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INTRODUCTION

Purpose of Housing Element

The Housing Element is one of seven elements of the Progress Guide and General Plan which are mandated by state law. The law states that a Housing Element shall be updated at five-year intervals and shall "consist of standards and plans for the improvement of housing and for the provision of adequate sites for housing," and shall "make adequate provision for the housing needs of all segments of the community." More specifically, the Housing Element identifies and analyzes the City's housing needs, establishes reasonable goals, objectives and policies based on those needs, and sets forth a comprehensive five-year program of actions to achieve, as fully as possible, the identified goals and objectives.

Implementation of the Housing Element will be primarily coordinated by the San Diego Housing Commission. However, other City departments and agencies will also be involved including the Planning Department, Development Services, redevelopment corporations, Neighborhood Code Compliance, Engineering and Capital Projects, Real Estate Assets, and the Water Department. In addition, various state and federal agencies will be asked to supply funding assistance. Developers, lending institutions, and individual property owners will be prime participants from the private sector. Also, the non-profit sector will have a vital role in providing affordable housing.

This Housing Element recognizes that it is not possible to meet San Diego's total housing needs within the five-year time frame. With respect to this point, Section 65583(b) of the California Government Code states in part:

> It is recognized that the total housing needs . . .may exceed available resources and the community's ability to satisfy the need . . .Under these circumstances, the quantified objectives need not be identical to the identified existing housing needs, but should establish the maximum number of housing units that can be constructed, rehabilitated, and conserved over a five-year time frame.

General Plan Consistency

State law requires the Housing Element to be consistent with other elements of the General Plan. Since the Housing Element must normally be updated every five years and the remainder of the General Plan is updated less frequently, it is difficult to assure perfect consistency between the Housing Element and other elements.

However, the City is developing a new element of the General Plan called the Strategic Framework Element to provide a strategy for responding to San Diego's anticipated growth and development through 2020. This new Element will address critical issues

relating to infrastructure adequacy and funding, appropriate density levels, and the relationship between economic growth and population growth, among others. This Housing Element Update is being coordinated with preparation of this new element.

To assure consistency of the Housing Element with other elements of the General Plan, the City commits to two actions: (1) evaluate each proposed community plan and general plan amendment for impacts on the Housing Element; and (2) prepare an annual report summarizing progress made toward achieving Housing Element goals and the cumulative impacts of community and general plan amendments adopted during the year on the Housing Element.

Housing Element Organization and Content

This Housing Element consists of two volumes. Volume I contains the Objectives, Policies, and Programs section. This section describes the qualitative and quantitative goals and objectives that the City has identified based on the level of resources anticipated to be available. The following are the five major goals of the Housing Element.

1. Provision of An Adequate Site Inventory and New Construction

2. Maintenance and Conservation (including preservation of existing lower-income housing and rehabilitation)

3. Reduction of Governmental Constraints

4. Affordable Housing Opportunities

5. Administrative (including fair share and community balance, use of redevelopment Set-Aside funds, reduction of housing discrimination, and energy conservation)

The specific quantified objectives for each goal are found in the body of Volume I. The quantified objectives cumulatively add up to the "Maximum Feasible Units for New Construction, Rehabilitation, and Conservation" which the City believes can be accomplished during this one year Housing Element cycle. Section E of this Introduction and Executive Summary provides more information on the "Maximum Feasible Units."

Volume II contains the Background Information and Technical Appendices. The Background Information section describes the demographic characteristics of the population, the overall existing and projected housing needs among all economic segments of the City's population, including subpopulations, such as seniors, the disabled, the military, students, farm workers, the homeless, etc., and existing governmental and non-governmental constraints to development.

Housing Affordability

The Background Information Section indicates that a lack of affordable housing opportunities often results in renter and homeowner households "overpaying" for housing. The City of San Diego has approximately 160,500 low-income (0-80%MAI) households[1]. Approximately 72 percent of these households are renter households and the remainders are homeowner households. The following provides a breakdown of the very low-income[2] and low-income[3] renter and homeowner households "overpaying"[4] for housing.

- There are approximately 69,100 *very low-income (0-50% MAI) renter* households. Of these, approximately 82 percent paid more than 30 percent of their income toward housing costs and 57 percent spent more than 50 percent of their income toward housing costs.

- There are another 46,700 *low-income (51-80% MAI) renter* households. Of these, 59 percent paid more than 30 percent of their income on housing costs and 10 percent spent more than 50 percent.

- There are approximately 21,300 *very low-income (0-50% MAI) homeowner* households. Of these approximately 55 percent paid more than 30 percent of their income on housing costs and 38 percent paid more than 50 percent of their income toward housing costs.

- There are another 23,400 *low-income (51-80% MAI) homeowner* households. Of these, approximately 46 percent paid more than 30 percent of their income on housing costs and 22 percent paid more than 50 percent of their income on housing.

In summary, over 66 percent of all low-income households paid more than 30 percent of their income on housing (refer to Volume II and Appendix L for more information).

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[1]U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Data Book, 1993.

[2]Very low-income households have gross income between (0-50%) of the area median-income.

[3]Low-income households have gross income between (51-80%) of the area median-income.

[4]Households who spent over 30 percent of their income on housing costs.

Regional Share Goal

State law requires regional councils of government throughout the state to determine regional share goals for each local jurisdiction within their region. These goals are the projected share of regional housing needs for all income groups for the next five-year Housing Element cycle. The regional share goals are based on "market demand for housing, employment opportunities, the availability of suitable sites and public facilities, commuting patterns, type and tenure of housing need, the loss of lower-income units eligible to convert to market rate status and the housing needs of farm workers."[5] State law also states that the distribution of regional share goals shall seek to reduce the concentration of lower-income households in cities and counties which already have disproportionately high proportions of lower-income households.

San Diego's regional share goal has been determined by the San Diego Association of Government (SANDAG) to be 39,785. This goal is broken down by income group as follows:

	Very Low Income	Low-Income	Moderate Income	Above Moderate	Total
Units	7,463	6,797	9,137	16,388	39,785

The regional share goal does not require San Diego to provide these numbers of housing units affordable in each income category. Instead, San Diego must provide sufficient vacant and potentially redevelopable land in various density categories to potentially meet the goals for each income group. The State Department of Housing and Community Development utilizes a threshold of 25 units per acre as the minimum density needed to potentially provide housing units for lower-income households. Fortunately, for the FY 1999-2004 period, San Diego does have sufficient land available that is designated for 25 units per acre or higher.

[5]Section 65584 of the California Government Code.

Table 1. Maximum Feasible Units for New Construction, Rehabilitation, and Conservation by Income Level

Income Group	New Construction	Rehabilitation	Conservation
Extremely low-income	0	560	
Very low-income	1,780	1,663	
Low-income	1,788	1,050	521
Subtotal	**3,568**	**3,273**	**521**
Moderate-Income	8,892	0	0
Above Moderate-Income	15,232	0	0
Subtotal	**24,124**	0	0
Total	**27,692**	**3,273**	**521**

Maximum Feasible Units for New Construction, Rehabilitation, and Conservation

State Housing Element law requires an identification of the maximum number of housing units which can be feasibly constructed, rehabilitated, and conserved during the Housing Element cycle. The table below summarizes these estimates for the City. The estimates are based on the quantified objectives and program targets in the Housing Element. The estimates are also based on a comprehensive assessment of current economic and market conditions and resources anticipated to be available through the conclusion of this Housing Element cycle.

For new construction, figures for the extremely low-, very low- and low-income categories are based on an assessment of government resources anticipated to be available. For the moderate- and above moderate-income categories, the numbers in the new construction column of the table reflect actual regional share figures for those income groups. It is assumed that most if not all of those households will be served by the private sector. While the table reflects an anticipated 24,124 units in the moderate and above moderate categories, the actual number produced will, in part, be a function of economic conditions.

The City acknowledges that the total of 3,568 new units for the low- and very low-income groups is substantially below its regional share goal of 14,260 units for these same groups. However, a realistic appraisal of resources anticipated to be available, based on current and anticipated funding allocations and economic conditions yields this estimate of units. In its adopted Consolidated Plan, the City has set forth a policy of emphasizing acquisition, rehabilitation and rent subsidies as the most cost effective way of meeting the housing needs of low- and very low-income households. This policy reflects the fact that in many instances, new construction is not the most cost-effective method of providing affordable housing, given land costs and housing prices in San Diego. In this regard, the City will continue to work in partnership with the private and non-profit sectors to help generate affordable housing opportunities for low- and very

low-income households through these activities and others during the current Housing Element cycle.

The 3,273 units proposed for rehabilitation are based on the number of units which could potentially be rehabilitated with available and projected program resources over the five-year Housing Element period. The estimate of units potentially targeted to the low-, very low- and extremely low-income groups are based on; (1) the affordability restrictions built into the HOME program which is the source of funding for the rental rehabilitation program; (2) for the Housing Commission's zero-interest deferred loans for owner-occupied rehabilitation and mobile home grants, eligibility is limited to owners whose income is 50 percent or less of area median-income and average-income of participants in both these programs is 30 percent of area median-income. Therefore, for these programs; it is assumed that half of the participants will be extremely low-income and half will be very low-income; and (3) projected use of Redevelopment Set-Aside funds, based on a projection of approximately $25 million in Set-Aside funds generated during the five-year Housing Element cycle and an average subsidy of approximately $25,000 per unit. The 521 units proposed for Conservation in the low- and very low-income categories combined are based on achievement of the objective of preservation of 10 percent of the units at-risk of converting to market rate status during the first five-year period of the ten-year at-risk analysis.

Impediments to Housing Affordability

This Housing Element Update identifies a number of impediments to housing affordability. They include:

- land costs
- infrastructure deficiencies in older urbanized communities
- permit processing and development review procedures
- construction defect litigation
- community opposition to higher density and affordable housing developments ("NIMBYism")

During this Housing Element cycle, progress has been made locally toward addressing some of these impediments with a net effect of reducing housing development costs in all income categories. This progress includes:

- partial implementation of Process 2000
- reduction of water and sewer fees, with a further reduction for affordable housing developments
- adoption of the Land Development Code which includes several provisions that facilitate housing affordability

It is anticipated that the Strategic Framework planning process will address other remaining impediments to housing affordability. These include:

- infrastructure deficiencies in older urbanized communities
- fees
- identification of possible additional development opportunities for residential and mixed-use development
- continued education of the public on the need for affordable housing and how higher density and affordable housing developments can "fit in" with prevailing design characteristics without causing undue unmitigated impacts

Requirements for Self-Certification

In 1995, state legislation (AB 1715), sponsored by SANDAG, created an opportunity for jurisdictions in the San Diego region to self-certify their Housing Elements (without having to be certified by the California Department of Housing and Community Development - HCD). Under the provisions of AB 1715, San Diego would potentially be eligible to self-certify its Housing Element if the following requirements are met in this Housing Element:

1. Prepare an updated Housing Element with the same content and analysis as is required if certification were being sought through HCD. For the 1999 cycle, the updated Element must be prepared prior to June 30, 1999 and for the 2004 cycle, it would need to be prepared prior to June 30, 2004.

2. To self-certify in 1999, San Diego would have had to meet its fair-share goal for the 1991-1999 cycle. This number is housing assistance to 9,316 lower-income households. The fair-share goal may be met through a variety of programs including new construction, rental or ownership assistance, preservation or other programs. During this time period, San Diego provided assistance to almost 9,200 lower-income households, a little more than 100 short of qualifying for self-certification.

3. To self-certify in 2004 or for future cycles, San Diego must have met an Affordable Housing Goal for the previous cycle. The Affordable Housing Goal is based on available financing resources and regulatory measures. The methodology for determining Affordable Housing Goals for each jurisdiction was determined by SANDAG's Housing Element Advisory Committee, working in conjunction with a consultant.

   San Diego's Affordable Housing Goal for 2004 is 7,546. This means that San Diego must provide this number of affordable housing opportunities by 2004. The Goal is further broken down by income group as follows.

Extremely Low-Income	Very Low-Income	Low-Income
2,037	2,415	3,094

These goals must be met in approximate proportion to the needs of low-, very low- and extremely low-income households in the regional population. These proportions are 27 percent, 32 percent, and 41 percent respectively and result in the numbers above. The goals for very low- and low-income can be under achieved if the extremely low-income goal is over achieved.

4. The City must provide a statement regarding how its updated Element would address the dispersal of lower-income housing opportunities within its boundaries and that additional lower-income housing will not be developed only in areas where concentrations of such households already exist. This Housing Element Update addresses this requirement in the Affordable Housing Goals and Community Balance Section under Goal V.

5. The City must not have any policies or regulations that impede the development or construction of housing or otherwise prevent the ability of the City to meet its regional share goal, as assigned by SANDAG.