SAN DIEGO HOUSING COMMISSION

Addressing
The Housing Affordability Crisis

San Diego Housing Production Objectives 2018-2028

We're About People

"Increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego"

Strategic Plan Goal
San Diego Housing Commission
September 9, 2016

Message from the President & CEO

September 21, 2017

Identifying solutions to the housing affordability crisis in the City of San Diego requires innovation, collaboration, and the will to take action.

I commend and thank our City, County, State and Federal elected officials, as well as the San Diego Housing Commission (SDHC) Board of Commissioners, for demonstrating their commitment to all three.

When SDHC released our landmark report, "Addressing the Housing Affordability Crisis: An Action Plan for San Diego," on November 25, 2015, we identified 11 recommended actions at the Local, State and Federal levels to reduce housing development costs and to increase production.

To date, action has been taken on nine of these 11 recommendations, including the first—to set annual goals for housing production.

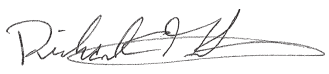
To facilitate the creation of these goals for the City of San Diego, SDHC, in collaboration with San Diego City Councilmembers Scott Sherman and David Alvarez, the Chair and Vice Chair, respectively, of the City Council's Smart Growth and Land Use Committee, studied the City's overall housing production needs, its current supply, as well as its capacity for additional homes.

Although the City of San Diego's housing needs are even higher than previously estimated, the good news is that the City has enough capacity to create sufficient housing to meet our 10-year needs, as identified in this report.

This report provides specific recommendations for increasing housing production, including action steps to achieve those goals in the City of San Diego.

I look forward to continuing to work together with Mayor Kevin L. Faulconer, City Council President Myrtle Cole and the entire City Council, our partners and the dedicated SDHC staff to take the necessary steps to address the housing affordability crisis.

Sincerely,



Richard C. Gentry
President & CEO
San Diego Housing Commission

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Executive Summary

- **The City of San Diego faces a housing need that could be up to twice as high as previously estimated.**
  - San Diego's economic success and population growth over recent years have not been met with proportional growth in the number of housing units. Over the past decade, population growth has averaged 1.2 percent per year – more than double the rate of housing growth at 0.5 percent per year.
  - The City of San Diego could fall behind its 2010-2020 Regional Housing Need Allocation (RHNA)[1] goals by up to approximately 50,000 units if housing supply follows current production trends. If San Diego were to provide a similar level of housing as comparable peer cities across the United States, it faces an additional shortage of approximately 130,000 housing units that is not captured by RHNA estimates.
  - Given these figures, the City of San Diego's housing need is estimated to be 150,000-220,000 units by 2028.
- **Housing affordability is an issue for at least half of San Diegans.**
  - 50 percent of San Diegans can't find market-rate rental housing they can afford, while 60 percent cannot afford home ownership
  - Housing affordability impacts 100 percent of low-income residents and a large portion of moderate-income households. Roughly 70 percent of moderate-income households cannot afford home ownership, and more than 30 percent cannot afford rent.
  - The housing supply gap also results in financial loss for the City in terms of both City revenue and direct construction jobs. The supply shortage constrains talent available to employers and degrades the quality of life and the environment in San Diego, as residents must move farther from employment and education centers to find affordable housing.
- **San Diego has sufficient housing potential to meet 10-year needs if all capacity sources are fully utilized.**
  - San Diego has the potential to exceed its housing needs by approximately 30,000 units if all potential housing capacity is fully captured. Potential units will come from five main sources:
    1. Rezoning to increase density around transit opportunity areas (47,000-146,000 units)
    2. Redeveloping underutilized parcels of land (56,000-73,000 units)
    3. Adapting disused industrial zones and City sites (11,000-20,000 units)
    4. Infilling vacant lots (5,000-6,000 units)
    5. Utilizing detached Accessory Dwelling Units (ADUs) (2,700-5,500 units)
- **Geospatial analytics of housing capacity provide estimates by neighborhood.**
  - With geospatial analytics, housing capacity estimates were developed for each City of San Diego neighborhood. Approximately 40 percent of potential housing capacity exists within five San Diego neighborhoods: Mira Mesa, Mission Valley, City Heights, North Park, and Uptown (details of each neighborhood's estimates can be found in the Appendix).

[1] RHNA is a State-mandated process to identify the total number of housing units (by affordability level) required by each jurisdiction's housing plan or element. The City of San Diego's housing need is allocated by the San Diego Association of Governments (SANDAG), which takes into account future population growth and household formation rates, among other factors.

- **6 challenges in the housing development cycle are major deterrents to production.**
  1. Parking requirements sometimes make housing developments expensive or unfeasible.
  2. A complex planning process increases developer uncertainty and creates disincentives for smaller units.
  3. Inclusionary housing programs have not been fully utilized.
  4. Streamlining the planning and community input process can reduce the time for approval of developments.
  5. Sub-optimized development impact fee structures and faster fund growth than expenditures result in additional housing development costs.
  6. Uncoordinated and limited public funding affects the number and speed of housing units brought to the market by affordable and nonprofit housing developers.
- **Near-term solutions to accelerate housing production in San Diego; formation of a Housing Goals Review Group.**
  (Partial list in order of impact and ease of implementation; additional solutions are included in this report.)
  1. Rationalize parking ratios across the City in line with actual needs, capacity, and utilization.
  2. Enable use of a zoning system based on Floor Area Ratio (FAR).
  3. Broaden the interpretation of parking units to allow for bike parking, ride-share lots, or shared parking to count toward parking ratios.
  4. Enhance existing outreach to community planning groups, and use amendments to drive changes in key community planning areas to expedite land-use approval processes.
  5. Make catalyst investments in shared parking infrastructure.
  6. Accelerate environmental analysis for middle-income density bonuses through additional funding, resource allocations and consolidation with other City proposals requiring Environmental Impact Reports (EIR).
  7. Empower a citywide grants coordinator to ensure the City is able to effectively compete for State and Federal housing funds.
  8. Increase Development Services Department (DSD) capacity (e.g., staffing and Information Technology investments) to align with expedited permitting programs and investment in real-time monitoring of housing production progress and incentive program uptake at the neighborhood level.
  9. Convert impact fees to a per-square-foot (versus per-unit) levy.
  10. Establish new, interim park requirements, and accurately capture the City's existing open spaces and recreational areas to assess appropriate impact fee levels.
  11. Review impact fee utilization, and consider fee deferrals or legal options to re-allocate impact fee spending.

  Determining how additional housing supply can be brought online to San Diego is the primary lever in addressing its housing affordability crisis. While the solutions above aim to increase housing through municipal actions, due consideration should be paid to other factors, such as property speculation and housing inaction at the State and Federal level, that could reduce the City of San Diego's ability to add housing stock.

  Given the solutions identified, the City of San Diego could target a sharply increasing housing unit production rate - aiming for 16,000 units per year in three years, rising to 17,000 - 24,000 units per year in five years. The City could then aspire to maintain this rate through 2028 to accommodate expected population growth and clear its housing backlog. Fully capturing identified housing capacity and addressing development challenges can make these goals a reality.

  Finally, the actions above should be coordinated and reviewed by a small cross-department and organization leadership team consisting of relevant public agencies, industry associations, and advocacy groups.

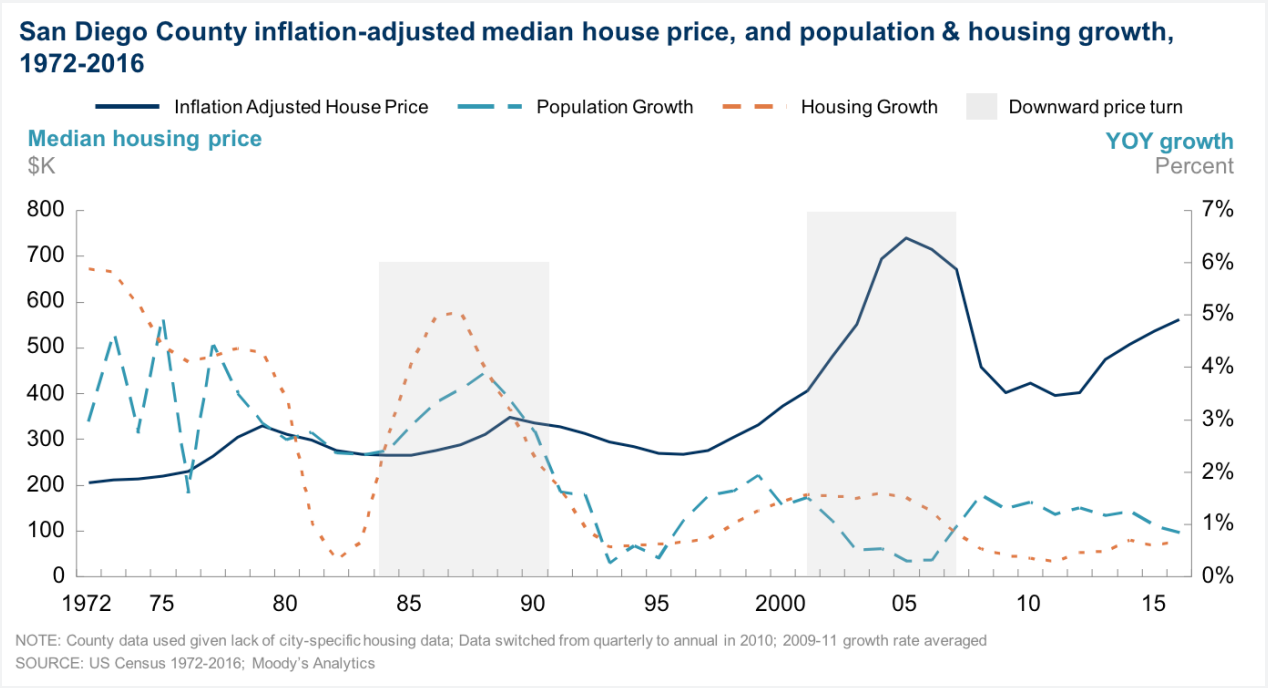
Housing Shortage and Capacity

The City of San Diego faces a housing need that could be up to twice as high as previously estimated

The San Diego region's economy grew by roughly 80 percent, and its population increased by 15 percent over the past 15 years[2]. This growth, however, has outpaced the housing construction necessary to accommodate San Diegans. Over the past decade, year-over-year (YOY) population growth has averaged more than double the rate of the City of San Diego's housing stock increase. During the 2007-15 economic cycle, the City of San Diego's population grew by about 15,000 persons annually, while the City averaged only an additional 3,000 housing units per year. This remains out of step with the region's long-term outlook for a steady household size of 2.8-2.9 persons.

A longer historic perspective demonstrates how much San Diego's current housing production falls short when compared to previous periods of growth. From 1970-1990, housing production grew by more than 3 percent annually, consistently (with a brief, four-year exception during the early 1980s). In contrast, today's housing production growth rate is 0.6 percent (see Figure 1)[3].

FIGURE 1: HISTORIC HOUSING PRICES, HOUSING PRODUCTION AND POPULATION GROWTH



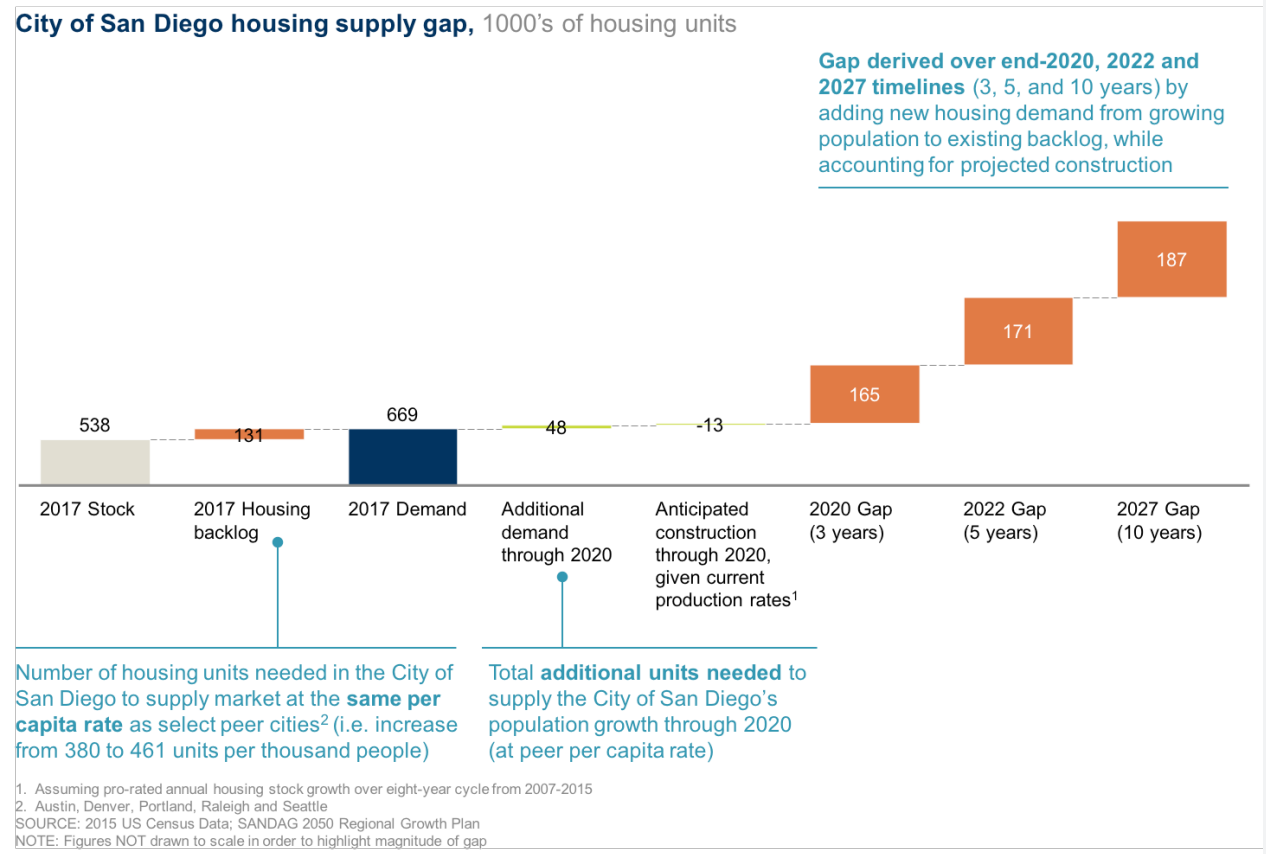
The results of this mismatch are stark. Not only is the City of San Diego projected to fall behind its RHNA 2010-2020 housing goals by 50,000 units (an estimate which accounts only for future growth and not an existing housing backlog), but it also significantly trails peer cities in key housing metrics.

[2] Measured as regional Gross Domestic Product. Statistica - 2001-2015 time frame used as most recently available data; includes entire San Diego Metro area as city-specific data is not available

[3] US Census Data; average annual population growth rate over five-year period from 2011-2016

Compared to Austin, Denver, Portland, Raleigh and Seattle, for instance, the City of San Diego provides roughly 20 percent fewer houses per 1,000 residents and lags all but one of these cities in housing production from 2012-15 (the past three years for which data is available)[4]. If the City of San Diego could provide a similar level of housing as these peer cities, San Diego's present housing backlog is estimated to be approximately 130,000 units. This increases its projected housing gap to 165,000 units by the end of 2020 and to about 187,000 units in 10 years (the end of 2027) at current housing production rates. These figures imply a housing need that could be twice as large as originally anticipated in the most recent regional housing targets for the 2010-2020 RHNA allocation (see Figure 2).

FIGURE 2: SAN DIEGO'S HOUSING GAP OVER TIME, AS COMPARED TO PEER CITIES



[4] Peer cities were selected based on population size, quality of life, designation as rivals for employer talent by the Regional Economic Development Corporation ("Talent: Where San Diego Stands- a Comparison of U.S. Metros", 2016, San Diego Regional Economic Development Council), and stable/improving housing affordability. Refer to the Appendix for full peer city selection methodology.

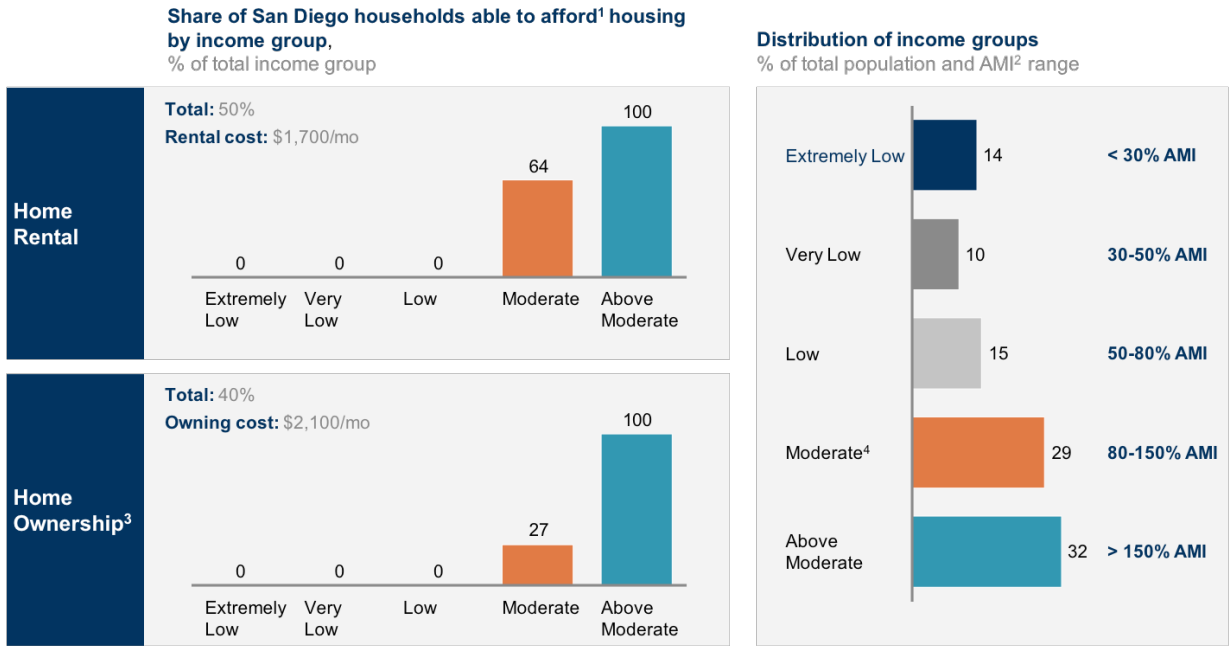
Housing affordability is an issue for at least half of San Diegans

Half of San Diegans cannot find market-rate rental housing they can afford, while 60 percent cannot afford home ownership

San Diego's rising house prices have been an increasing burden on its population, as income growth is roughly half the rate of housing price increases[5]. To quantify San Diego's affordability for its current residents, the cost of a standard housing unit[6] was determined. In San Diego, the rental price of a standard unit is $1,700 per month and has a median purchase price of $2,100 per month[7].

Next, the amount of pre-tax income San Diegans pay in rent or mortgage was compared to the U.S. Department of Housing and Urban Development's (HUD) guideline for affordable housing, which states that no more than 30 percent of pretax income should be expended toward housing. This definition was then applied to detailed census income data that divides San Diegans into 16 income brackets to determine which of these brackets could afford housing. For home ownership, this analysis added in mortgage costs over a 30-year schedule, as well as monthly insurance fees and property taxes to median home purchase prices, but excluded adjustments for down payments, given their variance and complexity. The resulting analysis shows that 50 percent of San Diegans are unable to find market-rate rental housing they can afford, while 60 percent cannot afford home ownership (see Figure 3).

FIGURE 3: HOUSING AFFORDABILITY BY INCOME GROUP AND INCOME GROUP DISTRIBUTION



1. Using a pre-tax 30% income threshold; see appendix for full methodology
2. Area median income, where AMI is annual median household income of about $66,000; pre-tax income used as basis for calculations
3. Does not include cost of down payment
4. Per section 65008 of the California Government Code

SOURCE: Zillow, US Census ACS 2015 for SD City, HUD guidelines

[5] US Census data and Trulia data indicate a 50 percent growth in San Diego's median house listing prices and a 22 percent growth in San Diegans median income from 2012 to present

[6] Used to adjust for price variations in house size, a standard unit is defined as 970 square feet, a benchmark used based on the size of housing units in New York City's Mitchell-Lama housing program

[7] Zillow median price data averaged over January to April 2016; does not include up-front cost of principal down payment

The findings reveal that housing affordability is not only an issue for lower-income groups (100 percent of whom cannot afford either rentals or ownership), but also a challenge for moderate-income families that earn up to 150 percent of the San Diego area median income (AMI).

Extremely low-income groups (up to 30 percent of AMI) face even more challenges, given the reduction in affordable housing units over the past few decades. An update of the City's Single-Room Occupancy (SRO) inventory commissioned by SDHC in 2015 identified 2,188 SRO units that had been demolished since the previous update in the 1990s[8]. In addition, 1,299 SRO units are at-risk of being lost because they are exempt from the unit replacement requirement in the City's SRO ordinance. Extremely low-income groups are particularly affected, given their reliance on the natural affordability of SRO units, which is enabled by their small size and age. Given the prominence of SROs as an option for lower income San Diegans, the shortage of these units has been cited as one of the key factors behind the recent increase in homelessness in San Diego[9]. Low- and very low-income families (30-80 percent of AMI) are unable to find adequate housing options, as well. The wait list for Section 8 Housing Choice Voucher rental assistance for low-income families has grown steadily over the past eight years, doubling in size from 2009 to present—currently 80,000 households.

Moderate-income families (80-150 percent of AMI) are also affected. More than 70 percent of this population cannot afford home ownership, and more than 30 percent cannot afford rent. This constrains incomes and forces moves away from employment centers and, in some cases, the region itself. Although this group has not typically been a focus of affordable housing policies (oftentimes referred to as "the missing middle" as a result), recent policy measures aim at expanding support[10].

Housing affordability is closely related to San Diego's business health and economic vitality

The costs of the current housing affordability crisis extend beyond financially burdened residents. According to the estimates cited in SDHC's report "Addressing the Housing Affordability Crisis: An Action Plan for San Diego," [11] the economic loss to the local economy from excess disposable income diverted to housing costs is approximately $2.4 billion annually, or 2.5 percent of San Diego's annual Gross Domestic Product[12]. This does not include the $73 billion[13] loss due to forgone housing construction, or the roughly 275,000 missed direct construction jobs that would have been created, were the City's housing needs fully met[14].

Beyond these static economic effects, the housing shortage is likely affecting San Diego's growth trajectory by limiting the supply of talent to the City's businesses. The San Diego Regional Chamber of Commerce and London Moeder Advisors' 2016 Regional Housing & Economic Impact Analysis cites an inability of regional businesses to attract or retain necessary talent due to higher housing costs in the City. The report's survey of San Diego employers found that the top challenge to business growth in the County was the ability to attract and retain talent. Out of a list of eight issues, employers highlighted the "ability to find reasonably priced housing for employees that is close to work" and the "ability to attract new talent from outside the region" as the top concerns.

[8] SDHC SRO Inventory List Update

[9] Disappearance of SRO hotels playing even larger role in San Diego's homelessness problem, LA Times

[10] California Bill AB-163: Local Housing Authority: Middle-income Housing Projects, 2017; Mayor Faulconer's 'Housing SD Plan'

[11] http://www.sdhc.org/uploadedFiles/Media_Center/Significant_Documents_Reports/SDHC%20Housing%20Affordability%20Crisis%20Report.pdf. Originally released November 2015

[12] Assuming U.S. Department of Housing and Urban Development's 30 percent housing expenditure benchmark

[13] We assume direct economic output of $260,000 per new housing unit and a 2.15 economic multiplier, per McKinsey Global Institute's "Closing California's Housing Gap" report

[14] Assuming 2.1 jobs per housing unit and housing needs of 461 units per 1,000 residents per peer city benchmarks from the Building Center for Housing Policy's "Building California's Future" report

The lack of affordable housing reduces San Diegans' quality of life and also has a negative environmental impact

Although the financial burden and foregone economic opportunity from San Diego's housing gap is significant, it is also important to consider non-monetary costs, such as a reduced quality of life and environmental harm brought about by the longer commutes forced onto San Diegans as housing options near employment areas become unaffordable. Motivated by the State's climate change goals, the City of San Diego's ambitious Climate Action Plan states the goal of reducing greenhouse gas emissions by 25 percent from their 2010 base by 2020 and by 50 percent from this base by 2035. Currently, more than half of San Diego's greenhouse gas emissions are related to transportation[15].

Given the large impact of reducing vehicle miles travelled (VMT) as part of this plan, the City envisions a mass transit ridership share of 25 percent, a bike share of 18 percent, and walkability mode share of 7 percent by 2030 in transit priority areas. The success of these targets will be further enabled if a greater proportion of San Diegans reside within these transit areas, using non-private vehicle modes of transportation to commute or access commercial and recreation areas.

[15] City of San Diego Climate Action Plan, December 2015

San Diego has sufficient housing potential to meet 10-year needs if all capacity sources are fully utilized

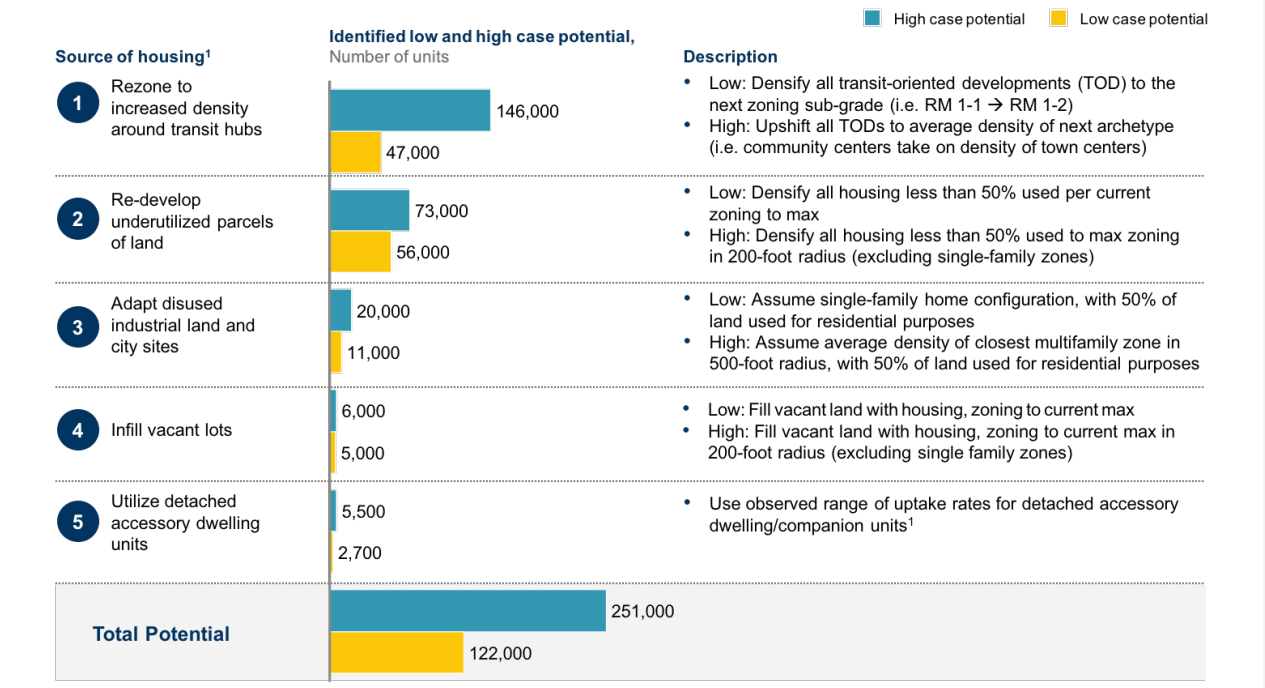
Although San Diego's current housing backlog is approximately 25 percent of current stock, the City has more than enough housing potential to fulfill its 10-year housing needs. This estimate is based upon data from the San Diego Association of Government's (SANDAG) and San Diego Geographic Information Source's Regional Data Warehouse, including information on zoning, permitted density, existing units, and the historical and ecological conservation status of every parcel of land within the City of San Diego.

By analyzing this geographic data, a low and high estimate of potential additional housing stock was calculated across five sources:

1. Rezoning to increase density around transit opportunity areas
2. Redeveloping underutilized parcels of land
3. Adapting disused industrial zones and City sites for residential use
4. Infilling vacant lots
5. Promoting detached Accessory Dwelling Units

The analysis indicates the City of San Diego has the potential to construct roughly 122,000 to 251,000 housing units, depending on the level of additional density the City chooses to adopt. If the City can mobilize all housing sources to their fullest degree and achieve the high potential scenario, it can develop enough housing units to match peer cities' housing supplies (previously identified in terms of housing units per 1,000 residents over a 10-year period, which equates to a San Diego goal of 220,000 units over 10 years)[16] (see Figure 4).

FIGURE 4: POTENTIAL FOR ADDITIONAL HOUSING CAPACITY FROM 5 SOURCES - HIGH AND LOW CASES



1. Excludes potential for developing new single-family homes on vacant and agricultural land at fringes of developed City areas due to relatively limited, scattered potential (approximately 3,000 additional units) combined with need to examine if construction would be compliant with key City objectives (e.g., Climate Action Plan)

SOURCE: Geo-Spatial Analysis, SANDAG Geo-Spatial Data, McKinsey Global Institute 'A toolkit to close California's Housing Gap'
NOTE: Totals may not add due to rounding

[16] This includes San Diego's predicted population growth of roughly 170,000 residents over this time frame

The majority of these new housing units - roughly 85 percent of the total - will come from rezoning transit opportunity areas to higher densities and redeveloping underutilized lots of land across the City.

1. Rezoning to increase density around transit opportunity areas

Rezoning residential areas within a half mile radius of the City's transit opportunity areas[17] will be the largest single tool of additional housing in San Diego, providing approximately 47,000-146,000 units. Concentrating housing around transit opportunity areas aligns with several City, regional, and State goals, such as the "City of Villages" strategy, SANDAG's Smart Growth plan, and the State of California's climate commitments, by facilitating alternatives to private vehicle transport and creating walkable, mixed-zone areas[18].

To estimate the potential for additional housing around these areas, a low-end estimate was developed by assuming residential areas should be up-zoned by one level on the City's zoning scale (e.g., shifting from a multifamily 2-4 zoning to 2-5 zoning). This change will provide a 20 percent density increase by reducing the square footage per dwelling unit. For example, it would allow for a move from 1,750 square feet per dwelling unit to 1,500 square feet per dwelling unit, allowing the potential for more, smaller units.

To calculate the high-end estimate of potential housing capacity around transit opportunity areas, the City of San Diego's public transit stops were identified and divided into five categories based on the level of service and transit frequency each provides. SANDAG's Smart Growth maps were used to create a hierarchy of transit-oriented neighborhoods labelled as metropolitan, urban, town, and community types (listed here in decreasing order of targeted density and transit connectivity) (see Figure 5). Based on the high variance in the currently observed density of metropolitan hubs, this category was further broken down into a metropolitan high and metropolitan low transit opportunity area type.

Next, the current average densities for each type of transit opportunity area were calculated, including the residential zoned land in the half mile radius surrounding each transit stop[19]. To estimate the scope for rezoning to higher density, this analysis assumed that every place-type could see additional residential development reaching the average density of the next highest transit opportunity area type. For instance, the calculations assumed the residential zoned land around a town center (with a current average density of 5.5 dwelling units per acre) could be built up to the current average density of an urban center of 12 dwelling units per acre.

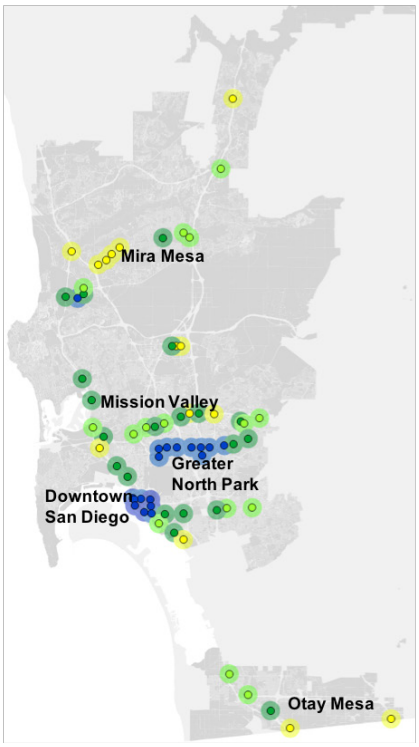
[17] Includes stops for Trolley, Sprinter, Coaster and rapid bus services

[18] City of Villages – San Diego General Plan (2008); San Diego Forward (2004) and San Diego Smart Growth Concept Map (2016); California Global Warming Solutions Act (2006), calling for reduction of greenhouse gas (GHG) emission to 1990 levels by 2020

[19] "Metropolitan high" average density is 62 dwelling units/acre; "metropolitan low" average density is 25 dwelling units per acre; "urban" average density is 12 dwelling units per acre; "town" average density is 5.5 dwelling units per acre; and "community" average density is 2 dwelling units per acre

FIGURE 5: TRANSIT OPPORTUNITY ARCHETYPES IN SAN DIEGO

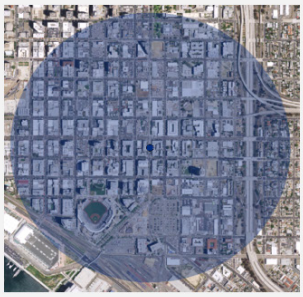
Transit opportunity areas in San Diego



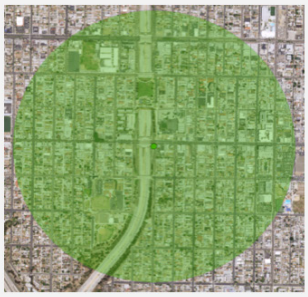
SOURCE: SANDAG GIS Data; SANDAG Smart Growth Map

SANDAG Smart Growth Opportunity Areas and Current Average Densities in City

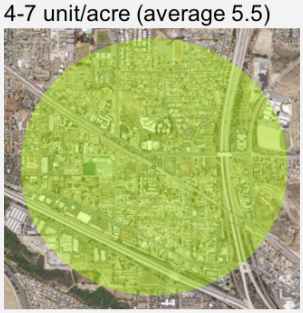
Metropolitan
20+ units/acre (low average 25; higher average 62)



Urban
7-20 units/acre (average 12)



Town
4-7 unit/acre (average 5.5)

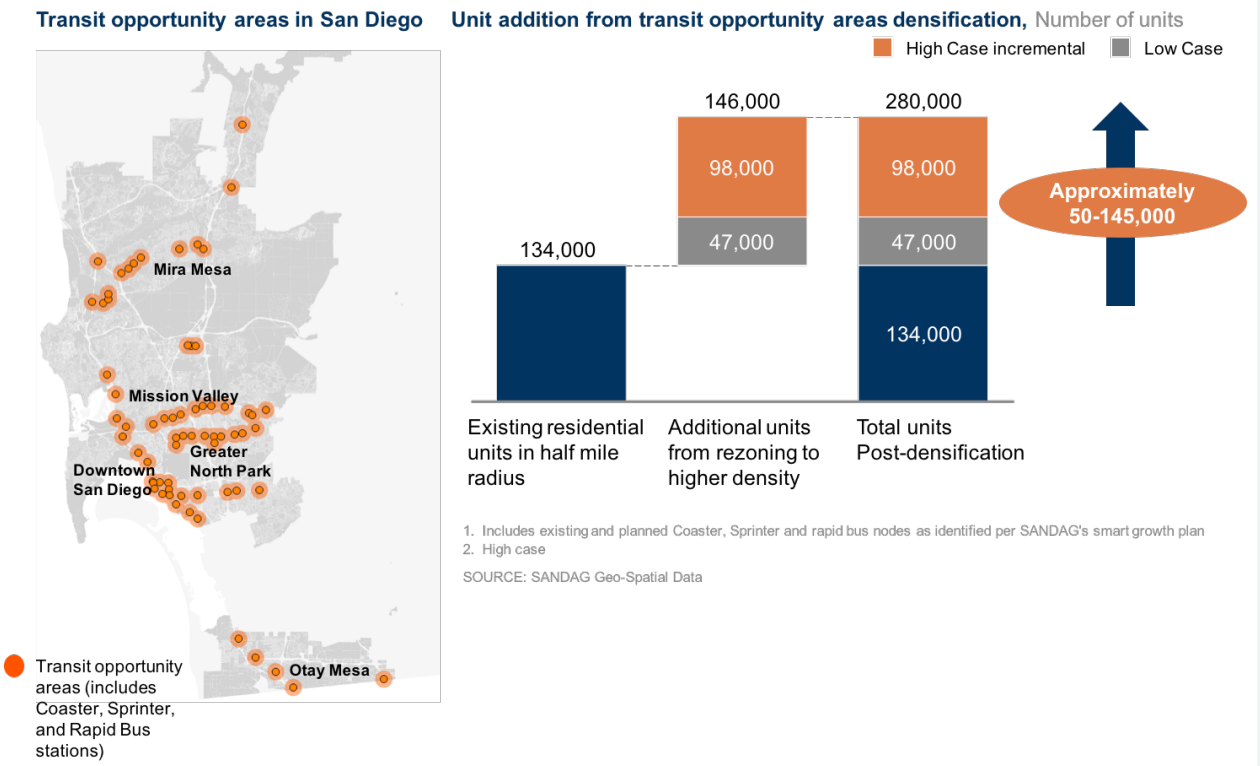


Community
1-3 units/acre (average 2)

Although increasing density to the next transit opportunity area type might appear as an unnatural densification beyond the stated place-type of a neighborhood, it is worth noting that, because the current densities of place-types fall far short of what SANDAG targets for these areas, even an upshift to the average density of the next type is more conservative than SANDAG's targeted density for these areas[20]. The total number of housing units that could be added to transit opportunity areas in the high and low scenarios is illustrated in Figure 6.

[20] For instance, SANDAG's Transit Oriented Development Strategy (September 2015) calls for urban centers to have a minimum residential density of 40 dwelling units per acre. Currently, these locations have an average of 12 dwelling units per acre. The increase in density suggested here proposes a more modest increase to a "low metropolitan" average density of 25 dwelling units per acre.

FIGURE 6: ADDITIONAL HOUSING CAPACITY FROM REZONING TRANSIT OPPORTUNITY AREAS



An example of this increase in densification is Greater North Park. If Greater North Park increased its current density to the average density of a "high metropolitan" transit opportunity area, it would shift from roughly 30 dwelling units per acre to roughly 60 units per acre. The one- to two-story structures that currently line the side streets connected to El Cajon Boulevard (serviced by rapid bus) can be reimagined as three- to four-story townhouses that fit the neighborhood's aesthetic, while also providing the needed twofold increase in density. The increase in density could take the shape of both single-family homes, clustered into a bungalow court arrangement, or low-rise condominium structures, where existing multifamily structures are present.

This analysis shows the highest potential from rezoning around transit opportunity areas exists in the following neighborhoods: City Heights (approximately 20,000 units), Greater North Park (approximately 17,000 units), Kensington-Talmadge (approximately 11,000 units), Uptown (approximately 10,000 units) and Mira Mesa (approximately 10,000 units)[21].

2. Redeveloping underutilized parcels of land

A sizeable source of potential housing units is redeveloping underutilized parcels of land (those that are less than 50 percent utilized per current zoning density allowance)[22]. This type of redevelopment is the second largest source of housing in the City of San Diego, and can provide roughly 56,000 to 73,000 units across the City.

To develop a conservative estimate for this tool, all relevant parcels (50 percent or less utilization and outside transit zones) were selected, and an additional estimation of housing potential was calculated by bringing these parcels up to their maximum potential zoning. The 50 percent threshold was set to account for the economic unfeasibility and low housing impact of replacing an existing structure with a larger current utilization.

[21] High case estimates

[22] Geospatial analysis indicates 30 percent of multifamily lots across the City of San Diego are 50 percent or less utilized

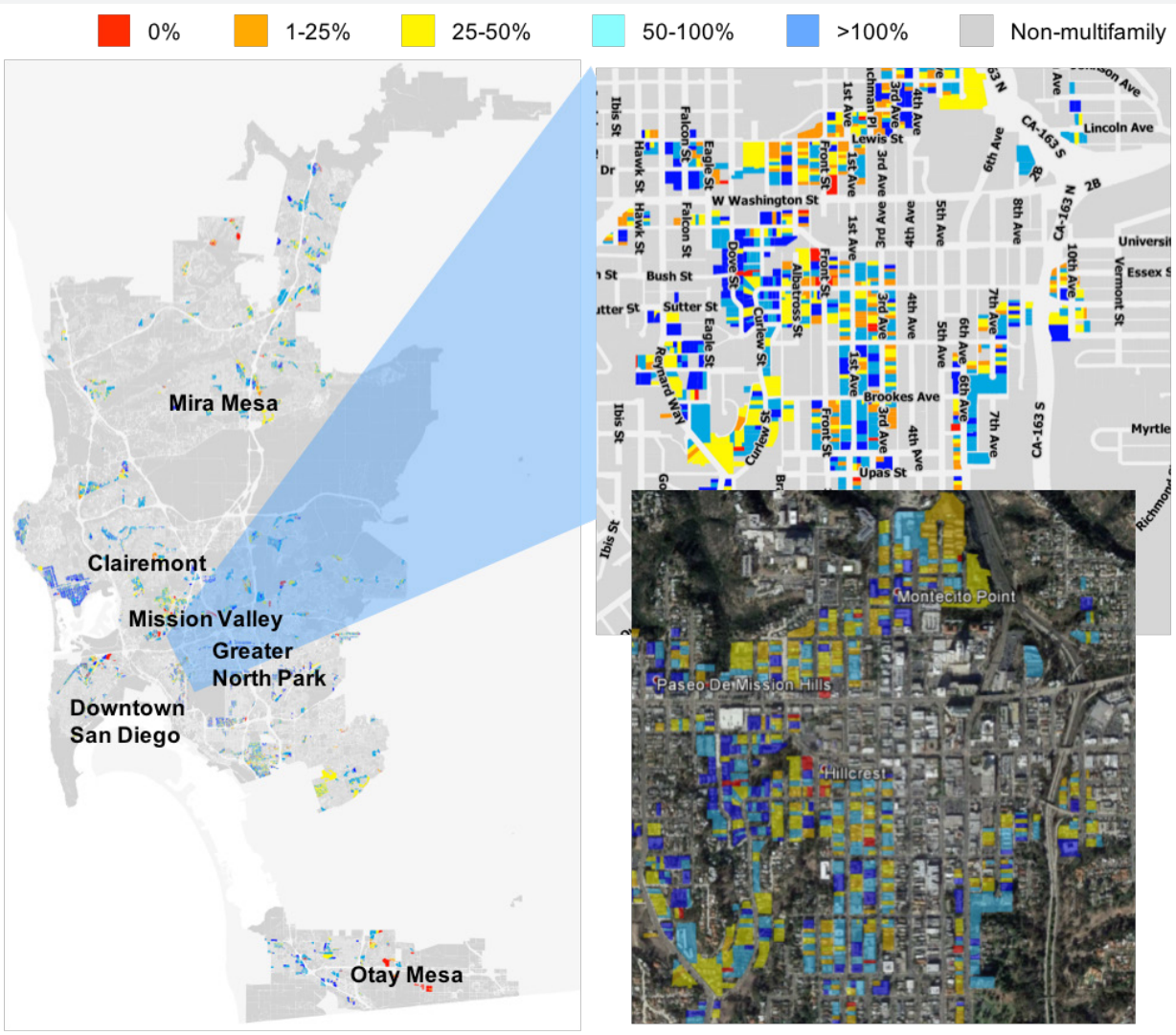
Next, a more ambitious housing potential estimate was established by assuming that new structures replacing older stock could be up-zoned beyond their current maximum permitted density, at a rate that mirrored the densest residential lot within a 200-foot radius[23]. Such a calculation accounts for redeveloping structures to provide for more housing than would have been previously permitted, but not constructed up to a density that is unprecedented in the immediate neighborhood. In both our low- and high-end estimates, areas zoned for single-family were excluded from housing potential calculations.

The framework to size redevelopment potential assumes that it will be carried out in a manner that maintains the character of low-density neighborhoods. Redevelopment can nevertheless be viewed as more than just an additional source of units, but also as a force for neighborhood improvement. When underpinned by community input that identifies older or aesthetically-deficient underutilized parcels, redevelopment of new structures can even add to the character of neighborhoods.

Figure 7 highlights underutilized parcels of land outside transit zones in the City of San Diego that can be redeveloped. The red, orange, and yellow zones mark potential parcels for redevelopment, while blue lots are multifamily parcels that are already built up to greater than 50 percent utilization and are therefore excluded from this calculation. The map also provides details for the Hillcrest neighborhood, where there is a significant opportunity to improve parcel utilization.

[23] Intended to capture structures in the same or immediately adjacent block

FIGURE 7: REDEVELOPMENT OF UNDERUTILIZED LAND, WITH ILLUSTRATION OF HILLCREST NEIGHBORHOOD



SOURCE: Geospatial Analysis, SANDAG Geospatial Data, McKinsey Global Institute 'A toolkit to close California's Housing Gap'

This analysis indicates that redevelopment of underutilized land would yield the largest housing potential in the communities of Skyline-Paradise Hills (approximately 7,000 units), Linda Vista (approximately 6,000 units), Otay Mesa (approximately 6,000 units), Clairemont Mesa (approximately 5,000 units), and Navajo (approximately 5,000 units)[24].

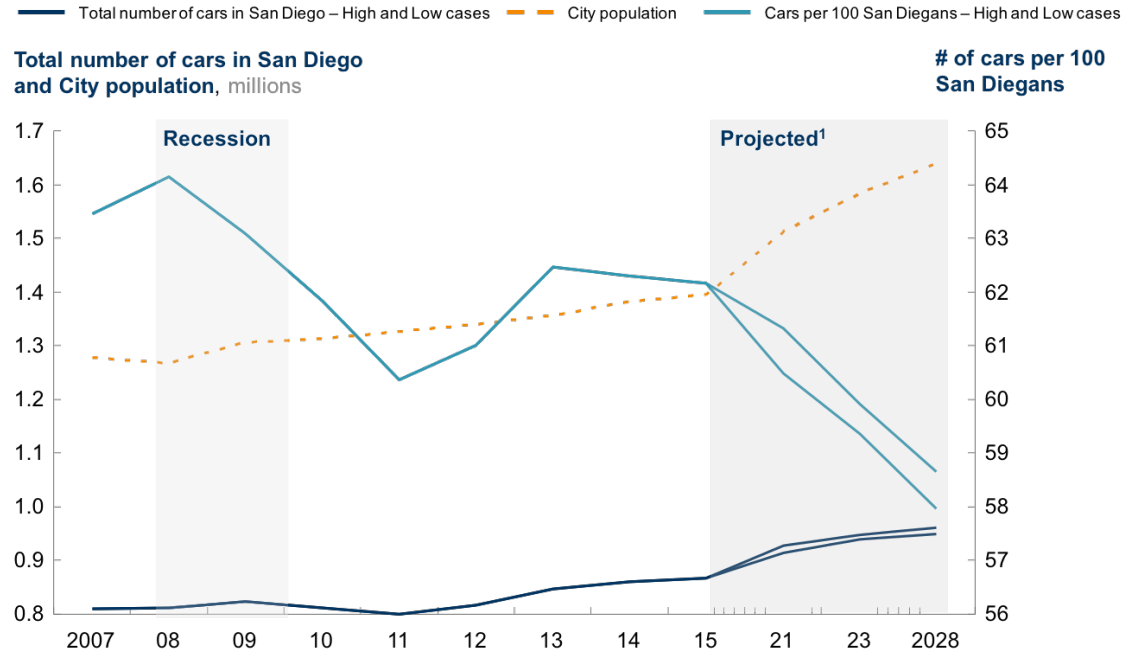
[24] High case estimates

Will additional housing density cause traffic congestion or a parking shortage?

Although additional density in built-up areas can provide 80-85 percent of San Diego's housing capacity in a manner consistent with the City's policies, it is important to address the concerns of infrastructure strain – most importantly, transportation strain – that come with additional housing. Examining the City of San Diego's car ownership and use trends from 2007-15 (the most recent period for which data is available) yields the following insights:

- The number of cars per 100 San Diegans peaked right before the end of the 2007 Great Recession[1] at roughly 64 cars per 100 residents, dropping by 5 percent in 2011 to roughly 60 cars per 100 San Diegans, as total cars declined even while population grew (see Figure 8).
- This decline correlated with a higher share of San Diegans commuting to work through other modes of transportation – an increase from 23 percent to 25 percent (see Figure 9).
- Though the number of cars per 100 San Diegans and share of car commuters have rebounded slightly since 2011, these metrics have settled at a lower, more stable rate than their 2007 and 2009 peaks, respectively.

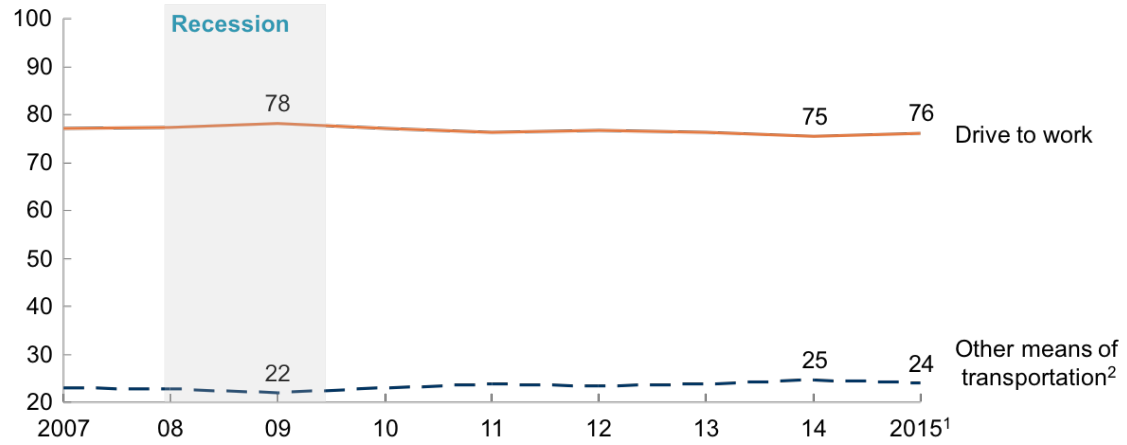
FIGURE 8: SAN DIEGO CAR OWNERSHIP RATES AND PER CAPITA IMPACT



1. Projected 2015 and future years, based on most recently available data
SOURCE: US Census

[1] Per National Bureau of Economic Research Business Cycle Dating Committee's December 2007-June 2009 time frame of recessionary period; US Census Data; population projections based on extrapolating current US Census Data and SANDAG's 2050 Regional Growth Forecast (2013)

FIGURE 9: % SHARE OF SAN DIEGANS COMMUTING TO WORK BY INDIVIDUAL CAR VS. OTHER MODES OF TRANSPORTATION[2]



1. Most recent for which data is available
2. Includes biking, motorcycling, walking, mass transit, vehicle sharing, and other

SOURCE: US Census

The findings highlight that San Diegans have previously responded to external shocks that increase the personal or financial burden of car ownership – in this case, a recession - by choosing to reduce car ownership and increase public transportation ridership. Additionally, the settling of car ownership around a lower baseline points to a rationalization of car demand, where San Diegans reconsider habits even after the shock is lifted, and choose to optimize transport habits over the long run. This insight is valuable because it demonstrates that San Diegans have previously been able to make a voluntary decision to reduce car ownership and usage, albeit one that may have initially been spurred by an imposed constraint.

To use these recent trends to project the growth of San Diego's car stock, this analysis assumed that over the next 10 years, San Diego could see a similar levelling down of car ownership as witnessed over the entire economic cycle and rebound of 2008-15. The high- and low-case projections suggest that, for a population growth of 10-15 percent over the next 10 years, the number of cars in San Diego could increase more modestly at around 5-10 percent. Although these estimates assume a sustained continued reduction in car demand and of equal magnitude as the relatively significant reduction witnessed over the past economic cycle, they could be unlocked through a number of activities, such as growing use of ride-sharing services, including Uber and Lyft, and a possible introduction of autonomous vehicles. Additional traffic and parking costs also may prompt San Diegans to optimize alternative means of transportation until traffic levels stabilize.

[2] Includes biking, motorcycling, walking, mass transit, vehicle sharing, and other

Historic trends around car ownership in San Diego are promising, and literature remains divided on a clear link between increased density and congestion[3]. Nevertheless, the City could take proactive steps to limit congestion by exploring:

- Increased investment in local and regional public transport to expand San Diego's network and maintain or increase frequency.
- Nominal charges for parking in residential neighborhoods and workplaces to assign costs to car use in the City.
- Increased use of City infrastructure to promote shared or non-car-based mobility (e.g., deploying more carpool and bike lanes).

[3] Intrix Global Survey; Colak, Lima and Gonzalez, Understanding congested travel in urban areas, Nature Communications, 2016; Land Use and Traffic Congestion, Arizona Department of Transport, 2012

3. Adapting disused industrial zones and City sites

So far, this analysis has considered housing potential on land that is already zoned for residential use and has excluded sites zoned for other land uses, such as industrial and commercial land. This section includes analysis of housing potential that could come from these sources, especially large light-industrial plots in the City. Because of the importance of maintaining a jobs-housing balance and respecting the intent of San Diego's Prime Industrial Land Policy to protect industrial lands from the encroachment of uses affecting industries' ability to operate[25], sites for conversions should be limited to those with low use or large vacancies. In addition to light industrial lands, disused recreational and public facilities and Metropolitan Transit System-owned lands were considered as potential housing development opportunities[26]. The list of sites considered in this housing source includes (see Figure 10):

Lightly Used/Disused Industrial Sites:

- 3RootsSD Development
- Carroll Canyon Mixed Use/Stone Creek Mining
- Superior Ready Mix Mine

Lightly Used/Disused Recreational Sites and City Sites:

- Qualcomm Site
- Sports Arena
- Riverwalk Golf Course

Lightly Used/Disused/In-Need of Refurbishment City Sites:

- Former Central Library
- Civic Center Plaza

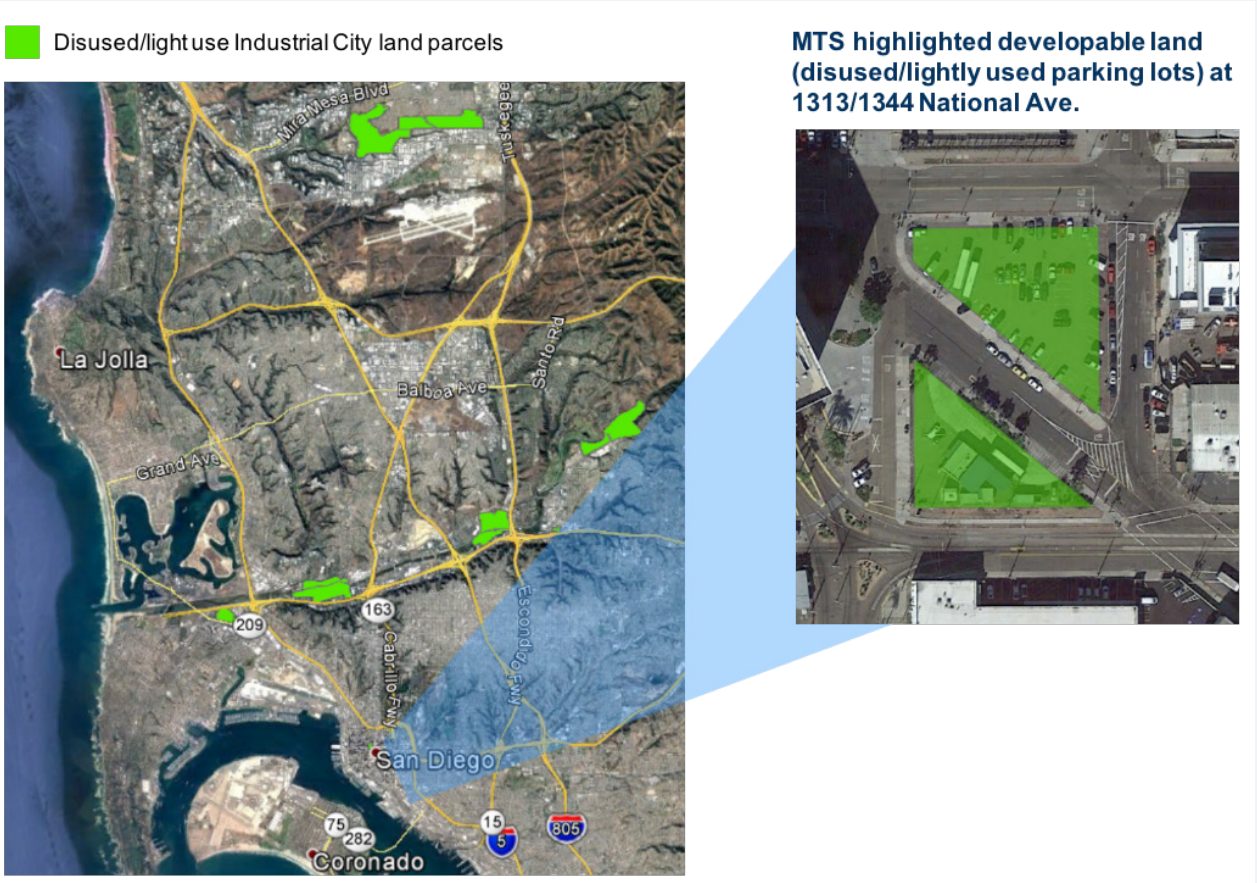
Metropolitan Transit System (MTS) real estate:

- 1313/14 National
- Palm Avenue Station
- Grantville Trolley

[25] Prime Industrial Land Questions & Answers, City of San Diego

[26] San Diego Metropolitan Transit System Joint Development Property Inventory; Councilmember Georgette Gomez's Housing Action Plan

FIGURE 10: DISUSED INDUSTRIAL AND CITY SITES THAT OFFER HOUSING POTENTIAL



SOURCE: SANDAG Geo-Spatial Data

To estimate the potential from these land areas, 50 percent of the land area was "set aside" to be maintained as non-residential for recreational, commercial, or industrial use[27]. Then, to estimate the low end of its housing potential, the land was assumed to be converted into uniform, single-family housing developments, allowing roughly 11,000 housing units across all sites. For the high-end estimate, residential land was assumed to be developed up to the average density of the nearest multifamily residential developments[28]. This high-end scenario would provide San Diego with up to roughly 20,000 additional housing units. In both cases, recreational and industrial land areas provided the majority of housing potential, with disused City of San Diego land and MTS-identified real estate providing roughly 200-1,300 units in the low to high range.

Although the industrial sites have the potential to provide a large number of housing units, their conversion to residential use should be carried out in a manner that guarantees economically feasible light industrial activity is not endangered by adjacent residential use. These land use changes will require City outreach to requisite planning groups for the area to ensure community alignment around conversions, as well as the development of safeguards (like land buffers) to ensure that land uses do not come into conflict. For more information, please see page 40, which describes actions that can be taken via the City of San Diego planning process and community group involvement to address these concerns.

[27] This estimate was derived by analyzing the share of area zoned residential vs. commercial, industrial and recreational in University and Downtown neighborhoods. Both are examples of mixed-zone areas that benefit from the integration of many land uses.

[28] Defined as up to 500 feet away from the zone periphery to capture structures from a micro-neighborhood of a few surrounding blocks

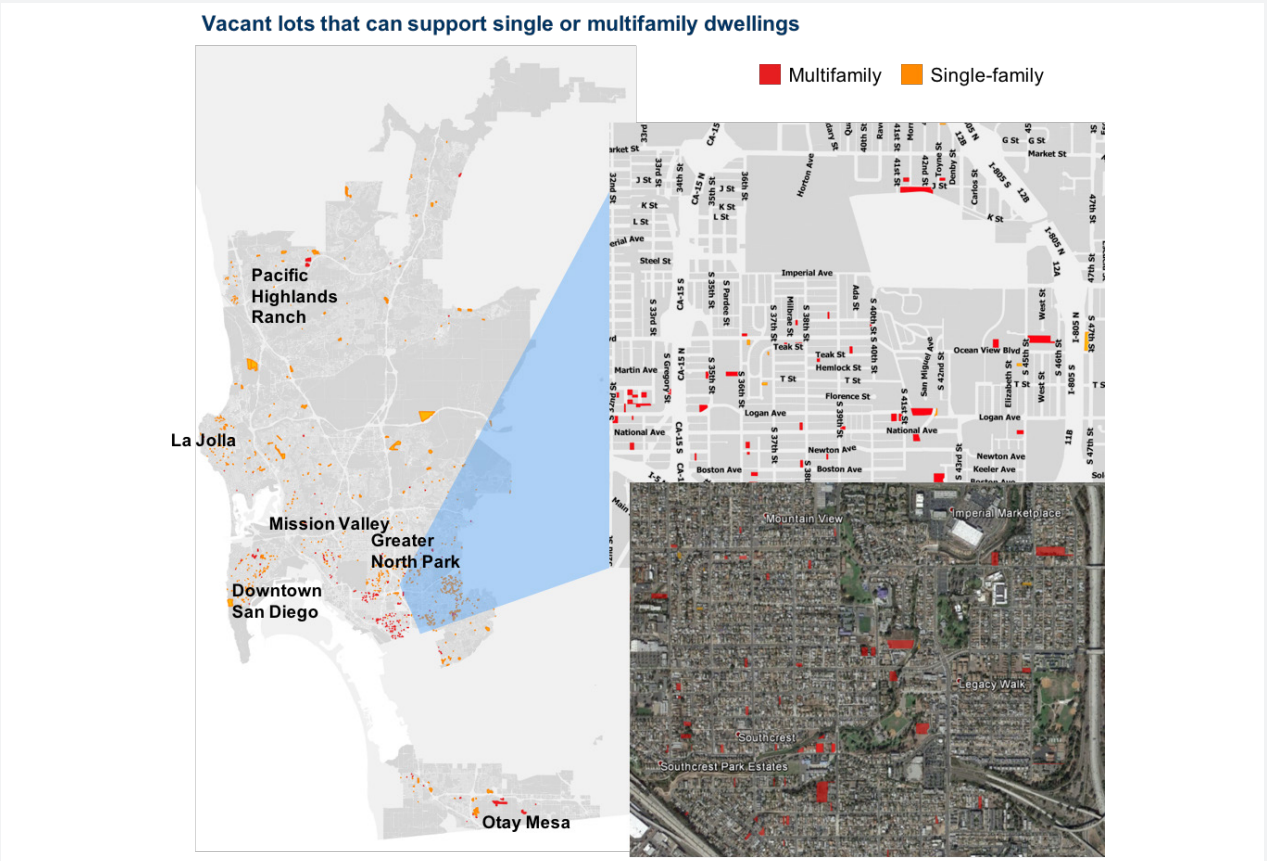
4. Infilling vacant lots

While San Diego lacks sizeable stores of greenfield land, geographic data indicates opportunities to develop vacant parcels dispersed among built-up areas of the City. Given the relative shortage of such parcels, however, these developments yield limited potential. Geospatial analysis estimates this housing source could provide approximately 5,000 to 6,000 additional units.

To develop a low-end estimate of infill potential, residentially zoned vacant lots outside of transit zones were identified (to avoid double counting from increased transit opportunity area density calculations). The number of potential new units was calculated by assuming a build-out to maximum currently allowed density for the parcel. For the high-end estimate, the number of potential housing units was based on the maximum allowable density of the highest residential density observed within a 200-foot radius. Land zoned as single-family residential, however, was not considered for such an increase, given the risk of altering community character.

Figure 11 highlights the vacant lots identified for housing development. Red parcels denote vacant residential land zoned for multifamily, and yellow parcels indicate vacant land zoned for single-family housing.

FIGURE 11: VACANT LOTS FOR INFILL DEVELOPMENT, WITH ILLUSTRATIVE EXAMPLE OF SOUTHEASTERN SAN DIEGO NEIGHBORHOOD



SOURCE: Geo-Spatial Analysis, SANDAG Geo-Spatial Data, McKinsey Global Institute 'A toolkit to close California's Housing Gap'

Otay Mesa (approximately 2,000 units) and Pacific Highlands Ranch (approximately 1,000 units) are the neighborhoods where vacant lot infill could produce the most additional housing capacity[29].

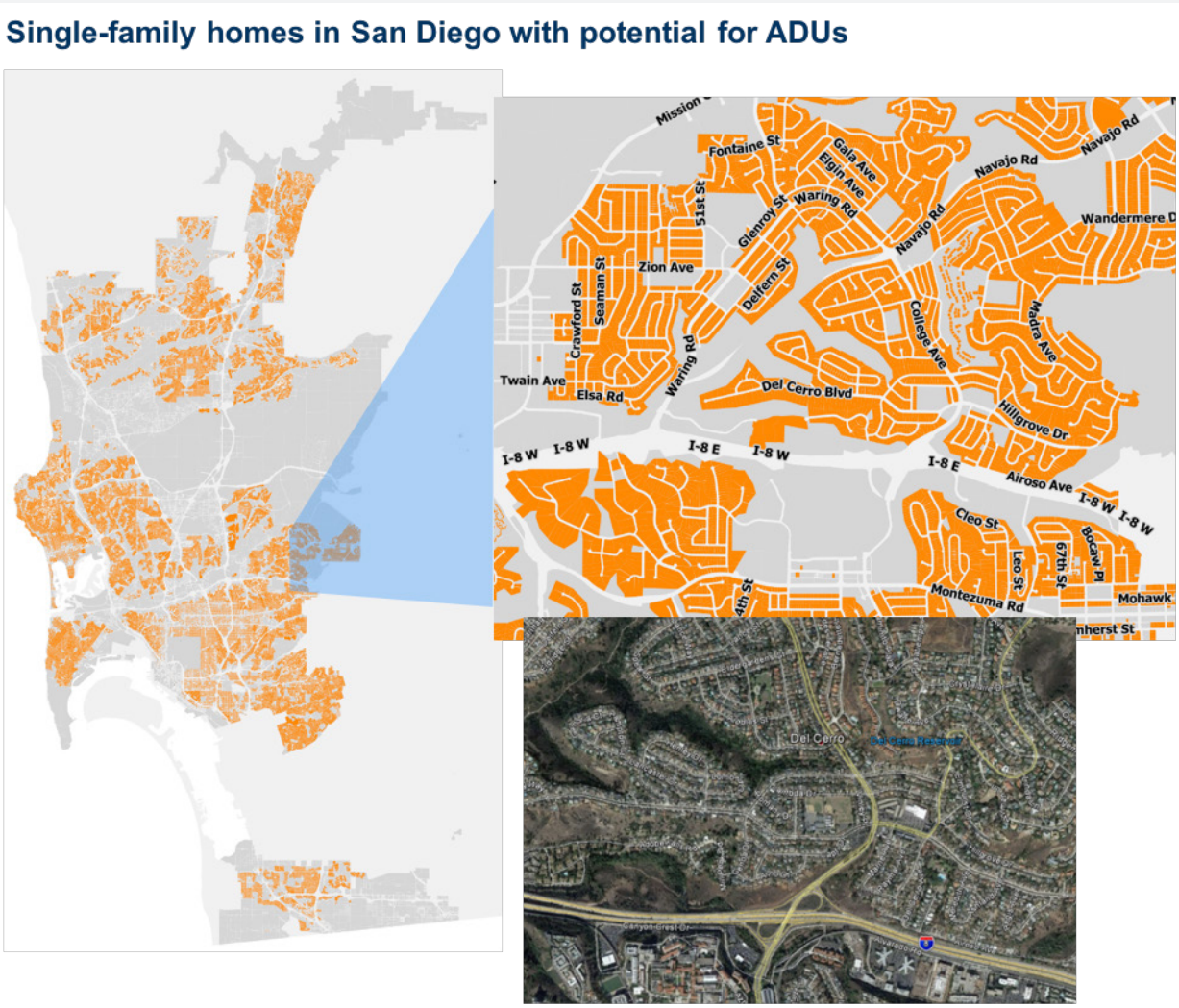
[29] High case estimates

5. Utilize detached Accessory Dwelling Units

Accessory Dwelling Units (ADUs) built alongside existing homes - colloquially known as “granny flats” - represent another option for increasing San Diego’s housing stock. ADUs offer single-family homeowners who possess excess yard space an opportunity to build detached units that can house additional family members or generate rental revenue. As such, ADUs represent an easy, but limited, boost to housing potential that is spread across single-family zones.

Geospatial analysis indicates that about 2,700 to 5,500 ADUs could be built across the City, assuming an uptake rate of detached ADU structures of 1-2 percent by single-family homeowners with sufficient parcel size (see Figure 12). The uptake rates and unit size take a range of estimates from research literature on their application and the support of local policies, some of which the City of San Diego is currently assessing[30].

FIGURE 12: SINGLE-FAMILY HOME DISTRIBUTION ACROSS SAN DIEGO, WITH ILLUSTRATIVE EXAMPLE OF NAVAJO NEIGHBORHOOD



SOURCE: Geospatial Analysis, SANDAG Geospatial Data, McKinsey Global Institute ‘A toolkit to close California’s Housing Gap’

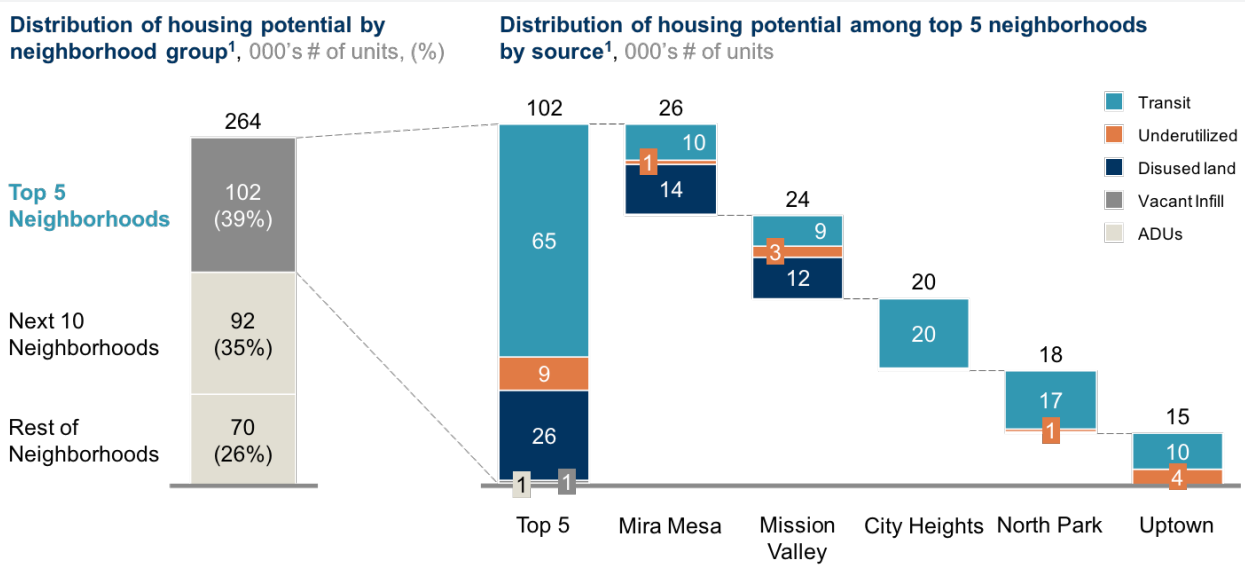
[30] McKinsey Global Institute’s Closing California’s Housing Gap Report. Measures California and San Diego are considering include Senate Bill 1069 and the Smart Growth & Land Use Committee’s proposals to ease code restrictions around ADUs

Analysis indicates that the potential for ADU development is highest in the Rancho Bernardo (approximately 500 units), Skyline-Paradise Hills, Rancho Penasquitos, Mira Mesa, and Navajo (about 300 each) communities, given their relatively high share of the City's large single-family homes[31].

Across the five sources of additional housing in San Diego, all neighborhoods have the potential to add housing capacity (see Figure 13). Certain central, well-connected neighborhoods - such as Mira Mesa, Mission Valley, City Heights, North Park, and Uptown - are particularly suitable for additional housing growth. Initiatives to deliver on housing capacity (discussed in more detail in the following chapters) could be focused on these high-impact neighborhoods.

Geospatial analytics of housing capacity provide estimates by neighborhood

FIGURE 13: DISTRIBUTION OF HIGHEST POSSIBLE HOUSING POTENTIAL ACROSS SAN DIEGO



1 High case for all housing potential options
SOURCE: SANDAG Geospatial Data

The estimates used for Figure 13 are not time-bound and are the high-case potential if the City of San Diego were to utilize its full housing capacity. These figures would exceed the peer-city benchmarking figures identified earlier in this report.

[31] All units denoted are high-end estimates

Neighborhood in focus: City Heights

The City Heights neighborhood is in the geographic heart of the City, is serviced by rapid service bus lines that make it a major transit opportunity area, and has significant potential for additional housing.

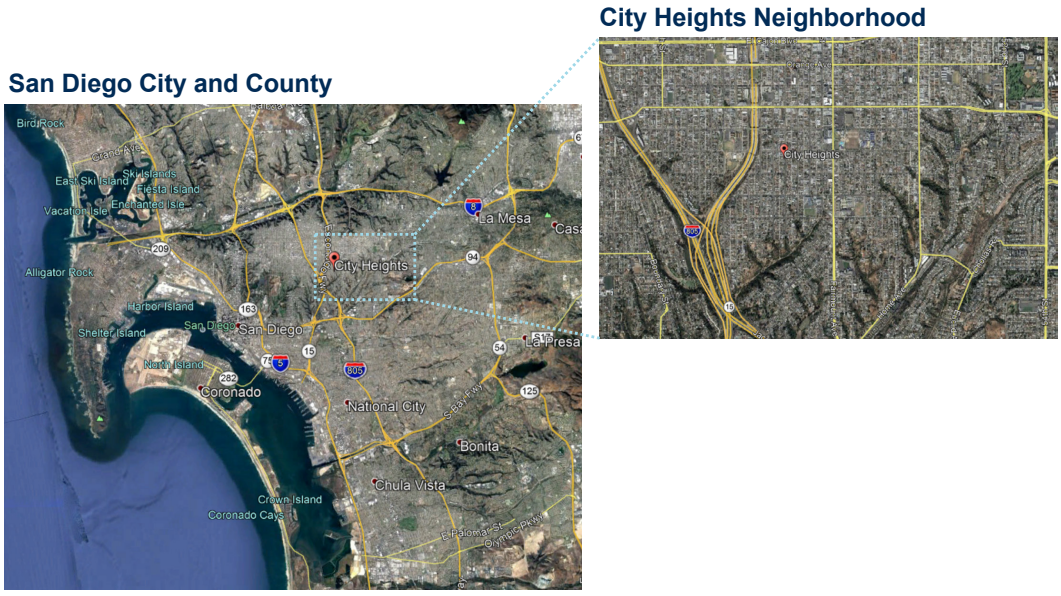
A brief overview of the neighborhood's geographic, transportation infrastructure and economic background is helpful to contextualize the future of housing development in the area:

- The neighborhood is loosely bounded by El Cajon Boulevard to the north, I-805 to the west, 54th Street to the east, and Federal Boulevard. El Cajon Boulevard and University Avenue are busy thoroughfares with frequent bus services (15-minute or more frequent bus stops during peak hours), and are lined with commercial or mixed-use structures.
- City Heights is a relatively populous neighborhood, with about 100,000 residents and roughly four times San Diego's average density. Additionally, the average household size in the neighborhood is higher than the City of San Diego's average at 3 residents per household versus 2.6 for the rest of the City.
- The neighborhood's median income of roughly $36,000[1] is a little more than half the citywide average. Lowest income residents typically reside along the denser, northern edges of the neighborhoods by El Cajon Boulevard and University Avenue.
- Despite relatively low income levels, the average rent in the neighborhood is roughly $1,500[2] a month, with median house prices showing a 7 percent year-over-year increase. This implies a median rent of about 40 percent of area median income, beyond the generally accepted threshold for housing affordability, which is 30 percent of gross income.
- The neighborhood's high walkability score (especially along the northern thoroughfares) and increasing number of cultural amenities (including a growing number of eateries, recreational spots, and large investments in facilities, such as the new roughly $35 million YMCA park and facility) underscore the neighborhood's appeal as a place to live.

[1] http://www.voiceofsandiego.org/topics/news/san-diegos-richest-poor-neighborhood-two-decades-later/

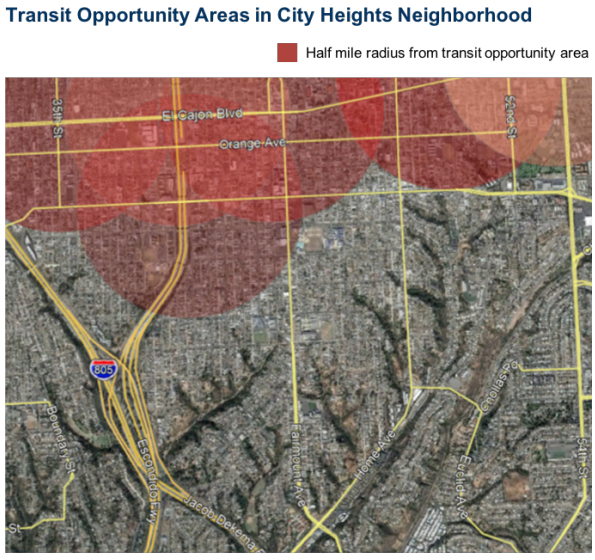
[2] http://www.sandiegomagazine.com/San-Diego-Magazine/March-2015/Best-Neighborhoods-in-San-Diego/The-Best-Places-to-Live-in-San-Diego/

FIGURE 14: CITY HEIGHTS NEIGHBORHOOD LOCATION



Geospatial analysis reveals important clues as to how this neighborhood could develop, given its existing transportation infrastructure and zoning. Virtually all of City Heights' potential for an additional 20,000 housing units could be placed on a two- to three-block strip running east-west along El Cajon Boulevard and University Avenue, as well as the half mile semi-circular bulge at University and the I-15 Freeway, where the I-15 ramp bus stop is located (see Figure 15).

FIGURE 15: CITY HEIGHTS HOUSING POTENTIAL AROUND TRANSIT OPPORTUNITY AREAS



SOURCE: Geospatial Analysis, SANDAG Geospatial Data, McKinsey Global Institute 'A toolkit to close California's Housing Gap'

The additional housing units would be possible by assuming density along these key transit corridors increases from roughly 20-30 dwelling units per acre to 60 units. Although such a number may appear significant, additional housing at these levels can fit in with the fabric of the existing neighborhood communities while providing a powerful economic boost that benefits new and current residents alike.

- **New developments can be congruous with existing neighborhood development patterns:** Additional density in the form of multifamily homes could be concentrated in neighborhoods that are already a mix of single-family and multifamily homes. The following existing examples of development in the City Heights neighborhood demonstrate how lower density condos or townhouses (with greater density than single-family units) can coexist and show that consolidating single-family lots to build two- to three-story townhouses or bungalow court-style houses can achieve housing needs without a negative impact on neighborhood character (see Figures 16 and 17).

FIGURES 16 & 17: SINGLE-FAMILY AND MULTIFAMILY COMMUNITY IN CITY HEIGHTS

Existing dense, multifamily construction alongside single-family homes by El Cajon and 35th Street

Chamoune gardens low-rise condominiums

- **Developments can meet community aesthetic preferences:** Despite the cultural vibrancy of the City Heights area, sections of the neighborhood are in need of redevelopment in the role of façade and public facilities improvements. The neighborhood community plan (1998) highlights sidewalk maintenance and a shortage of street-side trees as major issues, while noting that older houses detract from the visual appearance of the area. The community has the potential to harness focused redevelopment on older lots. Additionally, the attractive street-scape and development impact fees (DIFs) yielded by new developments (such as the Forest Knolls development), if utilized well, represent significant improvement opportunities.
- **Development can promote increased employment:** The addition of 20,000 units over 10 years could provide as many as 40,000 construction jobs, many of which can come from various parts of City Heights itself[3].

[3] Assuming 2.1 jobs per housing unit and housing needs of 461 units per 1,000 residents per peer city benchmarks; job creation ratio from Building Center for Housing Policy's "Building California's Future" report

- **Population increases can be balanced by the full utilization of City Height's transportation infrastructure:** City Heights could benefit from several features and actions that mitigate against the potential for increased traffic associated with housing development:
  - The potential for new housing is concentrated in a two- to three-block area along major boulevards and commercial zones that may allow for reduced car use and greater walkability or use of bikes for City Heights residents (see Figure 18).

FIGURE 18: CITY HEIGHTS HAS A VARIETY OF MOBILITY OPTIONS

Cyclists near Chamoune Avenue

  - Existing, frequent bus service could absorb the transportation needs of new residents commuting to downtown for work (see Figure 19).

FIGURE 19: CITY HEIGHTS HAS A VARIETY OF MOBILITY OPTIONS

35th Street Rapid Bus Stop

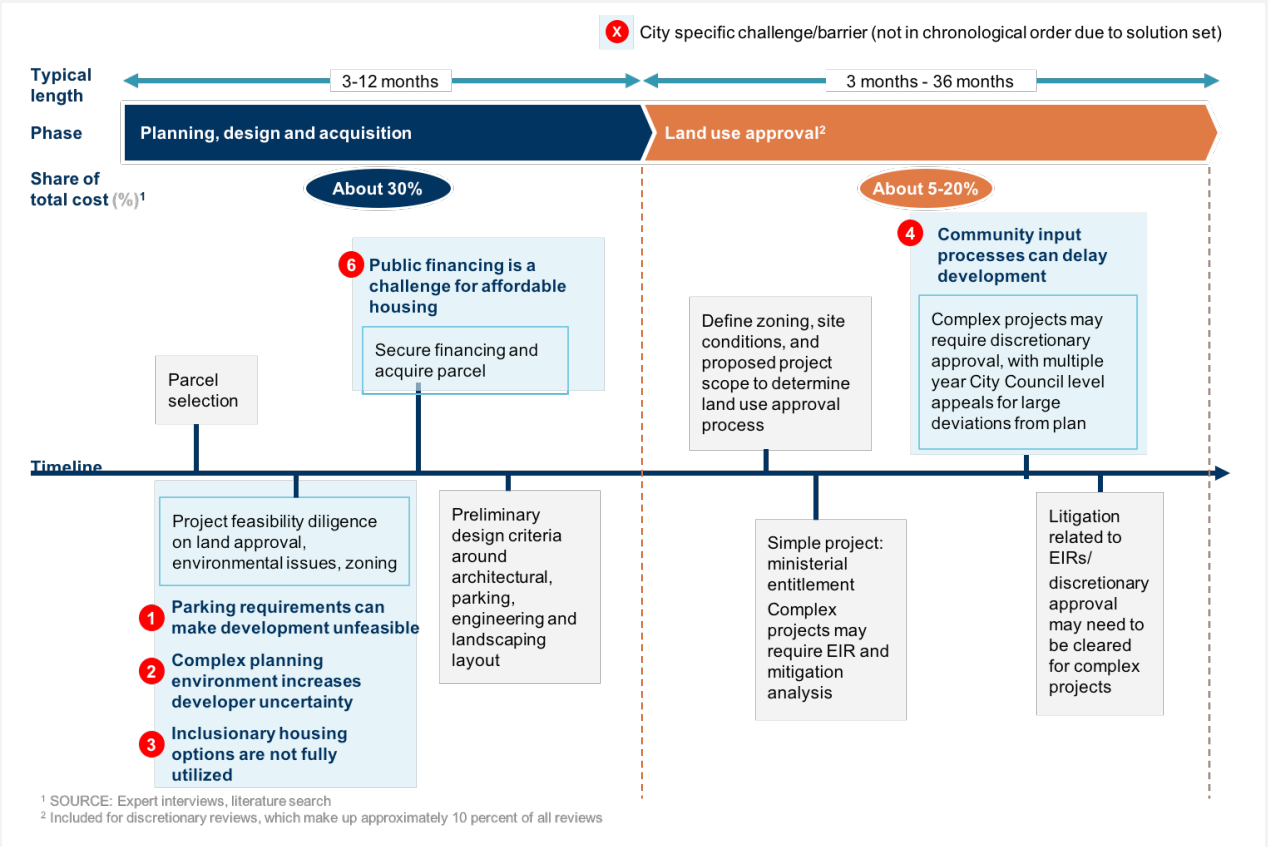
— Shift parking from the street, through above-ground or offset lots with multifamily development, thereby allowing greater use of streets (e.g., pedestrian use; bike lanes) (see Figure 20).

FIGURE 20: MULTIFAMILY PARKING OPTIONS

Parking spots accompanying multifamily units can replace street parking slots that take up additional road space

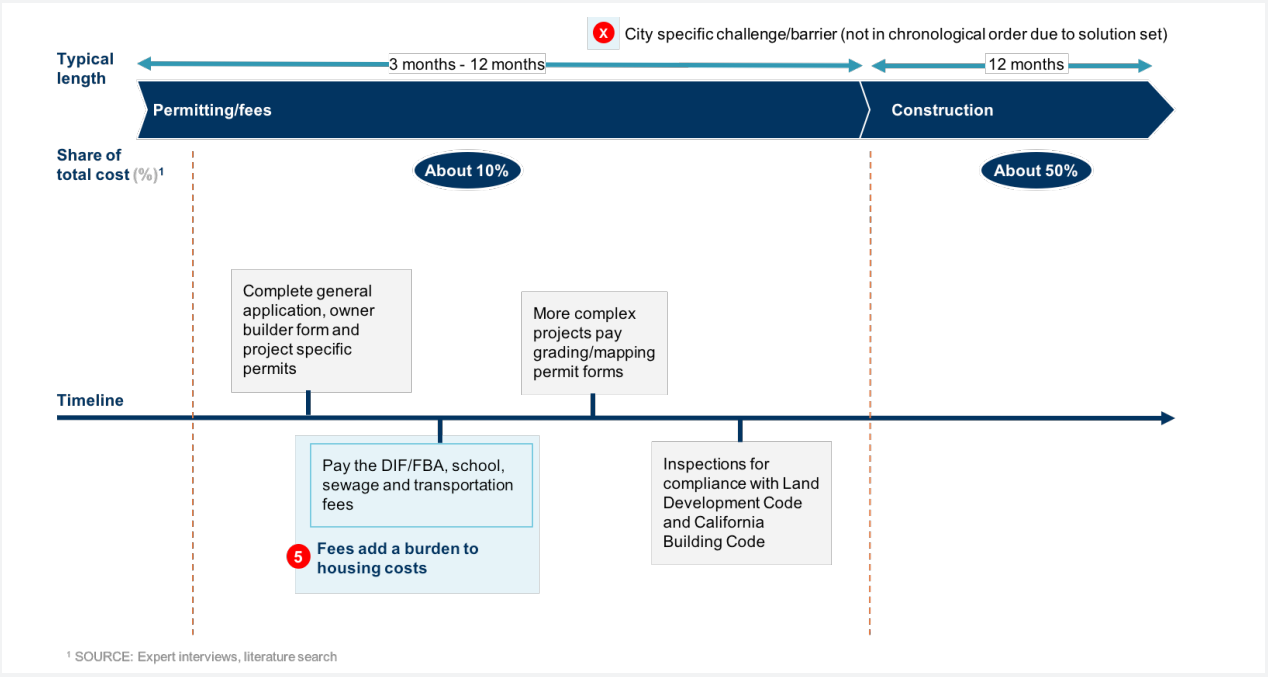
Six challenges in the housing development cycle are major deterrents to production

FIGURE 21: HOUSING COSTS AND CHALLENGES ACROSS HOUSING DEVELOPMENT CYCLE



[1] SOURCE: Expert interviews, literature search
[2] Included for discretionary reviews, which make up approximately 10 percent of all reviews

HOUSING COSTS AND CHALLENGES ACROSS HOUSING DEVELOPMENT CYCLE



[1] SOURCE: Expert interviews, literature search

Planning, design and acquisition phase

During the initial stage of the housing development cycle, developers search for suitable parcels of land, evaluate the type of projects permitted by zoning and land use plans, and factor in costs from construction, parking requirements, and regulatory fees. If developers are able to find a parcel of land that meets a price offering a reasonable return (roughly 15-20 percent[32]) after these considerations, they secure financing to acquire land and proceed with entitlement, if applicable.

The planning, design, and acquisition phase of the development typically accounts for approximately one-third of developer costs, largely due to land acquisition costs. Although this may be the fastest aspect of the development process, it is also the phase where a large number of potential projects "disappear," as they do not clear feasibility studies that factor in future costs and barriers in the housing development cycle. The following challenges in this phase are the most common causes of projects failing to move beyond preliminary feasibility studies:

1. Parking requirements can make development unfeasible

Parking development costs in San Diego can account for up to 20 percent of a developer's direct costs[33], which are eventually passed on to final consumers. Given the magnitude of these costs, they have a large impact on overall project feasibility and end-consumer housing prices. The construction cost per parking spot ranges from $10,000 (ground level) to $70,000 (below ground). The City of San Diego has particularly conservative parking requirements, setting parking ratios that create an expensive bundling, whereby residents who do not own cars or use less than the full amount of parking spaces allocated to them are burdened with unnecessary construction costs. Although this bundling effect generally applies to all types of parking minimums, the level of bundling appears particularly strong in the City of San Diego, where parking ratios are up to two times those of peer cities and where parking minimums are set even around transit-rich areas, such as downtown[34].

The opportunity to reduce parking ratios could be particularly salient to the City of San Diego, whose demographics are younger than most other metro areas in the nation. Changing trends in car ownership among younger age groups that are more likely to utilize alternatives, such as ride-sharing and public transportation, provide an opportunity to relax regulations.

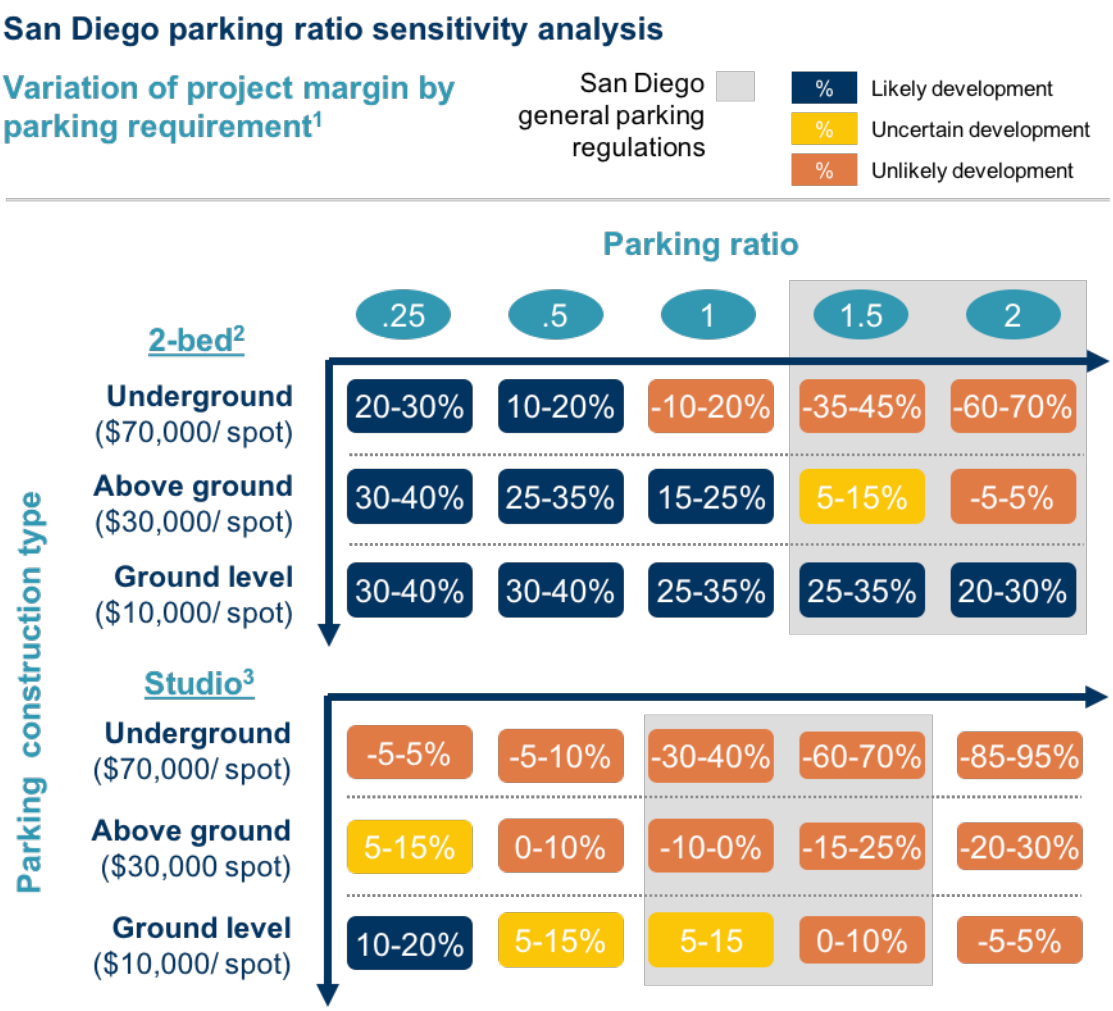
Relaxing parking requirements could have a significant impact on the feasibility of housing developments. Using high-level estimates for construction and sales costs, the effect different parking types exert on developer margins was estimated (see Figure 22).

[32] Based on interviews with private developers

[33] San Diego Municipal Code 86.01-86.03- General Parking Regulations and Seattle Municipal Code 23.9.019 Parking Reduction Ordinance

[34] San Diego Has Nation's Second Largest Millennial Population, Michael Lipkin, San Diego Business Journal, 2016

FIGURE 22: EFFECT OF PARKING RATIOS ON DEVELOPER MARGIN



1. Assumes 15% margin required for likely development; 60 unit per acre density with land value at land value of $225 per sq.
2. 1,000 sq. ft
3. 800 sq. ft.

SOURCE: Expert interviews and San Diego project pro forma averages

This analysis reveals the strong effect of parking requirements on housing development feasibility. For example, it is difficult for a development with a ratio of 2 parking spots for each 2-bedroom unit to make an acceptable return, unless both of the spots offered are ground level. These estimates align with developer feedback. Infill development is particularly difficult with the City of San Diego's parking requirements, as the parcels available are often on small lot sizes and don't have the necessary surface area to provide ground parking.

Although the City has taken actions to address the issue through pooled parking (where multiple housing and/or commercial developments can share a single, common parking structure) and parking in-lieu fees, these remain highly localized and are not applied or actively encouraged on a citywide basis[35]. In addition, a series of parking regulation overlays from City zoning, planned district ordinances, and community plans create a complex and

[35] For example, the Encanto Community Plan encourages parking in-lieu fees and pooled parking and the Bario Logan Community Plan does not

fragmented set of parking rules that run into the hundreds of pages, hindering not only developer understanding, but also impacting efforts to streamline parking policy.

To overcome the barrier parking requirements pose in the development process, the City of San Diego could consider four initiatives:

1a. **Rationalize parking ratios:** Regulations could be adjusted to current patterns of vehicle ownership and balanced against current parking capacity and utilization. Eliminating parking minimums around dense transit opportunity areas and adjusting parking ratios down in other areas of the City where feasible - like Seattle, Portland, and Boston have - could lower unnecessary housing costs. Similarly, San Diego could follow Austin's lead in tailoring parking codes to actual requirements. Austin developed CodeNEXT, an effort where the city conducted a ground-up analysis of residential parking requirements and realized the scope for a 50 percent citywide reduction.

1b. **Broaden the interpretation of a parking unit:** San Diego could allow alternatives like bike rack stands (as implemented by Portland), ride-sharing app pickup and drop-off lots, and/or resident-shared parking spaces to count toward fulfilling parking ratios.

1c. **Actively encourage options for shared, off-site parking:** The City could consider promoting shared, off-site parking structures by updating citywide regulations and incentives and assessing Circulate San Diego's vision of shared parking facilities between developers. The City could actively support a catalyst investment – such as the current parking structure at 30th Street and University in North Park – where multiple developers could utilize a parking structure built at scale and financed through a parking in-lieu fee that waives parking ratios.

    In other instances, the City could facilitate and maintain an exchange for developers to coordinate such facilities without its direct investment in parking construction. For example, the City of Los Angeles' 1999 Downtown Adaptive Reuse Ordinance has promoted the use of pooled, off-site parking, which has now been commonly deployed where permitted[36].

1d. **Build a robust parking data analytics system:** Measuring real-time utilization and annual changes in parking trends could enable a data-driven and neighborhood-specific discussion around parking requirements as vehicle use patterns change. To facilitate this type of decision-making, the City could expand capabilities developed in the Hillcrest parking meter pilot or learn from the effectiveness of Seattle Metro's "Right Size Parking." Under this initiative, Seattle collected data from more than 200 developments over the course of a year, and used the information to determine parking utilization rates in the city. Data collection is ongoing and updated through crowd-sourced inputs for up-to-date solutions.

[36] Alan Durnin, Parking Rules Raise Your Rent. Grist. 2013

2. A complex planning environment increases developer uncertainty and creates disincentives for smaller units

A City-level zoning overlay governing land use and densities exists, but is superseded by planned district ordinances for select neighborhoods that modify housing characteristics, such as permitted density and height.

Additionally, the City is divided into 52 community planning areas, each with a community plan that acts as a more detailed and localized overlay intended to govern granular development criteria (e.g., height restrictions that prevent shadows over certain areas of the neighborhood in La Jolla[37] or design criteria to preserve the character of a neighborhood). Community plans also provide a long-term vision for the community's needs and desired development patterns. The formulation of these community plans is spearheaded by a 15-20 person group of elected volunteer residents known as community planning groups, supported by the City Planning Department.

Finally, select City ordinances (e.g., the California Affordable Housing Density Bonus and Mayor Faulconer's "Housing SD" Plan Middle-Income Density Bonus) and State laws can overrule these layers for specific criteria, such as density.

Community plans play a prominent role in the City of San Diego's housing development process, as deviations from plan are subject to discretionary approval processes. Depending on the level of deviation, a minor change, such as altering building set-backs, could be approved swiftly by a Planning Department hearing officer, while other changes, such as increased height, reduced parking, or differing land uses, require Planning Commission or even City Council approval after hearings and advisory judgements by local community groups. In addition, each community plan has differing standards for deviations that would trigger a discretionary review.

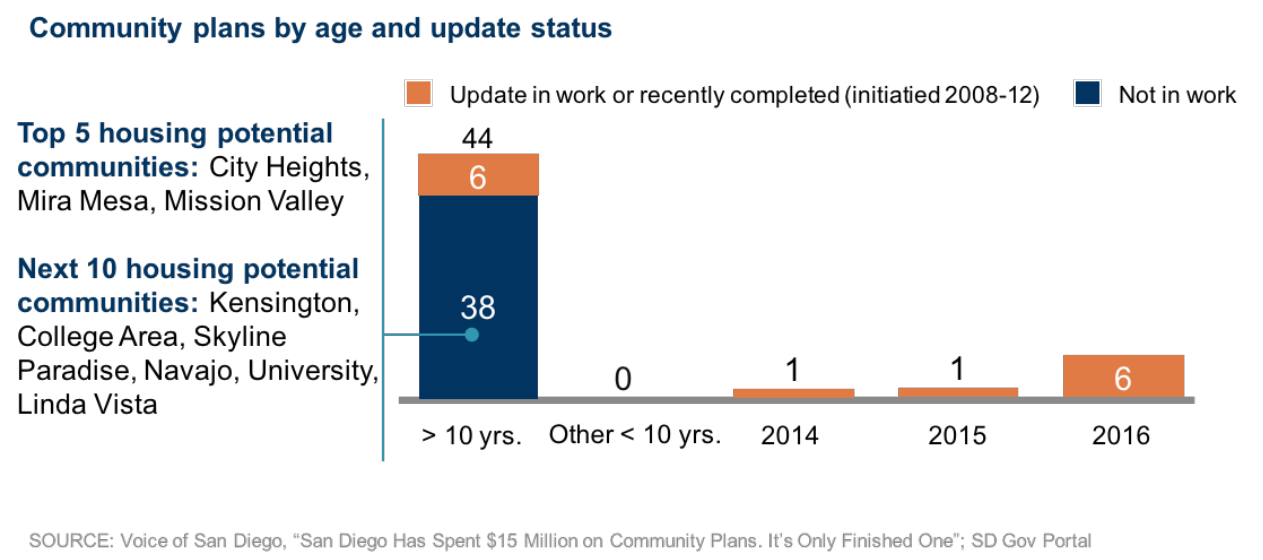
Thus, the planning environment can pose obstacles to San Diego's housing developers that affect projects' feasibility:

- **Multiple plan layers add complexity and uncertainty to projects:** Developers are required to understand the details of 52 neighborhood community plans, and account for the likely outcome of any discretionary reviews that may be triggered, including how this may vary by neighborhood. This uncertainty detracts from large housing investments or projects that would be feasible in a more predictable planning environment, and creates pockets of the City where denser development may be desired, such as Uptown, but made difficult by community plan overlays.
- **Many community plans are unsuited to the City's current housing needs:** Of San Diego's 52 community plans, 44 are more than 10 years old (though six are in the process of being updated) (see Figure 23). These plans assume outdated levels of density and development patterns that predate the current housing shortage. Additionally, older plans do not contain land-use approval fast-tracks, such as dedicated by-right development zones, where height, density, and design deviations receive minimal discretionary oversight and programmatic environmental impact reviews (EIR) that can save multiple years and millions of dollars in environmental analyses for developments.

  When developers factor in time delays, project risk, and capital costs associated with developing in these communities, a large number of their projects fail to clear feasibility thresholds and do not materialize, representing a lost housing opportunity.

[37] La Jolla Community Plan

FIGURE 23: AGE OF COMMUNITY PLANS IN SAN DIEGO



SOURCE: Voice of San Diego, "San Diego Has Spent $15 Million on Community Plans. It's Only Finished One"; SD Gov Portal

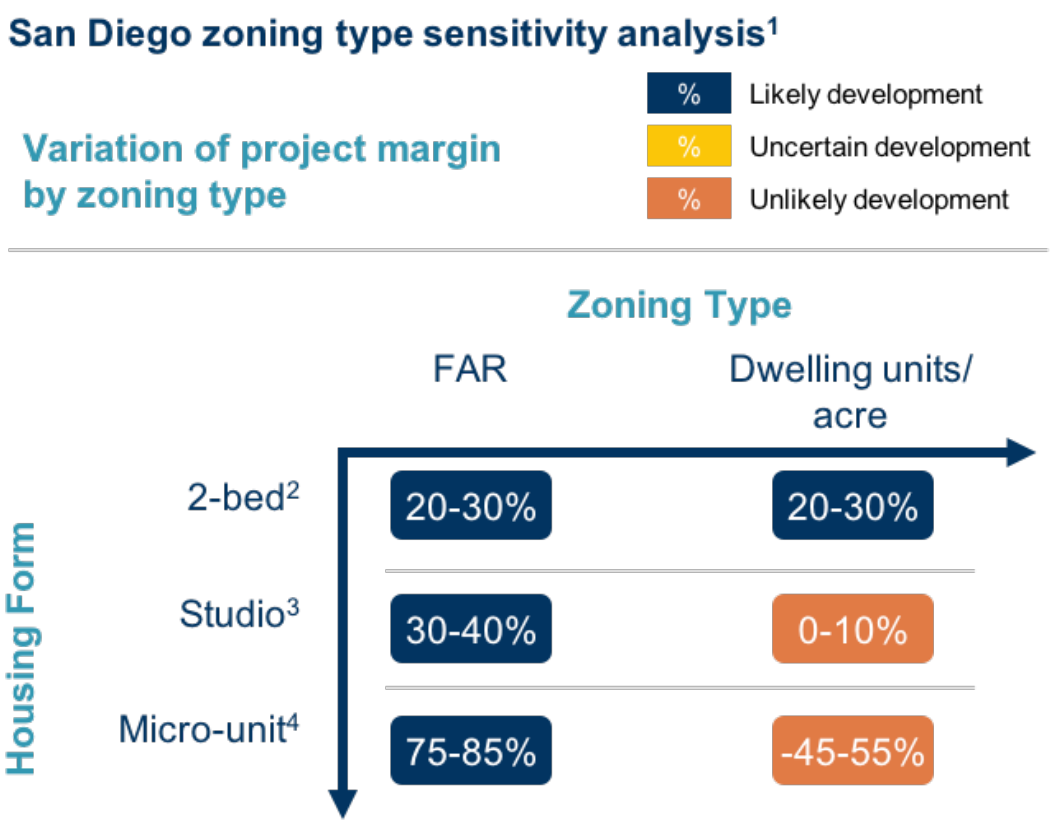
- **A purely density-based model creates disincentives for the construction of smaller units:** Planning overlays set out both floor area ratios (a limit to the square feet that can be developed on a particular lot, given its size) and density ratios (a limit to the number of units that can be developed on a particular lot, given its size) for many neighborhoods, but construction is often restricted to the latter type of regulation (with the exception of downtown San Diego). Density ratios limit construction to fewer units that are larger individually. It becomes economically unfeasible to provide the same number of units at a smaller size, given high land costs in San Diego.

  The underproduction of these smaller units is supported by data - renter vacancy rates for studios are half those of larger house sizes, which particularly affects low- and moderate-income households who might prefer a trade-off in size for cost[38].

  A high-level estimate of developer margins in an average-priced San Diego neighborhood, assuming floor area ratios (FAR) compared to density ratios (dwelling units/per acre), shows that studio and micro-unit developments are not feasible under the latter system, but become the most lucrative developments when an FAR model is applied (see Figure 24). For example, the sensitivity analysis shows that micro-units and studios are infeasible under the current dwelling unit/acre system (outside of downtown), but are feasible in an FAR system. If the aim of the City is to provide more diversified housing types and provide incentives for low-income and permanent supportive housing, which tends to be in the form of micro-units, it could be prudent to consider adjusting zoning types.

[38] San Diego Apartment Association 2016 Renter's Survey; 3 percent vacancy rate for studios and 6 percent vacancy rate for larger homes

FIGURE 24: EFFECT OF ZONING REGULATIONS ON DEVELOPER MARGIN



1. Assumes 15% margin required for likely development; 60 unit per acre density with land value at land value of $225 per sq.
2. 1,000 sq. ft. 3. 800 sq. ft. 4. 300 sq. ft.

SOURCE: Expert interviews and San Diego project pro forma averages

To simplify and optimize San Diego's planning environment, the following solutions could be considered:

2a. **Establish a citywide norm that allows a Floor Area Ratio (FAR) model:** The FAR can be used as an alternative to unit density where it already exists, and the Planning Department could assist in the development of FARs that are no more restrictive than current density models for neighborhoods where they have not yet been codified. Recent smaller unit projects, such as the Nook by Trestle developers and 320 W Cedar St. by Jonathan Segal and Matthew Segal[39] point to the market demand and developer appetite to provide housing units at smaller sizes when community support for these projects exists.

Although it could be argued that an FAR system would increase the intensity of residential buildings beyond the threshold of current infrastructure, this argument could be overstated as it does not consider the higher utilization and incidence of co-living that occurs in expensive housing markets[40]. Another potential concern with an FAR

[39] https://www.bisnow.com/san-diego/news/mixed-use/civic-san-diego-approves-another-1500-downtown-residential-units-67982

[40] Although direct estimates of the number of renters with roommates in San Diego are not easily calculated, a 2016 Smart Asset survey determined that San Diego ranks 7 out of 50 in the nation for savings from co-living with a roommate.

model could be the difficulty of developing an EIR[41] without certainty as to the planned number of units. However, downtown's FAR-based planning layout points to an example of how such analyses can be conducted.

2b. **Accelerate and increase the proposed middle-income density bonus:** Mayor Kevin L. Faulconer's 2017 "Housing SD" Plan's 25 percent Middle-Income Density Bonus is an initiative to provide additional housing for middle-income residents in the City's transit-oriented developments. Through this bonus and the City's ongoing code updating work necessary to improve the discretionary approval process (changing the seniority of approval for the most common development deviations to a staff member at the Planning Department), San Diego is working toward reducing the complexity of the planning environment.

These aspirations can be furthered through an earlier implementation of the Middle-Income Density Bonus (currently slated to take effect at the end of 2019) and its consideration as an "additive" bonus to low-income density bonuses already in place. Additionally, the citywide EIR necessary to accelerate this bonus could be considered as a way to bundle environmental analyses across other major studies going on for developments and community plans across San Diego.

2c. **Ongoing communication and outreach to community planning groups:** "By-right" development areas have the potential to fast-track land-use approvals. By including these frameworks into select community planning areas through amendments (as opposed to a full plan update), faster responses to land-use approval challenges faced by developers could be enabled, while also ensuring planning groups are engaged in a discussion about development.

Such an approach appears particularly important to consider, given the time frames involved with community plan updates. Assuming the stated goal of a three-year update cycle for batches of 12 community plans (which is two-to-three times faster than recent community plan updates), the City would take 12 years to update all its plans. Selecting a handful of neighborhoods with the largest housing potential to enable "by-right" development through community plan engagement could help kick-start development before a full plan update. Easy-to-use digital survey tools could be used to poll residents on preferred sites for redevelopment, informing planning members with broader community inputs.

Additionally, these areas could be included within other programmatic EIRs that the City may be considering to fast-track land use approval. Although such a solution could help expedite solutions to land-use challenges in communities before comprehensive plan updates occur, care should be taken to ensure the Planning Department has adequate capacity to run outreach efforts in parallel with larger plan updates.

The Planning Department has made significant progress in streamlining the planning process by setting expectations for the three-year community plan update process, promoting "by-right" areas within communities, and using online engagement tools to educate group members and engage the community. Expanding on these initiatives through the use of online distributed polls to gather community inputs on topics, such as desired parcels for redevelopment, enforcing strict deadlines for plan updates, and creating codified best practice handbooks and processes, can help ensure upcoming plan updates occur at a faster pace.

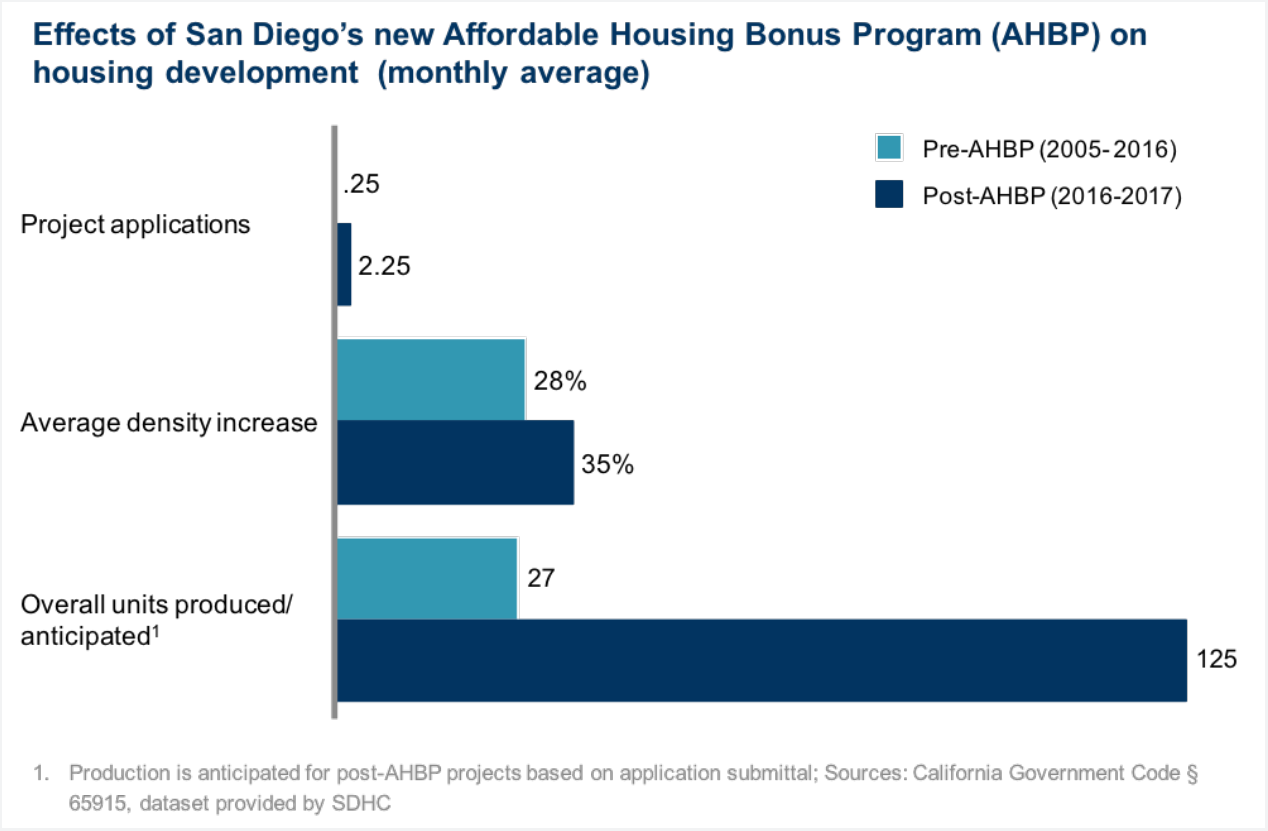
[41] Environmental Impact Review, required by the California Environmental Quality Act

3. Inclusionary housing programs have not been fully utilized

Inclusionary zoning programs are intended to increase affordable housing production. The City of San Diego's Inclusionary Affordable Housing ordinance requires developers to pay an inclusionary housing fee; however, developments in which at least 10 percent of the units are set aside as affordable housing may be exempt from this fee.

In line with State law, developments that undertake inclusionary housing have typically been incentivized through a density bonus increase of up to 35 percent over existing density. However, the policy has had limited success in incentivizing increased development of affordable housing units in the City of San Diego, with a large number of developers paying the fee. This led to the creation of the 2016 Affordable Housing Bonus Program (AHBP), which increased the density bonus to 50 percent. Since the program was implemented earlier this year, there has been a significant increase in inclusionary housing production. Under the new policy, project applications have increased fivefold, from an average of 0.25 per month to 2.25 per month, and anticipated developments based on applications received to date have risen from 27 to 125 units per month under the AHBP (see Figure 25)[42].

FIGURE 25: COMPARISON OF 35% AND 50% INCLUSIONARY HOUSING

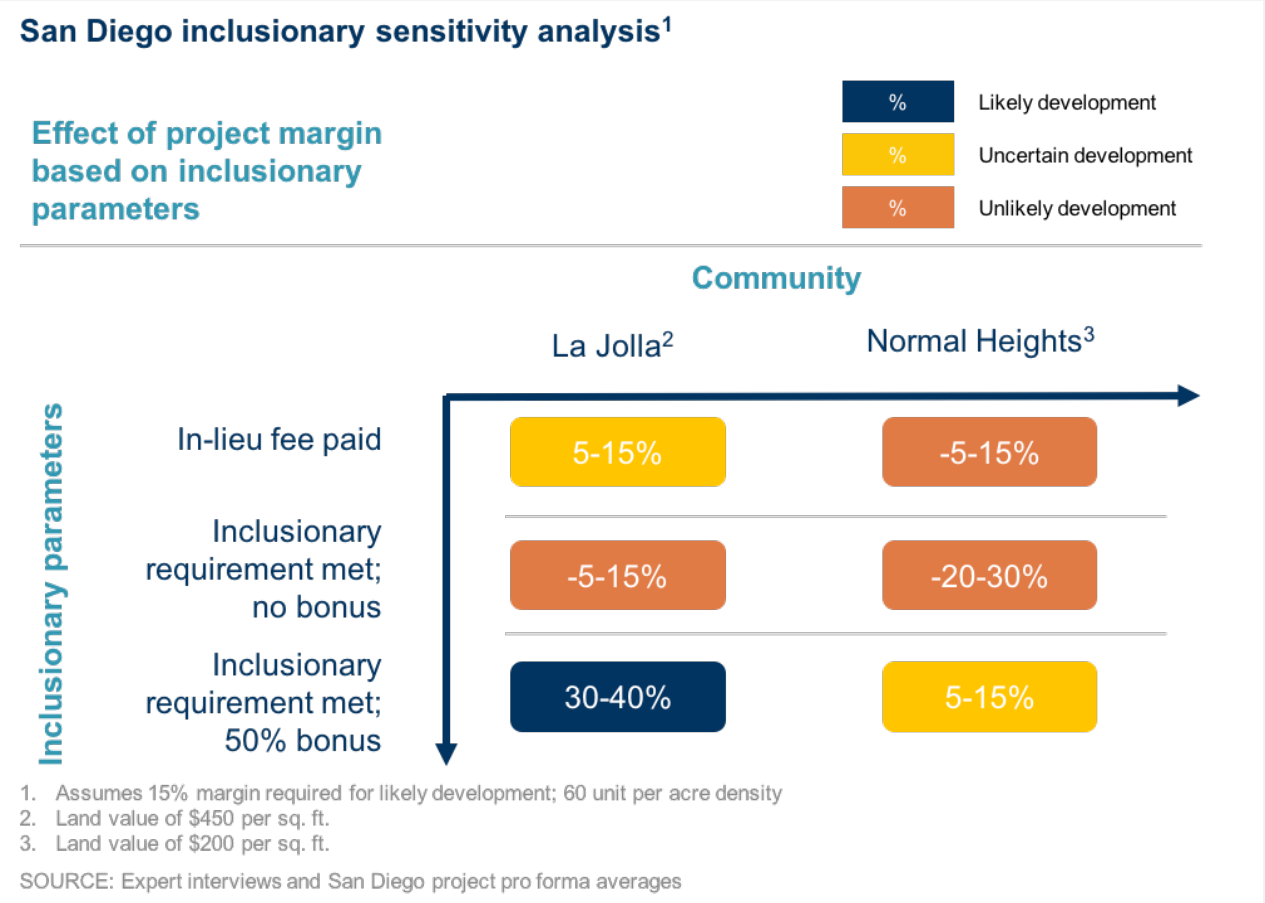


1. Production is anticipated for post-AHBP projects based on application submittal; Sources: California Government Code § 65915, dataset provided by SDHC

[42] Colin Parent, Report: Early Success for Affordable Homes Bonus Program, Circulate San Diego (August 2017), available at http://www.circulatesd.org/ahbpreport

A high-level estimate that compares developer margins at various density levels and share of units at affordable rates demonstrates the effectiveness of pairing a 50 percent density incentive with inclusionary options (see Figure 26).

FIGURE 26: EFFECT OF INCLUSIONARY REQUIREMENTS AND BONUS ON DEVELOPER MARGINS



1. Assumes 15% margin required for likely development; 60 unit per acre density
2. Land value of $450 per sq. ft.
3. Land value of $200 per sq. ft.

SOURCE: Expert interviews and San Diego project pro forma averages

In La Jolla, for instance, a 20-unit-per-acre development at a 5 percent inclusionary rate could offer developer returns of roughly 10-20 percent. Increasing the density bonus to 50 percent (bringing the development density up to 30 units per acre instead of 20) and also increasing the inclusionary requirement to 20 percent actually increases developer margins to 30-40 percent. A similar dynamic can be seen in Normal Heights, indicating that a large density bonus coupled with significant percentage of inclusionary housing can appeal to developers across the City.

Despite the emerging success of the program, there are still a number of improvement opportunities to explore in relation to the City's inclusionary housing program:

- **Obtaining permits and permissions for inclusionary housing from all stakeholders can be time-consuming.** Developers who provide inclusionary housing are able to fast-track their development through the City's permitting agency, the Development Services Department (DSD), but are required to pay a fee to take advantage of this option. Additionally, benefiting from the density program tied to inclusionary housing requires certifications from SDHC that are conveyed to DSD through a manual exchange of information, resulting in additional time, multiple requests, and touchpoints for developers.

- **Data on the inclusionary housing bonus is not widely monitored or accessible.** Key performance indicators of the inclusionary housing program, such as the number of developments utilizing the program and bonus densities requested at the overall or neighborhood level, are not yet available in an easy, publically accessible dashboard or form. DSD's new IT system, Accela, could be a response to these needs.

To build on the early success of the AHBP and decrease process inefficiencies, the following solutions could be explored:

3a. **Increase DSD's capacity to ensure continued success of expediting the process:** DSD's permitting expedite program, available to inclusionary housing projects or completely affordable housing developments, guarantees a fast-track time frame. As proposals to expand eligibility to the program to all sustainable and infill programs move closer to adoption, and fees are waived for all purely affordable housing developments, the number of applications to the program could increase dramatically. Given the reduced staffing at DSD (down almost 40 percent for certain roles from a pre-recession peak)[43], consideration could be paid to ensuring staff capacity is able to keep up with additional application volume.

3b. **Fully utilize the opportunity posed by the Accela IT upgrade:** Given DSD's ongoing upgrade of its IT architecture, the department could consider including data tracking and sharing rates of inclusionary housing and density bonus programs at the neighborhood level. Such functionality would allow a data-driven understanding of the City's – and each neighborhood's – success in providing affordable housing units.

Additionally, exploring functionality for more seamless and standardized communication between SDHC and DSD for inclusionary housing certification could help reduce coordination time and touchpoints for developers who seek density bonuses. The City of Los Angeles's recent integration of multiple data systems, elimination of data silos, and creation of seamless data collection could serve as a case study for the City of San Diego; case studies include this year's efforts to modernize MyLA311 and the 2016 launch of GeoHub.

[43] Based on expert interviews

Land Use Approval Phase

During this stage of the housing development cycle, which applies to discretionary reviews that frequently involve the highest-density proposed projects, developers work on securing clear titles to the land to build housing developments to the specifications and designs envisioned during the earlier planning phase. The process involves receiving formal approvals certifying that projects are in compliance with relevant City or community plan overlays and State regulations, such as the California Environmental Quality Act (CEQA).

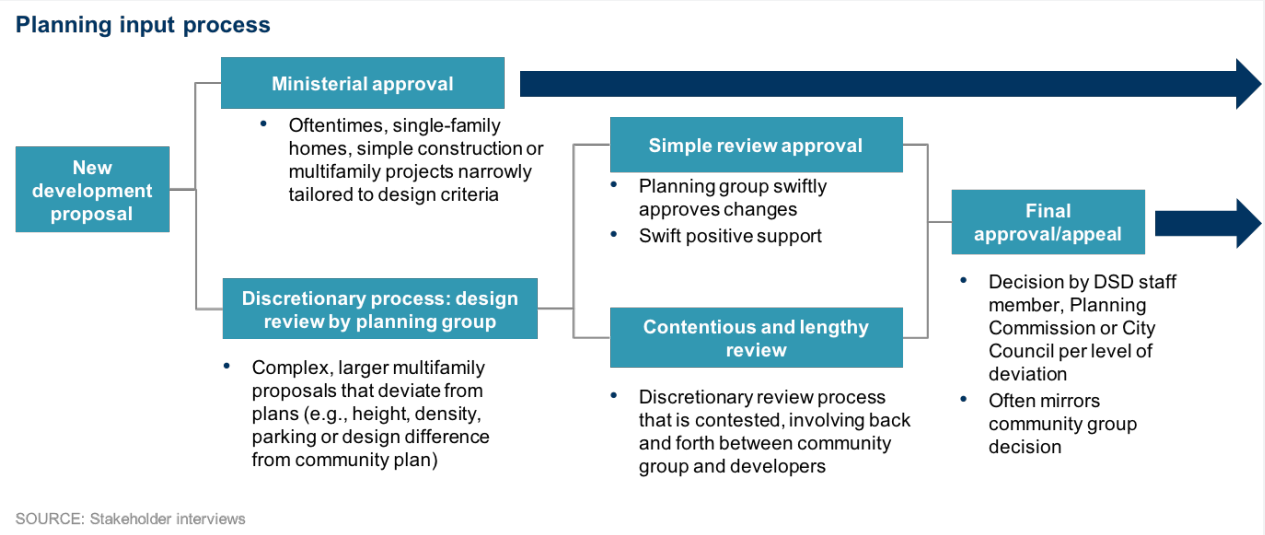
This phase accounts for 5-20 percent of the total costs. It involves a large degree of variability in time and complexity. Smaller projects, such as single-family homes, can clear entitlement in a few months through ministerial approvals. More complex projects that deviate from existing plans can take multiple years, rounds of appeal hearings, and material financial resources in litigation and environmental analysis fees. In addition to these costs, the uncertainty and risk (and consequently interest rates) add to developer costs during this phase.

4. Streamlining the planning and community input process can reduce the time for approval of developments

Developments that deviate from community plans are required to pass through a discretionary approval or design review process. Depending on the scale of the deviation, the final authority for approving deviations could involve a Planning Department hearing officer (e.g., change in set-backs for certain neighborhoods or minor height changes), the City Planning Commission or even City Council (e.g., change in zoning land use).

Community planning groups are tasked with promoting local interests and advocating for the voice of the community, playing a large role in the discretionary process. Not only are these groups involved because they author the community plans against which deviations are measured, but they also pass advisory opinions on deviations. While these opinions are not legally binding, they shape a precedent that influences the ultimate approving agent, who must consider the group's views (see Figure 27).

FIGURE 27: LAND USE APPROVAL PROCESS



SOURCE: Stakeholder interviews

While intended to protect a community's interest and common vision, this discretionary review process can result in situations where housing developments are delayed by multiple years, and developers expend significant financial resources while seeking review.

- **Discretionary review processes.** Measuring development deviations against sometimes difficult-to-quantify design criteria, neighborhood standards, or environmental concerns adds to developer uncertainty around land use approval. The costs, risks, and timelines involved in cases where developer deviations are opposed can be significant, especially in instances where developers engage in protracted discussions with planning groups and risk significant project downsizing that does not justify initial investments. Often, developers – especially affordable housing developers with limited risk appetite – may avoid large housing developments in neighborhoods with community plans that are more likely to require deviations. The relatively large number of community planning groups further compounds the complexity in understanding and navigating development risks in the City.
- **Composition of community planning groups.** Community planning groups may not include the full spectrum of community views or technical professions that could assist in evaluating the impacts of development on the neighborhood.

To streamline and improve the City of San Diego's planning and community input process, the following solutions could be considered:

4a. **Ensure the timely execution of the 2017-18 planned community planning group audit**, or alternate forms of community group performance review. Measure key metrics, such as the average review time by neighborhood, and track approval rates, with average and best-in-class performance rates transparently communicated.

4b. **Use the review findings to inform choice-points for community planning group process reform.** Two options are likely to exist:

Option 1: Continue the use of the current community planning framework, focusing on process improvements (in addition to necessary, ongoing community plan updates). Changes could include New York City's model, which includes setting clear time frames enforced by "default approval" to drive faster decision-making, as well as improvements modeled on downtown San Diego's pioneering "one-stop shop" deviation approval and final land use authority process that has enabled the neighborhood to provide 25 percent of the City's housing units over the past 10 years.

Option 2: Replace community planning groups with a more centralized body that captures a diversity of neighborhood voices and technical professions in the development process. Such a body could be modelled along the lines of Seattle's Community Involvement Commission, which replaced the smaller, fragmented neighborhood councils with a commission of City Council and Mayoral appointees in 2016. San Diego could aspire to change its community input framework in favor of a single representative council or, alternatively, three to five commissions that are mapped along the basis of neighborhood and economic similarities if a single body is not considered sufficiently representative.

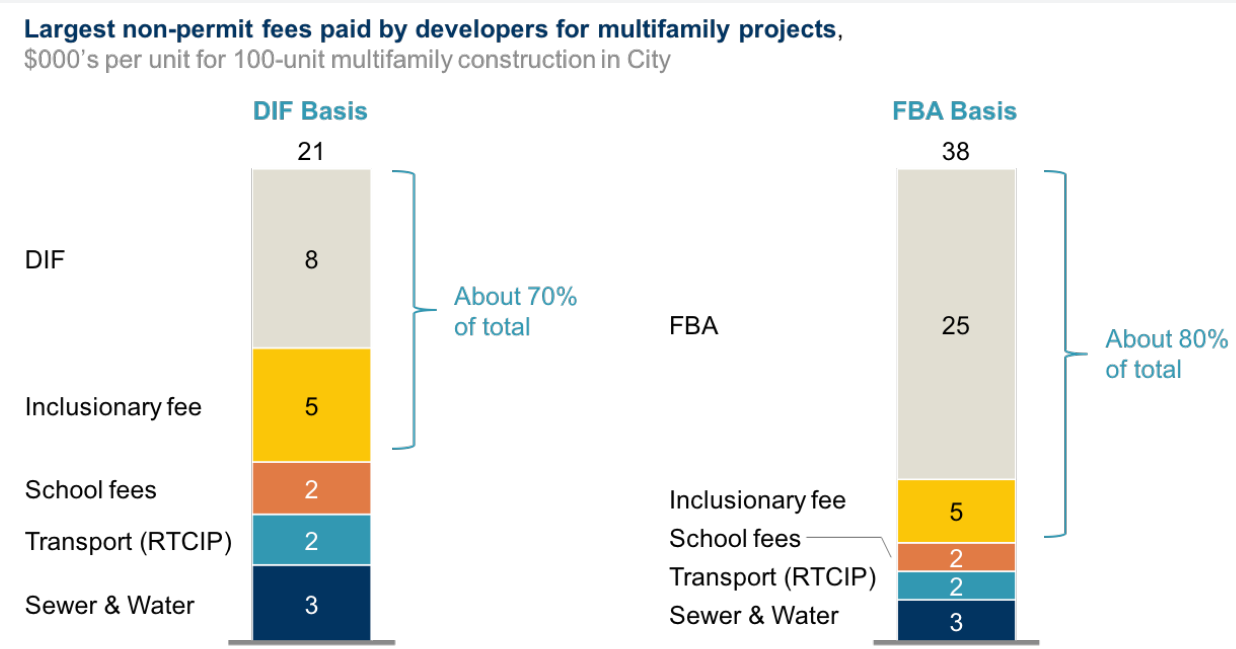
Community planning process improvements can play a large role in stimulating additional development as land use approval barriers are lessened, but attention must also be paid to reforms that create adequate opportunities for community voices and concerns around City development plans to be considered.

Permitting and fee phase

During the fee and permitting stage, developers pay relevant fees to the City of San Diego's Department of Development Services (DSD), which collects fees on behalf of most other departments and agencies that levy charges. After the payment of fees, DSD is responsible for issuing various construction and buildings permits required to proceed with construction activities.

This phase of the project is typically faster than land use approval for more complex projects, but represents about 10 percent of development costs. In the City of San Diego, the largest fees paid by developers include development impact fees (DIFs)/facility benefit assessments (FBAs), as well as inclusionary housing fees (referenced earlier). This collection of fees accounts for 70-80 percent of non-permitting fee outlays (see Figure 28), and allows the City to provide public facilities projects, including parks, libraries, and emergency fire coverage.

FIGURE 28: BREAKDOWN OF MAJOR FEES PAID BY HOUSING DEVELOPERS IN SAN DIEGO



SOURCE: Building Industry Association 2014-15 and 2017-18 fee surveys, City of San Diego Impact Fee Schedule

5. Sub-optimized DIF structures and faster fund growth than expenditures result in additional housing development costs

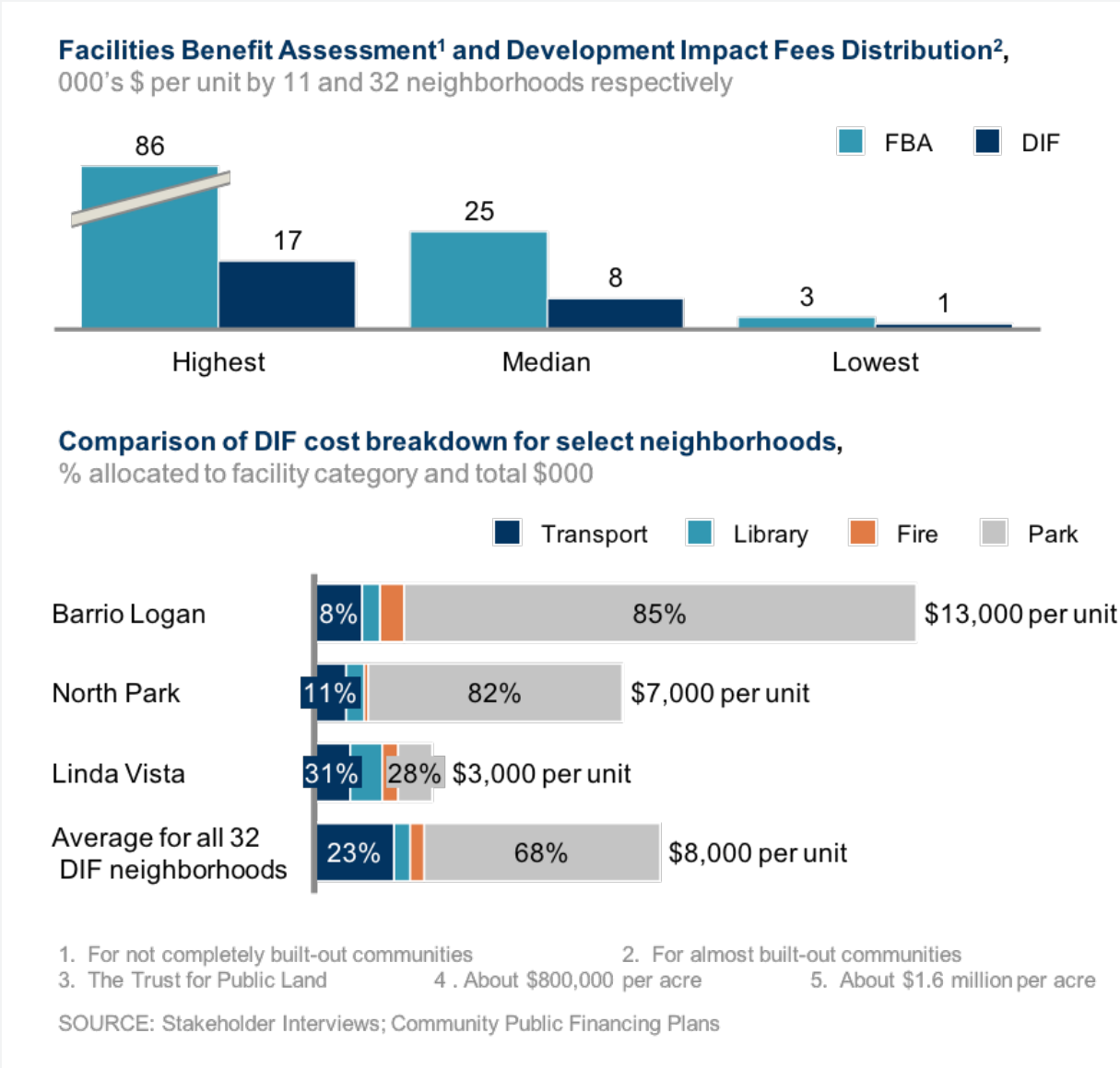
Although fees are important sources of revenue for the City that are used toward critical infrastructure improvements, they also represent an added cost to housing that is ultimately passed on to residents. Generating sufficient neighborhood revenue and not burdening an already expensive development process is a fine balance. If miscalibrated, fees can be a contributing factor toward the shortage of low- and moderate-income housing, as they push developers to target higher income segments of the market to ensure development economic feasibility.

In San Diego – and across California more generally – DIFs and FBAs are collected to mitigate the estimated impact of additional development on neighborhoods. The difference between these two mutually exclusive fees is that DIFs are levied on neighborhoods close to full build-out capacity (thereby paying for the typical 7-10 percent share of neighborhood improvements that are assumed will be used by new residents), while FBAs are levied on newer, less-developed neighborhoods and are sometimes used to fund up to the full investment value of a

neighborhood improvement. Although FBA fees are substantially higher than DIFs, rising up to $86,000 per unit[44] in some neighborhoods (compared to up to $17,000 per unit for DIFs), this analysis has focused on DIF fees due to their wider prevalence in the City across 32 neighborhoods (compared to 12 localities where FBAs are applied) and concentration in central, transit-rich neighborhoods. Nevertheless, much of the methodology and calculations that determine DIF fees are analogous to FBA determination.

DIF fees are generally calculated for each neighborhood over the course of a fee assessment study, where additional neighborhood improvements deemed necessary are identified, scaled down by 7-10 percent to proportionally allocate expenses to new residents, and then divided evenly on a per-unit basis for the estimated number of units to be constructed. This methodology results in DIF fees that vary widely by neighborhood, from a high of roughly $17,000 per unit in Tierrasanta to a low of about $1,400 per unit in San Pasqual (see Figure 29).

FIGURE 29: TYPICAL IMPACT FEE LEVIES AND BREAKDOWN



[44] Assuming multifamily development

Although DIF fees are an important tool to finance community improvements, this analysis indicates there is potential to optimize fee structures such that they may be appropriately lowered while being better utilized for neighborhood benefit.

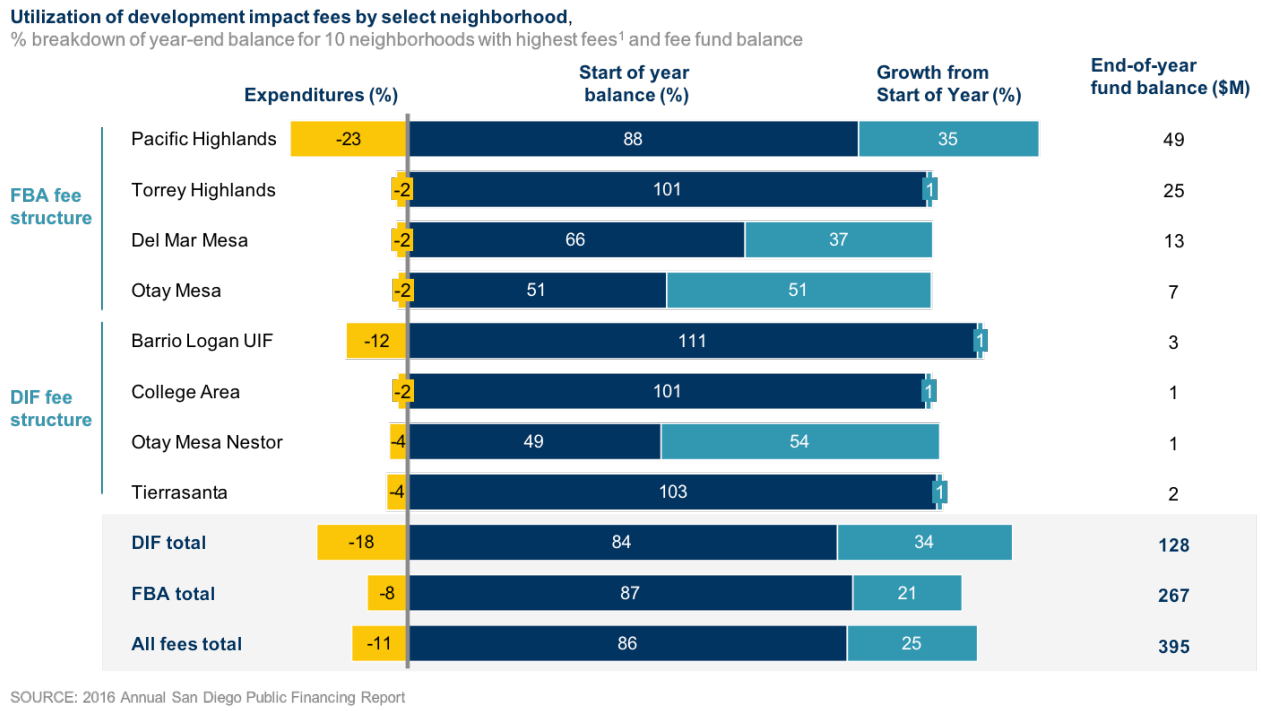
- **Some parklands are excluded in DIF calculations.** An examination of the breakdown of DIFs shows parks are by far the largest intended destinations of DIF fees, accounting for about 70 percent of fees charged. These calculations are based on the City of San Diego's General Plan, which calls for 2.8 acres per 1,000 residents. Any calculated shortage of parks in a neighborhood per this ratio is determined as a basis to charge fees, assuming that missing parkland would have to first be acquired at market rates and then designed and constructed. While park standards are an important standard to guarantee sufficient recreational facilities, their application in DIF fee determinations creates scope for significant overestimation of fees.
- **Public financing plans that measure actual parkland against the established standard can exclude significant recreational areas in communities.** For example, San Diego's largest park, Balboa Park, is not counted as recreational land in the plans of surrounding communities under the argument that it is a shared, regional facility. Similarly, beach areas and large natural reserves, such as Mission Trails Regional Park, are left out, as they do not meet the City's formal definition of a park. Data from the Trust for Public Land sizes San Diego's current parkland at almost 35 acres per 1,000 residents, close to 12 times the City's established standard[45]. Although this parkland is undoubtedly more concentrated in some neighborhoods than others, the large gap between fee intent and reality point to the need to use broader and more consistent definitions of what constitutes a park. This can then inform public financing plans that could see a significant reduction in the need for impact fees.
- **Flat fees create disincentives for small units.** Due to the methodology of splitting DIF fees over anticipated units, fees are charged on a flat per-unit (versus square footage) basis. This model significantly discourages the production of smaller units that have to pay the same fees as larger units, but receive a lower sale price than large units; as such, smaller-sized housing provisions that could offer a more affordable option for low- and moderate-income residents are penalized.
    - **Significant variation exists in cost estimates for neighborhood improvements.** A survey of impact fee studies from different neighborhoods reveals that DIF calculations use varied cost parameters for similar tasks. As a result, neighborhood investments could be over-budgeted, if they utilize cost parameters that have a basis for being calculated more inexpensively in other neighborhoods. An example from Barrio Logan and North Park shows that the amount budgeted for park construction and design can vary by as much as two times, while the cost of a traffic signal differs in the neighborhoods of San Ysidro and Barrio Logan by six times[46]. Although these specific cost differences could arise due to calculations over different time frames or particularities, they point to the opportunity to standardize costs to the lowest justified common denominator, thereby saving on excess developer collections that would later be used to bid out costs at lowest qualifying prices per government procurement policies.

[45] 2017 City Park Facts, The Trust for Public Land

[46] Barrio Logan's Public Financing Facilities Plan (2013) assumes a park design and construction of $800,000 per acre and $1.7 million per signal; North Park's Public Financing Facilities Plan (2016) assumes a park design and construction cost of $1.6 million per acre; San Ysidro's Public Financing Facilities Plan (2017) assumed a $275,000 per signal cost

— **Fee collections may, at times, outpace improvement expenditures.** The closing DIF and FBA fund balances for the end of fiscal year 2016 totaled close to $400 million[47]. These funds are held and accumulate until proposed developments secure all of their necessary funding sources. During this time, funds are invested, and may receive a rate of return that allows fee collections to outpace expenditures. Currently, the opportunity exists to review these funds to ensure they are fully utilized within a reasonable time frame and whether fee collections may be temporarily deferred until the fund balance reaches a predetermined amount (see Figure 30).

FIGURE 30: IMPACT FEE BALANCE FOR FISCAL YEAR 2016



SOURCE: 2016 Annual San Diego Public Financing Report

The following steps can be taken to further investigate and reform the DIF structure, providing the City a chance to lower housing costs and rethink how neighborhood investment is undertaken:

5a. **Tie impact fees to a square-feet basis:** By allocating DIFs to the number of square feet anticipated to be built, as opposed to the number of units, the fee structure would no longer penalize smaller units and result in a charge aligned more closely to unit revenue.

5b. **Re-evaluate park definitions:** Due to the tremendous influence of park costs on DIF structures, an effort to align and expand park definitions across the City could go a long way toward bringing down assessed need fees. As the City – per Mayor Faulconer's 2017 "Housing SD" plan – considers interim park equivalencies in anticipation of the Parks Master Plan, efforts could be taken to fairly and holistically represent all appropriate recreational spaces in park standards. Definitions used in external reports or classifications (such as those by the Trust for Public Land) can help set an objective and neutral baseline, to which any San Diego-specific recreational areas could be added.

[47] The City of San Diego's fiscal year runs from July 1 to June 30

5c. **Use citywide minimum cost parameters:** The Department of Neighborhood Services is currently working to update public financing plans, as well as provide three-year price updates. As they undergo these efforts, the department could also benchmark neighborhood improvement costs against the lowest possible rate used across the City, establishing a target cost baseline for all neighborhood improvements. Additionally, it could consider means to encourage the use of "best value" materials across all future investments.

5d. **Review impact fee accounts:** The City could review fee accounts to ensure impact fees are being expended in a timely and optimal manner. If fee collections, including investment income, exceed improvement expenditures, the City could consider a deferral of impact fees until fund accounts reach a predetermined lower dollar amount. This could expand relief provided to affordable housing applicants from the existing two-year fee deferral program[48], until such a time as impact fee collections need to be resumed to meet the need that exists at the time.

6. Uncoordinated and limited public financing affects the operations of affordable/nonprofit housing developers

Affordable housing developers are highly dependent on public financing to develop units priced below market rates. This results in an average utilization of six to seven funding streams per project, with some projects using as many as 13 public sources[49]. Some of the most common funding sources include State and Federal Low-Income Housing Tax Credits (LIHTC) and the California-administered Affordable Housing and Sustainable Communities Program (Cap-and-Trade). While these funding streams provide an additional and needed source of funding, each has a different set of project criteria, application deadlines, and response dates. Given the complexity of funding sources, San Diego affordable housing developers face a number of challenges related to public financing constraints:

- **Managing financing complexity is time-consuming and challenging for affordable housing developers.** Interviews with affordable housing developers reveal that employees require high levels of financial literacy, coupled with constant efforts to ensure that multiple dates and requirements are properly coordinated between funding streams. These requirements force extra overhead onto affordable housing developers and focus on finance at the expense of other aspects of construction management.
- **State and Federal funding can be unpredictable.** The unpredictable supply of public funds makes long-term capital planning difficult for affordable housing developers and introduces additional risk into the development cycle that makes developers averse to all but the most certain projects, even if these efforts offer a lower rate of return or allow for fewer units. Unexpected public fund denials can result in affordable housing developers seeking last-minute funding sources that then consume their organizational resources (both human and financial).

[48] San Diego Municipal Code 142.0640 – Impact Fee Deferral

[49] HCIDLA Strategic Plan

The City of San Diego currently has a number of notable initiatives to develop affordable housing, such as its use of inclusionary housing fee funds to stimulate affordable housing development. However, several additional initiatives to improve public funding of affordable rate projects could be considered:

6a. **Simplify the number of affordable housing funds and improve the funding application process.** As previously highlighted, the coordination challenge posed by multiple funding sources with limited funds results in process inefficiencies for affordable housing developers, who must invest time and resources to access each. The City of San Diego could consider a centrally managed pipeline to supplement tax credit allocation authority from the State and guarantee projects supplemental gap financing to increase funding certainty.

While the advantage of such a system would be that one authority can assign funding priorities to projects (for non-project based sources of funding) and then guarantee the success of top projects, such a mechanism would need to ensure that metrics used to queue projects in order of priority are transparent, fairly defined, and well-coordinated across the City and regional level to avoid bias.

The City of Los Angeles has effectively utilized such a pipeline. It is managed by the Los Angeles Housing and Community Investment Department, which administers a housing trust fund in conjunction with LIHTC funds and other assets (e.g., HOME, city general funds, etc.). This structure has allowed the City of Los Angeles to better coordinate funding for affordable housing developers by combining municipal funds with State and Federal funds based on their knowledge of deadlines and requirements, which in turn increases funding predictability for applicants.

Other systems of coordination could include assisting affordable housing developers with California Tax Credit Allocation Committee (TCAC) applications (i.e., by staggering applications to decrease competition levels) and coordinating funding by pooling money from agencies like Civic San Diego, SANDAG, and municipal sources into a centralized fund. While the City of San Diego has pooled affordable housing development funding before, as highlighted in Mayor Faulconer's 2017 "Housing SD" plan, the City could standardize such coordination more broadly. For example, New York City has implemented an initiative focused on coordination through their Housing and Preservation Department. The initiative enables coordination across 13 agencies, developers, tenants, community organizations, elected officials, and financial institutions and has been a contributing factor in the financing of more than 6,800 new affordable units in 2017, the highest number of new affordable housing units in the past 15 years.

6b. **Consider creating an affordable housing bond:** The City of Los Angeles recently approved the creation of a $1.2 billion bond to increase the municipal funding for affordable housing development to address homelessness and to enable greater funding predictability. The City of San Diego could utilize a similar effort to catalyze current development trends while deepening funding access for qualified developments.

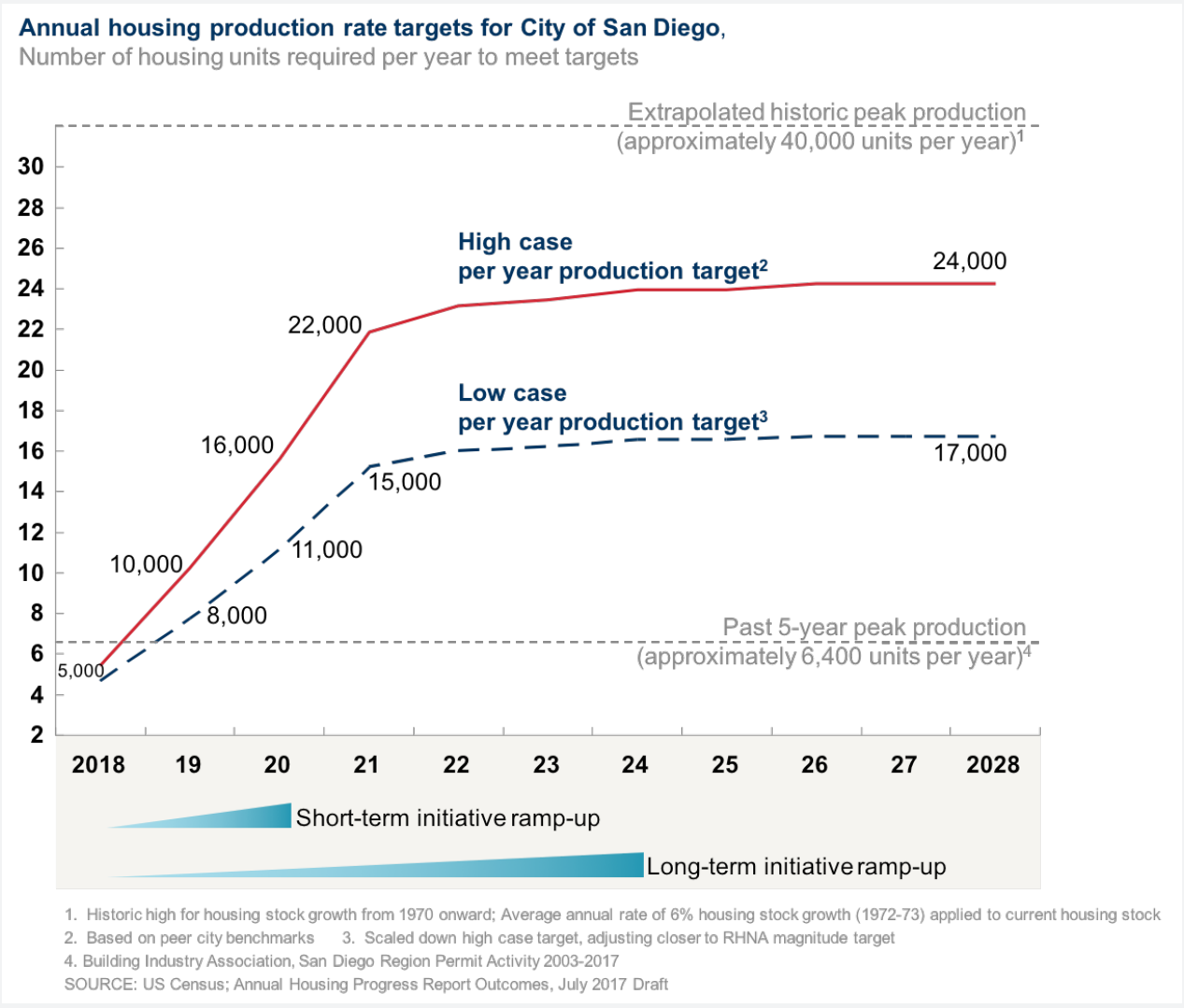
6c. **Develop a cross-functional working group focused on attaining maximum State and Federal funding.** A working group could be established across members of the SDHC grants staff, the City of San Diego grants staff, Civic San Diego, and other relevant stakeholders to maximize efforts in winning external funds for high-priority City projects.

If the identified initiatives are implemented, San Diego could spur housing production of 150,000-220,000 units over the next 10 years, meeting its housing need

This report's discussion of housing in San Diego has analyzed the City's housing needs, its capacity for additional housing, current challenges to production, and a series of potential solutions. This section will synthesize these different elements to determine an annual overall housing production target for the City (with neighborhood level details in the Appendix) for the next 10 years.

Recall the City of San Diego's housing need is currently 150,000 – 220,000 units. To break this target into annual goals, each potential solution was mapped out according to its time to impact. A rating was assigned to each initiative for its effect on a particular housing source and the ability to reach maturity over time (with full maturity implying full impact on housing production levels). A composite of these ratings was used to determine how targets should ramp up in sync with the recommended roadmap of affordable housing initiatives (see Figure 31 and the appendix for additional details).

FIGURE 31: HIGH AND LOW HOUSING TARGETS PER YEAR



1. Historic high for housing stock growth from 1970 onward; Average annual rate of 6% housing stock growth (1972-73) applied to current housing stock
2. Based on peer city benchmarks 3. Scaled down high case target, adjusting closer to RHNA magnitude target
4. Building Industry Association, San Diego Region Permit Activity 2003-2017
SOURCE: US Census; Annual Housing Progress Report Outcomes, July 2017 Draft

Near-term solutions to accelerate housing production in San diego; formation of a Housing Goals Review Group

Although each of the solutions discussed in previous sections will be crucial to unlocking San Diego's full housing capacity, the following set of 11 actions (in order of impact and projected ease of implementation) can provide some early results, and could be implemented within a year by the relevant "lead team(s)."

1. **Action: Rationalize parking ratios across the City in line with actual needs, capacity and utilization** – Lead Team(s): City Council, Planning Department
2. **Action: Enable use of a Floor Area Ratio (FAR) based zoning system** – Lead Team(s): Planning Department
3. **Action: Broaden the interpretation of parking units to allow for bike parking, ride-share lots, or shared parking to count toward parking ratios** – Lead Team(s): City Council, Planning Department
4. **Action: Enhance existing outreach to community planning groups and use amendments to drive changes in key community planning areas to expedite land-use approval processes** – Lead Team(s): Planning Department
5. **Action: Make catalyst investments in shared parking infrastructure** – Lead Team(s): City Council, Planning Department, Mayor's Office
6. **Action: Accelerate environmental analysis for middle-income density bonuses through additional funding, resource allocations and consolidation with other City proposals requiring EIRs** – Lead Team(s): Mayor's Office
7. **Action: Empower a citywide grants coordinator to ensure the City is able to effectively compete for State and Federal housing funds** – Lead Team(s): SDHC grant staff, City grant staff, Civic San Diego, and other relevant stakeholders
8. **Action: Increase DSD capacity (e.g., staffing, IT investments) to align with expedited permitting programs; invest in real-time monitoring of housing production progress and incentive program impact at the neighborhood level** – Lead Team(s): Mayor's Office, DSD
9. **Action: Convert impact fees to a per-square-foot (versus per-unit) levy** – Lead Team(s): City Council, Department of Neighborhood Services
10. **Action: Establish new, interim park requirements and accurately capture the City's existing open spaces and recreational areas to assess appropriate impact fee levels** – Lead Team(s): City Council, Planning Department
11. **Action: Review impact fee utilization and consider fee deferrals or legal options to re-allocate impact fee spending** – Lead Team(s): City Council, Planning Department

The actions above should be coordinated and reviewed by a small cross-department and organization leadership team consisting of relevant public agencies, industry associations, and advocacy groups. The group could meet at a regular cadence to review progress and take corrective measures as necessary. Additionally, the group could inform its activities through best-in-class metrics tracking practices, such as visual displays of key performance indicators and clear assignment of responsibilities and next steps. Figure 32 lays out an illustrative model for such a group and the tools and metrics they may use to measure progress.

FIGURE 32: SAMPLE OPERATING MODEL FOR HOUSING GOALS REVIEW GROUP

ILLUSTRATIVE

Review Group Members:

- Relevant public agencies and departments
- Industry groups
- Housing advocates
- Select City Council members
- Other relevant stakeholders

Key Metrics for Review:

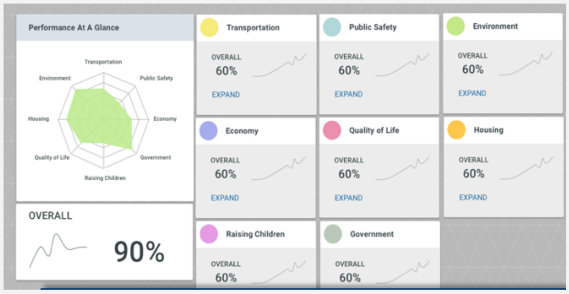
Regular Review:
- Progress on actions/next steps
- Barriers requiring action

Periodic Review:
- Housing production/permits by neighborhoods
- Impact of density bonus, inclusionary housing programs

Possible Review Tools:

San Diego housing production "Progress Room"

Real-time, public digital dashboard



Achieving San Diego's housing goals and enacting roadmap initiatives will benefit San Diegans across the income spectrum.

With a more coordinated effort toward public funding for affordable housing, a higher production rate of affordable units is possible, as well as an increase in funds to support **extremely low income individuals**. Easing FAR restrictions and charging DIF fees on a square-foot basis could also help affordable developers build smaller housing units, such as SROs and micro-units, more financially feasible for this group.

In addition to the benefits from public funding discussed above, **very low- and low-income San Diegans** could see affordable housing stock increase through a higher adoption of inclusionary housing programs.

Moderate-income groups could see a large benefit from housing production spurred by additional density bonus programs, with a particular focus on multistory developments along transit corridors catering to lower price points, and more expensive, high-rise constructions around dense transit nodes providing capacity at the upper end of the market.

Appendix

HIGH – LOW CASE HOUSING TARGETS BY NEIGHBORHOOD AND YEAR

		1 yr		3yr		5yr					10yr	
Neighborhood	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	10 year total
BARRIO LOGAN	40 - 30	70 - 50	100 - 70	150 - 100	150 - 110	160 - 110	160 - 110	160 - 110	160 - 110	160 - 110	160 - 110	1,470 - 1,030
BLACK MOUNTAIN RANCH	40 - 40	80 - 60	120 - 90	180 - 120	190 - 130	190 - 130	190 - 130	190 - 130	200 - 140	200 - 140	200 - 140	1,780 - 1,250
CARMEL MOUNTAIN RANCH	20 - 20	40 - 30	70 - 50	90 - 60	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	940 - 660
CARMEL VALLEY	0 - 0	10 - 0	10 - 10	10 - 10	10 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	140 - 100
CLAIREMONT MESA	210 - 180	400 - 300	610 - 440	860 - 600	910 - 630	930 - 640	950 - 650	950 - 650	960 - 660	960 - 660	960 - 660	8,690 - 6,090
COLLEGE AREA	150 - 130	280 - 210	420 - 300	590 - 410	630 - 430	630 - 440	650 - 450	650 - 450	650 - 450	650 - 450	650 - 450	5,950 - 4,170
DOWNTOWN	90 - 80	170 - 130	260 - 190	360 - 250	380 - 260	390 - 270	390 - 270	390 - 270	400 - 270	400 - 270	400 - 270	3,620 - 2,540
ENCANTO NEIGHBORHOODS,SOUTHEASTERN	150 - 130	290 - 220	440 - 320	620 - 430	660 - 450	660 - 460	680 - 470	680 - 470	690 - 470	690 - 470	690 - 470	6,240 - 4,370
GREATER GOLDEN HILL	40 - 30	70 - 50	110 - 80	160 - 110	170 - 110	170 - 120	170 - 120	170 - 120	170 - 120	170 - 120	170 - 120	1,570 - 1,100
GREATER NORTH PARK	380 - 330	720 - 550	1,100 - 790	1,540 - 1,070	1,630 - 1,120	1,650 - 1,140	1,680 - 1,160	1,680 - 1,160	1,700 - 1,170	1,700 - 1,170	1,700 - 1,170	15,450 - 10,820
KEARNY MESA	120 - 110	230 - 180	350 - 250	500 - 340	520 - 360	530 - 370	540 - 370	540 - 370	550 - 380	550 - 380	550 - 380	4,980 - 3,480
LA JOLLA	30 - 30	60 - 50	100 - 70	140 - 100	150 - 100	150 - 110	160 - 110	160 - 110	160 - 110	160 - 110	160 - 110	1,430 - 1,000
LINDA VISTA	190 - 160	360 - 270	540 - 390	770 - 530	810 - 560	820 - 570	840 - 580	840 - 580	850 - 590	850 - 590	850 - 590	7,730 - 5,410
MID-CITY:CITY HEIGHTS	430 - 370	830 - 630	1,250 - 900	1,760 - 1,220	1,860 - 1,280	1,880 - 1,300	1,920 - 1,320	1,920 - 1,320	1,940 - 1,340	1,940 - 1,340	1,940 - 1,340	17,650 - 12,350
MID-CITY:EASTERN AREA	90 - 70	160 - 120	250 - 180	350 - 240	370 - 260	370 - 260	380 - 260	380 - 260	390 - 270	390 - 270	390 - 270	3,510 - 2,460
MID-CITY:KENSINGTON-TALMADGE	230 - 200	440 - 340	670 - 480	940 - 660	1,000 - 690	1,010 - 700	1,030 - 710	1,030 - 710	1,040 - 720	1,040 - 720	1,040 - 720	9,480 - 6,640
MID-CITY:NORMAL HEIGHTS	140 - 120	270 - 210	410 - 290	580 - 400	610 - 420	620 - 430	630 - 430	630 - 430	640 - 440	640 - 440	640 - 440	5,790 - 4,050
MIDWAY-PACIFIC HIGHWAY	120 - 100	220 - 160	330 - 240	460 - 320	490 - 340	500 - 340	510 - 350	510 - 350	510 - 350	510 - 350	510 - 350	4,680 - 3,270
MIRA MESA	430 - 370	810 - 610	1,240 - 890	1,720 - 1,200	1,830 - 1,260	1,850 - 1,280	1,890 - 1,310	1,890 - 1,310	1,920 - 1,320	1,920 - 1,320	1,920 - 1,320	17,430 - 12,200
MIRAMAR RANCH NORTH	20 - 20	40 - 30	60 - 40	90 - 60	90 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	100 - 70	900 - 630
MISSION VALLEY	420 - 360	780 - 590	1,200 - 860	1,660 - 1,150	1,760 - 1,220	1,780 - 1,230	1,820 - 1,260	1,820 - 1,260	1,850 - 1,270	1,850 - 1,270	1,850 - 1,270	16,780 - 11,750
NAVAJO	230 - 200	430 - 330	660 - 470	920 - 640	980 - 670	990 - 680	1,010 - 700	1,010 - 700	1,030 - 710	1,030 - 710	1,030 - 710	9,300 - 6,510
OLD TOWN SAN DIEGO	0 - 0	10 - 10	10 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	20 - 10	180 - 120
OTAY MESA	190 - 160	350 - 270	540 - 390	760 - 530	800 - 550	810 - 560	830 - 570	830 - 570	840 - 580	840 - 580	840 - 580	7,620 - 5,340
OTAY MESA-NESTOR	100 - 90	190 - 140	290 - 210	410 - 280	430 - 300	440 - 300	450 - 310	450 - 310	450 - 310	450 - 310	450 - 310	4,100 - 2,870
PACIFIC BEACH	70 - 60	120 - 90	190 - 140	260 - 180	280 - 190	280 - 200	290 - 200	290 - 200	300 - 200	300 - 200	300 - 200	2,680 - 1,870
PACIFIC HIGHLANDS RANCH	20 - 20	40 - 30	60 - 40	80 - 50	80 - 60	90 - 60	90 - 60	90 - 60	90 - 60	90 - 60	90 - 60	800 - 560
PENINSULA	110 - 90	200 - 150	300 - 220	420 - 300	450 - 310	460 - 320	470 - 320	470 - 320	470 - 330	470 - 330	470 - 330	4,290 - 3,010
RANCHO BERNARDO	60 - 50	110 - 90	170 - 120	240 - 170	260 - 180	260 - 180	270 - 180	270 - 180	270 - 190	270 - 190	270 - 190	2,450 - 1,710
RANCHO PENASQUITOS	40 - 30	70 - 50	100 - 70	150 - 100	160 - 110	160 - 110	160 - 110	160 - 110	170 - 110	170 - 110	170 - 110	1,490 - 1,040
SABRE SPRINGS	30 - 20	50 - 40	70 - 50	100 - 70	110 - 70	110 - 80	110 - 80	110 - 80	110 - 80	110 - 80	110 - 80	1,030 - 720
SAN YSIDRO	100 - 90	200 - 150	300 - 220	430 - 300	450 - 310	460 - 320	470 - 320	470 - 320	470 - 330	470 - 330	470 - 330	4,290 - 3,010
SCRIPPS MIRAMAR RANCH	60 - 50	110 - 80	170 - 120	240 - 170	260 - 180	260 - 180	260 - 180	260 - 180	270 - 180	270 - 180	270 - 180	2,430 - 1,700
SERRA MESA	40 - 40	80 - 60	130 - 90	180 - 120	190 - 130	190 - 130	200 - 140	200 - 140	200 - 140	200 - 140	200 - 140	1,820 - 1,270
SKYLINE-PARADISE HILLS	160 - 140	310 - 230	470 - 340	660 - 460	710 - 490	720 - 490	730 - 510	730 - 510	740 - 510	740 - 510	740 - 510	6,720 - 4,700
SOUTHEASTERN SAN DIEGO,SOUTHEASTERN	190 - 160	350 - 270	540 - 390	750 - 520	800 - 550	810 - 560	830 - 570	830 - 570	840 - 580	840 - 580	840 - 580	7,600 - 5,320
TIERRASANTA	30 - 20	50 - 40	70 - 50	100 - 70	110 - 80	110 - 80	120 - 80	120 - 80	120 - 80	120 - 80	120 - 80	1,060 - 740
TORREY HIGHLANDS	10 - 10	30 - 20	40 - 30	60 - 40	60 - 40	60 - 40	70 - 50	70 - 50	70 - 50	70 - 50	70 - 50	600 - 420
TORREY HILLS	20 - 20	40 - 30	50 - 40	80 - 50	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	80 - 60	760 - 530
TORREY PINES	30 - 30	60 - 40	90 - 60	120 - 90	130 - 90	130 - 90	140 - 90	140 - 90	140 - 90	140 - 90	140 - 90	1,250 - 870
UNIVERSITY	250 - 220	490 - 370	740 - 530	1,030 - 720	1,090 - 760	1,110 - 760	1,130 - 780	1,130 - 780	1,140 - 790	1,140 - 790	1,140 - 790	10,380 - 7,270
UPTOWN	320 - 280	620 - 470	930 - 670	1,310 - 910	1,390 - 960	1,400 - 970	1,430 - 990	1,430 - 990	1,450 - 1,000	1,450 - 1,000	1,450 - 1,000	13,190 - 9,230
TOTAL	5,400 - 4,670	10,250 - 7,770	15,600 - 11,190	21,860 - 15,190	23,160 - 16,020	23,460 - 16,210	23,950 - 16,530	23,950 - 16,530	24,260 - 16,720	24,260 - 16,720	24,260 - 16,720	220,400 - 154,280

NOTE: Totals may not sum due to rounding

ANNUAL HOUSING TARGET DETERMINATION METHODOLOGY

1 To determine 10-yr housing targets:

1) Benchmarked San Diego's housing per capita to a group of peer cities
2) Extrapolated housing needs in 10 years assuming San Diego should provide the same ratio of units per capita as these cities given projected population growth data and current shortfall
3) Measured the proportional difference between RHNA estimations and benchmarking methodology for 2021 demand (where RHNA estimate is available), and marked down the 10-year target by half this difference to develop a low-case target

2 To determine a ramp-up schedule to achieve these targets:

1) Scored each initiative in the roadmap to address challenges on a 1-5 scale on its impact on each of the 5 sources of housing capacity (housing tools 1-5)
2) Scored each initiative from 1-5 for every year from 2018 to 2028 based on its likely maturity (steady state impact on housing growth), with 5 being full maturity
3) Took a composite score (weighted average) across time and impact to determine how much of the identified potential by source could be expected from implementing the each element of the roadmap in each given year
4) Scaled this potential down to meet the total identified 10-year housing need, accounting also for the City's historic steady housing production rate

Time and impact scoring parameters

		Impact on housing source					Timeline for implementation									
Category	Initiative	Transit	Redevelopment	Vacant Infill	ADUs	Disused land	2018	2019	2020	2022	2023	2024	2025	2026	2027	2028
Inclusionary/dsd	DSD improvements (staff, fee waived, data tracking)	2	2	2	0	0	1	2	3	5	5	5	5	5	5	5
Inclusionary/dsd	Customized in-lieu fees	2	2	2	0	0	1	2	3	5	5	5	5	5	5	5
Land use	Stream-line community plans (inlcuding push for by-right areas)	5	3	5	1	5	1	2	4	5	5	5	5	5	5	5
Land use	Promotion of by-right development areas	4	4	4	3	4	1	2	3	5	5	5	5	5	5	5
Land use	Conversion to FAR zoning	5	5	5	0	5	0	1	3	5	5	5	5	5	5	5
Land use	Middle Income Density acceleration	5	4	5	0	3		0	1	5	5	5	5	5	5	5
Land use	Re-examine community planning framework	5	5	5	5	5		0	1	4	4	5	5	5	5	5
Parking	Rationalize parking requirements	5	3	3	0	3	0	3	4	5	5	5	5	5	5	5
Parking	Build robust parking analytics tool and allow dyanmic policy reccomendations	3	3	5	3	3	0	1	3	3	4	4	4	5	5	5
Parking	Catalyze pooled pilot project (including parking in-lieu fee)	3	3	4	0	0	0	2	3	5	5	5	5	5	5	5
Parking	Broaden interpretation of parking spots	4	4	4	2	4	0	2	3	5	5	5	5	5	5	5
Public finance	Support public finance options (coordination of grants and pipeline)	2	2	2	0	2	3	4	5	5	5	5	5	5	5	5
Dif	Reform and reduce DIF fees	2	2	2	0	2	2	4	5	5	5	5	5	5	5	5

SAN DIEGO PEER CITY SELECTION METHODOLOGY

Selection process for San Diego peer cities

Step 1: Determine full set of peer cities[1]

1. List 100 major US cities, filtering for those roughly in range of San Diego MSA size (1-5 million people)
2. Narrow down to about 15 cities with similar or better quality of living index[2] as San Diego
3. Add in cities explicitly cited as San Diego rival cities for talent and jobs in advanced fields[3]

Cities selected at Step 1: Austin, Baltimore, Boston, Denver, Phoenix, Pittsburgh, Portland, Providence, Raleigh, Salt Lake City, Seattle, Tucson, Honolulu, Virginia Beach

Step 2: Down-select based on favorable housing situation

1. Detail housing key metrics of shortlisted cities over 3-year period[4] – population growth, income growth, percent of population burdened, housing growth
2. Shortlist 5 cities highlighting best housing performance as aspiration peers (i.e., relatively high population and income growth balanced with housing provision enabling stable or reduced rental burden/house prices) for use in benchmarks

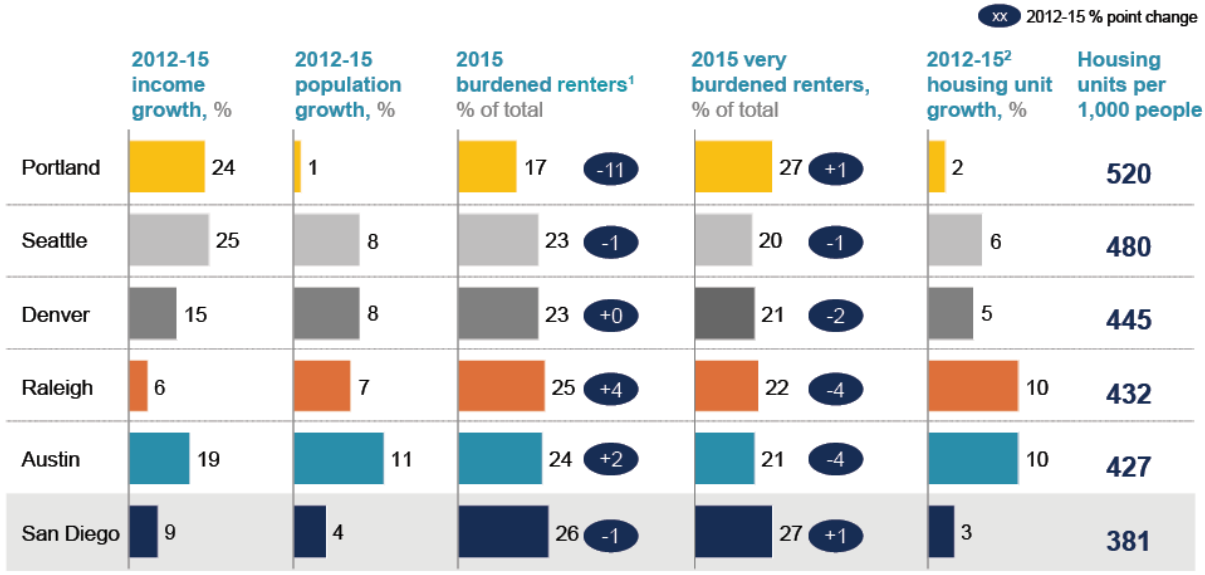
Cities selected at Step 2: Austin, Denver, Portland, Raleigh, Seattle

5 selected peer cities used in benchmark for determining # of housing units needed (ratio of population : units) and researching policy actions/ circumstances leading to provision of sufficient stock

1. Metropolitan Statistical Area as defined by US Census
2. NBER, University of Michigan index taking into account cultural vibrancy, crime, pollution and natural/climactic features – available on MSA basis
3. San Diego Regional Economic Development Corporation
4. 2012-15; From post-recession housing trough to most recently available census data

SAN DIEGO PEER CITY INCOME, POPULATION, HOUSING AND BURDEN RATE GROWTH

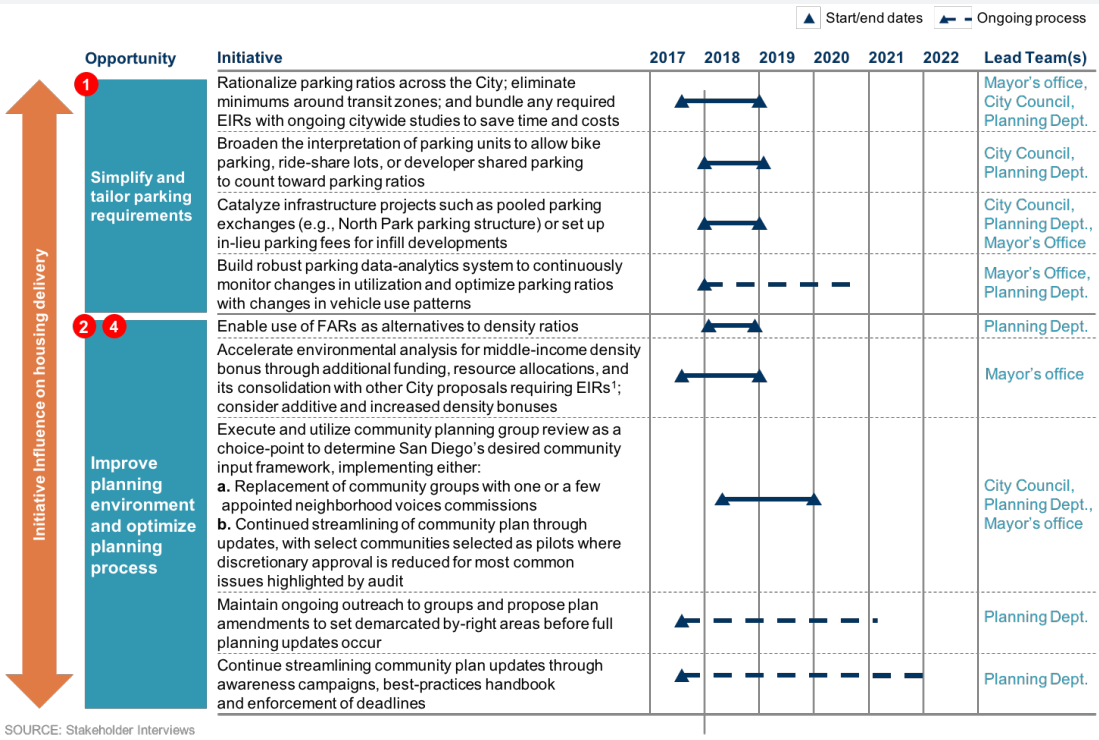
San Diego's peer cities, with key housing and economic metrics



1 Spend more than 30% of gross income on rent ; 2 Spend more than 50% of gross income on rent

SOURCE: U.S. Census Bureau (2015)

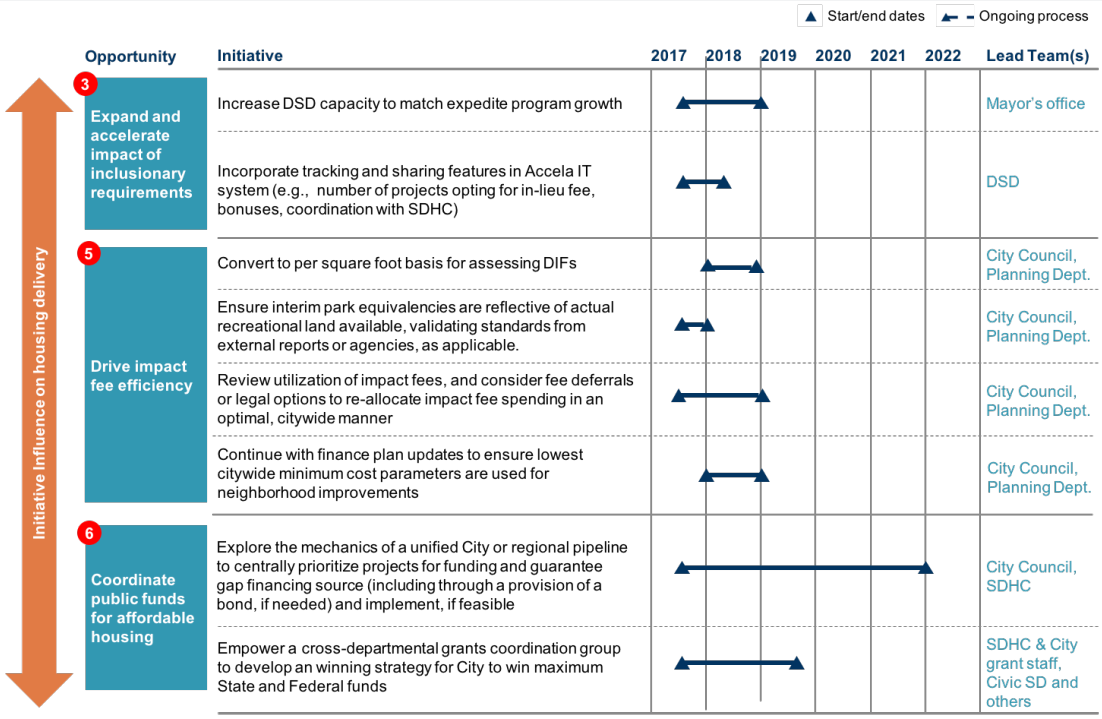
ROADMAP OF INITIATIVES TO ADDRESS HOUSING CHALLENGES (1/2)



Opportunity	Initiative	2017	2018	2019	2020	2021	2022	Lead Team(s)
1 Simplify and tailor parking requirements	Rationalize parking ratios across the City; eliminate minimums around transit zones; and bundle any required EIRs with ongoing citywide studies to save time and costs	▲	▬	▲				Mayor's office, City Council, Planning Dept.
	Broaden the interpretation of parking units to allow bike parking, ride-share lots, or developer shared parking to count toward parking ratios		▲	▬	▲			City Council, Planning Dept.
	Catalyze infrastructure projects such as pooled parking exchanges (e.g., North Park parking structure) or set up in-lieu parking fees for infill developments		▲	▬	▲			City Council, Planning Dept., Mayor's Office
	Build robust parking data-analytics system to continuously monitor changes in utilization and optimize parking ratios with changes in vehicle use patterns		▲	╌	╌	╌	▲	Mayor's Office, Planning Dept.
2 4 Improve planning environment and optimize planning process	Enable use of FARs as alternatives to density ratios		▲	▬	▲			Planning Dept.
	Accelerate environmental analysis for middle-income density bonus through additional funding, resource allocations, and its consolidation with other City proposals requiring EIRs[1]; consider additive and increased density bonuses	▲	▬	▲				Mayor's office
	Execute and utilize community planning group review as a choice-point to determine San Diego's desired community input framework, implementing either: **a.** Replacement of community groups with one or a few appointed neighborhood voices commissions **b.** Continued streamlining of community plan through updates, with select communities selected as pilots where discretionary approval is reduced for most common issues highlighted by audit		▲	▬	▬	▲		City Council, Planning Dept., Mayor's office
	Maintain ongoing outreach to groups and propose plan amendments to set demarcated by-right areas before full planning updates occur	▲	╌	╌	╌	▲		Planning Dept.
	Continue streamlining community plan updates through awareness campaigns, best-practices handbook and enforcement of deadlines	▲	╌	╌	╌	╌	▲	Planning Dept.

SOURCE: Stakeholder Interviews

ROADMAP OF INITIATIVES TO ADDRESS HOUSING CHALLENGES (2/2)



Opportunity	Initiative	2017	2018	2019	2020	2021	2022	Lead Team(s)
3 Expand and accelerate impact of inclusionary requirements	Increase DSD capacity to match expedite program growth	▲	▬	▲				Mayor's office
	Incorporate tracking and sharing features in Accela IT system (e.g., number of projects opting for in-lieu fee, bonuses, coordination with SDHC)	▲	▬	▲				DSD
5 Drive impact fee efficiency	Convert to per square foot basis for assessing DIFs		▲	▬	▲			City Council, Planning Dept.
	Ensure interim park equivalencies are reflective of actual recreational land available, validating standards from external reports or agencies, as applicable.	▲	▬	▲				City Council, Planning Dept.
	Review utilization of impact fees, and consider fee deferrals or legal options to re-allocate impact fee spending in an optimal, citywide manner		▲	▬	▲			City Council, Planning Dept.
	Continue with finance plan updates to ensure lowest citywide minimum cost parameters are used for neighborhood improvements		▲	▬	▲			City Council, Planning Dept.
6 Coordinate public funds for affordable housing	Explore the mechanics of a unified City or regional pipeline to centrally prioritize projects for funding and guarantee gap financing source (including through a provision of a bond, if needed) and implement, if feasible	▲	▬	▬	▬	▬	▲	City Council, SDHC
	Empower a cross-departmental grants coordination group to develop an winning strategy for City to win maximum State and Federal funds	▲	▬	▬	▲			SDHC & City grant staff, Civic SD and others

1. Environmental Impact Review

SOURCE: Stakeholder Interviews

SAN DIEGO
HOUSING
COMMISSION

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