

## **OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

**Date Issued:** January 26, 2007

**IBA Report Number:** 07-17

**City Council Docket Date:** January 30, 2007

**Item Number:** 331

**Subject:** Amendments to Regulations Related to Affordable Housing Density Bonus

### **OVERVIEW**

This item will amend the following sections of the San Diego Municipal Code as they pertain to affordable housing density bonus regulations:

- Chapter 12, Article 6, Division 7
- Chapter 14, Article 1, Division 3
- Chapter 14, Article 3, Division 7

The primary purpose of the draft regulations is to bring the City's regulations into conformance with state density bonus law. Also, included into this proposal is the introduction of two City-initiated amendments. The Council has the option of approving only the state-mandated amendments and approving/denying/modifying the City-initiated amendments.

### **FISCAL/POLICY DISCUSSION**

The basic concept behind California Government Code §65915 is to provide density bonuses and other incentives to developers who voluntarily set aside affordable units in housing developments. Currently, the City's regulations as they pertain to affordable housing density bonuses are out of date. Changes in state regulations have occurred to encourage developers by providing additional bonuses and incentives/concessions with an end result of increasing the amount of affordable housing.

The City is also introducing two City-initiated amendments to:

1. Include a density bonus incentive for applicants that elect to satisfy their required inclusionary housing requirement onsite rather than through payment of an in-lieu fee.
2. Increase the minimum density bonus for projects that provide moderate income housing within common interest developers. It is believed that the state's minimum requirement of 5 percent is not a sufficient/viable incentive due to the

region's high cost of providing affordable units and the City is exercising its option of offering a more generous density bonus ratio.

The table below details the significant state requirements. This table is also the basis for Tables 143-07A through C of the proposed Municipal Code revisions in which the density bonus calculations are detailed.

Type of Affordable Housing	Minimum Set Aside	Minimum Density Bonus	Sliding Scale for Density Bonus	Additional Incentives or Concessions
Very low income	5%	20%	Every 1% increase in set aside translates into 2.5% density bonus increase, up to 35%	One for 5% set aside; Two for 10% set aside; Three for 15% set aside
Lower Income	10%	20%	Every 1% increase in set aside translates into 1.5% density bonus increase up to 35%	One for 10% set aside; Two for 20% set aside; Three for 30% set aside
Moderate income	10%	5% <i>City Mandate:</i> 20%	Every 1% increase in set aside translates into 1% density bonus increase, up to 35%	One for 10% set aside; Two for 20% set aside; Three for 30% set aside

Source: California Real Property Journal

Developers may be granted up to three incentives or concessions. The City believes that the most typical incentives/concessions that will be requested are in relation to setbacks, height limitations and parking. These regulations will not be implemented in the Coastal Overlay Zone until accepted by the California Coastal Commission.

## CONCLUSION

The IBA supports the approval of both the state-mandated amendments and the two City-initiated amendments as the overall goal is to increase the amount of affordable housing in the City of San Diego.

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