local

Scope: Affordable and Market

Opportunity for Action: The City Council can establish annual housing production goals and publish a report tracking progress toward achieving those production targets. Annual goals can be based on the San Diego Association of Governments (SANDAG) Regional Housing Needs Assessment (RHNA) estimates.

Opportunity Description & Background:

- The City Council can pass an ordinance requiring annual targets for citywide housing production based on expected population and employment growth and set goals for housing production that are consistent with meeting future demand.
- It is possible to include goals for allocation of housing by community.
- Quantified housing goals can be provided for communities and citywide, which can then be used in Community Plan Updates.
- Annual goals can incorporate consideration of land use designations and densities to estimate goals for future housing units.
- A published annual report that tracks progress could count the number of units, include completed projects and permits, and cite characteristics of housing, specifically whether units are single-family, multifamily or mixed-use, and affordable or market-rate. Progress could also be tracked on the web in real time.

Cost Containment & Housing Production Impact: Setting clear housing production goals will likely improve government efficiency and incentives related to housing production. It will help stakeholders work together toward a common and annually delineated goal.

Other Benefits: Increased government accountability.

SDHC Role (Lead, Advocate, or Support): SDHC to lead with City Council in developing annual housing production goals incorporating SANDAG estimates for the Housing Element and RHNA.

Next Steps: City Council to pass ordinance setting annual housing production goals and requiring annual public report on progress.

Timeline: Short-term

Relevant State Legislation: N/A

Other Innovative Ideas: Affordable and Market:

- Create an enforceable citywide plan for housing units.
- Enact a policy that establishes benefits of increased density in certain areas and requires specific findings to be made before lower density projects are approved.

References:

- Jonathan Woetzel, Sangeeth Ram, Jan Mischke, Nicklas Garemo and Shirish Sankhe. *A blueprint for addressing the global affordable housing challenge*. McKinsey Global Institute. October 2014.

Action Opportunity #1 – Action Taken

Set Annual City Goals for Housing Production and Publish Progress Annually.

Progress

In its agency-wide Strategic Plan: 2016-2020, SDHC set an objective to create 2,000 units —approximately 500 per year — of mixed-income and affordable housing during the Strategic Plan period. In the first year, 627 affordable units closed financing and are currently under construction or rehabilitation.

In addition, in collaboration with Councilmember Scott Sherman and Councilmember David Alvarez, 2017 Chair and Vice Chair of the Smart Growth & Land Use Committee, respectively, SDHC studied the city's housing production needs and set neighborhood-level target goals. The report, *Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028*, identified land-use opportunities and streamlining and process improvements that would enable the City to set realistic and achievable housing production goals. A geographic information system (GIS) analysis conducted for the report also identified available capacity to meet the City's housing need over 10 years.

Related Efforts

On July 13, 2017, the San Diego Regional Chamber of Commerce and the Greater San Diego Association of REALTORS® (SDAR) released an analysis comparing the progress of each of the 18 cities and the County of San Diego in permitting the construction of new homes. The scorecard found that the San Diego region is on pace to produce only 50 percent of the units needed to accommodate population growth. The Housing You Matters coalition, of which SDHC is a member, applauded the report's release, and highlighted the need for all cities to participate in being a part of the housing affordability solution.

2017 Legislation

- SB 35, Planning and Zoning (Wiener): Signed into law on September 29, 2017, this bill streamlines, incentivizes, and removes local barriers to creating affordable housing projects in all communities, including those failing to meet regional housing needs contained in their Housing Element.
- AB 879, Planning and Zoning (Grayson): Current law requires planning agencies to provide by April 1 of each year an annual report that contains specified information pertaining to the implementation of the general plan. This bill requires that this report also include the number of housing development applications received in the prior year, units included in all development applications in the prior year, and units approved/disapproved in the prior year. AB 879 was signed into law on September 29, 2017.

New Reference Sources

- California Legislative Information. <https://leginfo.legislature.ca.gov>
- San Diego Housing Commission Strategic Plan, 2016-2020.
- San Diego Housing Commission Report *Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018 – 2028*.
- San Diego Regional Chamber and Greater San Diego Association of REALTORS® *Housing Scorecard*.

Action Opportunity #2

NOVEMBER 25, 2015 REPORT

Incentivize More 80/20 Developments to Supply More Units at Lower Cost, Utilize Unused 4% Tax Credits and Require Fewer Subsidies from SDHC.

Type: Local

Scope: Affordable

Opportunity for Action:

- SDHC can prioritize funding for 80/20 projects to incentivize more 80/20 developments. 80/20 developments use 4 percent tax credits rather than 9 percent tax credits. Four percent tax credits are underutilized historically, and require less subsidy from SDHC for development as compared to 9 percent tax credit developments.
- Based on an analysis from Keyser Marston Associates, SDHC financing could be approximately 60 percent less per unit in subsidy for an affordable unit built in an 80/20 development compared to an affordable unit in a 100 percent affordable, 9 percent tax credit development.
- The City Council can pass an ordinance providing a tax rebate or tax exemption on City property taxes for 80/20 developments. For example, New York City has a property tax exemption on new construction that contains 20 percent affordable units. The exemption can last up to 25 years (Section 421a exemption).
- SDHC can make developers more aware of the benefits of using the density bonus and provide greater incentives to developers to encourage use of density bonuses to construct more affordable and market-rate units.
- Affordable and market-rate developers have difficulty financing mixed-income projects, especially those using 4 percent financing. To address this, the City Council and SDHC can create a special fund to provide guarantees to financial institutions that provide financing for these projects.
- In certain zones, require the construction of affordable units (instead of payments of in-lieu fees), or leverage community assets (land) as contributions to market-rate housing in exchange for affordable units being built. Provide a public guarantee fund to address lender concerns about financing mixed-income developments.
- Leverage locally generated public funds (inclusionary or impact fees) against private financing to allow for a one-stop financing shop in providing capital for projects.

Opportunity Description & Background:

- 80/20 developments are projects with 80 percent market-rate units and 20 percent affordable units, at 50 percent of Area Median Income (AMI) or less. All units are built without the significant regulatory constraints and requirements that are required of 9 percent tax credit developments, in which 100 percent of the units are affordable.
- Today's low-interest rate environment makes 80/20 projects less attractive as compared to pure market-rate developments, given the low cost of funds available for market-rate developments. However if rates rise in the future, 80/20 projects will become more attractive relative to pure market-rate projects.
- Banks are under regulatory pressure to lend on affordable housing deals and fulfill Community Reinvestment Act requirements. Meanwhile, the Federal Housing Administration has refocused on serving the Low-Income Housing Tax Credit market much more than it had in the past. In some cases, 80/20 deals may make it easier to attract construction financing and get regulatory approvals.

Cost Containment & Housing Production Impact:

- Increasing 80/20 construction will facilitate production of more units of both market-rate and affordable units. 80/20 projects will draw more developers into development of affordable housing and could increase better dispersion of all units across locations.
- There are only a limited number of 9 percent tax credit developments possible each year. More 80/20 projects will increase the development of affordable housing units beyond the 9 percent tax credit's production constraints.
- SDHC would provide significantly less subsidy for construction of an affordable unit in an 80/20 building than an affordable unit in a 9 percent tax credit, 100 percent affordable building.

Other Benefits: 80/20 projects create mixed-income properties and help distribute affordable housing units across the City.

SDHC Role (Lead, Advocate, or Support): SDHC to lead.

Next Steps: SDHC to develop incentives and then educate developers and the market on expanded incentives for 80/20 projects. City Council to draft ordinance to enact incentives for 80/20 projects where ordinances are needed. City Council to consider tax exemption programs for 80/20 projects.

Timeline: Short-term implementation possible.

Relevant State Legislation: Pending state legislation may provide additional leveraging resources and incentives. For example, AB 1335 would provide a flexible additional funding source. AB 1335 did not advance in the final 2015 legislative session but is a two-year bill that can be pursued in 2016. Additional leverage funding is anticipated through allocation of National Housing Trust Funds to states in 2016 (California is estimated to receive approximately \$41 million).

Other Innovative Ideas:

- Amendment to Palmer to make it possible for inclusionary housing to be applied to rental housing, thereby making 80/20 developments more attractive.
- Create an Affordable Housing Bank similar to what currently exists in Carlsbad, so that affordable developers can buy and sell rights to develop affordable units, as long as units remain in the same quadrant of the City. New York's Section 421a also includes the ability to trade certificates for development of affordable housing.

References: N/A

Action Opportunity #2 – Action Taken

Incentivize More 80/20 Developments.

Progress

On October 14, 2017, Governor Edmund G. “Jerry” Brown signed into law Assembly Bill (AB) 1637, authored by State Assemblymember Todd Gloria.

SDHC and the City worked together with Assemblymember Gloria on AB 1637. SDHC President & CEO Richard C. Gentry testified in support of AB 1637 on May 10, 2017, at the hearing of the California State Assembly Committee on Housing and Community Development.

AB 1637 allows public housing authorities in the City of San Diego and the County of Santa Clara to make loans to developers of mixed-income developments if:

- 40 percent of the units are affordable to low-income households (up to 80 percent of Area Median Income); and
- At least 10 percent of the units are affordable to middle-income households (up to 150 percent of Area Median Income).

This is an affordability range not previously served by public housing authorities and is essential to the ability to provide a continuum of housing opportunities for those moving from low-income to market-rate housing, as well as to provide a level of housing affordability to those who do not qualify for housing assistance, but still cannot afford San Diego’s rent levels. This new middle-income range will also create the opportunity for public housing authorities to attract new types of revenue sources for affordable housing and incentivize the production of mixed-income rental housing developments.

Related Efforts

The San Diego Housing Federation (SDHF), an organization focused on expanding affordable housing throughout the San Diego region, has advocated in support of the City of San Diego’s Affordable Homes Bonus program, which incentivizes mixed-income developments.

2017 Legislation

- AB 1505, Land use: Zoning Regulations (Bloom, Chiu, Gloria): Often referred to as the “Palmer fix” bill after a 2009 appellate court decision, “Palmer v. City of Los Angeles,” AB 1505 was signed into law on September 29, 2017. It restores the ability of local governments to require developers to include affordable rental units. In an October 23, 2017, memorandum, San Diego City Councilmember Chris Ward requested that the Mayor’s office, appropriate City departments and SDHC bring forward amendments to the City’s Inclusionary Affordable Housing Regulations “to take advantage as soon as possible of the opportunities available from the implementation of AB 1505 and to maximize tools for the immediate production of new affordable housing.” SDHC is working on proposed updates to the City’s Inclusionary Housing ordinance.

New Reference Sources

- California Legislative Information. <https://leginfo.legislature.ca.gov>



California State Capitol

Action Opportunity #3

NOVEMBER 25, 2015 REPORT

City and SDHC Implement a Policy That Defers Development and Permit Fees Until Temporary Certificate of Occupancy is Issued.

Type: Local

Scope: Affordable and Market

Opportunity for Action: Building on already existing fee deferral programs, City implements a policy that defers additional fees, including: impact fees, fire, water fees, sewer fees, and school fees as well as permit fees until Temporary Certificate of Occupancy is issued.

Opportunity Description & Background: There is a current development fee deferral program in San Diego that has had a positive impact in lessening housing production costs. Deferral of additional development fees and permit fees will further reduce financing costs for developers by delaying additional costs and allowing developers to benefit from the time value of money.

We recommend deferral of impact fees, fire, water fees, sewer fees and school fees as well as permit fees until Temporary Certificate of Occupancy is issued.

Cost Containment & Housing Production Impact: Reduces the costs of affordable development by reducing financing costs.

Other Benefits: Easy to implement with clear threshold required for collection of fees.

SDHC Role (Lead, Advocate, or Support):

- SDHC to lead by proposing this change to the City Council.
- Consultation with the Development Services Department and the Independent Budget Analyst to facilitate ease of execution.

Next Steps:

- SDHC to propose changes to the City Council.
- City Council to prepare motion to defer impact fees, fire, water fees, sewer fees, and school fees as well as permit fees until the Temporary Certificate of Occupancy is issued.

Timeline: Short-term implementation is possible.

Relevant State Legislation: N/A

Other Innovative Ideas:

- Where possible, allow fees to be paid out of residual cash flow of projects.
- Extend deferral of fees beyond Certificate of Occupancy to Close of Escrow.
- Deferral of school fees until stabilization of rental projects or sale of homeownership units.

References:

- San Diego Development Services Department website. <https://www.sandiego.gov/development-services>

Action Opportunity #3 – Action Taken

Defer Development Fees.

Progress

The City's Development Services Department has implemented changes to the fee system, including but not limited to:

- The City created a process to defer the payment of Development Impact Fees and streamline the process for Developer Reimbursement Agreements;
- The Fee Deferral Program was expanded to include the Housing Impact Fee (also known as the Commercial Linkage Fee); and
- Fees that were previously hourly were made flat, and 538 fees were simplified and reduced into 313 fees.

Although this Action Opportunity originally focused on the issuance of the Temporary Certificate of Occupancy to trigger fee payment, SDHC has suggested to the City's Development Services Department that the focus should be on the issuance of Final Inspection. This change would streamline the process and allow City staff to better track deferred payments

Related Efforts

In her January 2017 memo to the Independent Budget Analyst, City Council President Myrtle Cole requested that funding be identified and allocated, if necessary, to streamline specifically the permitting process to build affordable housing.

New Reference Sources

- San Diego Development Services Department website. <https://www.sandiego.gov/development-services>
- Memo, "FY 2018 Budget Priorities," by City Council President Myrtle Cole, dated January 27, 2017.

Action Opportunity #4

NOVEMBER 25, 2015 REPORT

Reduce Parking Requirements for Affordable and Market-Rate Developments.

Type: Local

Scope: Affordable and Market

Opportunity for Action: The City has already taken effective action to reduce parking requirements for affordable projects. We recommend building upon that success. Current reduced parking requirements for affordable housing should be extended to apply to market-rate housing. In addition, the City and SDHC can further reduce parking requirements by amending the City's Land Development Code to include parking maximums rather than parking minimums. We recommend that additional reduced parking requirements apply to both affordable and market-rate housing.

Opportunity Description & Background: Parking requirements have been significantly reduced for affordable developments by prior policy changes in San Diego. These changes have been effective in reducing affordable development costs. However, parking remains a major project expense, particularly podium or subterranean parking.

Recommend additional creative parking solutions, including further lowering of parking requirements and alternative methods for satisfying such requirements. This includes encouraging use of tandem parking and other space-saving technology.

Direct City Staff to work with stakeholders to lower parking requirements for residential projects and allow alternative methods to satisfy parking requirements, such as bike-racks and car-sharing programs.

Fund Civic San Diego planning strategies to examine and implement market-based parking approaches. Analyze nationwide best practices for efficient parking regulation and design.

Study/implement reduction/removal of parking requirements for downtown community given thriving private market for parking that exists there. In general, density and transit should be considered when crafting parking requirements.

Cost Containment & Housing Production Impact:

- Parking costs range from \$20,000 to \$40,000 per space and add a significant cost per unit if podium or subterranean parking. Additionally, if the site requires underground parking, the costs often determine whether or not the project will be built.
- Adding parking maximums rather than minimums in addition to the parking requirement reductions already implemented in San Diego will further contain development costs.
- Reducing parking requirements will reduce operational costs for multifamily developments over time.

Other Benefits: Reducing parking availability in transit-oriented developments promotes active transportation methods such as biking, walking, or public transit. Reducing vehicle miles travelled improves the environment and reduces traffic in residential neighborhoods.

SDHC Role (Lead, Advocate, or Support): SDHC to lead by encouraging reduction of parking requirements in its own developments and ensuring that public underwriting guidelines encourage maximum limits on parking space production rather than minimums. SDHC can also advocate to the City Council to reduce parking requirements in its zoning policy.

Next Steps:

- SDHC to meet with City Council and key City staff to advocate for further reduced parking requirements.
- SDHC and City Council to receive updates on any related legislation signed by the Governor (after October 11, 2015).

Timeline: Short-term

Relevant State Legislation: Approved 2015 state legislation (AB 744) would, at request of developer, City or County, prohibit imposing a parking requirement greater than 0.5 spaces per bedroom for 100 percent low-income and senior/special needs housing located within a half of a mile of accessible transit.

Other Innovative Ideas:

- Allow one level of parking above ground without counting toward the project Floor Area Ratio for urban projects.
- Allow by-right tandem private (garage) parking for all new multifamily residential and mixed-use development, and ease parking requirements for mixed-use and transit-oriented development projects.
- Pursue community-wide parking reform measures in parking-impacted communities, including creation of parking districts, shared parking, and off-site public parking alternatives.
- Allow for in-lieu fees and parking districts in lieu of mandatory on-site parking for mixed uses.
- Study the benefits of driverless cars and car sharing services in order to determine the positive effects these measures could have on diminishing the need for parking.

References:

- San Diego Regional Chamber of Commerce Housing Action Plan (2015 Update); Civic San Diego.
- *Transit-oriented Development: A Strategy for the City of San Diego to Advance the Climate, Affordability, and the Economy.* Circulate San Diego (2016).

Action Opportunity #4 – Action Taken

Reduce Parking Requirements.

Progress

The City has made parking requirements a major focus in its efforts to reduce the cost of housing production. Recent progress includes:

- The City's Development Services Department reduced parking requirements for Accessory Dwelling Units (ADUs) within one-half mile of Transit Priority Areas (TPAs).
- On June 21, 2017, Mayor Kevin L. Faulconer, together with Councilmember Scott Sherman and Councilmember Chris Ward, called for adoption of the "Housing SD" plan - a set of proposals that would increase housing supply, lower costs and promote smart growth to address the lack of housing affordability for low- and middle-income San Diegans. Starting in fall of 2018, the proposal plans to revise parking standards within TPAs so the City is not unnecessarily requiring excessive parking in developments.
- Civic San Diego, which reviews and processes all development applications downtown, has begun the process of updating its Comprehensive Parking Plan. The plan will review and make recommendations on parking that is off-street, on-street, and resulting from new development.

Related Efforts

Circulate San Diego, a nonprofit that works to promote public and active transportation, as well as sustainable growth, recommends the following actions related to parking requirements: eliminate parking minimums downtown; and adopt a new set of parking rules for any project within a TPA. The organization advocates that TPA parking rules should allow tandem parking; reduce parking requirements in TPAs to .75 spaces per residential unit and provide a 25 percent discount for spaces required in commercial developments; expand shared parking; and allow alternatives methods to satisfy parking minimums, such as bike storage, bike sharing, motorcycle parking, car sharing, electric vehicle parking, and 10-year transit passes.

2016 Legislation

- AB 2299, Land Use: Housing (Bloom) and SB 1069, Land Use: Zoning (Wieckowski): These bills require cities and counties to enact an ordinance allowing for the creation of Accessory Dwelling Units (ADUs) in residential zones while imposing significant restrictions of the parking standards that may be required by each jurisdiction. AB 2299 and SB 1069 were signed into law on September 27, 2016.

2017 Legislation

- AB 73, Planning and zoning (Chiu): Signed into law on September 29, 2017, AB 73 incentivizes high-density "Housing Sustainability Districts," which streamline the development process for new housing near transit. This legislation will speed any lawsuit challenging an environmental review through the courts and mandates at least 20 percent of housing within a district to be affordable to low-income residents.

New Reference Sources

- *Transit-oriented Development: A Strategy for the City of San Diego to Advance the Climate, Affordability, and the Economy.* Circulate San Diego (2016)
- News Release: "Mayor Faulconer, Councilmembers Unveil Plan to Increase Housing Supply, Boost Affordability for San Diegans." (June 21, 2017).



Artist's Rendering

The Nook East Village

15th and K Streets – Downtown San Diego

90 Affordable Single-Room Occupancy Units

7 Vehicle Parking Spaces; 54 Bicycle Parking Spaces

On-site Car Sharing Station

Action Opportunity #5

NOVEMBER 25, 2015 REPORT

City and SDHC Reduce Commercial Space Requirements for Affordable Developments by Amending the City's Land Development Code.

Type: Local

Scope: Affordable and Market

Opportunity for Action: The City and SDHC can reduce commercial space requirements for affordable and market-rate developments. Commercial space requirements often pose difficulties for developers in leasing up the space and financing the overall project because the commercial space inserts an element of risk in the project that would not otherwise exist as part of a housing development.

Additionally, commercial space is generally not financeable. As a result, developers often underwrite their commercial space income with high vacancies and low rental values due to a historic lack of success in leasing these spaces and monetizing them for the benefit of the project. By reducing or eliminating commercial space requirements, developers will be able to demonstrate stronger cash flows to their capital partners. In addition, an occupied, well-maintained residential space will be better for community stability and neighborhood property values than an empty commercial space.

Opportunity Description & Background: There are several approaches to reducing commercial space requirements:

- Reduce the commercial space requirement for all multifamily developments;
- Structure commercial space as a separate condominium space that is financed separately; and/or
- Discourage commercial space in affordable developments.

Cost Containment & Housing Production Impact:

- Enables efficient use of space in a manner that maximizes the income that can be used for debt service, thereby maximizing the amount of permanent debt that can be put on a project.
- Commercial space requirements are particularly problematic and costly in affordable housing development, where financing is already challenging and the commercial space requirement adds even greater financing challenges. Once affordable housing is built, commercial space can be a costly operational expense on an ongoing basis when it cannot be leased or must be leased at a loss or to unstable tenants.

Other Benefits:

- Often, commercial space, particularly in affordable developments, sits vacant, or the owners are unable to lease the space to active uses so the space is unattractive, may attract crime, and may bring down nearby property values.
- By using the ground floor for residential and related uses where it is occupied rather than vacant, the ground floor space may be more active than it would have been as commercial space, thereby boosting surrounding property values and increasing the community's stability.

SDHC Role (Lead, Advocate, or Support): SDHC to advocate to the City to review and amend commercial space requirements for residential buildings.

Next Steps: City Council to prepare motion to amend City's Land Development Code.

Timeline: Short-term.

Relevant State Legislation: N/A

Other Innovative Ideas: Expand reduction in commercial space requirements to market-rate developments.

References:

- Keyser Marston & Associates

Action Opportunity #5 – Action Taken

Reduce Commercial Space Requirements.

Progress

Led by Councilmember Scott Sherman, 2017 Chair of the Smart Growth and Land Use Committee, efforts are underway to address ground floor commercial requirements for mixed-use development in the City.

In November 2017, SDHC participated in a Commercial Flexibility Workshop held by the City Planning Commission. The workshop focused on two issues:

1. Challenges to renting ground floor commercial space once a development is complete; and
2. How commercial space requirements can sometimes pose difficulties for financing housing developments.

Related Efforts

At the February 2017 Urban Land Institute (ULI) San Diego-Tijuana Symposium, San Marcos Development Services Director Dahvia Lynch spoke about the innovative measures San Marcos has taken to give flexibility in commercial space requirements. The goal is to implement quality, long-range planning that encourages place-making, while still catering to the present, transitional economic circumstances. Developers are still required to build out commercial spaces, but code allows for flexibility in how those spaces are used. For example, live/work lofts and indoor kiosk-type stalls are allowed, both of which reduce the costs associated with traditional commercial spaces.

New Reference Sources

- Memorandum to Planning Commissioners regarding Commercial Flexibility. Councilmember Scott Sherman. November 16, 2017.

Action Opportunity #6

NOVEMBER 25, 2015 REPORT

SDHC, City and Local Agencies Take Action to Unlock Land and Increase Ground Leases to Affordable Housing Developers at Below Market Rates or at Nominal Cost.

Type: Local

Scope: Affordable

Opportunity for Action: Working with the City and SANDAG, SDHC can generate an inventory of land owned by the government or affiliates that could be sites for housing development in San Diego. Creating an inventory of all underutilized land, vacant land and potential re-use sites owned by public agencies will be a very effective first step in unlocking land for housing development. This inventory can be ranked in terms of suitability for affordable housing and mixed-income development.

The City, SDHC and affiliates can ground lease land at a nominal cost for affordable housing development.

SDHC can work with the City to revise land use regulations in ways that leverage public land and unlock land for market development.

Opportunity Description & Background:

- Working with SANDAG, the City of San Diego, and the Community Planners Committee, SDHC can generate a map that identifies sites currently zoned for multifamily housing. The map could be created using SANDAG's Smart Growth Concept Map, and Community Plans showing vacant land, potential scrape-and-rebuild properties along transit routes, and zoned mixed-use development sites along transit routes. Inventory can include land owned by the government, agencies and any affiliated government entities, and potential re-use sites.
- SDHC can consider use of the new right of first refusal for nonprofits to acquire parcels that can be developed as affordable housing. AB 2135 was passed in September 2014 and prioritizes the use of local agency surplus property for the development of affordable housing that serves lower income households.
- A local ballot measure, Proposition A, was approved by voters in San Francisco on November 3, 2015, which authorizes the city to issue up to \$310 million in bonds for affordable housing programs.
- The City, SDHC, and other local/regional agencies can put out requests for qualifications and requests for proposals (RFQs/RFPs) to advertise to developers that these sites are available for affordable housing and mixed-use projects. Property can be ground-leased long-term to the most qualified developers at below market-rates or at nominal cost.
- The City Council can unlock land by crafting ordinances that boost market-rate housing production through better land use regulations. For example, the City Council can enact programs such as creating priority development areas around transit corridors and rezoning underutilized industrial space or other non-residential land uses.
- The City can pursue creative re-use of land, and changing land use regulations as needed to repurpose land for residential development. For example the re-zoning of the Brooklyn waterfront from underutilized industrial land to residential led to development of thousands of new units.
- The City and SDHC can create approaches to leverage public lands with market-rate projects. For example, encouraging mixed-use development of properties adjacent to public lands with the public sector contributing land to a public sector project to create mixed-income projects.
- Much of the property owned by public agencies is ideally located near transit and other amenities.

Cost Containment & Housing Production Impact:

- Low-cost land reduces the per-unit cost to construct a unit.
- Unlocking land held by public agencies that is underutilized would allow market and affordable housing developers to increase supply.
- Unlocking land for market-rate housing production will increase overall housing supply, likely resulting in a decreased cost for occupants across the income and housing cost spectrum.

Other Benefits: Increased ground lease payments could be scheduled to commence after repayment of the first trust deed mortgage – generally after the first 30 years of operation.

SDHC Role (Lead, Advocate, or Support): SDHC to advocate to the City Council and public partners to dedicate land and prioritize making it available.

Next Steps:

- SDHC to meet with City Councilmembers, Civic San Diego, County Supervisors, SANDAG, Metropolitan Transit System (MTS), or other public agency leadership to advocate for ground leases of public property to private affordable and moderate-income housing developers.
- The Community Planners Committee meets monthly and includes the Chair of the community-planning group for each community within the City of San Diego or his/her designee. Getting community planning groups involved early in the discussion of adding housing units in neighborhoods could increase neighborhood support.

Timeline: Short-term. Properties could be identified and RFP/Qs could be drafted and released in six months if staff are fully empowered by their Councilmembers and/or agency directors.

Relevant State Legislation: AB 2135 was passed in September 2014 and prioritizes the use of local agency surplus property for the development of affordable housing that serves lower income households.

Other Innovative Ideas:

- Encouraging units that cost less to build, such as micro units, studios, prefabricated housing and other innovative types of housing.
- Buying existing apartments and converting them to affordable housing with income restrictions as a way to bypass the expense of affordable housing development.
- The City and SDHC could identify public lands that could be used for housing via a public-private partnership. The City and SDHC could work with local planning groups to identify infrastructure improvements that could be funded through fees generated by the new construction that would be spent within the planning area. This would provide an incentive to local communities to work with the City and SDHC to develop/redevelop the properties. Each community already has a list of its recommended infrastructure projects, and City staff has developed cost estimates.

References: N/A

Action Opportunity #6 – Action Taken

Make More Land Available and Increase Ground Leases.

Progress

- City land available for housing development is being used for affordable housing by Civic San Diego.
- In February 2017, the City, through Civic San Diego, released a \$25 million Notice of Funding Availability (NOFA) for affordable housing development.
- In September 2017, SDHC released its report, *Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028*. Geo-spatial analysis for the report included a mapping of all vacant and under-utilized residentially zoned parcels throughout the City, as well as possible re-zoning opportunities that would make land available for increased density around transit opportunity areas.
- The City is currently pursuing a number of land-use measures that aim to spur housing production by providing incentives to developers. These include increasing the allowable density for developments with smaller units and for multi-income developments, decreasing the required parking for developments near mass transit, and changing how impact fees are calculated in order to encourage smaller, naturally affordable housing units.
- On October 21, 2016, SDHC completed a Market Assessment for development of its Affordable Housing Transit-Oriented Development Fund that identifies “market opportunity areas” in an effort to promote higher-density, mixed-use housing development located on both private and MTS-owned land at existing and future transit stops. The program, once operational, will offer acquisition financing for land located in or near these opportunity areas.

Related Efforts

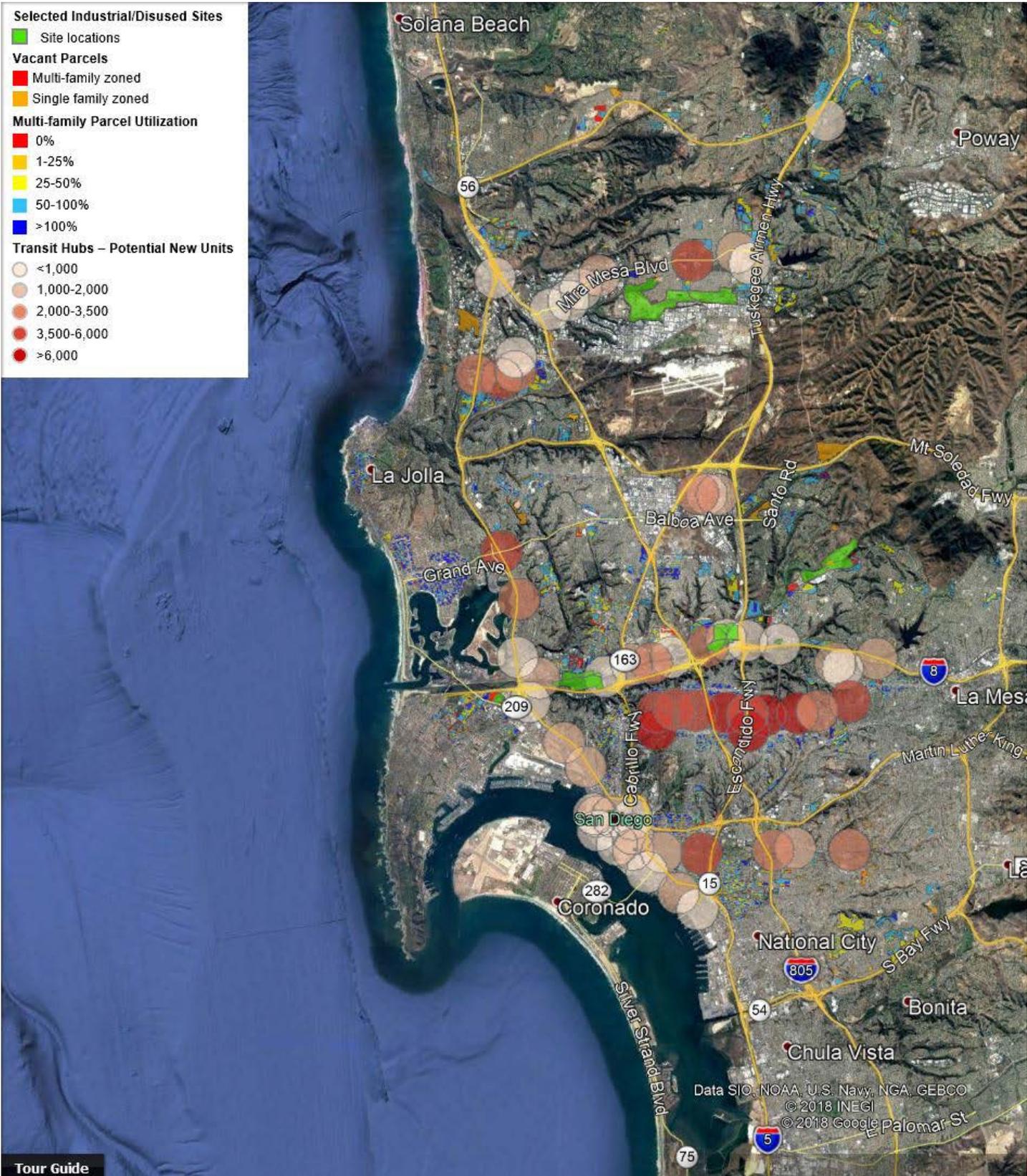
2016 Legislation

- AB 806, Economic Development (Dodd and Frazier): Signed into law on September 23, 2016, this legislation allows counties and cities to acquire, sell, or lease county-owned or city-owned real property (including sites acquired by former redevelopment agencies) to promote economic development, subject to specified requirements.

New Reference Sources

- AB 806, California State Legislature, 2015-2016 Session. (2016).

- Selected Industrial/Disused Sites**
- Site locations
- Vacant Parcels**
- Multi-family zoned
- Single family zoned
- Multi-family Parcel Utilization**
- 0%
- 1-25%
- 25-50%
- 50-100%
- >100%
- Transit Hubs – Potential New Units**
- <1,000
- 1,000-2,000
- 2,000-3,500
- 3,500-6,000
- >6,000



Tour Guide

SDHC Report, Addressing the Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028
Industrial/Disused Sites

Action Opportunity #7

NOVEMBER 25, 2015 REPORT

Shorten Entitlement Process.

Type: Local

Scope: Affordable and Market

Opportunity for Action: Building on the Point Loma Nazarene study on the impact of regulatory cost reduction on housing supply, we support streamlining regulation to reduce housing development costs and increase housing production.

The Mayor can direct the City's Development Services Department to adopt conceptual reviews for discretionary building permitting. Conceptual reviews streamline the review process by reducing duplicative reviews and shortening the first stage of the process. The Development Services Department estimates that conceptual reviews could reduce entitlement timelines by 30 to 50 percent.

The Mayor can direct the City's Development Services Department or City Council can pass an ordinance to bring the entitlement process online, including submission and processing of applications. Building on existing efforts, conversion to an online process can be done more quickly, generating significant time savings and increased transparency in the entitlement process.

Self-certification can play an important role in expediting project review. The City can integrate more self-certification into the process. Self-certification allows the licensed professional designer to self-certify that their plans meet required standards applicable to their work. In many cases the licensed professional is required to sign an affidavit on the plans stating that their work meets all of the requirements and acknowledging their liability for the design.

Have the City craft an approved list of third-party review companies to offload workload. These companies will be vetted by the City, and the City will determine that they have the professional expertise required to review design documents in full compliance with City requirements.

Opportunity Description & Background:

- Streamlining and shortening the entitlement process will reduce developer costs for both affordable and market-rate developments.
- Conceptual reviews streamline the permit approval process. Discretionary approval projects in the City of San Diego are currently required to have detailed project reviews in which project applicants submit required documents mimicking ministerial reviews. Specifically, once an applicant successfully obtains a discretionary permit, the applicant must then apply for a ministerial permit, essentially repeating the review process again. Implementing a conceptual review process would help streamline the review process and reduce costs to the applicant for discretionary projects. A conceptual review would review the project's simple site plans, floor plans, and elevations. Landscape and parking detail would be curtailed. The necessary California Environmental Quality Act documentation would be provided in order to provide substantial evidence for environmental disclosures and mitigation, and specifics would be required.
- Implementing conceptual reviews for discretionary projects can reduce permit-processing times for applicants by 30 to 50 percent, as estimated by the Development Services Department.
- There is a fast-track review for affordable and sustainable projects that already exists and reduces the entitlement timeline by 50 percent, along with providing a specific date for completion. A 50 percent reduction generally means three to six months rather than six to 12 months.

Cost Containment & Housing Production Impact:

- Reduces time, costs, and risks during the entitlement process for housing development.
- Simplifies and expedites entitlement process.

Other Benefits:

- Improves government efficiency.
- Reduces government expenditures on entitlement process.

SDHC Role (Lead, Advocate, or Support): SDHC would advocate for these changes to be made by the Mayor and City Council with support of the Development Services Department.

Next Steps: Draft administrative action or ordinance implementing conceptual review. Initial implementation step requires the Mayor to direct the Development Services Department to adopt conceptual review and to expedite adoption of online entitlement process.

Timeline: Short-term

Relevant State Legislation: A recent study of San Diego's housing costs, *Opening the Door to Lower Housing Costs* (Fermanian Institute Study, Point Loma Nazarene University), proposes reducing regulatory costs associated with housing through implementation of the following key reforms:

- Establishing benchmarks for project and permit approval times;
- Replacing full cost recovery by a flat fee for mapping costs;
- Standardizing building codes for all jurisdictions in the County;
- Disallowing additional challenges and reviews once a project is approved; and
- Establishing a sliding scale for affordable homebuilding requirements to recognize the importance of economies of scale.

References:

- *Opening San Diego's Door to Lower Housing Costs*. Fermanian Business and Economic Institute at Point Loma Nazarene University. 2015.

Action Opportunity #7 – Action Taken

Shorten Entitlement Process.

Progress

The City has taken comprehensive steps to streamline the development entitlement process through the 11th Land Development Code update, including by amending the Affordable, In-fill and Sustainable Expedite Program so that it will no longer charge fees for projects proposing 100 percent affordable housing on-site.

In addition, the City's Planning Department recently introduced a checklist to be used by applicants when reviewing projects for consistency with Programmatic Environmental Impact Reviews (PEIRs) and the Climate Action Plan (CAP). This new process could save both time and money during the review of discretionary projects.

Accomplishments by the City's Development Services Department (DSD):

1. Reviewed 89.3 percent of permits on time, up from 87.5 percent the previous year, in fiscal years 2016 and 2015 respectively. The percentage of permits completed in fewer than two days rose from 91.8 percent in fiscal year 2015 to 92.4 percent in fiscal year 2016.
2. Implemented the Professional Certification Program for Completeness Check. This reduced discretionary process timeframes by 30 days.
3. Implemented Open DSD, which provides online access to: real-time permit and enforcement status; payment and inspection; all discretionary, ministerial, and code enforcement cases.
4. Implemented fee modifications, simplifying the fee structure and reducing 538 fees to 313 fees. Converted 62 deposit accounts into fixed fees.
5. Completed the 10th Land Code Update, which included 38 code amendments and streamlining measures, many of which are listed throughout this report.
6. Announced the following goals to continue to streamline City processes through the 11th Land Development Code update:
 - Establish a new Development Services Center;
 - Expand Professional Certification to include additional permit types;
 - Revise discretionary submittal requirements;
 - Retool Sustainable and Affordable Expedite Programs;
 - Expand electronic submittal to include additional permit types; and
 - Expand open data capability, particularly in OpenCounter.

Related Efforts

In her January 2017 memo to the Independent Budget Analyst, City Council President Myrtle Cole requested that funding be identified and allocated if necessary to streamline the permitting process to build affordable housing.

Circulate San Diego, a nonprofit that works to promote public and active transportation, as well as sustainable growth, recommends that the City take the following actions:

- Create a position within the Development Services Department that handles affordable housing. This would ensure that expedites for the Affordable Housing Bonus Program (AHBP, also known as Density Bonus) are fast-tracked;
- Allow automatic Floor Area Ratio (FAR) bonuses, without requiring the use of an incentive; and
- Allow developers to purchase binding pre-review of incentives and waivers for projects.

At the January 31, 2018, City Council Smart Growth & Land Use Committee, the City's Planning Department presented amendments to the City's Affordable Housing Density Bonus Program, including a 100 percent density bonus for developments composed solely of "micro-units" and located within a TPA, an additional 10 percent density bonus above the maximum allowed for applicants not requesting a waiver or incentive to enlarge the building envelope, and a 20 percent density bonus for developments reserving 10 percent of the total unit count for senior housing, among others.

2017 Legislation

- SB 540, Workforce Housing Opportunity Zone (Roth): Signed into law on September 29, 2017, SB 540 authorizes local jurisdictions to establish Workforce Housing Opportunity Zones by preparing an Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act and adopting a Specific Plan. Local jurisdictions could impose a Specific Plan fee on permit applications and would be authorized to apply for a no-interest loan from the Office of Planning and Research (OPR) to support their efforts to develop a Specific Plan and accompanying EIRs within the zones. For a period of five years after a plan is adopted, the local jurisdictions would be prohibited from denying any development that is proposed within the area of the zone if that development satisfies certain criteria. The bill would provide that, after the zone is adopted, a lead agency is not required to prepare an EIR or negative declaration for a housing development that occurs within the zone if specified criteria are met.

New Reference Sources

- *Transit-oriented Development: A Strategy for the City of San Diego to Advance the Climate, Affordability, and the Economy*. Circulate San Diego (2016).
- Memo, "FY 2018 Budget Priorities," by City Council President Myrtle Cole, dated January 27, 2017.

Action Opportunity #8

NOVEMBER 25, 2015 REPORT

Adopt Specific Plans and Community Plans with Master Environmental Impact Reports (EIRs) and Provisions That Increase Production of Market-Rate Housing.

Type: Local

Scope: Affordable and Market

Opportunity for Action: The City Council can pass an ordinance to expedite adoption of Specific Plans and Community Plans with Master Environmental Impact Reports (EIRs) that enable medium- to high-density urban infill mixed-use and multifamily development.

Updated Community Plans provide certainty to developers and can significantly reduce the time and cost of producing new housing units. There has been a recent increased focus at the local government level to expedite Community Plan Updates.

The inclusion of EIRs in Community Plan Updates can minimize California Environmental Quality Act (CEQA) review for individual projects. This will create a single productive and focused opportunity for the public and advocates to express input on the General Plan and Community Plans. Streamlining the process in this manner will reduce the housing development timeline and reduce regulatory costs associated with housing production.

Part of the Community Plan Updates should include proposals that increase market-rate housing. This could include programs such as creating priority development areas around transit corridors and rezoning underutilized industrial and other types of non-residential land.

Opportunity Description & Background:

There are 52 Community Plans in San Diego. As of November 25, 2015:

- 3 Community Plans are less than 10 years old;
- 12 Community Plans are 11 to 20 years old;
- 22 Community Plans are 21 to 30 years old;
- 12 Community Plans are 31 to 40 years old; and
- 3 Community Plans are over 40 years old.

A Community Plan is a public document that contains specific proposals for future land uses and public improvements in a community consistent with the City's General Plan. Typical elements include: land use, transportation, urban design, public facilities and services, natural and cultural resources, and economic development.

All stakeholders, including employers, residents and government, are provided certainty by the adoption of Community Plans. Community Plans and other efforts toward smart growth reduce the time and cost of producing new units by reducing regulatory uncertainty and regulatory process. Coordinated and certain smart growth plans make the region a more attractive place to live and do business.

Historically the process to update a Community Plan took about a decade to complete. Recently as increased local resources have been focused on Community Plan Updates, the timeline is targeted to be a two-and-a-half-year process.

As part of the process of updating Community Plans, it is important to give communities an opportunity to provide input on plans and weigh in on how plans will best meet the community's needs.

Including a Master EIR can further reduce regulatory burden for housing development. A Master EIR completed as part of a Community Plan for individual neighborhoods will simplify and expedite the entitlement process and limit potential

lawsuits (assisting both market-rate and affordable housing developments). A Master EIR can be tailored to encourage publicly desired development.

SDHC could support proposals by Civic San Diego and the City Planning Department to engage in Specific Plans and other tools to quickly update planning rules for priority development areas within Community Plans.

Cost Containment & Housing Production Impact:

- Reduces time, costs, and risks during the entitlement process for housing development.
- Simplifies and expedites the entitlement process.
- Provides certainty for regional development planning that will reduce time and costs of housing project development process.
- Increasing density in Community Plans as they are updated will support increased housing production by making land available for housing development.

Other Benefits: Eases planning costs for developers while allowing local residents to participate in planning the long-term future development of their neighborhoods.

SDHC Role (Lead, Advocate, or Support): SDHC could advocate for these changes to be made by City Council.

Next Steps:

- Build broad base of coalition supporters at the local level.
- Identify local legislative leaders to support legislation.
- SDHC outreach to City Council and City Council action.
- Specific and Community Plan Development.

Timeline: Long term. Implemented as Community Plans undergo review.

Relevant State Legislation: N/A

Other Innovative Ideas:

- Density targets and limits should be specified in City Plan updates and in the General Plan to maximize land available for housing production while balancing other factors important to community well-being.
- Use the Centre City Development Corporation/Civic SD model for Community Plan Updates.
- Set minimum citywide significance thresholds for Community Plan Updates and develop a comprehensive density strategic plan. Include in that plan a policy that densities in communities are not lowered and height maximums are not decreased.
- Add infill and transit-oriented development target areas within all future Community and Specific Plans in order to use the CEQA processes established by SB 743 (Steinberg, 2013).
- An Affordable Housing Overlay Zone (AHOZ) creates as-of-right zoning for specific parcels. This approach can be used in the Housing Element process. When the element is being approved, the City can designate certain parcels as AHOZ eligible. The City would then have to designate the requisite zoning for the parcels and the development of affordable housing would be as-of-right. This would streamline approval of affordable housing, though it might limit plan design flexibility.

References:

- San Diego Regional Chamber of Commerce Housing Action Plan (2015 Update).

Action Opportunity #8 – Action Taken

Adopt Specific Plans and Community Plans with Master EIRs.

Progress

Historically, the process to update a Community Plan took approximately a decade to complete. In 2016, Mayor Kevin L. Faulconer announced a new timeline for updating Community Plans within three years.

The Community Plans of Golden Hill, North Park, San Ysidro, and Uptown were updated in 2016, all with Program EIRs.

The City's Planning Department announced that the following Community Plan updates will be completed by 2018:

- Midway-Pacific Highway (2017)
- Old Town (2017)
- Mission Valley (2018)
- Clairemont (2018)
- Kearny Mesa (2018)
- Barrio Logan (2018)
- University (2018)
- Mira Mesa (2018)

The City's Planning Department created a checklist for projects that comply with Community Plans. This tool will save developers time and money, and is outlined in the update for Action Opportunity #7.



North Park, San Diego

Related Efforts

In their respective January 2017 memos to the Independent Budget Analyst's Office, Councilmembers Barbara Bry, Chris Cate, and Scott Sherman called for the City to commit to an annual budget sufficient to fund Community Plan update efforts.

2017 Legislation

- SB 540 (described in Action Opportunity #7) supports the creation of Specific Plans to streamline permitting for affordable housing development.

New Reference Sources

- City Planning Department website. <https://www.sandiego.gov/planning>
- Memo, "Fiscal Year (FY) 2018 Budget Priorities," dated January 20, 2017, to Andrea Tevlin, Independent Budget Analyst, by City Councilmember Barbara Bry.
- Memo, "Fiscal Year 2018 Budget Priority Memo," dated January 20, 2017, to Andrea Tevlin, Independent Budget Analyst, by City Councilmember Chris Cate.
- Memo, "FY18 Budget Priorities," dated January 20, 2017, to Andrea Tevlin, Independent Budget Analyst, by City Councilmember Scott Sherman.



Barrio Logan, San Diego

Action Opportunity #9

NOVEMBER 25, 2015 REPORT

California Legislature and Governor to Adopt CEQA Reform Measures Targeting Infill Development Projects, and City to Revise Local CEQA Thresholds.

Type: State, Local

Scope: Affordable and Market

Opportunity for Action: At the state level, members of the state legislature can introduce legislation that addresses the following reforms: 1) require those filing CEQA lawsuits to disclose their identity and environmental or non-environmental interests; 2) eliminate duplicative lawsuits against EIRs that have been certified; and 3) restrict invalidation of project approvals due to technical errors in the EIR.

At the local level, the City can take immediate action to commence revisions to its CEQA thresholds.

Opportunity Description & Background:

State Legislation: Though only about 10 percent of CEQA filed cases are published, a report by Holland & Knight (August 2015) completed a study of all CEQA lawsuits filed over a three-year period. Of those cases, almost half are targeted toward taxpayer-funded projects that reinforce California's environmental goals. These statistics indicate that there are three key legislative changes that could be made to the CEQA process that could reform the process to improve the chances of success for infill projects, including affordable housing. These changes are included in the "Opportunity for Action" above.

City Thresholds: Traffic, noise, air quality, and parks CEQA significance thresholds are based on suburban land uses and traffic generation and applied to urban projects and environments. They can be modified to more accurately reflect current and future development patterns. Making the thresholds more applicable to urban environments will reduce unnecessary regulatory costs.

Cost Containment & Housing Production Impact:

- Increase supply of affordable product in California by improving chances of project success.
- Decrease project and taxpayer costs by reducing legal costs and time delay costs due to frivolous CEQA lawsuits.

Other Benefits: Helps contain development costs by keeping projects with approvals out of litigation.

SDHC Role (Lead, Advocate, or Support): SDHC to advocate within coalitions for reform and reach out to legislators to initiate these changes.

Next Steps:

- Build broad base of coalition supporters at the state and local level for state legislation.
- Identify local legislative leaders to carry state legislation.
- Work with City Council to draft ordinance amending CEQA thresholds for the City of San Diego.

Timeline: Short-term for local actions; medium-term for state legislation.

Relevant State Legislation: N/A

Other Innovative Ideas:

- Override mechanism at the state level, similar to Massachusetts Chapter 40B.
- Establish a citywide Project Labor Agreement that will prevent unions from bringing CEQA actions or work stoppages to a project.

References:

- Jennifer Hernandez, David Friedman, & Stephanie DeHerrera. *In the Name of the Environment: How Litigation Abuse Under the California Environmental Quality Act Undermines California's Environmental, Social Equity and Economic Priorities - and How to Protect CEQA From Litigation Abuse.* Holland & Knight. (2015).

Action Opportunity #9 – Action Taken

Support CEQA Reform at State and City Levels.

Progress

In his February 10, 2017 memo, “Smart Growth and Land Use Committee Work Plan,” City Councilmember Scott Sherman, 2017 Chair of the Smart Growth & Land Use Committee, called for California Environmental Quality Act (CEQA) reform as a measure to increase housing production. Groups such as Housing You Matters, of which SDHC is a member, have supported the idea of CEQA reform at the local level, and it continues to gain momentum.

On July 24, 2017, the City Council voted to increase the cost to file an appeal from \$100 to \$1,000 and mandated that hearings on appeals must be scheduled within 60 days.

The City adopted its Climate Action Plan (CAP) in December 2015, and that plan’s checklist, previously known as the Greenhouse Gas (GHG) Checklist, has been implemented. The CAP Checklist is a form that is required for developments subject to CEQA review. It ensures the reduction of GHG emissions in accordance with CEQA Guidelines §15183.5.

The City continues to review CEQA thresholds to identify areas where they can be lowered.

Related Efforts

Circulate San Diego recommends that the transportation fee be replaced by the vehicle miles traveled (VMT) fee. The use of VMT would make projects near transit less expensive to build, because they would tend to generate less VMT. This would require action by the City.

Circulate San Diego also recommends that the City update its traffic analysis requirements to no longer require Level of Service analysis. Passage of SB 743 in 2013 requires that CEQA only look at VMT for traffic analyses, and San Diego can reduce costs to developments by not requiring surplus traffic analyses.

2017 Legislation

- AB 73, Housing Sustainability Districts (Chiu): The bill, signed into law on September 29, 2017, incentivizes high-density “Housing Sustainability Districts,” which streamlines the development process for new housing near transit. AB 73 speeds any lawsuit challenging an environmental review through the courts, and mandates at least 20 percent of housing within a district to be affordable to low-income people. It also exempts from CEQA housing developments undertaken in the Housing Sustainability Districts that meet specified requirements, provided that the lead agency prepared an environmental impact review (EIR) when designating the District.

New Reference Sources

- *Transit-oriented development: A Strategy for the City of San Diego to Advance the Climate, Affordability, and the Economy.* Circulate San Diego (2016).

Action Opportunity #10

NOVEMBER 25, 2015 REPORT

Align State Oversight.

Type: State

Scope: Affordable

Opportunity for Action: Appoint an ad hoc committee to prepare an alignment plan proposing how the five state agencies responsible for housing policy and/or financing in California can better align their processes and policy objectives. The ad hoc committee should be appointed by officials who currently have housing policy oversight responsibilities, specifically the Governor and the Treasurer.

Aligning affordable housing policy and financing programs at the state level in California will reduce costs of regulation, monitoring, and implementation in affordable housing developments and by local housing agencies.

Opportunity Description & Background: Five agencies currently manage affordable housing policy, funding, and oversight/monitoring in California:

- California Debt Allocation Committee (CDLAC)
- Tax Credit Allocation Committee (TCAC)
- Department of Housing and Community Development (HCD)
- California Housing Finance Agency (HFA)
- Strategic Growth Council (SGC)

For affordable housing developers, better alignment will reduce development and operational costs and reduce timelines for development. The various agencies could create a streamlined application, loan documentation system, portfolio administration process, and monitoring requirements. Specifically, alignment could achieve:

- Single online electronic application;
- Single reporting format for ongoing monitoring and compliance; and
- Single underwriting form for financing from public lending institutions (similar to applying for financial aid for higher education through a single form).

The ad hoc committee could design and oversee a process to achieve improved government efficiency and cost reduction in administering California's housing policy, finance and affordable housing development oversight.

Cost Containment & Housing Production Impact:

- Aligning these processes and the policy goals of the five agencies will increase government efficiency and speed delivery of housing resources at both the state and local levels.
- Alignment will reduce initial and ongoing administrative and compliance costs for developing and monitoring affordable housing.

Other Benefits: Increased government efficiency.

SDHC Role (Lead, Advocate, or Support): SDHC to support creation of an ad hoc committee.

Next Steps: Support dialogue and action to align state agencies' practices.

Timeline: Short- to medium-term.

Relevant State Legislation: N/A

Other Innovative Ideas:

- Other states have streamlined housing policy and oversight in innovative ways that may provide a model for California.
- Massachusetts has a single online application for affordable housing financing.

References: N/A

Action Opportunity #10 – Action Taken

Align State Oversight.

Progress

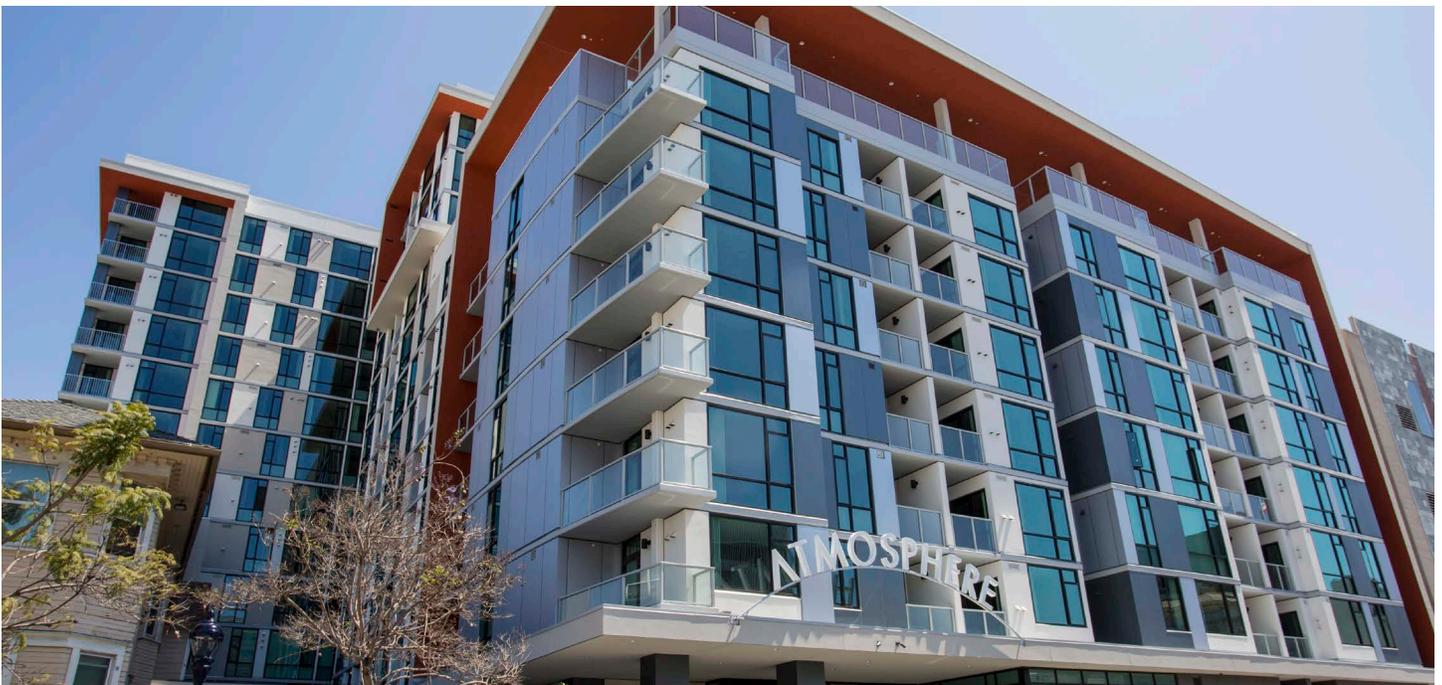
SDHC has provided input on recent collaboration by state agencies that oversee the administration of affordable housing resources, including the California Debt Limit Allocation Committee (CDLAC) and the California Tax Credit Allocation Committee (TCAC), to review their regulatory frameworks to better align oversight of housing production.

Related Efforts

N/A

New Reference Sources

N/A



Atmosphere Apartments

1453 Fourth Avenue – Downtown San Diego

202 Affordable Rental Apartments

Total Development Cost: \$79.5 million

SDHC-authorized Multifamily Housing Revenue Bonds: \$25.6 million

SDHC Loan: \$3 million

Action Opportunity #11.1

NOVEMBER 25, 2015 REPORT

Increase State and Federal Resources – Promote Fair Share of Continuum of Care Allocations for San Diego.

Type: Federal

Scope: Affordable

Opportunity for Action: The current Continuum of Care funding formula does not allow San Diego and other jurisdictions to adequately address their homeless population needs. At the urging of U.S. Representative Scott Peters (52nd District, California), San Diego must not wait for Washington, D.C., to lead and should create viable and equitable formula alternatives for release and outreach to garner public comment and support. Those alternatives should then be provided to San Diego's Congressional Delegation to advocate for San Diego's fair share of federal dollars to end homelessness in San Diego under the U.S. Department of Housing and Urban Development's (HUD) Continuum of Care Program.

Opportunity Description & Background:

The Continuum of Care Program is designed to:

- Promote community-wide commitment to the goal of ending homelessness;
- Provide funding for efforts by social services providers and state and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness;
- Promote access to and effect utilization of mainstream programs by homeless individuals and families; and
- Optimize self-sufficiency among individuals and families experiencing homelessness.

Cost Containment & Housing Production Impact: Increasing San Diego's Continuum of Care allocation to match its homeless population will directly increase resources available in San Diego to provide adequate levels of social services and housing support to the homeless.

Other Benefits: Reduce use of other public resources for housing by having an adequate level of Continuum of Care support.

SDHC Role (Lead, Advocate, or Support): SDHC could participate in or help facilitate a process to draft alternative formulas, create substantial public comment opportunities, and provide to the California Congressional delegation the needed information for advocacy at the federal level.

Next Steps:

- Obtain current funding formula for Continuum of Care allocations and convene stakeholders to draft an alternative formula that provides fair share of homeless funds to San Diego.
- Research alternatives and obstacles to national support.
- Partner with Congressional Delegation to advocate new funding formula for Continuum of Care allocations.

Timeline: Short-term.

Relevant State Legislation: President Obama's 2016 budget.

Other Innovative Ideas: N/A

References: United States Department of Housing and Urban Development.

Action Opportunity #11.1 – Action Taken

Promote Fair Share of Continuum of Care Allocations for San Diego.

Progress

U.S. Representative Scott Peters led a collaborative effort to bring more homelessness funding to San Diego. In early 2016, Congressman Peters urged the U.S. Department of Housing and Urban Development (HUD) to reopen its comment period so that San Diego and other communities across the nation could propose a new, fair funding formula.

For the first time in three years, HUD in July 2016 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. Congressman Peters organized and led the effort to propose a new formula, gathering housing leaders in San Diego, and working with then-HUD Secretary Julian Castro.

An alternative proposal that could positively impact federal funding for homelessness programs in the City and County of San Diego received regional support:

- 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.

Formula E was also unanimously endorsed on August 18, 2016, by the San Diego Regional Continuum of Care Council, which oversaw the federal funding for homelessness allocated to the San Diego region.

SDHC President & CEO Richard C. Gentry signed a letter to HUD as the RCCC Chairman at the time. A letter of support for the alternative proposal was also sent on behalf of SDHC.

Currently, the public comment period is over, and HUD will decide whether or not to publish a new funding formula.

Related Efforts

N/A

New Reference Sources

- Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula, Vol. 81, Fed. Reg., 48366 (July 9, 2016).
- 42 U.S.C. § 11319

Action Opportunity #11.2

NOVEMBER 25, 2015 REPORT

Increase State and Federal Resources – Advocate with Congressional Delegation to Increase Federal Rental Assistance.

Type: Federal

Scope: Affordable

Opportunity for Action: Advocate with Congressional Delegation to increase federal rental assistance for public housing, project-based housing vouchers, and other federal rental assistance.

Opportunity Description & Background:

- All of San Diego's subsidies for lower income families to afford rental units come from Federal rental assistance programs.
- There is currently a severe shortage of affordable units in San Diego, and low-income families are severely rent burdened. Increasing Federal rental assistance would increase resources in San Diego to help low-income families and extremely low-income families find adequate housing.
- Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funds are crucial Federal rental assistance funding sources for San Diego's low-income households.
- The primary objective of the CDBG is to develop viable communities through the provision of decent housing, a suitable living environment, and expanded economic opportunities. Eligible CDBG spending includes public services, community and economic development, capital improvement projects (CIP) public facilities/infrastructure, and CIP housing rehabilitation.
- HOME Program funds are dedicated to housing activities that meet local housing needs and typically preserve or create affordable housing. Uses include tenant-based rental assistance, rehabilitation, homebuyer assistance, and new construction.

Cost Containment & Housing Production Impact: Increasing federal funding of CDBG and HOME will make more affordable housing available for lower income households, increasing supply generally, and therefore making housing more available and affordable at higher income levels as well.

Other Benefits:

- Reduce homelessness.
- Reduce severe rent burdens on low-income families.

SDHC Role (Lead, Advocate, or Support): SDHC to lead advocacy with San Diego Congressional Delegation and local stakeholders.

Next Steps: Partner with Congressional Delegation to advocate for increased federal rental assistance, including increased funding for CDBG, HOME, and other federal rental assistance programs.

Timeline: Medium-term.

Relevant State Legislation: Federal FY 2016 Budget.

Other Innovative Ideas: N/A

References: United States Department of Housing and Urban Development.

Action Opportunity #11.2 – Action Taken

Advocate with Congressional Delegation to Increase Federal Rental Assistance.

Progress

During federal Fiscal Year 2018 budget negotiations, SDHC advocated that Congressional representatives in San Diego support funding levels for the HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs that were approved by the U.S. Senate Appropriations Committee. The funding approved by the U.S. House of Representatives Appropriations Committee's version proposed to cut \$100 million from vital programs that SDHC uses to create affordable housing and serve homeless individuals and families in San Diego.

As of January 31, 2018, Congress has not yet passed appropriations bills for Fiscal Year 2018, which ends on September 30.

Related Efforts

N/A

New Reference Sources

- Affordable Housing Online, Trump-Carson Housing Budget Cut Estimator for Your Local Community. (May 2017).



Talmadge Gateway

4422 Euclid Avenue – Talmadge neighborhood of City Heights

59 Affordable Rental Apartments

Total Development Cost: \$20 million

SDHC Loan: \$4.8 million (includes \$2.6 million in HOME funds awarded by HUD to the City and administered by SDHC)

Action Opportunity #11.3

NOVEMBER 25, 2015 REPORT

Increase State and Federal Resources – Expand the Low-Income Housing Tax Credit.

Type: Federal

Scope: Affordable

Opportunity for Action: Reform and expand the Low-Income Housing Tax Credit (LIHTC) program to support development and preservation of affordable housing.

Opportunity Description & Background:

- Encourage mixed-income occupancy by allowing LIHTC-supported developments to elect a criterion employing a restriction on average income. The criterion would be: At least 40 percent of the units in the project would have to be occupied by tenants with incomes that average no more than 60 percent of Area Median Income (AMI), and households with incomes up to 80 percent of AMI could be served.
- Expand LIHTCs available to finance affordable housing by allowing conversion of private activity bond volume cap into LIHTCs.

Cost Containment & Housing Production Impact:

- Increase production and lower financing costs by allowing states to use private activity bonds (PAB) volume that may be difficult to use in a low-interest rate environment.
- Agencies in charge of allocating LIHTCs are often confronted with a larger number of deserving projects than they can support. Some of these buildings can be built only with higher credit-rate LIHTCs. Increasing the volume of higher rate credits would allow the development of some projects for which the current supply is insufficient.
- Some developers obtain LIHTCs by financing buildings with PABs even though they have access to more preferred financing options. The resulting transaction costs consume resources that might otherwise provide affordable housing.

Other Benefits: Reform would encourage mixed-income occupancy. LIHTC income criteria often produce buildings that serve a narrow income band of tenants – those just below the eligible income threshold. In addition, reform would mitigate the inflexibility of the income criteria that has made it difficult for LIHTC to support acquisition of partially or fully occupied properties for preservation or repurposing.

SDHC Role (Lead, Advocate, or Support):

- Support proposal.
- Advocate with local members of Congress.
- Advocate through local, state, and national affordable housing trade organizations.

Next Steps: Advocate with San Diego Congressional Delegation

Timeline: Medium-term.

Relevant State Legislation: Federal FY 2016 Budget.

Other Innovative Ideas: Allow conversion of private activity bond cap to LIHTCs.

References:

- President Barack Obama's 2016 Budget.
- United States Department of Housing and Urban Development.
- Internal Revenue Code.

Action Opportunity #11.3 – Action Taken

Expand the Low-Income Housing Tax Credit.

Progress

In testimony on May 12, 2016, to the U.S. House of Representatives Committee on Financial Services, Subcommittee on Housing and Insurance, SDHC President & CEO Richard C. Gentry supported the Low-Income Housing Tax Credit (Housing Credit) program as “a successful and critical source of financing for affordable housing partnership developments” and “a good example of public-private partnerships leveraging substantial private sector investments in affordable housing.”

Also in 2016, SDHC submitted letters in support of Senate Bill 2962 to each of San Diego’s Congressional representatives. S. 2962 would have increased the state housing credit ceiling, and permanently authorized and expanded the 4 percent Housing Credit, among other changes.

Similar legislation, Senate Bill 548 and House Resolution 1661, was introduced in 2017. SDHC supported both bills, which would protect and strengthen the federal Housing Credit program. SDHC is also a member of the “A Call To Invest in Our Neighborhoods” (ACTION) Campaign, a coalition of more than 2,000 national, state, and local organizations and businesses calling on Congress to expand the federal Housing Credit program.

Current efforts aim to incorporate the provisions outlined in Senate Bill 548 and House Resolution 1661 as part of a potential tax package in any upcoming omnibus spending bill for Fiscal Year 2018.

During the tax reform efforts under H.R. 1 at the end of 2017, SDHC advocated for preservation of private activity bonds (PABs) and the federal Housing Credit program, whose value would diminish if the corporate tax rate was lowered. While both PABs and the Housing Credit program were retained, H.R. 1 reduced the corporate tax rate to 21 percent from 35 percent. SDHC will continue to advocate for the need to expand and strengthen the Housing Credit, potentially as part of the omnibus spending bill for Fiscal Year 2018.

Related Efforts

The San Diego Housing Federation (SDHF) advocated to protect the federal Low-Income Housing Tax Credit program during tax reform efforts in December 2017.

2017 Legislation

- H.R. 1661, Affordable Housing Credit Improvement Act of 2017 (Tiberi and Neal): The bill permits income averaging in Housing Credit properties, provides flexibility for existing tenants’ income eligibility, establishes a permanent minimum 4 percent Housing Credit rate, and increases the amount of housing credits that developments serving extremely low-income tenants can receive, among other changes.
- S. 548, Affordable Housing Credit Improvement Act of 2017 (Cantwell, Hatch and Wyden): The bill expands the annual Housing Credit allocation authority by 50 percent over five years, permits income averaging in Housing Credit properties, provides flexibility for existing tenants’ income eligibility, establishes a permanent minimum 4 percent Housing Credit rate, and increases the amount of housing credits that developments serving extremely low-income tenants can receive, among other changes.

New Reference Sources

N/A

Overview

This Literature Review is the product of a wide array of housing affordability reports produced by academia, think tanks, government agencies, and the private sector from late 2015 to the present. It includes reports from the global, national, state, and local levels. A cross section of reports was selected, analyzing the affordable housing crisis in San Diego. For each report, a summary of the challenges and proposed solutions is provided.

Local

1. **City of San Diego's Climate Action Plan (CAP) (2015), and its 2016 Annual Report. City of San Diego.**

Summary

The Climate Action Plan (CAP) is San Diego's effort to ensure it complies with state law, including Governor Edmund G. "Jerry" Brown's Executive Order B-30-15 establishing Greenhouse Gas (GHG) reduction targets at 40 percent below 1990 levels by 2030 to ensure California can meet its previous goal of 80 percent below 1990 levels by 2050. Using 2010 levels as base, the CAP calls for a 15 percent reduction of 2010 GHG in San Diego by 2020.

The City's implementation of the CAP requires the types of ordinances, policies, and programs noted in its annual reports. The 2016 Annual Report announced that San Diego is ahead of schedule in reducing GHG, having reached 10.8 percent below base.

Key Findings

The City has identified five strategies to reach its 2020 and 2035 GHG emissions targets:

- Energy and water efficient buildings;
- Clean and renewable energy;
- Bicycling, walking, transit and land use;
- Zero waste (gas and waste management); and
- Climate resiliency.

2. **Transit Oriented Development: A Strategy for the City of San Diego to Advance the Climate, Affordability, and the Economy. Circulate San Diego (2016).**

Summary

"Action Opportunity #9 – Action Taken" outlines the details of this report's recommendations, which fall under five categories: (1) Affordable Housing Bonus Program; (2) Traffic; (3) Parking; (4) Floor Area Ratios (FAR); and, (5) Development Fees.

Key Findings

- Create a "FAR Purchase Program," through which developers could purchase FAR based on the downtown price, which is \$16/square foot. Within Transit Priority Areas (TPAs), allow the purchase of .5 FAR; outside of TPAs, allow the purchase of .25 FAR. Fees would fund the Affordable Housing Trust Fund.
- Projects within the San Diego Association of Governments (SANDAG) Smart Growth Opportunity Areas and TPAs should automatically receive a 24 percent reduction in average daily car trip (ADT) calculations. The Vehicle Miles Travelled (VMT) fee should replace the transportation fee, which would result in fewer projects near transit triggering review under the California Environmental Quality Act (CEQA).
- Parking minimums should be eliminated for downtown, and parking within TPA could be reduced to .75 spaces/unit residential and .25 spaces/unit commercial.
- Development fees for residential units should be based on square feet, which would encourage developers to build more and smaller units.

3. Greater Golden Hill Community Plan Update. City of San Diego. 2016.

Topic: Community Planning

Summary

Currently, there are approximately 7,330 existing residential dwelling units within the Golden Hill planning area. The adopted Community Plan maximum build-out of approximately 9,215 residential units would add 45 more residential dwelling units than the previous Community Plan. The Golden Hill planning area is a demographically diverse, urbanized community consisting of approximately 745 acres located adjacent to Balboa Park. Because of the community's central location within the region, long development history, and lack of vacant land, a key aim of the Community Plan update is to balance the goal of neighborhood character preservation with future growth needs. The Community Plan policies encourage smart growth and transit-oriented development consistent with guidance in the General Plan on how to design infill development and reinvest in existing communities. Growth and development within the planning area would occur in an existing urbanized community with established transit infrastructure and focused along transit corridors. Policies and proposals would provide a more balanced, multi-modal transportation system fostering walkable and transit-oriented neighborhoods. The Community Plan proposes a mix of uses and development intensities intended to support transit-oriented growth and be compatible with community character.

4. North Park Community Plan Update. City of San Diego. 2016.

Topic: Community Planning

Summary

There are approximately 25,250 existing residential units within the North Park planning area, which encompasses 2,258 acres in central San Diego. The newly adopted Community Plan has a maximum build out of approximately 36,570 residential dwelling units, which would add 2,275 additional units, a 25 percent increase over the previous Community Plan. The Community Plan increases densities along transit corridors, preserves single-family neighborhoods, and implements the General Plan and Climate Action Plan. Not only does the plan incorporate high density (up to 145 dwelling units per acre along El Cajon Boulevard), transit-oriented villages, but also includes a robust urban forestry section, a historic preservation element that includes the identification of and preservation strategies for historical resources, comprehensive urban design guidelines, enhancement programs to promote appropriately-sited higher density development in character with the existing and evolving areas of North Park, and affordable housing policies that help to achieve a balanced community.

The plan emphasizes multi-modal infrastructure as well as identification of park and recreation opportunities and park equivalencies. The plan also provides policies related to sustainable growth and development practices to implement the City's Climate Action Plan. Guided by the City of Villages growth strategy and citywide policy direction contained in the General Plan, the plan identifies land use and multi-modal mobility strategies to guide growth and development in North Park, foster walkable and transit-oriented communities, and address an array of long-range planning topics such as urban design, historic preservation, recreation, conservation, public facilities, noise, and urban forestry. Areas that are not subject to change include the single-family and low-density residential areas that comprise the majority of land uses.

5. San Ysidro Community Plan Update. City of San Diego. 2016.

Topic: Community Planning

Summary

There are approximately 7,990 residential dwelling units within the San Ysidro planning area. The adopted Community Plan allows for build out to include a total of 9,850 residential dwelling units. This is a 1,762 unit (22 percent) increase over the prior Community Plan. San Ysidro has approximately 1,863 acres adjacent to the border with Mexico. The Community Plan contains community-specific policies for future development of residential, mixed-use, commercial, and village-designated areas consistent with the General Plan City of Villages strategy.

The plan identifies new park and public space opportunities as well as improvements to existing mobility infrastructure to increase bicycle, pedestrian, and transit use. Design guidelines address community gateways and linkages, public spaces, respecting cultural influences, and context-sensitive design and wayfinding. The plan focuses on spurring revitalization around the Beyer Boulevard Trolley Station, the old town area of San Ysidro Boulevard, the Border Village commercial area, and the Port of Entry District with the Intermodal Transportation Center. A Specific Plan prepared as a companion document provides detailed land use goals and policies for the San Ysidro Historic Village area. Both plans support reinvestment and stimulation of transit-oriented development as envisioned in the General Plan's City of Villages strategy.

6. Uptown Community Plan Update. City of San Diego. 2016.

Topic: Community Planning

Summary

There are approximately 23,160 residential units within the Uptown planning area. The adopted Community Plan at build out allows for approximately 34,600 residential dwelling units, consistent with the prior adopted Community Plan. The Uptown planning area consists of 2,700 acres north of downtown San Diego. The Uptown Community Plan is an early example of smart growth planning. It provides a strong policy framework for preservation and rehabilitation of single-family and low-density neighborhoods, while providing for higher density development along commercial corridors near transit. The updated Community Plan coincides with the General Plan and addresses urban design issues. Besides maintaining high to very high density (44 to 109 dwelling units per acre) in transit-oriented villages and TPAs, the plan includes an urban forestry section, a historic preservation element that includes the identification of and preservation strategies for historical resources, a comprehensive urban design element that establishes thresholds for discretionary review along transit corridors, and policies that address development transitions between lower density and higher density development.

The Community Plan identifies multi-modal infrastructure, locations of parks, recreation facility opportunities, park equivalencies, and refinements to the community's open space boundaries. The community plan also provides policies related to sustainable growth and development practices to implement the City's Climate Action Plan. The community plan update identifies land use and multi-modal mobility strategies to guide growth and development consistent with the General Plan. While the Community Plan maintains single-family and low-density residential areas that comprise the majority of land uses, it focuses development along established transit infrastructure, which helps to reduce vehicle trips and miles traveled, as well as supports bicycling and walking as transportation choices.

State

Topic: Housing Development

1. **California's Housing Future: Challenges and Opportunities.** California Department of Housing and Community Development. January 2016.

Summary

California must build 1.8 million new homes by 2025 to meet its housing needs. The analysis conducted for this report addresses not only the types of housing needed, but also the challenges faced by developers. This need for new homes, coupled with the fact that between 2016 and 2021, 31,515 affordable rental units are at risk of converting to market rate, is a call for action.

The cost of rental housing has posed a great burden on many Californians. Unlike home prices, rental prices did not go down during the Great Recession. Instead, rents have increased, even though renter income did not increase at the same rate. Reasons for increased rents include: foreclosures moving owners back into the rental market; millennials with strong rental tendencies; lack of supply; and, reduced access to mortgage credit following the recession. Because of high rents and lack of supply, the renter overcrowding rate in California is 13.5 percent.

Housing Cost Affordability, defined as the cost of housing relative to income, as well as the Housing and Transportation Index (H&T Index) are two tools that clarify the true cost of housing. A review of Housing Cost Affordability reveals that housing costs in California are especially burdensome to extremely low- and very low-income households, who experience a disproportionate rent burden compared to households in other income brackets. The H&T index posits that combined housing and transportation costs are affordable up to 50 percent of a household's income. Both methods allow for better insight into true housing costs.

The report recommends several options for addressing housing challenges. First, reform land use policies to advance affordability, sustainability, and equity. Second, address housing and access needs for vulnerable populations through greater interagency coordination. Finally, invest in affordable home development, rehabilitation, rental and home ownership assistance, and community development.

Key Findings

Several challenges must be met to build the needed housing:

- Housing supply has not kept pace with demand, nor developed in a way that best serves growing communities. Most job and services centers are coastal, while most new development has occurred inland.
- People experiencing homelessness face a myriad of challenges to obtaining housing, such as lack of credit, lack of rental history, and a need for services.
- Unstable funding for affordable home development is impeding the state's ability to meet its housing needs.

2. **A Tool Kit to Close California's Housing Gap: 3.5 Million Homes by 2025.** McKinsey Global Institute. October 2016.

Summary

In the years 2009 to 2014, California added 544,000 new households, but added only 476,000 net housing units, contributing to housing prices rising by 15 percent. Today, 50 percent of the state's households are unable to afford housing in their local housing market. There is a \$50 billion annual housing affordability gap, which results in \$140 billion in lost economic output per year. California is short by 2 million units, and needs to build 3.5 million homes by 2025 to meet demand.

Key Findings

- California could add more than 5 million new housing units by identifying “Housing Hot Spots” where there is capacity for large numbers of units built with healthy returns, such as:
 - Building on vacant, urban land already zoned for multifamily development could add up to 225,000 units;
 - Intensifying housing within .5 miles of transit hubs could add up from 1.2 million to 3 million units;
 - Allowing homeowners to add units to their homes could add up to 800,000 units;
 - Building on underutilized urban land already zoned for multifamily development could add up to 1 million units and,
 - Building single-family homes on land currently dedicated to non-residential uses such as agriculture (known as “greenfield growth”) could add up to 600,000 affordable units in the counties of San Bernardino, Sacramento, and Contra Costa alone. The following factors identified feasible locations: parcels were 5 acres or more, within 20 miles of job centers or within 5 miles of public transit, and within 1 mile of existing development. Excluded from the study were parcels set aside for open space or agriculture.
- Unlocking production of these units requires the implementation of several measures:
 - Incentivize local governments to approve already planned-for housing;
 - Accelerate land use approvals and construction permitting;
 - Prioritize state and local funding for affordable housing, such as cap-and-trade funds and bond measures to finance housing for homeless veterans (Prop 41);
 - Attract new investors in affordable housing, by tapping capital markets, attracting philanthropic investment, and incentivizing banks by passing responsible banking ordinances;
 - Design regulations to boost affordable housing while maintaining investment-attractiveness;
 - Align development impact fees with housing objectives;
 - Deploy modular construction; and
 - Reduce housing operating costs.

3. **Do Communities Adequately Plan for Housing?** California Legislative Analyst’s Office. March 2017.

Summary

The State of California requires that every city and county develop a General Plan, and the Housing Element of the plan ensures that each jurisdiction’s planning and zoning laws accommodate its Regional Housing Needs Assessment (RHNA). This report suggests that Housing Elements fall well short of this goal, and offers potential solutions. In part, one reason Housing Elements fall short of their goals is that it is impossible to estimate with precision the exact future housing needs of a jurisdiction. The Bay Area, for example, has permitted approximately the amount of housing called for in its RHNA, yet continues to fail in meeting its actual housing needs. In other parts of the state, Housing Elements fail to identify development sites that tend to be developed upon in later years. In fact, most larger housing developments (those with five or more units) in California are on sites not identified in a jurisdiction’s Housing Element. This requires a change in zoning, which is both time consuming and costly to the developer, and discourages home building.

Key Findings

The State of California has several options to consider in helping jurisdictions build the housing stated in their RHNA.

- Modify RHNA projections by adjusting upward for jurisdictions with high rents by an amount proportionate to how much their rents exceed the statewide average. For example, a jurisdiction whose rents are 30 percent about the state average and has a RHNA of 1,000 units would adjust upwards to 1,300 units.
- Make modifications to funding and tax allocations. Modify existing and new state funding allocations based on population growth and the allocation of local taxes to better reflect population growth. A tax allocation change would be difficult; a change in property tax allocation would need a two-thirds vote of the Legislature, and a change to sales tax allocation would need a voter-approved amendment to the state constitution.
- Improvement will be limited without a shift in the way Californians think about housing development. Many local communities oppose what they see as a shift in community character that would come with the addition of new housing units. Yet, such an addition would improve the lives of current and future generations of Californians.

National

Topic: *Housing Markets*

1. **Renting in America's Largest Metropolitan Areas.** New York University Furman Center. March 2016.

Summary

This study focused on the 11 largest metropolitan areas in the United States – Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York City, Philadelphia, San Francisco, and Washington D.C., as well as their metro areas. Between 2006 and 2014, the renter populations in these areas grew, while the production of multifamily rental stock declined in proportion to single-family rental housing. Rents rose during this time, increasing the need for affordable housing.

Key Findings

- The number and percent of renters increased in all 11 cities and their related metro areas during the time of the study.
- In six of the 11 areas, and in metro areas nationwide, the production of single-family rentals outpaced the production of multifamily rentals. In fact, in all 11 areas, a greater share of renters lived in single-family homes in 2014 than in 2006. This is not attributed to new single-family housing stock, but rather to owner-occupied housing converting to rentals.
- In most metro areas across the nation, the median gross rent rose, and because income did not rise at the same pace, renters in seven of the 11 areas studied faced rents equal to or greater than half their income.

Topic: *Housing Preservation*

2. **Preserving Affordable Rental Housing Initiative: An Evaluation of MacArthur's Window of Opportunity.** MacArthur Foundation. 2016.

Summary

Since 2007, developers financed through MacArthur Foundation's Window of Opportunity (WOO) initiative have preserved 45,000 affordable rental homes, at an average per unit cost of \$81,000. Preserving affordable rental units ensures access to decent affordable housing for years to come, while increasing returns on public investments.

This report describes the seven strategies by which the MacArthur Foundation seeks to preserve affordable rental housing: (1) support large nonprofit owners of affordable rental housing to preserve rental housing, and to act as spokespersons for preservation; (2) increase capital for preservation by investing in special-purpose vehicles; (3) invest in regional interagency partnerships to keep affordable rental housing; (4) develop business practices, tools, and research for preservation; (5) provide loans and grants to state and local government agencies so those agencies can fund preservation; (6) promote low income tenants' rights to remain in affordable housing; and, (7) improve the funding, regulatory, and legislative context for preservation.

Key Findings

- The WOO Initiative has achieved most of its goals. Large nonprofit owners have better standing than they did before WOO. While all 20 special-purpose vehicles in which the foundation has invested have met their loan performance benchmarks, none has become a common industry tool.
- Better data about affordable rental housing was critical to elected officials in making decisions about preserving affordable rental housing. WOO helped organizations build that data, and was especially fruitful in building data about the federally subsidized inventory.
- There are several reasons WOO did not meet all its goals. First, the Great Recession produced macro-economic forces that affected the market. Second, the focus of the study was limited. WOO generally excluded for-profit owners of affordable rental housing, although 85 percent of the market is for-profit. It also focused on multifamily housing, despite multifamily rentals making up less than half the affordable rental market. Third, there was a lack of housing-related legislative action in Congress. Although the Housing and Economic Recovery Act of 2008 included preservation-related provisions, these tended to die in committee. Fourth, preservation lacks agreed-upon definitions, goals, data, and champions at the national level. Therefore, local campaigns are needed. Finally, there is no national data at the property-level about preservation of unsubsidized and subsidized properties.

Topic: Housing Policy Communication Strategies

3. You Don't Have to Live Here: Why Housing Messages are Backfiring and 10 things We Can Do About It. Frameworks Institute. October 2016.

Summary

According to the report, building a wide base of public support is vital to sustaining housing's presence on the nation's policy agenda, and creating the public support needed to address housing challenges may be even harder than advocates realized. A change to the narrative around why housing matters would make housing a shared public concern. The report identifies six different housing message "backfires," and then dissects the perspectives that undermine the efforts of affordable housing advocates.

Key Findings

- The most challenging hurdle to overcome in creating a shared public concern in housing is the role that "confirmation bias" – the tendency to accept an argument that confirms one's views – plays in the backfiring of messages. For more than 30 years, cognitive and behavioral scientists have studied how people become entrenched in their false beliefs; understanding this is key to shifting public opinion.
- To avoid backfiring, advocates can try several approaches, including: (1) telling stories that balance the people, places, and systems perspectives; (2) telling a "Story of Us" rather than a "Story of Them;" (3) bringing the connection between housing and other issues into sharper focus; (4) helping people connect the causes and effects of housing insecurity; (5) making it clear that where you live affects you; (6) when raising challenges of the

past, focusing on the kinds of change that lead to better outcomes; (7) using robust examples that show how new housing policies worked; (8) avoiding problematic associations with the terms “housing” and “affordable housing”; (9) widening the public’s view of who handles taking action and resolving outcomes.

4. A House, a Tent, a Box: Mapping the Gaps Between Expert and Public Understandings of Healthy Housing. Frameworks Institute. 2016.

Summary

Advocates face challenges in shifting public thinking about housing generally, and healthy housing in particular. One study participant expressed an unfortunately commonly held idea of housing as “A house, a tent, a box. Anything. Shelter.” Yet, housing is so much more. Housing is a core determinant of health, and healthy housing includes physical health, mental health, community health, safety, stability, affordability, and general well-being. The market does not value health-related improvements to housing in the same manner that it does other “green” improvements. The exploration of cultural models – the implicit, shared understandings, assumptions, and patterns of reasoning - is key to understanding how the American public thinks about housing in general and healthy housing in particular. Experts’ shared understanding of how housing affects health and well-being, referred to as “untranslated expert stories,” can only be communicated through a reframing strategy. Successful communication is especially important because people have a strong tendency to personalize housing issues, which often prevents them from seeing the sources of housing problems, thereby reducing their support.

Key Findings

- Certain “Dos” of communicating about housing include leveraging people’s thinking about the openness of healthy housing for children to explain the importance of environments for people of all ages.
- Healthy housing supports physical and mental health, as well as safety, stability, and well-being. Healthy homes are in neighborhoods that give people access to healthy food and quality jobs, space to exercise, and opportunities for social engagement.
- The effects of low-quality housing can cause a downward spiral of health problems, missed days at work, and loss of income, which can lead to even worse housing options.

Topic: Housing Preservation

5. Anatomy of a Preservation Deal: Innovations in Preserving Affordable Housing from Around the United States. Urban Institute. August 2016.

Summary

Rental housing affordable to lower-income households has been in a steady decline, and new construction has not even kept up with the loss in affordable housing stock. Between 2001 and 2013, the nation lost 2.4 million rental units that were affordable at 50 percent Area Median Income (AMI). Preserving affordable housing requires five key strategies: (1) local and state resources to match funds; (2) developer capacity to coordinate funding streams for complex deals; (3) collaborative relationships between sellers and buyers; (4) local policy that allows for innovation; and, (5) policy networks that foster the shared knowledge of successful techniques.

Key Findings

Preservation of affordable rental units is best achieved when the following factors are at play:

- Limiting Resident Displacement: resident displacement minimized through such measures as working in occupied units or providing temporary relocation.

- Engaging Residents: engaged residents tend to experience concerns about the project, especially around displacement. Their engagement also helps identify services needed.
- Preserving and Extending Services: looking beyond the bricks and mortar of a preservation project, and focusing on not only the temporary but also the long-term services, is the broadest response to residents' needs.

Topic: Linking Housing Policy with Equity Goals

6. Healthy Communities of Opportunity: An Equity Blueprint to Address America's Housing Challenge. Kresge Foundation. 2016.

Summary

The report highlights that health and housing are interrelated. Equitable housing is more than affordable housing; it connects residents to jobs, schools, services, and community assets that will enable them to thrive. America's housing and development policies leave communities with a shortage of real opportunities and with daunting health challenges. A reform agenda with critical steps at the federal, state, and local levels would provide a foundation for stronger policies that would reverse these issues.

Key Findings

Ten key equity housing policy priorities can address racial equity, health, climate, and economic opportunity outcomes. These include:

- Reforming land use and zoning regulations to promote high-opportunity housing and affordable TOD locations, and tie transit to progress in this arena;
- Expanding financing and focusing on acquisition of market-rate multifamily housing for below-market operation by nonprofits; and
- Launching national and state campaigns to reduce the housing cost burdens of 14.5 million low- and extremely low-income households experiencing homelessness or paying more than 30 percent of their income on housing. For example, the federal government should define housing as essential infrastructure and issue vouchers to all over-burdened families that qualify.

Topic: Housing Policy: Zoning

7. The Economics of Inclusionary Development. Urban Land Institute Terwilliger Center for Housing. July 2016.

Summary

This study of current and emerging inclusionary zoning policies focuses on multifamily rental development rather than mixed-use or for-sale housing development. An overview of real estate development economics provides the perspective of the developer, with a special focus on feasibility. An assessment of the share of below-market housing units and the income requirements for those units are also explored, shedding light on their effects on development feasibility. The report concludes by pointing out which principal development incentives are most effective for cities, such as direct subsidies, tax abatements, reduced parking requirements, and density bonuses.

Key Findings

- In the United States, inclusionary zoning is the most common zoning approach to increasing affordable housing units.
- The most important factor in the success of an inclusionary zoning program is a robust and sustained level of market-rate development. If a jurisdiction is not experiencing new development, inclusionary zoning will not make a significant impact.
- Most jurisdictions need to provide development incentives to ensure feasible inclusionary zoning projects. The most effective of these are direct subsidies, tax abatements, density bonuses, and reduced parking requirements.

Global

Topic: Housing Development

1. **Lessons of the International Housing Partnership.** Housing Partnership Network. February 2016.

Summary

The International Housing Partnership launched in 2003 is a collaborative of more than 175 high-capacity nonprofits from the United States, United Kingdom, Australia, and Canada. Together, these nonprofits operate 1 million affordable homes and house 2.5 million people. Applying lessons learned in the United States from these international housing partners, particularly in the United Kingdom, would improve the development and management of affordable housing. Specifically, the study found that housing nonprofits that focus on public purpose and commit to reinvesting financial returns into their work, while maintaining the structure to raise private capital and create partnerships with the private sector, are most effective at leveraging public resources for affordable housing.

Key Findings

Five policy recommendations would expand the role of social enterprises in the United States affordable housing system:

- Expand the U.S. Department of the Treasury's Capital Magnet Fund, which awards grants to nonprofit lenders and nonprofit housing organizations that also use other sources of capital to achieve a mandatory 10:1 leverage ratio;
- Prioritize preservation and stock transfer to high-capacity nonprofits;
- Use a portfolio financing model for multifamily housing preservation of aging HUD-assisted and Housing Credit properties;
- Make housing a platform for improving communities and housing assets for residents; and
- Improve access to affordable homeownership. The U.K.'s Right to Buy program was successful in creating new home ownership, but should not be duplicated in the U.S. as it resulted in a massive loss of rental units. Instead, the U.S. should expand nonprofit acquisition and rehabilitation, as well as rent-to-own programs.



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