



Mayor Kevin L. Faulconer

Mayor Kevin L. Faulconer's 'Housing SD' Plan

BUILDING OUR BETTER FUTURE STARTS HERE

Over the past decade, new housing development has not kept pace with job or population growth, resulting in housing costs that have increased at a much faster rate than income levels. With a growing population and a county median home price well over \$500,000, more and more families are finding it increasingly difficult to find an affordable place to live in San Diego. Additionally, many economic analysts have reported that the single greatest threat to our region's economy is the high cost of local housing.

Since taking office, it has been a priority of this administration to improve the government functions that directly impact new development. A major focus has been placed on the performance and operations within the Development Services Department (DSD) and over the past several years, many positive changes and new policies have been implemented to improve these functions. Some of these changes include streamlined processing of certain permits through self-certification programs, simplification of fee structures by reducing the total number of fees and converting over 60 deposit accounts to flat fees, improved customer service training and additional operating hours on certain nights and weekends, as well as implementing new technologies like OpenDSD and the soon to be online Accela which will improve information and data sharing.

The City's Planning Department also has an impact on new development. Community plan updates are critical to providing a clear framework for new projects to follow. Currently, the majority of the City's community plans are woefully outdated, adding major uncertainty to new housing projects looking to comply with City code. A renewed effort is already underway to update these plans. Since 2014, nine community plans have been updated¹ and six more are currently being worked on. In the prior ten years only the Downtown Community Plan was updated. The Mayor has also made a commitment to speed up how long it takes to complete community plan updates and set a three year timeline for the process. In the past, some plans have taken as long as nine years to complete updates.

These changes will help bring about positive momentum in the number of new housing units that San Diego is developing but they are not enough on their own. More action is necessary to help San Diego get out of its housing crisis and improve housing affordability for its citizens. This housing plan and the policies outlined below will provide new tools for developing additional housing. It is critical that these policies be implemented if San Diego is to overcome this hurdle and help provide the new housing it so desperately needs.

¹ Otay Mesa '14; Ocean Beach '14; Navajo '15; Southeastern '15; Encanto '15; North Park '16; Uptown '16; Golden Hill '16; San Ysidro '16.

The following summarizes the Mayor's Housing SD Plan that outlines several goals and strategies to be developed over the next year to help increase housing production in the City.

HOUSING AFFORDABILITY - APPROACH

Improve Housing Affordability

Housing in the San Diego region has become extremely unaffordable. More than 70% of San Diegans cannot afford a median priced home. San Diegans are spending a significant percentage of their paychecks on housing costs making this one of the most unaffordable markets in the nation. We must improve housing affordability in our region so that people can afford to live here.

Improve Review Process

Evidence has shown that the cost of delivering new housing units can be greatly impacted by government processes. Uncertain timelines, burdensome regulations, and exhaustive discretionary review make it harder to quickly and inexpensively develop new housing stock. We must streamline our development standards and create certainty in the process.

Facilitate More Affordable Housing

Developing more affordable housing units is critical to protecting our most vulnerable populations and making sure that low income San Diegans have adequate housing. The loss of redevelopment funds has left a void in funding for affordable housing -- \$187 million and counting since the state ended redevelopment in 2012. We must identify ways to provide more funding for affordable housing.

Support Climate Action Plan

Increasing our housing supply is critical to addressing this crisis. Just as important though is focusing on where we direct that growth. Increasing housing unit production in our Transportation Priority Areas will help San Diego meet the targets in the Climate Action Plan (CAP) for increasing transit, bicycle, and pedestrian commuting.

REGULATORY RELIEF STRATEGIES

Middle Income Density Bonus Program

Winter 2019

In the City of San Diego, there is an inadequate supply of entry level housing units that are affordable for individuals making a middle-class income. The vast majority of new housing units produced are priced at the top of the market. The lack of an adequate supply of housing at all levels drives up the rents and costs of ownership of all levels of housing, which has a detrimental effect upon the residents of the City of San Diego. The absence of an adequate supply of housing for those households earning very low, low, moderate, and middle incomes causes a disproportionate hardship on those households.

It is in the public interest that a range of housing opportunities be provided for a broad spectrum of persons, but specifically including those of low income and also including those earning middle incomes. While the City has programs that promote the development of low income housing² (i.e., households making $\leq 60\%$ AMI), few tools are

² Affordable Density Bonus Ordinance, Inclusionary Affordable Housing Ordinance, Affordable/In-Fill & Sustainable Development Program

available that focus on providing housing options for families making middle incomes (i.e., households making $\leq 150\%$ AMI).

In response, the City is proposing a ***Middle Income Density Bonus Program***, which provides incentives for developers to construct housing projects that provide units that can be sold or rented to entry-level/middle-income households. The creation of additional middle income housing would allow for the development of housing for persons who are school teachers, nurses, police, first responders, and firefighters, among others.

Draft Program Highlights

The details of the program are still in development and require input from stakeholders familiar with the housing market. Further, the intent of this program is not to compete with other effective housing tools (i.e., Affordable Density Bonus Ordinance), but to create another available option that will further increase housing supply and improve affordability. The proposed program can be generally described as follows:

- Applicable to rental or for-sale units/residential or mixed-use development
- Qualifying projects may receive up to a 25% density bonus above the base density
- Allows for more ministerial processing through the use of incentives/waivers
- 10% of the units must be reserved for families making $\leq 150\%$ AMI
- Units must be reserved for a period of no less than 15 years
- Projects must be located within the City's Transit Priority Areas
- Projects must comply with inclusionary housing ordinance (pay in-lieu fee)

Affordable/Sustainable Expedite Program

Summer 2017

In the early 1980s, the City Council first approved a program to assist the permitting of affordable housing units in the shortest processing time possible and to reduce development costs to the greatest extent. In 2003, the program was expanded and renamed to its current title Affordable/In-Fill & Sustainable Development Program, which is commonly referred to as The Expedite Program. The purpose of the program is to offer flexibility in the application of development regulations, as well as make available expedited permit review for projects providing affordable and sustainable shelter.

The program is being revised to incorporate new City initiatives, address prior Council direction and improve service delivery where qualifying projects can have their discretionary and ministerial permits expedited.

[Expedited Discretionary Review](#)

Currently, the LDC (§143.0915 & §143.0920) identifies certain affordable and sustainable development project types that are allowed to deviate from certain development standards with a Process Four Site Development Permit (SDP). In an effort to encourage the use of this tool, staff is proposing to expand the eligibility of the program to include the following affordable and sustainable residential or residential mixed use development project types.

- Projects where at least 10% of the units are reserved for low/very low income families; or,

- Projects located in the San Diego Promise Zone³; or,
- Projects located in the City's Transit Priority Area; or,
- Projects that propose a higher density that is authorized in a community plan; or,
- Projects that incorporate voluntary Tier 2 sustainable development standards pursuant to CAL Green Building Code

Eligible projects that fit into one of the categories above then qualify for the following permit expedite benefits.

- Deviations from development standards may be processed with a Neighborhood Development Permit (NDP) Process Two.
- Additional deviations, including Environmentally Sensitive Lands, can be processed with an NDP Process Two.
- Projects within the Community Plan Implementation Overlay Zone can be processed with an NDP Process Two.

Companion (Second Dwelling) Unit Production

Summer 2017

As reported by the California Department of Housing and Community Development, Accessory Dwelling Units (ADUs) offer benefits that address common development barriers such as affordability. ADUs are an affordable type of home to construct because they do not require paying for land, major new infrastructure or structured parking, which is significantly less costly than homes in new multifamily infill buildings.

To encourage more production of ADUs, the State passed three bills (SB 1069, AB 2299 and AB 2406) that will provide homeowners the opportunity to add an ADU on their residential property with reduced requirements to parking, fees and permits. In order to maximize and integrate the housing needs within the City of San Diego, we are developing code changes to not only implement state mandates, but include changes that further improve regulations to help promote the construction of ADUs. Some of the incentives being considered are as follows:

- Remove requirement that recorded owner reside on premises
- Remove specialized height restrictions and use base zone height limits
- Increase unit size from 700 sf to 50% of the primary or 1,200 sf, whichever is less (SB1069)
- Reduce setback requirements
- Reduce parking requirements and standards

³ A swath of San Diego has been federally designated as a San Diego Promise Zone (SDPZ) that will prioritize San Diego's position to receive federal grants to address key areas to the City's most disadvantaged neighborhoods. The targeted area stretches from East Village and Barrio Logan in the West extending to Encanto and Emerald Hills in the East. <https://www.sandiego.gov/economic-development/sdpromisezone>

Affordable Housing Density Bonus Update

Winter 2018

Density bonus is a California state law (Government Code section 65915-65918) that allows a developer to increase density above the maximum set under a city's local land use plan (Community Plan) when a certain percentage of the new homes are reserved for very low, low or moderate income households or for seniors. In addition, developers of qualifying residential projects are entitled to receive certain benefits, including reduced parking standards, "incentives or concessions," and waivers of certain development standards. State law requires that each jurisdiction adopt an ordinance specifying how compliance with the State law will be implemented.

On January 1, 2017, four laws (AB2501, AB2556, AB 2442 and AB 2501) went into effect that amended the State's mandatory density program, which requires that the City update its current regulations. In addition, code modifications are being considered in an effort to further incentivize the use of this housing tool to increase the production of more affordable units. Some of the more noteworthy changes include the following.

- All density calculations (base and density bonus) must be rounded up to next whole number
- Developers are eligible for an incentive even if they do not request a density bonus
- Projects reserving 10% of the total units for very-low income, transition-age foster youth, disabled veterans, or persons experiencing homelessness are eligible for a 20% density bonus

Updates to the Land Development Code - 11th Code Update

Fall 2017

The City Council adopted a comprehensive update to the Land Development Code (LDC) on December 9, 1997. This update also directed the City Manager to develop a code monitoring and update process in order to address new issues and unforeseen challenges not anticipated as part of the comprehensive update. The establishment of this process recognized the importance of code revisions that removed unnecessary barriers in an effort to simplify and streamline permitting processes. Through these regular updates, the LDC will be more responsive to address the City's land use issues. Significant proposed amendments to streamline the process and incentivize development are highlighted below:

- Site Development Permit no longer required for multiple dwelling unit development on lots that have been consolidated
- Expand the residential area of Live/Work Quarters and allow the use in additional zones
- Amend grading regulations pertaining to monitoring of paleontological resources
- Exempt designated historic structures from gross floor area calculations and parking standards, when the historic structure is incorporated into the project design
- Reduce parking for special needs housing

Streamlined Environmental Review

Winter 2018

The California Environmental Quality Act (CEQA) Guidelines Section 15183 allows a streamlined environmental review process for public and private development projects that are consistent with the densities established by existing zoning, community plan or general plan policies for which an Environmental Impact Report (EIR) was certified. The City of San Diego has certified EIRs for several recently adopted community plan updates (CPU). Projects that are consistent with the densities and use characteristics considered by those CPU Program EIRs may qualify for the CEQA streamlining under 15183.

CEQA Section 15183 requires an evaluation of direct project impacts in the same manner as the Negative Declaration (ND) and EIR process. However, unlike a ND or an EIR, projects which rely on the CEQA Streamlining 15183 process may benefit from the cumulative analysis contained within a CPU Program EIR and the application of the predefined mitigation and avoidance measures outlined in the CPU Program EIR. Projects qualifying for the CEQA Streamlining 15183 process can generally be completed in significantly less time and at a reduced cost compared with the typical (non-streamlined) ND and EIR processes.

To simplify use and ensure consistency in application, the City will be developing a Section 15183 checklist and guidance document.

Development Impact Fee (DIF) Calculations

Spring 2018

For several years, the City has applied Development Impact Fees (DIF) on new development in order to offset future costs derived from new residents and employees that will require public facilities such as fire stations, libraries, parks, roads, and other public improvements. However, concerns and questions have been raised over the methodology used to calculate the fee. For example, a flat residential rate is applied to each new residential unit, irrespective of unit size. As such, smaller and more affordable units pay disproportionately more in DIF than a larger unit.

In response, the City will be reviewing the existing methodologies and procedures, survey best impact fee practices, recommend a preferred methodology for calculation of fees for consideration.

Parks Master Plan

Fall 2019

A Parks Master Plan (PMP) helps articulate a clear vision (a “road map”) for the City’s parks, recreation facilities and open space program. A plan would focus on immediate, short-term, and longer-term capital development and improvement strategies that correspond to a community’s unmet needs and priority investments for critical parks and recreation services. It is envisioned that the plan would:

- Address needs in the current system and emerging trends for the future
- Propose an equitable citywide distribution of park and recreation facilities
- Evaluate how the City currently determines park needs

- Develop policies on 'park equivalencies' for park deficient communities
- Identify high priority sites for park land acquisition, design and development;
- Identify best practices for the classification and provision of parks
- Develop an implementation plan for prioritizing, phasing and funding

Transit Priority Area Parking Standards

Winter 2018

The availability of parking and housing affordability are two of the most frustrating problems large cities face. Parking spaces add significantly to the cost of building houses, which translates to increased sales prices or higher monthly rents. Additionally, by requiring less parking spaces along with new housing, we can encourage more usage of alternative transportation, which is beneficial to our Climate Action Plan targets that aim to decrease vehicle trips and encourage more transit, bicycling and walking trips within Transit Priority Areas (TPA).

The City will be developing revised parking standards within TPAs so that we are not unnecessarily requiring excessive parking in development projects. Possible parking concepts include parking maximums, special allowances for affordable housing development and possible standard reductions for projects that apply programs that reduce single-occupancy vehicle travel demand (Transportation Demand Management).

This effort will require a parking study to determine options and impacts before specific standards can be developed and proposed.

Implementation of SB743 and Vehicle Miles Traveled

Summer 2018

The City of San Diego has been participating for the past couple of years in regional working groups to discuss the implementation of Senate Bill (SB) 743. The bill was adopted with the focus of reducing Greenhouse Gas (GHG) emissions statewide by reforming the CEQA analysis from level of service (LOS) to vehicle miles traveled (VMT). Planning Department staff has initiated this work effort creating a core group of CEQA and mobility planning technical experts that will be developing VMT thresholds for the City of San Diego and preparing the necessary environmental review process for this transition, and creating a guide for mobility studies. This effort also entails outreach to key stakeholders, CEQA practitioners, and traffic engineers, as well as close coordination with Development Services Department and other departments within the City of San Diego to ensure a smooth transition and implementation upon adoption.

FINANCING & PROCESSING STRATEGIES

With a growing homeless population in our City and region it is important that we work to increase the number of affordable housing units to help those that are critically in need of housing. Bringing additional resources to bear will help to increase our stock of affordable units.

Housing Successor Fund & NOFA

Winter 2017

In February '17, the City of San Diego and Civic San Diego announced a Notice of Funding Availability (NOFA) for \$25 million to help fund affordable housing developments targeting households demonstrating low to extremely low income. The funding, which comes from the Low and Moderate Income Housing Asset Fund (LMIHAF), will be used to support the acquisition, rehabilitation, or new construction of housing that will provide long-term affordability. It will help with gap financing, at below market interest rates, in order to leverage the City's investment between the projected total development costs and other available funding sources. The City is currently evaluating submissions for funding and will look to bring forward recommendations for awarding of funds by the end of the year.

Transit Oriented Development Fund

Summer 2017

The San Diego Housing Commission (SDHC) and Civic San Diego (CivicSD) have engaged Forsyth Advisors to develop a Transit Oriented Development fund that would leverage \$20 million in public assets at a 3:1 ratio to provide finance options that are currently unavailable or scarce. The City of New York has deployed \$400 million in financing using the model of an off-balance sheet fund that is nimble and can deploy assets in 60 days or less. The current market need are for small scale projects, around 50 units, rehab, and long-term acquisition financing. SDHC and CivicSD are targeting June for City Council with the first round of financing being deployed in the Fall.

HOUSING INVENTORY ANNUAL REPORT

Summer 2017

What gets measured gets managed. Currently, the City of San Diego does not do a comprehensive report of its housing inventory and greater housing outlook. Developing an annual report that compiles information on San Diego's housing will help us to better understand the crisis we are facing in the short term and also help us gauge what strategies are producing results in the long term.

The report, which will be conducted annually, will seek to compile information such as existing housing supply for both market rate and affordable units, number of units approved by the City, as well as vacancy rate and other metrics to help the City have a better understanding of San Diego's housing situation.

The first report will be released in the summer of 2017.

CONTINUING COMMITMENTS TO HOUSING

While new policies like those in this initiative are necessary to begin addressing our housing crisis, it is important to not lose sight of existing work being done by the City to help meet these goals as well. Long term commitments to community planning and regulatory reform are necessary to ensure that we can continue to improve the delivery of housing units to our City and region.

Comprehensive Community Plan Updates

The City relies on community plans to establish the land use allowances and community-specific policies to implement the General Plan and City of Villages strategy. There are 49 community plans within the City, most of which were last updated in the '90s. A lot has changed since then and the policies reflected in those documents are outdated, which frustrates the market's ability to be responsive to the growing demand for quality affordable housing. While the City has comprehensively updated nine community plans since 2014, more needs to be done. Benefits of an updated community plan are provided below.

- [More By-Right Development](#)
Residential and mixed-use development projects that comply with updated zoning, community plans, and applicable regulations will be processed by-right.
- [Expedited CEQA Review](#)
Projects requiring CEQA review will be able to tier off the CPU EIR (§15183), where projects will simply need to complete a 'compliance checklist.' This will substantially reduce the amount of analysis that needs to be completed by applicants.
- [Zoning Efficiencies](#)
The City is moving away from community specific specialized zones to more citywide standards, resulting in simplified and consistent application of regulations.
- [Updated Facilities Financing Plans](#)
Updated plans result in more infrastructure projects that can be eligible for reimbursement.

Updating community plans are a high priority of this administration and all newly initiated updates will be completed within three years, instead of the traditional six to eight year processing period.

Climate Action Plan (CAP) Consistency Checklist

The CAP establishes a framework for the City of San Diego to address climate change and significantly reduce its overall carbon footprint. Last year the City adopted the CAP Consistency Checklist which allows projects that demonstrate compliance with the CAP to rely on its environmental analysis for greenhouse gas emissions (GHG's). The checklist will save project applicants time and money by not having to conduct those analyses themselves provided they meet the prescribed mitigation actions identified in the checklist.

Development Services Department Improvements

The City's Development Services Department (DSD) is responsible for permitting, reviewing, and inspecting new development. The role that DSD has in the delivery of new housing is a significant responsibility. If the department does not operate efficiently it can have negative impacts on the cost of new development. Excessive processing times and costs can translate directly into the eventual price a renter or homebuyer pays for the unit.

Over the past several years, improving the functionality of DSD has been a major priority. Numerous steps have been taken to streamline processes, improve coordination and customer service, simplify requirements and the municipal code, and incorporate new technologies. Below is a comprehensive list of efforts undertaken by DSD to improve the departments operations:

- [Customer Service Training](#)
 - Reactivated department wide trainings
 - Established extended customer service hours targeting homeowners and small businesses
 - Extended operating hours including evening permit review on Thursday 5-7pm as well as Saturday inspections
- [Implemented OpenDSD](#)
 - 3 years of project data on searchable internet database
 - Online payment and inspection
 - Real-time permit and enforcement status
- [Completed 9th Land Development Code Update](#)
 - 57 Code Amendments and streamlining measures
 - Streamlined CEQA noticing
 - Eased permit utilization restrictions
 - Clarified previously conforming regulations
- [Completed 10th Land Development Code Update](#)
 - 38 Code Amendments and streamlining measures
 - Eased permit utilization for CIP projects
 - Expanded use of shared parking
- [Fee Modifications](#)
 - Simplified Fee Structure reducing 538 fees into 313 fees
 - Converted 62 deposit accounts to flat fees
 - Allowed for fee deferrals
- [Revised Affordable Housing Density Bonus Program](#)
 - 15% increase in the Density Bonus (35% to 50%)
 - Increased incentives from 3 to 5
 - Process Level improvements
 - Implemented AB744's Parking Reductions for Affordable Housing Developments
 - Allows for off-site Affordable Housing units with approved agreements
- [Implementation of Accela](#)
 - New project management software to replace dated PTS system
 - Will reduce dependency on internal staff

- Flexible and expandable platform
- Faster and more accurate permitting
- Reduce paper files
- Reduce trips to Development Services Center
- Implementation in June of 2017

- [Processing Time Improvements](#)

Past Year from	Reviews completed	% of time meeting Goal	% completed <3 review cycles	Number of Inspections	% of inspections <2 Days	FTE's
9/13	71358	87.1	88.9	116671	93.3	283
9/14	86848	87.0	87.7	125295	93.8	315
9/15	93653	87.5	86.9	139326	91.8	350
9/16	101992	89.3	87.0	155201	92.4	371

DSD has maintained very high service levels under increasing pressures caused by additional volume and more complex building and storm water regulations. Over the past year, some sections have dramatically improved their performance. For example the Drainage and Grades Section has increased its percentage of on-time reviews from approximately 65% to 90% on time.