

Response to Request for Analysis on Improving Housing Affordability

City Council

Item 330

January 24, 2023



Office of the Independent Budget Analyst



State and City have Severe Housing Issues

From 2016 to 2021 City housing units permitted decreased

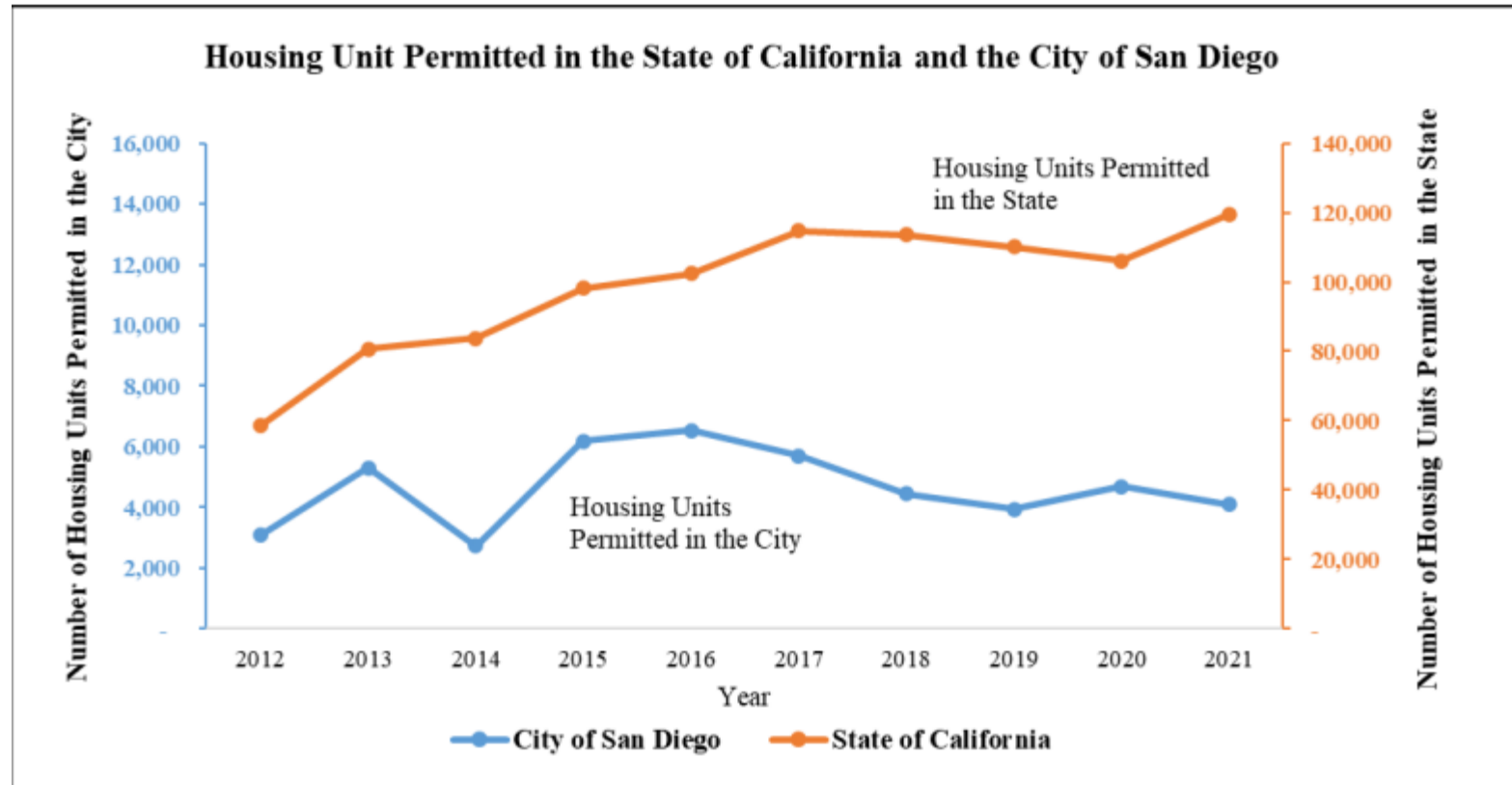
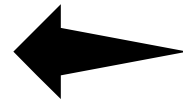
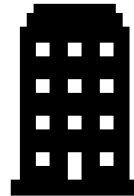
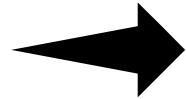


Chart based on data from the U.S. Department of Housing and Urban Development's (HUD's) Building Permits Database.

Redundant Steps in Financing Affordable Housing

City has Two Processes for Allocating Funds



City Economic Development Dept

San Diego Housing Commission

Redundant Steps in Financing Affordable Housing

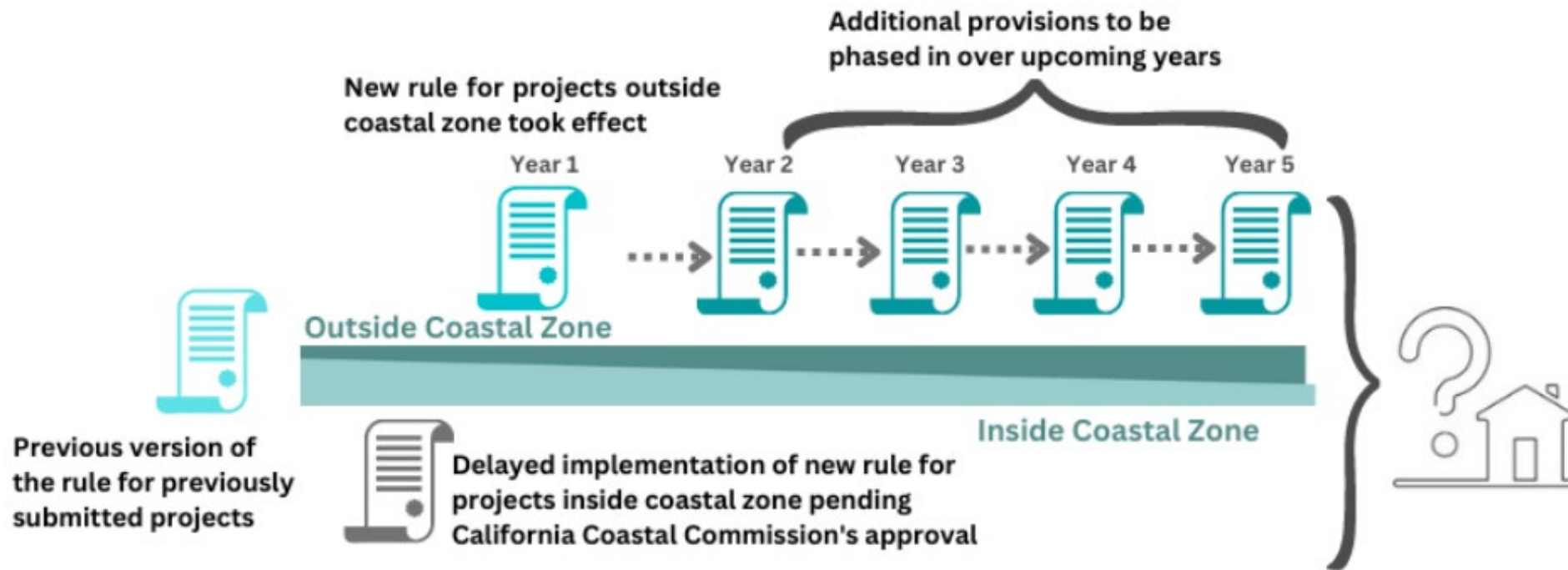
Challenges Identified Through Review of Projects

- Most Bridge to Home projects receive some kind of SDHC subsidy
- Dual agencies reviewing the same projects results in duplicative activities

Council may wish to consider consolidating the administration of most or all resources available to finance affordable housing under one department or agency

Permitting Process

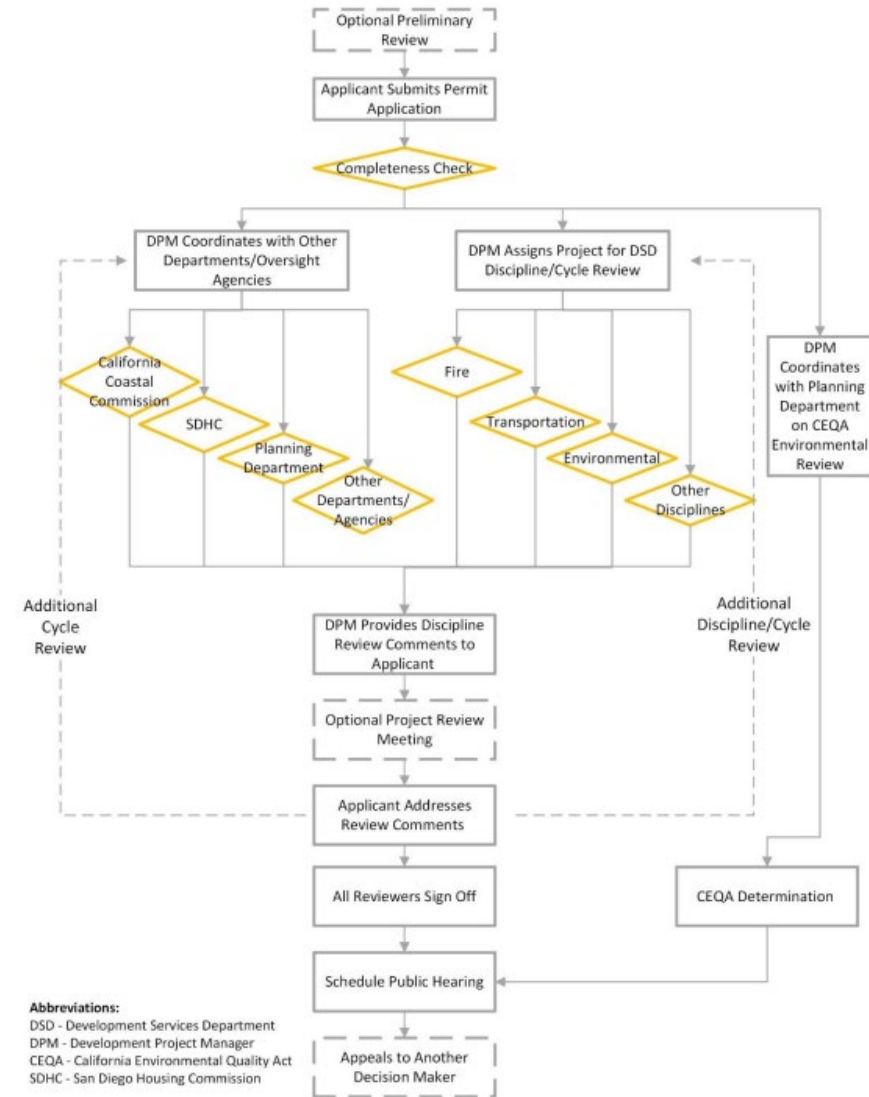
Complex rules make it difficult for review staff and applicants to interpret



Permitting Process *(cont'd)*

Complex rules make it difficult for review staff and applicants to interpret

Overview of Development Services Department Discretionary Permit Review Process



Permitting Process, Department Vacancies, Other Issues

Complex permitting system translates to lengthy review time and regulatory uncertainty

Challenge	Council Consideration
High volume of permit types, permit application forms and other requirements	A comprehensive review and potentially a redesign of the permit review process. Simplify permit times and forms. <i>*DSD efforts are underway</i>
Outdated or duplicative application forms and requirements	Reduce administrative burdens and increase permit review efficiency, thereby increasing regulatory predictability
1,000 fee types	Streamline permit fees

Permitting Process, Department Vacancies, Other Issues

Lack of code library system and vacancies add to review time

Challenge	Council Consideration
Volume, complexity, and volatility of regulations; Lack of tracking and easy access to City's codes	Implement a "code library system" for housing current and past regulations

- Department vacancies
 - Hiring efforts, authorize overtime, special salary adjustments
 - One contractual staff is estimated to shorten application intake by 5 days

Permitting Process, Department Vacancies, Other Issues

Operational impacts of code amendments on permitting process not always fully assessed

Challenge	Council Consideration
Land development Code update process involves many stakeholders - changes can occur quickly	Consider operational impacts even when proposed late in the update process
DSD not always fully prepared to implement new regulations – need to develop guidance and train staff	Consider delaying implementation of code updates by 60 or 90 days, rather than 30 days

Delays in Permitting Developments Utilizing State-regulated Housing Types

City's laws do not pose barriers to modular housing projects, but challenges exist

Challenge	Council Consideration
(1) Modular Housing is an Emerging Market (2) Economics of Scale (3) Land Assembly	Continue to align with State regulations, as opposed to creating additional local regulations Alternative ways to deliver affordable housing may be significantly less expensive - A working group to explore this could be an effective approach.

Structural Impediments that Constrict Housing Creation

Height limits and density restrictions can reduce housing production and contribute to increased housing prices

Challenge	Council Consideration
Coastal height limit - Coastal Height Limit Overlay Zone (CHLOZ)	Consider future ballot proposals to allow additional exemptions from coastal height limit
Floor-area-ratio and density ratio	Continue to implement Floor-Area-Ratio and density based bonus programs to increase the City's overall housing production

Lack of Dedicated Local Revenue for Affordable Housing

Options exist to increase local resources

- Local resources for affordable housing fall short of City's significant need
- Council could reallocate existing eligible resources
- Council could pursue new resources
 - Measures requiring simple majority vote may be more feasible

Constraints on Single-Room Occupancy Housing

Several challenges in converting office space into SROs

Challenge	Council Consideration
SRO Ordinance is limited	Expand SRO Ordinance to include commercial property conversions
Uncertain market for, and financial feasibility of, conversion	Establish incentives for conversion
Lack of regulatory path for conversion of office space to SROs	Establish clear path in municipal code Develop related permitting process
Suitable properties	Direct SDHC to conduct survey identifying office space suitable for conversion

Lack of Resources to Enforce Fair Housing Laws

Voucher discrimination not a primary reason for unused vouchers

- Landlord screening criteria is most commonly cited barrier to secure unit

Challenge	Council Consideration
No dedicated resources to enforce Source of Income Ordinance (SOI) No system for tracking civil lawsuits filed for voucher discrimination	Explore how source of income could be incorporated into future fair housing audit tests

Recent Changes to Create Potential New Housing

Further aims to reduce barriers to housing

- Shared housing allowed for voucher holders beginning FY 2019
 - Council may wish to have an update on how widely program is used
- Recent State Legislation AB 2011
 - Allows ministerial approval for qualifying housing projects in commercial zones, as specified

Conclusion

Given the size of the housing affordability problem, all options should be considered

- Numerous items for Council consideration
 - Some could be implemented quickly and at low cost
 - Others will require additional study, Council direction, or significant resources and effort