

U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT COMMUNITY PLANNING AND
DEVELOPMENT PATHWAYS TO REMOVING OBSTACLES TO
HOUSING (PRO HOUSING) FR-6800-N-98



CITY OF SAN DIEGO

Exhibit A: Executive Summary

October 10, 2024

Subject: Pathways to Removing Obstacles to Housing (PRO Housing) Grant Application

Dear Acting Secretary Todman,

The City of San Diego is seeking a \$7 million Community Development Block Grant Pathways to Removing Obstacles to Housing (Grant) from the US Department of Housing and Urban Development (HUD) for Pathways to Removing Obstacles to Housing (PRO Housing) initiative to help facilitate the Small-scale Neighborhood Homes Initiative and to expand the City's Development Impact Fee Credit Program for Affordable Homes (DIF Credit Program). This initiative will provide funding to promote small-scale residential developments up to 9 homes through planning studies and will provide financial assistance for affordable and middle-income homes within the City of San Diego.

The City of San Diego has taken nationally recognized innovative approaches to resolving the housing crisis, but large portions of the city remain exclusively reserved for single-family housing. The Small-scale Homes Initiative takes a climate-smart approach to promoting small-scale multiple homes in traditionally single-family transit-rich neighborhoods. This approach will provide new home opportunities and promote the use of mass transit while preserving neighborhood character. PRO Housing grant funds will play a pivotal role in this effort by funding long range impact studies, studying non-traditional homeownership models to allow new pathways for homeownership, as well as promote the development of small-scale homes by providing financial assistance through the city's DIF Credit Program.

Development in San Diego, including affordable housing and small-scale residential developments, are subject to the payment of Development Impact Fees (DIF). These funds are used to ensure the provision of public infrastructure, such as parks, libraries, and road improvements, to serve the individuals using the new development and to improve the community. The DIF Credit Program offers payment of DIF in the form of fee relief specifically targeting affordable homes. Priority is given to projects that further the City's climate goals by building in Vehicle Miles Traveled (VMT) efficient areas and to projects that further the City's fair housing goals by building affordable homes in high and highest resource areas. The PRO Housing Grant will provide additional funds to the existing Development Impact Fee Assistance to Affordable Housing Pilot Program (Pilot Program) to provide more assistance to affordable housing projects and will expand the program to provide financial assistance to qualifying small-scale neighborhood home projects.

The implementation of the Small-scale Neighborhood Homes initiative and expanding the DIF Pilot Program will have a significant and measurable impact on the City. These initiatives will 1) Increase the supply of homes and alleviate housing costs created by demand; 2) Reduce the cost of developing affordable and small-scale multiple home developments by providing financial assistance of public improvement fees; 3) Promoting more development and using grant funds to pay infrastructure fees to pay for infrastructure investments in disadvantaged communities; and

4) Promote equity, fair housing, and the overall well-being of all City of San Diego residents. The DIF Credit Program and Small-scale Neighborhood Home Initiative align with Strategic Goal 1 and 2 of HUD's FY 2022-2026 Strategic Plan by supporting underserved communities and increasing the production of affordable housing.

The City will match the grant with in-kind staff time to administer the program and \$3 million in State Regional Early Action Planning (REAP) funds. This comprehensive approach underscores the City's dedication to the success of the Small-scale Neighborhood Homes Initiative and the DIF Credit Program, demonstrating a commitment to leveraging resources efficiently for the betterment of the community.

Sincerely,

Todd Gloria
Mayor
City of San Diego

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Applicant Information

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Exhibit B: Threshold Requirements and Other Submission Requirements

Threshold Eligibility Requirements:

1. Resolution of Civil Rights Matters

Not applicable; The City of San Diego does not have any unresolved or outstanding civil rights matters.

2. Timely Submission of Application

The City of San Diego's PRO Housing application will be submitted in a timely manner and within the application deadline determined by HUD.

3. Eligible Applicant

According to Section III.A. of the NOFO, the City of San Diego is an eligible applicant under "02 (City or township governments)". Eligible applicant documentation is included in Attachment B.

4. Number of Applications

The City of San Diego will submit this application as its only proposal for PRO Housing.

Other Submission Requirements:

1. Standard Application, Assurances, Certifications, and Disclosures

a. Standard Form 424 (SF-424) Application for Federal Assistance

SF-424 has been completed and uploaded on Grants.gov.

b. Assurances (HUD 424-B)

HUD 424-B has been completed and uploaded on Grants.gov.

c. Applicant Disclosure Report Form 2880 (HUD 2880)

HUD 2880 has been completed and uploaded on Grants.gov.

d. Code of Conduct

The City of San Diego's Code of Conduct has been sent directly to HUD's Grants Management and Oversight Division (i.e., askGMO@hud.gov), per HUD's Code of Conduct for HUD Grant Programs webpage.

e. Affirmatively Furthering Fair Housing

Please see Exhibit D Soundness of Approach for a description of how the City of San Diego's Climate Friendly Affordable Home Incentive and Equitable Infrastructure Program (Pilot Program) is aligned with affirmatively furthering fair housing requirements.

2. Other Program-Specific Requirements

a. Limited English Proficiency

In alignment with the commitment to inclusivity, the City of San Diego has proactively addressed the needs of Limited English Proficiency (LEP) populations in the planning process and application phase. The City has conducted a public hearing meeting through a hybrid model, offering both in-person and virtual participation options.

To ensure that information is accessible to LEP populations, the City adhered to its current Citizen Participation Plan. As outlined in the plan, any individual requiring interpretation services was able to request this support by RSVPing to the event and indicating their need for interpretation services. This approach facilitates the active engagement of LEP populations in the public hearing, ensuring that vital information is accessible and understood by all community members, irrespective of language proficiency. The City remains committed to fostering an inclusive environment and compliance with federal guidelines regarding Title VI to prevent national origin discrimination affecting Limited English Proficient persons.

b. Physical Accessibility

The City of San Diego affirms its commitment to accessibility for all individuals, including those with disabilities, in adherence to HUD's regulations and relevant laws.

Recognizing the diverse needs of the community, the City hosted an in-person public hearing, ensuring that the selected facility aligns with ADA accessibility standards. In addition, the City is mindful of the challenges some individuals may face in traveling to physical locations. To address this, a virtual participation option was provided for those who may find it difficult to travel, thereby offering an inclusive and accessible alternative for engagement. This approach aims to accommodate a broader spectrum of participants and foster community involvement, ensuring that the public hearing is accessible to all, regardless of their ability to attend in person.

The City, through its Department of Government Affairs, sent the invitation to participate in the public meeting to its nine City Council offices and its congressional delegation.

c. Environmental Review

This activity is exempt from NEPA pursuant to 24 CFR 58.34(a) as the activity is a financial service. The activity will finance reducing or waiving DIF for affordable home construction.

d. Federal Assistance Assurances

The Federal Assistance Representations and Certifications section of the City Planning Department's sam.gov registration has been completed.

e. 424-CBW Budget Form

The 424-CBW Budget Form has been completed and included in the City of San Diego's application package.

f. Certification Regarding Lobbying

The Certification Regarding Lobbying has been completed and included in the City of San Diego's application package.

g. Disclosure of Lobbying Activities (SF-LLL)

SF-LLL has been completed and included in the City of San Diego's application package.

Exhibit C: Need

i. Demonstrate your progress and commitment to overcoming local barriers to facilitate the increase of affordable housing production and preservation, primarily by having enacted improved laws and regulations.

a. Improved laws, regulations, or land use local policies

The City's recent and ongoing housing initiatives have resulted in more market-rate and affordable homes being issued permits in 2023 than in any year in over a decade, with almost 27% of all permitted homes being deed-restricted affordable homes. From 2021 to 2023, approximately two-thirds of permitted homes were in Moderate-, High-, or Highest-resource areas of the City, providing residents access to opportunity and demonstrating the City's concerted efforts in affirmatively furthering fair housing.

The City of San Diego's recent and ongoing initiatives to 1) facilitate transit-oriented in-fill development that affirmatively furthers fair housing and reduces vehicle miles traveled (VMT); 2) support the construction of affordable homes, particularly within higher resource areas in the City of San Diego; and 3) provide public infrastructure that supports new development and thriving communities include the following:

- **Affordable Housing in All Communities.** This program allows 100% affordable home developments on premises found within non-residential base zones that do not otherwise allow multiple-home developments, provided that the homes are in High or Highest Resource California Tax Credit Allocation Committee (CTCAC) Areas. This encourages affordable homes near complementary and needed non-residential uses for San Diegans.
- **Community Plan Updates.** Plan updates for 20 communities increased housing capacity by over 160,260 units since 2014, particularly in transit-supportive and higher resource areas of these communities. This supports the City's efforts in affirmatively affirming fair housing and the goals of the City's Climate Action Plan (CAP).
- **Complete Communities Housing Solutions.** This Program provides a Floor Area Ratio (FAR) bonus, FAR-based density and height, incentives, and waivers, and DIF scaling in exchange for deed restricting 40% of the pre-bonus units as affordable. These regulations are applicable within the City's Sustainable Development Areas (SDA), the most transit-rich areas of the City. In 2023, the Complete Communities Housing Solutions program was used to permit 1,131 homes, of which 115 were deed-restricted affordable for very low-, low-, and moderate-income households. The total number of homes was nearly a seven-fold increase over the previous year.
- **Affordable Housing Density Bonus Programs.** Density bonus programs include incentives for 100% affordable units, moderate income households, allows for

off-site affordable homes in High or Highest Resource Areas, and provides tenants and homeowners affordable homes in areas with high access to opportunity.

- **Land Development Code Updates.** Amendments to the City's Land Development Code includes policies that reduce setbacks for ADUs, expand density bonus policies to larger parts of the City, expand incentives and bonuses available to projects containing for-sale units, and further streamlines the City's various affordable housing programs.
- **Inclusionary Affordable Housing Regulations** These regulations are applicable to projects proposing ten or more homes outside of coastal areas, 5 or more homes within coastal areas, and in condominium conversions proposing two or more homes. Since 2021, 179 developments have been subject to these regulations, most of which were in Moderate, High, or Highest Resource Areas of the City, providing access to opportunity for lower-income San Diegans. In 2021, these programs were amended to allow for off-site affordable homes if the homes are in High or Highest Resource Areas.
- **Dwelling Unit Protection Regulations.** The regulations require the replacement of deed-restricted affordable homes and non-deed restricted homes rented by low-income families that are demolished as part of residential development.
- **Housing Action Package 1.0.** This package of ordinances implemented of California Senate Bill 9, regulations that facilitate the construction of housing at City facilities, and an Employee Housing Incentive Program, which allows non-residential projects to receive development incentives in exchange for construction of off-site affordable units or payment into the Affordable Housing Trust Fund.
- **Housing Action Package 2.0.** This package of ordinances introduces environmental justice measures, creates off-campus student housing incentives to address college student housing insecurity, facilitates the construction of single-room occupancy homes, prevents displacement, encourages the conversion of empty strip malls and parking lots into housing, and streamlines regulations to allow the construction of middle-income homes in places with good schools and job availability.
- **Accessory Dwelling Unit (ADU) Bonus Program.** This national award-winning program allows for one additional ADU to be built in for every ADU that is deed-restricted as affordable. Within areas that are close to transit, this program does not cap the amount of ADUs that can be built. Since the inception of the program in 2021, the ADU Bonus Program created a total of 219 homes, a majority of which were deed-restricted affordable for very low-, low-, and moderate-income households.

- **Blueprint San Diego.** This initiative updates the City's General Plan, encourages more homes and jobs in areas that demonstrate the greatest transit competitiveness, and improves opportunities to walk/roll, bike and take transit for daily needs. Blueprint SD revised land use density ranges and created a higher density land uses going from 73+ to 290+ du/ac, creating significant additional opportunity for homes in the City of San Diego.

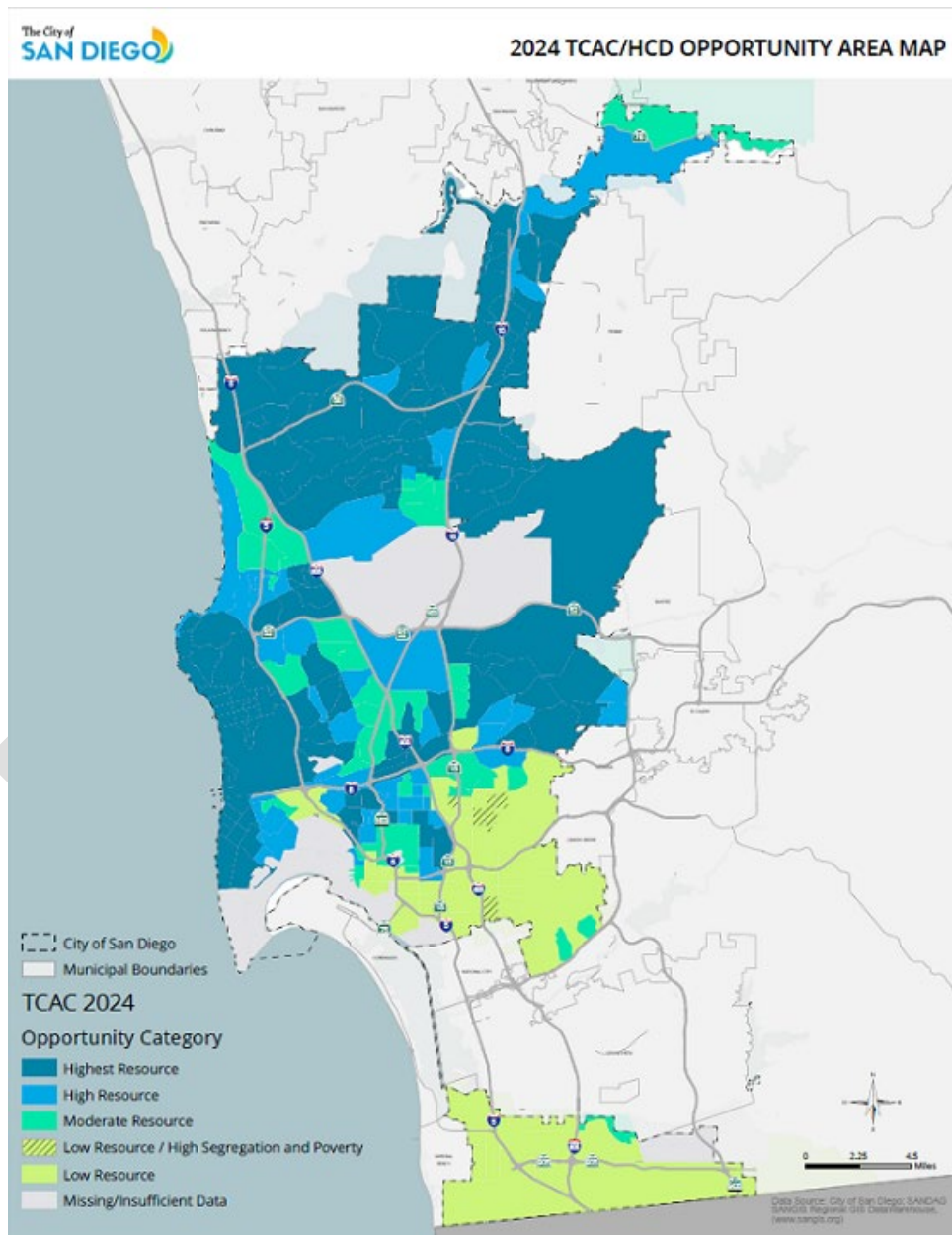


Figure 1: 2024 TCAC/HCD Opportunity Area Map

b. Other recent actions taken to overcome barriers to facilitate the increase of affordable housing production and preservation.

The City has implemented several other recent policy changes, housing strategies, and new initiatives to increase housing supply or lower housing costs, including:

- **Build Better San Diego (BBSD).** This initiative simplified and standardized the City's DIF structure across the City; created City-wide funds for fees collected for parks, libraries, mobility, and fire-rescue projects; and prioritized the expenditure of those funds in areas where infrastructure is most needed, namely traditionally underserved, and disadvantaged communities as well as communities experiencing the greatest development. Prior to the adoption of BBSD, there was \$222 million dollars in DIF collected and unable to be spent efficiently. Most of these funds were placed into funds where they stayed unused for years, primarily in high resource areas. With the adoption of BBSD the standardized City-wide fee will deliver infrastructure to areas with the greatest needs faster and more efficiently across the City.
- **Council Policy 800-114.** This policy prioritizes equitable and equal community investment regarding capital improvements in structurally excluded communities, which are communities that have maintained unfair racial outcomes due to institutional racism and have low access to City services. These investments must demonstrate that they benefit and address disparities in structurally excluded communities. The changes in the council policy ensure that infrastructure will be prioritized in communities to address the following; infrastructure deficiencies, areas with greatest needs, and areas that service the most people and are experiencing the most growth.
- **Bridge to Home.** This program was launched to produce affordable homes for all San Diegans, provides gap financing to qualified developers to make affordable housing projects a reality to create homes for families and individuals who can't afford market-rate housing, including many who are at risk or currently experiencing homelessness. Round 4 Bridge to Home NOFA was released on July 11, 2024. The amount of funding available is \$20M of Low and Moderate Income Housing Asset Funds. The funds can be used for new construction, demo and site clearance (including environmental) as well as site improvements.
- **Mayor's Executive Order 2023-1.** Signed on January 11, 2023, this executive order directs all City departments to review and issue permits for all 100% affordable housing projects within 30 business days. This executive order created the Affordable Housing Permit Now program. To date, the program has fast-tracked 21 projects, totaling over 2,356 new affordable homes with another 478 in process. Of the permitted projects, 13 are already under construction. A majority

of homes are located in Moderate, High-, or Highest Resource Areas of the City.

- **Pro-Housing Designation.** The City of San Diego was one of the first jurisdictions in the state of California to receive a Pro-Housing Designation, which is awarded by California State Department of Housing and Community Development based on policies adopted by the city that prioritize and expand new home construction.

- **Expedited Permit Processing.** The Development Services Department retained two outside contractors to assist in expediting permit review and issuance. Since their retainment, the department has seen a decrease in permit backlog and wait times. This results in faster permit issuance so that construction can begin sooner.

ii. Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know?

The City of San Diego is the largest city located within the County of San Diego, a recognized Priority Geography by the Department of Housing and Urban Development, and is facing a housing crisis driven by a constrained and aging supply of homes. Despite a record year in housing production, the City of San Diego is still failing to produce enough homes to meet its regional housing needs. By 2029, the City needs to permit approximately 83,000 homes, but is currently averaging about 6,000 homes per year. To meet its housing demand, the City will need to permit over 13,000 homes per year. Additionally, to meet its affordable housing needs set by the California Department of Housing and Community Development, the city needs to permit 64,199 deed-restricted affordable homes by 2029. To date, the city has permitted 4,879.

The City of San Diego faces an acute housing crisis partially driven by out-of-reach housing costs, which is disproportionately impacting communities of color. According to a 2024 study by Zillow, the median price for a single-family home was \$902,199 and requires a minimum annual income of \$273,613 to qualify to purchase. Within San Diego County, the Area Median Income (AMI) is \$119,500, thus requiring a family of four to earn 192% of AMI to afford the median price for a single-family home. Further worsening the cost issue is that approximately 80% of the City of San Diego's residentially zoned land is zoned for single-family, essentially requiring San Diegans to live with increasingly expensive housing costs with few alternatives. The high cost of housing in San Diego is also disproportionately affecting communities of color. According to data compiled by the [California Housing Partnership](#), 61% of black City residents are cost-burdened, compared to 54% of Latino City residents and 50% of white City residents. Moreover, 65% of white San Diegans own homes, while only 36% of black San Diegans and 46% of Latino San Diegans are homeowners.

Another obstacle to housing comes from the high cost of homeownership, which is often worsened by an aging housing stock. Over 90% of the City’s housing stock was built prior to 2000 with much of the inventory constructed between the 1960s and the 1990s. Only 3.6% of the City’s housing stock was built in the last 10 years. According to a study by the Joint Center for Housing Studies at Harvard University, after homes age past 20 years, improvements and repair spending increase significantly and remain high throughout the remaining years of a home’s life. Aging housing stock often requires significant rehabilitation expenditures, which can further serve as an impediment to homeownership.

Housing costs are also out-of-reach for renters. In 2024, the median monthly rent for a three-bedroom home was \$4,250. A family earning \$119,500 (100% of AMI) would need to dedicate 42% of their monthly income to afford rent, which exceeds what the traditional standard for measuring affordability at 30% of monthly income. For families who are lower-income, this rent would account for up to 87% of their monthly income. Due to the high cost of living in San Diego, many are opting to leave the City. A [2023 study](#) by the Nonprofit Institute at the University of San Diego found that two-thirds of San Diegans are considering moving outside of the area, with 75% of participants citing the high cost of living as their reason for moving out of San Diego.

INCOME SCENARIO	HOUSEHOLD INCOME - FAMILY OF FOUR	AFFORDABLE RENT 30% OF MONTHLY INCOME	DOLLARS OVER AFFORDABLE	PERCENT OVER AFFORDABLE
120% OF AMI	\$143,400.00	\$3,585.00	\$665.00	19%
100% OF AMI	\$119,500.00	\$2,988.00	\$1,263.00	42%
80% OF AMI	\$121,250.00	\$3,031.00	\$1,219.00	40%
60% OF AMI	\$90,900.00	\$2,273.00	\$1,978.00	87%
40% OF AMI	\$60,600.00	\$1,515.00	\$2,735.00	180%

iii. What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

Both non-profit affordable and for-profit residential developers have found the high cost of development as a significant obstacle to building more homes. Construction costs have increased dramatically over the past decade, driven primarily by the annually escalating land costs and fees collected by the city during the permit application process. Further compounding costs for developing affordable homes is that the cost of land in higher-resource areas is far more expensive than the cost of land in low resource areas. For a not-for-profit or for-profit developer trying to build homes for all San Diegans, they must often build in low-resource areas and simply cannot afford to construct affordable housing in high resource areas. This has a two-fold impact on San Diego: It reduces access to opportunities for low-income families to live in high-resource areas, and it increases the risk of displacement by market-rate development in lower resource areas.

According to a 2023 study by The Civil Rights Project/Proyecto Derechos Civiles at UCLA, well over 50% of lower-income neighborhoods in the City have gentrified since 2020.

Increased land costs are partially driven by land use regulations. Of the City's residentially zoned land, approximately 80% of the City does not permit multiple-home development. Constraining the amount of land that can be used to develop buildings with multiple homes – by far the most common type of new residential development – significantly drives up demand and escalates land costs. Changing land uses has been challenging in San Diego, primarily because white communities that benefited from racist-redlining principles continue to resist land use changes that would allow more home opportunities in their neighborhoods. Many of the same communities that benefited from red-lining still mount substantial community opposition to any regulation that promotes affordable housing in their communities. Because land uses have not been able to be updated to accommodate more development, there has been less development impact fees collected to pay for needed infrastructure throughout the city.

The following barriers to preserving and producing more affordable housing remain, which the Small-scale Neighborhood Homes Initiative aims to address:

- **Development Costs.** The Small-scale Neighborhood Homes and DIF Credit Program will address development costs by providing financial assistance for Development Impact Fees (DIF). These project fees are charged to developers by the City of San Diego to offset some of the costs associated with providing public infrastructure and services that are impacted by new development. Additionally, in-fill development can be more challenging and costly compared to developing greenfield sites due to land availability and costs, existing infrastructure, and building costs associated with taller, denser in-fill development, and delays that further add to overall costs. The costs to construct residential development are passed on to those seeking to rent or own homes, leading to increasing rents and mortgages and undermining the financial viability of developments.
- **Single-Home Zoning:** Approximately 80% of the City is single-home zoned. This limits the supply of land available for development of new homes, and severely limits the ability to develop affordable housing, which is almost entirely built in multiple home developments. The Small-scale Neighborhood Homes initiative creates more pathways to homes by allowing for more cost-effective home types in single-family areas. For example, the median cost of a condominium or townhome – the type of product promoted by the Small-scale Neighborhood Homes Initiative – costs \$662,00 – which is over \$240,000 less expensive than the median single-family home.

Setting aside large portions of the city to allow only single-homes severely constrains the supply of homes, and further constrains the supply of homes available for renters. When supply is severely limited by regulations that limit the development of a parcel to only one home, the cost of land and rent increase

dramatically. While the city has adopted innovative approaches to promoting multiple home development, just 20% of the land in the city is allowed to build a type of residential development that accounts for 75% of all new homes. For the city to create the number of homes it needs to meet regional needs, there needs to be more types of homes allowed in areas that are zoned to allow only one home.

- **High Land Costs in Higher-Resource Areas of the City.** Higher-resource areas in the City are in high demand, resulting in increased competition and higher bids on land. This prices out smaller developers trying to develop small-scale multiple home developments, and often results in developers charging higher rents in order to make projects pencil. As a result, rents are often higher which eliminates potential home opportunities from lower-income households. Lower-income households seeking to own homes cannot outbid higher-earning households for market-rate homes and are forced to look for homes in areas with less access to opportunity, concentrating both poverty and wealth geographically.
- **Appreciating Land Costs in Gentrifying Areas.** Gentrifying areas in the City become increasingly expensive for all San Diegans, but particularly for low-income San Diegans. The increase in land values can price out those seeking to rent or own homes, in the neighborhoods where they currently reside. This not only results in the displacement of lower-income households but also prevents them from benefiting from improved access to opportunities as their communities develop. Limiting the supply of homes worsens these dynamics.
- **Inequitable Benefits from the Housing System.** When properties are expensive and/or appreciating in value current property owners and creditors benefit. Given the consistent increases in property values in the City going back decades, the benefits of housing in San Diego have disproportionately gone to current property owners and creditors at the expense of prospective homeowners, tenants, and borrowers. Racial inequalities in the housing system also persist, such as inequalities in homeownership rates and the inequitable cost burdens associated with housing in the City.

Alternative ownership models that depart from this dynamic are needed. A model where wealth is built through housing being more affordable, inequalities of homeownership can be addressed and where affordability is maintained through alternative ownership models such as limited-equity housing cooperatives (LEHCs) and community land trusts (CLTs). The Small-scale Neighborhood Home initiative will leverage PRO Housing funds to study how the city can promote alternative ownership models to create more equitable benefits from homeownership.

- **Community Resistance.** Recent efforts in the City of San Diego to marginally increase density in single-home zones have been met with opposition from some community members, particularly in higher-resource and transit-supportive areas that are currently only zoned for single-homes. Many of these areas benefitted

from racist redlining principles originating from the 1930s. A common critique from community members opposed to increasing homes in their neighborhoods are concerns regarding adequate infrastructure capacity and public services needed to support higher densities. Other critiques cite a need for a more robust and inclusive public engagement process that can bring more diverse and lower-income voices into the discussion regarding land uses.

The Small-scale Neighborhood Homes initiative addresses these critiques by using PRO Housing funds to develop and implement a robust and inclusive public engagement guide that aims to do extensive outreach in marginalized communities and will fund studies to determine and plan for long-term impact of increasing density in transit-rich single family neighborhoods.

Exhibit D: Soundness of Approach

i. What is your vision?

The Small-scale Neighborhood Homes Initiative and Pilot Program is requesting \$7 million to increase the production of small-scale multiple home developments in single family areas and to provide financial assistance to more types of homes to meet housing needs. This initiative will prioritize development in areas that reduce VMT, create affordable housing opportunities in high resource areas, and provide adequate infrastructure investments in marginalized communities through providing financial assistance to qualifying residential developments. As a result of this initiative, we will transform our single-family neighborhoods close to public transit into walkable communities that are attainable for San Diegans of all income levels. This initiative will be comprised of the following four tasks:

Task One – Design and Implement an Inclusive Public Engagement Strategy.

This initiative will be supported by a robust inclusive public engagement program. The public engagement program will identify key community stakeholders, target outreach to identified stakeholders, conduct workshops on the grant and the initiative, and create a website to educate community members about the initiative and implementation. Underserved communities, people with accessibility issues, persons with unmet housing needs, and current and prospective occupants of affordable housing, will be a strong focus for our outreach strategy, with an emphasis on generating input on these classes.

The program will provide opportunities for community members to be informed about our initiative and could help educate community members about components of the initiative, such as Limited Equity Housing Co-ops, Community Land Trusts, and our proposed regulatory reforms.

Task Two – Study and Plan for Small-scale Neighborhood Homes. The Small-scale Neighborhood Home Initiative will study the feasibility and long-term impacts of small-scale neighborhood developments that propose up to nine homes in single-home zones. The study may include proformas of model developments within higher resource and VMT-efficient areas of the city, ensuring that these efforts are realistic and likely to benefit lower-income communities and households. Other studies that may be considered to support the Small-scale Neighborhood Homes Initiative could include transportation, parking, and infrastructure impacts. Additionally, the Small-scale Neighborhood Homes Initiative may evaluate the feasibility of alternative ownership models, such as Limited Equity Housing Co-ops and Community Land Trusts to address concerns regarding gentrification and displacement. Alternative housing models like Limited Equity Housing Co-ops and community land trusts are increasingly important and recognized tools for cities to promote pathways to homeownership while mitigating the harmful effects of displacement.

Task Three – Streamline Development of Small-scale Neighborhood Homes through Regulatory Reform. The Small-scale Neighborhood Home Initiative will streamline development through regulatory reform and amend the city’s Land Development Code to allow small-scale neighborhood homes. The prohibition of multiple home uses in single-home zones is a key barrier to creating affordable homes in higher-resource areas and is a significant factor in the high cost of housing in all parts of the city. This initiative will develop new regulations to allow up to 9 homes in transit-supportive areas and will develop policies to promote affordable housing in higher resource areas to affirmatively further fair housing. By increasing density in areas that are already determined to be VMT efficient, new residential development will also help the City reach it’s Climate Action Plan goals and reduce green-house gasses.

Task Four – Expand the Development Impact Fee Credit for Affordable Homes Program. The Small-scale Neighborhood Homes Initiative will expand the city’s Development Impact Fee Credit for Affordable Homes Program by allowing qualifying small-scale multiple home projects to qualify for the DIF Credit Program, in addition to increasing funding for supporting 100% affordable multiple home developments in high-resource VMT-efficient areas. Money collected through DIF is critical for the city to provide public facilities and infrastructure like libraries, fire-rescue stations, and mobility. However, DIF costs can be substantial for large projects, small-scale neighborhood home projects, and prospective lower-income homeowners on Community Land Trust-owned land and within Limited Equity Housing Co-ops. By funding DIF costs for qualifying developments, we can lower costs to tenants and homeowners, ensure the financial feasibility of critically needed new developments, and provide necessary infrastructure investments in our community.

The Small-scale Neighborhood Homes Initiative leverages \$3 million dollars from San Diego Association of Government’s Regional Early Action Planning (REAP) Grant funding. In 2023, the City of San Diego was awarded \$2.5 million dollars for a Pilot DIF

Credit Program for Affordable Homes, which will be used to develop the program and provide an initial round of funds for 100% affordable multiple home development projects in high-resource VMT-efficient areas. The \$6 million requested in this grant would be used to provide additional DIF assistance for more qualifying development. The City was also awarded \$500,000 for the Small-Scale Neighborhood Homes Initiative. This funding will be used to develop standardized plans for the small-scale neighborhood homes, provides a financial feasibility study and a sustainable building analysis.

The Small-scale Neighborhood Homes Initiative encourages increased affordable housing opportunities for low-income and moderate-income individuals and families and, therefore, meets the CDBG national objective of benefiting low- and moderate-income persons. According to Section III.F.2 of the NOFO, the Small-scale Neighborhood Homes Initiative also constitutes an eligible activity consistent with the "Planning and Policy Activities" category and is aligned with all the goals listed on page 16 of the NOFO: i) further develop, evaluate, and implement housing policy plans, ii) improve housing strategies, and iii) facilitate affordable housing production.

As a result of this initiative, the City of San Diego will be able to make necessary changes to its land development code to allow for more homes in areas that can reduce greenhouse gasses and provide more housing opportunities in high-resource areas. By increasing density in single-family areas, high demand driven by low supply will be eased and lower the cost of market-rate housing. By focusing development in VMT efficient higher-resource areas, the city is locating more types of homes that are more naturally affordable than single homes and putting them in places that are easy to access busses and trollies. By studying and promoting alternative homeownership models, the city will be creating more equitable community benefits for developing more homes in single family areas and help mitigate the effects of displacement by development. Finally, by providing financial assistance to Development Impact Fees, the City will be able to continue investing in critical infrastructure needs needed to accommodate growth while also helping developments become financially feasible.

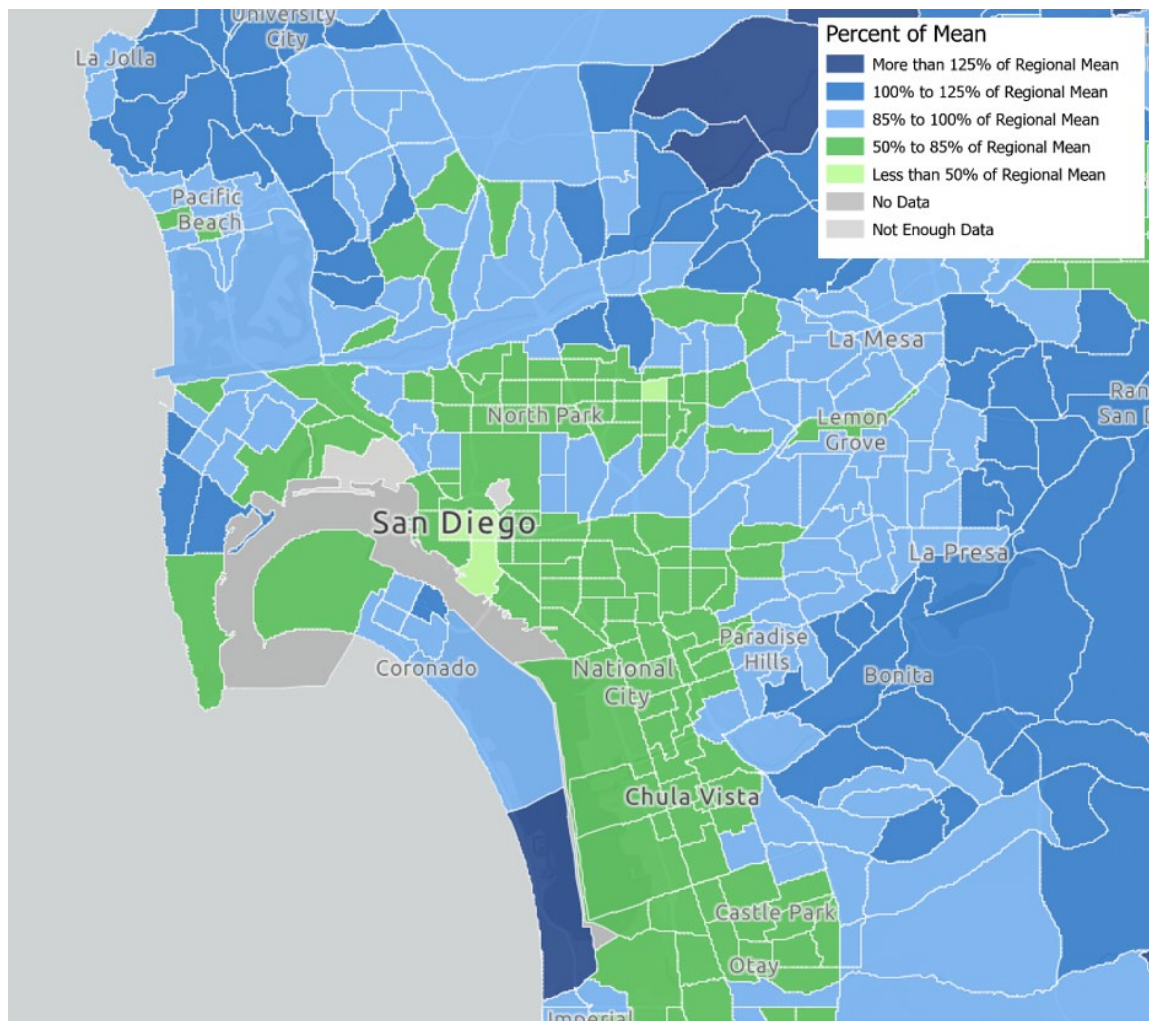


Figure 2: City of San Diego Vehicle Miles Travel (VMT) efficient map

ii. What is your geographic scope?

The Small-scale Neighborhood Homes Initiative and Pilot Program will incentivize the construction of affordable housing in VMT-efficient communities across the City of San Diego, with priority placed on projects that provide affordable housing units in high and highest resource areas. The prioritization of the program within high and highest resource areas will serve to incentivize the construction of affordable homes in communities where the need for affordable homes is the greatest and where costs associated with housing are the highest. For projects outside of high and highest resource areas, the Small-scale Neighborhood Homes Initiative will incentivize the construction of affordable homes through DIF relief without reducing funds available for needed infrastructure improvements within these traditionally underserved communities. Additionally, existing tenant protection and residential dwelling unit replacement regulations will ensure that the overall number of homes are maintained or increased, and that low-income tenants receive protections and first right of refusal for new units.

The projects funded by the Small-scale Neighborhood Homes Initiative and Pilot Program will primarily serve individuals within the County of San Diego, which is listed as a priority geography on the Fiscal Year 2023 PRO Housing List of Priority Geographies as shown below in purple.

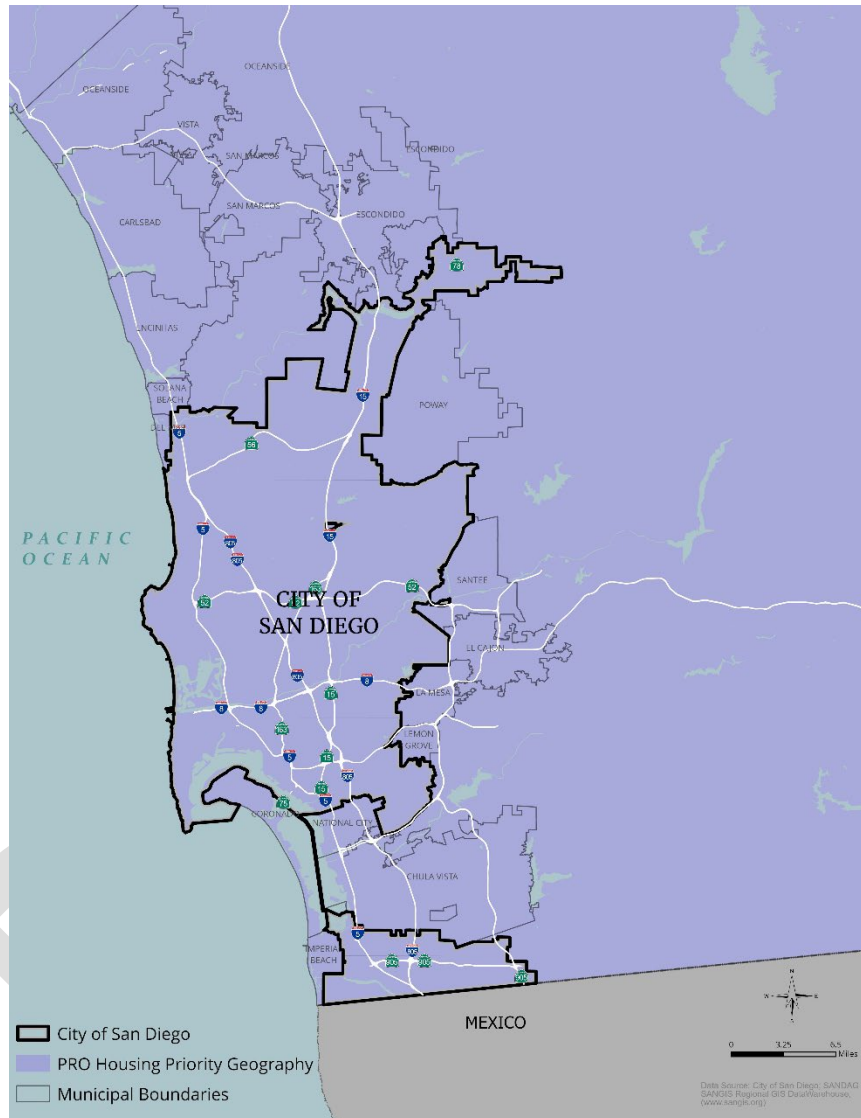


Figure 3: If the application is shaded in purple, it is a priority geography.

iii. Who are your key stakeholders? How are you engaging them?

Task one of the Small-scale Neighborhood Homes Initiative includes the creation of an Inclusive Public Engagement Program, which will identify key community stakeholders, target outreach to identified stakeholders, conduct workshops on the grant and the initiative, and create a website to educate community members about the initiative and implementation. City Planning staff will also leverage extensive long-standing relationships with affordable housing developers and community-based organizations

with the objective of disseminating information about the available funding opportunities and thus increase the number of affordable units that will inevitably be built.

To ensure inclusivity, all materials associated with this initiative will be shared in various languages and will accommodate the diverse linguistic needs of the community. The initiative will prioritize lower-income households making up to 120% of AMI, and tenants' rights and community-based organizations that have proven records of effectively working with lower-income households will be identified and prioritized. Greater emphasis will be placed on encouraging greater participation from lower-income households within these communities, which will help to ensure that participants in this initiative reflect the racial and economic diversity of these communities. There will be special attention to the challenges that lower-income households face when trying to participate in initiatives such as these.

Along with engaging with various stakeholders to develop a successful implementation strategy for the grant proposal; City Planning Department staff will leverage the building industry, affordable housing developers and community members to gather community input to guide the development of policies and implementation strategies. City Planning staff strives to ensure engagement is inclusive and meaningful by using engagement tactics such as theater-based techniques, model making, mapping, etc. that are interactive and welcoming to people of age groups and abilities. The City of San Diego recognizes the importance of continuous process improvement and constantly monitors the impact of adopted policies and amendments to the municipal code to ensure that adopted initiatives are effective. Regular monitoring and reporting have led to identifying gaps and making amendments to already adopted initiatives to ensure successful results.

By efficiently utilizing the grant funds for DIF relief and channeling the collected DIF fees toward infrastructure improvements, the Small-scale Neighborhood Homes Initiative and DIF Credit Program ensures a balanced and sustainable development process. This enables the City to provide more affordable housing options while enhancing its infrastructure to meet the needs of the growing community. Under Build Better SD, DIF fees have been moved from individual communities to an overall citywide approach so that funding for projects in under-resourced communities can get more funding than previously possible. Additionally, City Planning staff play a key role in leading engagement efforts to gather public input on infrastructure prioritization. The City has created a website and survey where San Diego community members can provide their input; the city can now directly hear from voices that might have been overlooked previously. Community input gathered through the engagement efforts informs the Five-Year Capital Improvement Program (CIP) outlook and budget process for the city. The aim is to identify and address the infrastructure needs of the community in a balanced and equitable manner.

To achieve this equitable delivery of public infrastructure, the City Planning staff will implement different strategies for community engagement. These strategies will be tailored to ensure that they effectively reach and involve residents from various backgrounds and neighborhoods. The focus will be on areas with the greatest needs and

significant growth to ensure that infrastructure development aligns with the evolving demands of the city.

Through these proactive engagement efforts and inclusive strategies, the City Planning staff seeks to foster a collaborative approach to infrastructure prioritization. By gathering input from the community, City Planning staff aim to make informed decisions that reflect the diverse perspectives and priorities of the residents. This process will thus facilitate the production of affordable homes in VMT-efficient high-resource areas as well as prioritize the much-needed public infrastructure in areas with the greatest needs.

iv. How does your proposal align with requirements to affirmatively further fair housing?

The Small-scale Neighborhood Homes Initiative and DIF Credit Program aligns with the requirements to affirmatively further fair housing by through regulatory reform and incentivizing development. Regulatory reform and incentivization will promote fair housing by: 1) allowing small-scale multiple home developments in higher resource and VMT-efficient areas that are currently zoned for single-homes; 2) studying and supporting the growth of alternative home-ownership models that have a proven record of increasing affordable homeownership among lower-income families; 3) incentivizing the construction of affordable housing in VMT-efficient communities citywide; and 4) prioritizing projects in high and highest resource areas. The Small-scale Neighborhood Housing Initiative affirmatively furthers fair housing through the following:

Promoting Homeownership. Promoting homeownership is a critical component of the Small-scale Neighborhood Homes initiative. Homeownership is highly inequitable in the City of San Diego, with communities of color having low rates of homeownership and high levels of cost-burdened housing. By studying and supporting the growth of alternative ownership models that have a record of increasing affordable homeownership among lower-income families, homeownership among these groups can be increased and the cost burden of homes can be lowered. Additionally, by making housing more affordable, money that would otherwise be spent on more expensive housing will be invested or used to uplift lower-income families. Finally, more housing in VMT-efficient, transit-supportive, and higher resource areas of the City will increase the supply of homes for people with disabilities through proximity to public transportation.

Mitigating Displacement. The Small-scale Neighborhood Home initiative also provides special attention to preserving communities and mitigating displacement by development. By promoting and studying alternative homeownership models, the Small-scale Neighborhood Homes Initiative also helps mitigate displacement by promoting Limited Equity Housing Co-ops and Community Land Trusts, which have a proven record of stabilizing land costs in gentrifying areas through group mortgages and resale agreements and allow people to stay in areas where land costs are otherwise increasing so that they can benefit from community

development. Additionally, the City is bolstering these efforts by introducing a new program that grants priority rental preference for new affordable units to residents in low-income communities.

Tenant Protection and Dwelling Unit Replacement. The City of San Diego's anti-displacement programs, including local replacement requirements and relocation assistance mitigate the impact on vulnerable residents in communities of color. On May 25th, 2023, the Tenant Protection Ordinance was signed into law, which aimed to strengthen the standards set by AB 1482. It states that, “1. Protections apply on Day 1 of a lease, with a narrow exemption for short term leases. 2. Financial assistance when a tenant’s lease is terminated through no fault of their own. Currently, no financial assistance is required. 3. Accountability measures to make sure bad actors can’t get away with violating these protections”. The Dwelling Unit Protection Regulations, implemented in San Diego Municipal Code Chapter 14, Division 12, specify requirements for the replacement of dwelling units in residential developments undergoing demolition. These regulations include provisions for protected dwelling units, defining their characteristics and outlining replacement criteria based on factors like occupancy and income categories.

Commitment to Addressing Housing Inequities. The most recent certification took place on May 5th, 2023, and the 2023 CAPER’s report addressed several key impediments in the San Diego housing market. The report highlighted challenges such as the under-representation of Hispanics and Blacks in the homebuyer market, geographic disparities leading to concentrated Housing Choice Voucher use, limited housing choices for special needs groups, enforcement activity constraints, and outdated information dissemination methods. The recommended actions involve collaboration with the Reinvestment Task Force, expanding affordable housing inventory, increasing options for special needs populations, promoting voucher programs, amending zoning codes, enhancing enforcement through press releases and testing, and promoting multi-media education campaigns. The overarching goal for these recommendations is to address these impediments comprehensively, fostering inclusivity, diversity, and equal access to housing opportunities across the region. The Small-scale Neighborhood Homes Initiative aligns with these recommendations as it aims to incentivize affordable housing in high and highest-resource areas.

Monitoring Fair Housing. The Annual Report on Homes is produced by City Planning staff to report on the number of homes built each year, the communities in which they were built and the level of affordability of the homes built. The annual report on homes will help monitor the effectiveness of the proposed Small-scale Neighborhood Homes Initiative to advance racial equity and further fair housing by incentivizing the production of affordable homes in High and Higher Resourced Areas and simultaneously prioritizing infrastructure investments in areas with the greatest needs.

1. What are your budget and timeline proposals?

The Small-scale Neighborhood Homes and Pilot Program initiative will utilize \$7 Million dollars provided by the PRO Housing grant will fund a study to identify the feasibility and long-term impacts of developing Small-Scale Neighborhood Homes. This analysis will include opportunities to promote home ownership and provide alternative approaches to home development like co-ops, land trusts, and social housing. The grant will fund an inclusive public engagement strategy to identify key groups, stakeholders, and communities, provide outreach and engagement opportunities, and organize workshops to solicit public input on all phases of the project. And the grant will be used for the development of regulations in the City of San Diego Land Development Code to allow for the development of Small-Scale Neighborhood Homes at varying densities through new or amended zones within the City's Sustainable Development Areas. Proposed budget is as follows:

Small-scale Neighborhood Homes (\$1,000,000). Grant funds will be used to retain a consultant to provide professional planning services to study and implement Small-scale Neighborhood Homes. In the city's most VMT-efficient single family zoned areas, there are approximately 106,521 parcels within ½ mile of major transit stops, which are defined as transit stops that have a high level of service. An important part of this process will be including a robust and inclusive public engagement strategy. Of the areas that are potentially impacted by allowing for small-scale neighborhood homes, 23.5% are located in a low resource area and 1.9% are identified as an area of High Segregation and Poverty. Identifying the obstacles to homeownership in these communities is critical, particularly as it relates to formulating a policy to promote alternative homeownership models that can mitigate against the harmful effects of displacement through development.

Expand the Development Impact Fee Assistance for Affordable Housing Pilot Program (\$6,000,000). Assessing plans for DIF is an existing function within the City Planning Department. The grant proposal is to waive the otherwise required DIF for affordable housing units and qualifying small-scale neighborhood homes and use the grant funds to support the infrastructure needs attributed to new growth prioritizing the infrastructure investments in areas with the greatest needs. As part of this application, the City of San Diego is requesting \$6 million, coupled with \$2.5 million in matching funds, to provide DIF relief to affordable housing units that further fair housing by promoting affordable homes in VMT efficient and high resourced areas. It is estimated that the requested grant funds from HUD can support DIF relief for the construction of up to 268 units of 900 sq. ft. multifamily affordable housing units with the added matched funding from SANDAG can support an additional 112 units.

Development Impact Fees are assessed at building permit issuance and can be paid up to prior to final inspection. Based on the annual report on homes; building permits for a total of 5,033 homes were issued with 470 affordable homes in the

year 2021. Acknowledging the need for more homes that people can afford, the City has taken bold action to reduce the cost to build homes, increase the production of new homes in all communities, and make the home permit approval process more efficient and predictable. Through a series of innovative housing programs, such as the Affordable Home Density Bonus Program, Affordable Home Expedite Program, and the new ADU Home Density Bonus Program, the City anticipates continuing to see new home opportunities for people of all incomes and in all communities. As the City continues to evolve through new state legislation, new partnerships, and new funding opportunities, housing programs will adapt to respond to the changing needs of the people in our city.

The City continually develops, revises, and implements new housing-related programs and regulations to further incentivize and facilitate the building of new homes for people at all income levels. The Affordable Home Density Bonus Program promotes building additional units in exchange for providing affordable housing. Participation in the Affordable Home density bonus program has seen a steady increase over the last decade and has resulted in 2,157 affordable homes for the year 2023. Separately, the Expedite Program, which offers expedited permitting for by right developments that include affordable housing, saw an increase in usage with 751 homes using the program in 2023 compared to 226 homes in 2020. While the overall number of homes permitted each year depends on factors such as market conditions, construction costs and various external factors which the City cannot directly control, the trends in building permit issuance over the years along with various City initiatives to promote and incentivize the construction of affordable homes, it is expected that the production of homes will continue to rise. It is expected that the requested grant amount of \$6 million, coupled with \$2.5 million in local funds, can support DIF relief for around 75% of the affordable homes permitted in a year. If the grant amount awarded is reduced, then the percentage of affordable homes that the grant can support will see a similar reduction.

Once the grant funds are awarded, City staff will do additional outreach and share the funding availability with the community, affordable housing developers, building industry and various other stakeholders. City Planning staff is confident about the success of the Small-scale Neighborhood Homes Initiative, primarily due to the number of building permit applications typically submitted to the City for housing projects in any given year, and the average rate at which these housing development projects are completed. The desired outcome is to incentivize additional homes that are affordable through this program. If successful, the City would seek additional funding through local, state, and federal sources to sustain the program. A report will be prepared at the conclusion of the DIF Credit for Affordable Homes Program to measure its success.

Activity	Start	End
Public Outreach	Before the grant application is submitted (Fall-2024) and as soon as	Continue until grants are expended. (Early to Late-2029)

	the grant is awarded (early to mid-2025).	
Conduct Planning Studies	As soon as grant is awarded (Early to mid 2025)	End of 2025
Develop Regulations	As soon as grant is awarded (Early to mid 2025)	Early of 2026
Review housing projects to assess development impact fees and provide DIF relief	As soon as the grant is awarded. (Early to mid-2025)	Until the grant funding awarded is available to provide DIF relief. Based on the amount of funding requested; and based on the annual report on homes; \$6M can support DIF relief for around 10% of building permits for affordable homes reviewed in 1 year. (Early to mid-2026)

Exhibit E: Capacity

1. What capacity do you and your Partner(s) have? What is your staffing plan?

The City of San Diego is responsible for reviewing development projects and issuing building permits required for developers to start construction work on projects. The application review process includes a review by the Housing Policy staff and the Infrastructure Planning staff within the City Planning Department. The Housing Policy staff within the City Planning Department compiles data on market-rate and affordable home production, data on public outreach, and reports home permitting numbers and progress on affirmatively furthering fair housing to the state of California annually. Housing Policy staff are committed to affirmatively furthering fair housing and continuously work on developing new housing policies or modifying existing housing policies to better realize our fair housing goals. Housing Policy staff creates housing policies to incentivize the growth of housing in the City and regularly analyzes complex housing data to determine progress in meeting the City's housing goals. Housing Policy staff also have strong records of working with the City's community planning groups throughout the City's 52 community planning areas, as well as community-based organizations in the diverse communities in our City. Staff additionally has collectively over 75 years of experience in federal, state and nonprofit grant management, as well as extensive knowledge about the proposed alternative ownership models in our initiative.

The Infrastructure Planning staff within the City Planning department are required to review projects and assess development impact fees based on the proposed use, square footage, number of units, level of affordability and various other factors. The Infrastructure Planning team within the City Planning Department is also responsible for engaging with community members to gather input on infrastructure priorities across the City through Infrastructure Prioritization engagement. The Infrastructure Planning team has a wealth of experience reviewing development plans, working with the Building Industry Association, affordable housing developers, San Diego Housing Commission, and other stakeholders that play an important role in the production of affordable homes. The Infrastructure Planning team is therefore fully qualified to conduct the needed outreach to share information regarding the grant with community members and stakeholders and review plans to assess Development Impact fees and provide DIF relief to incentivize the development of affordable homes within VMT efficient, high resource areas to further fair housing and simultaneously prioritize public infrastructure investments in areas with the greatest needs.

This application was written and reviewed by the Environmental Policy & Public Spaces division and the Community Planning & Housing Policy division of the City Planning department. The following staff and management have dedicated their time and resources towards the grant application:

Jeffrey Ryan (Development Project Manager III, Housing Policy)
Melissa Garcia (Senior Planner, Housing Policy)
Corey Funk (Senior Planner, Housing Policy)

Grant Ruroede (Senior Planner, Housing Policy)
Angela Dang (Assistant Planner, Housing Policy)
Alfonso Gastelum (Senior Planner, Infrastructure Planning, Environmental Policy & Public Spaces)
Breanne Busby (Senior Engineer, Infrastructure Planning, Environmental Policy & Public Spaces)
Sameera Rao (Asst. Deputy Director, Public Spaces & Heritage Preservation)
Kelley Stanco (Deputy Director, Environmental Policy & Public Spaces)
Heidi Vonblum (Director, City Planning Department)
Chris Ackerman Avila (Policy Advisor, Mayor's Office)

The City Planning Department within the City of San Diego is currently fully staffed, and the Housing Policy team and the Infrastructure Planning team will oversee the implementation of this grant. In alignment with our commitment to addressing housing needs, the City is dedicating 5% of a senior planner's time (\$20k per year, \$120k over six years) to oversee this Pilot Program. The designated senior planner will play a pivotal role in managing the intake process for affordable housing projects, meticulously evaluating their adherence to criteria within our Small-scale Neighborhood Home Initiative.

Furthermore, the senior planner will be instrumental in fostering interdepartmental collaboration with other affordable housing programs, ensuring a cohesive and streamlined approach to affordable housing projects. By coordinating efforts with various City departments, the position aims to optimize processes and enhance the overall effectiveness of initiatives in this critical domain. Additionally, the senior planner will lead continuous outreach initiatives, engaging with stakeholders to catalyze increased production of affordable housing units.



City Planning Pro Housing Activities Staff

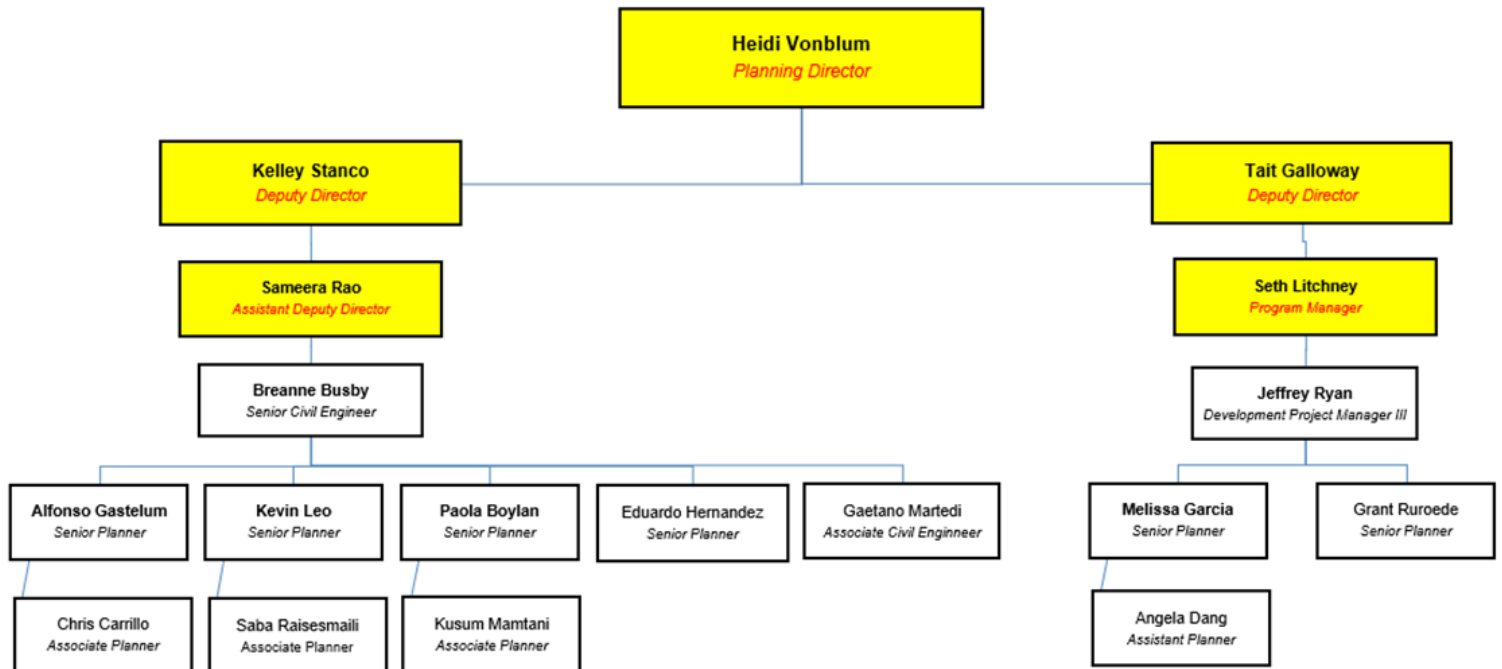


Figure 4: Work organization chart for the City Planning Department

Exhibit F: Leverage

1. Are you leveraging other funding or non-financial contributions?

The City will augment its commitment by dedicating 5% of a senior planner's time (\$20k per year, \$120k over six years) to effectively administer the program. Furthermore, in 2023 the City was awarded \$4.8 million in San Diego Association of Governments (SANDAG) Regional Early Action Planning (REAP) funds to enhance the financial foundation of the proposed activities and will be used to fund Development Impact Fee relief for affordable housing, an inclusive public engagement guide, financial feasibility studies, sustainable building analysis, and standardized plans for the Small-scale Neighborhood Homes. Overall, the City will bring \$3 million in matching resources to leverage the \$7 million requested through this grant. The City is committed to adhering to the outlined requirements for leveraging resources, ensuring that any commitments, both financial and non-financial, are valid, explicit, and contribute to the success of the PRO Housing Grant activities. The SANDAG REAP award documentation is included in Attachment D.

form HUD-424-CBW

Grant Application Detailed Budget Worksheet	OMB Approval No. 2501-0017 Expiration: 1/31/2026
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Detailed Description of Budget		
Analysis of Total Estimated Costs	Estimated Cost	Percent of Total
1 Personnel (Direct Labor)	118,877.04	1.2%
2 Fringe Benefits	31,264.66	0.3%
3 Travel	0.00	0.0%
4 Equipment	0.00	0.0%
5 Supplies and Materials	0.00	0.0%
6 Consultants	0.00	0.0%
7 Contracts and Sub-Grantees	0.00	0.0%
8 Construction	0.00	0.0%
9 Other Direct Costs	10,000,000.00	98.5%
10 Indirect Costs	0.00	0.0%
Total:	10,150,141.70	100.0%
Federal Share:	\$ 7,000,000.00	
Match (Expressed as a percentage of the Federal Share):	\$ 3,150,141.70	45.0%

Figure 5: HUD Grant Application Budget Summary

Exhibit G: Long-term Effect

1. What permanent, long-term effects will your proposal have? What outcomes do you expect?

If the grant application is awarded, the City of San Diego through the implementation of the proposed Small-scale Neighborhood Homes Initiative envisions achieving several significant and permanent outcomes that contribute to the removal of key barriers to long-term production and preservation of affordable housing. By the end of the performance period of the grant, the following actions will result in the permanent establishment of policies, programs and regulations that will result in the sustained production of affordable housing beyond the performance period of the grant.

- Allowance of multiple homes in single-family neighborhoods (Task Three) in transit-rich areas through adoption by the City Council into the San Diego Municipal Code. More homes in single-family neighborhoods will target approximately 106,521 parcels that are currently zoned exclusively for single-family homes for regulations that streamline applicable multiple developments.
- Policy recommendations on the creation of policies to support alternative home ownership models such as Community Land Trusts and Limited Equity Housing Co-ops (Task Two) that lower home ownership costs and expand homeownership opportunities to lower-income families that are currently priced out.
- Establishment of policies and an ongoing program for DIF relief for qualified affordable housing developments (Task Four). This program will be established as a permanent program that will initially be funded through the PRO Housing funding award and matching funds from SANDAG REAP. Future funding of the program is anticipated to come from additional grant opportunities and other funding opportunities that will be considered to ensure the continued operation of the program.

These actions are designed to permanently remove or reduce the impact of key barriers for affordable housing outlined in Section a.iii. The key achievements will include:

- **Increased Affordable Housing Stock.** The Small-scale Neighborhood Homes Initiative will incentivize the construction of up to 825 units (703 with the use of HUD grant money and 122 with the use of SANDAG funding) of 900 sq. ft. multifamily affordable homes within VMT-efficient, high and highest resource areas and provide DIF relief to around 75% of the affordable housing projects that are reviewed on an annual basis thus incentivizing and promoting the construction of affordable homes and may lead to an increased affordable housing stock. We will monitor our progress annually moving forward within our Annual Progress Reports. The DIF relief program will directly address the key barrier of high development costs experienced by affordable housing projects, and will ensure DIF funds continue to be used on needed infrastructure which addresses the key barrier of community resistance.
- **Strategic Siting:** By incentivizing the construction of affordable homes in VMT-efficient areas and high-resource neighborhoods, the proposal aims to establish a long-

term pattern of strategically located affordable housing near amenities, public services, jobs, transit, schools, and other community assets. More homes in single-home zones in high-resource areas that are near transit, which will address the key barrier of single-home zones that prohibit multi-home developments. More homes in high-VMT, high-resource areas will aid in producing lower cost homes in higher resource areas, which will help address the key barrier of high land costs in higher-resources areas of the city.

- **Equity and Access.** The proposal addresses the long-term effects of removing barriers to affordable housing production that have perpetuated segregation and limited access to well-resourced neighborhoods. By prioritizing fair housing goals and incentivizing the construction of affordable homes in high-resource areas, the proposal aims to expand housing opportunities for protected class groups and vulnerable populations. The alternative ownership models will address the key barrier of appreciating land costs in gentrifying areas and inequitable benefits from the housing system by expanding homeownership opportunities to lower-income households and marginalized communities that are currently excluded. Further democratization of home ownership and inclusive public outreach will increase civic participation and help reduce the key barrier of community resistance.

While the proposed Small-scale Neighborhood Homes Initiative will incentivize the production of around 75% of the affordable housing applications reviewed on an annual basis within VMT efficient, high resource areas and further fair housing; and prioritize public infrastructure investments in areas with the greatest needs; the City fully understands that the funding availability is limited and can only support a fixed number of affordable homes. The City also fully acknowledges that the requirement for a developer to pay DIF is only one of the several factors that can be a barrier to affordable home production. However, through this Small-scale Neighborhood Homes Initiative, City staff will engage with stakeholders to further understand the various other factors that act as roadblocks and hurdles to increased affordable housing stock and identify opportunities for streamlining and further incentivizing and facilitating affordable home production in the City of San Diego.

Since assessing DIF is a requirement of the Mitigation Fee Act, it is required for all jurisdictions within the State and an ongoing requirement; the results of this Small-scale Neighborhood Homes Initiative can guide future operations of the program. The City of San Diego's Planning Department will closely monitor and measure the results of this Small-scale Neighborhood Homes Initiative and report back on an annual basis as part of the City Planning's Annual Report on Homes. If the Small-scale Neighborhood Homes Initiative to encourage affordable homes by waiving DIF fees within VMT efficient and high-resource areas is successful, the City of San Diego will consider internal and external ways to sustain it. This aims to balance the promotion of affordable homes with a focus on prioritizing public infrastructure investments in areas with greater needs, ensuring both goals are met.

Attachment A: Summary of Comments Received

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Attachment B: Certification of Compliance with NOFO Public Participation

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Attachment C: Advancing Racial Equity

As the City of San Diego’s grant application notes, homeownership and the cost burdens of housing are highly inequitable in the City of San Diego, with white San Diegans being far more likely own homes and being far less likely to be cost burdened by housing than Black and Brown San Diegans. Additionally, according to a study by UCLA’s Civil Rights Project, well over half of lower-income communities have gentrified in recent years, disproportionately displacing people of color from their communities. The high costs of land in higher resource areas of the City and within gentrifying areas of the City are daunting for all San Diegans seeking affordable homes, but particularly for Black and Brown San Diegans. The City of San Diego’s 2023 Consolidated Annual Performance and Evaluation Report (CAPER) addressed several key impediments in the San Diego housing market. The report highlighted challenges such as the under-representation of Hispanics and Blacks in the homebuyer market, geographic disparities leading to concentrated Housing Choice Voucher use, and limited housing choices for special needs groups. The City has taken a localized approach to defining and identifying locations of disadvantaged communities through an innovative City-led tool, the San Diego Climate Equity Index (CEI), which identifies “Communities of Concern” with high vulnerability to climate impacts and a low level of access to opportunity. The City developed standardized indicators to calculate a CEI score from 0-100 for each census tract. The City’s 2021 CEI indicates that there are 88 census tracts within the City that have Very Low, Low, or Moderate Access to opportunity based on a set of 35 indicators, including housing cost burden, access to public transit, linguistic isolation, and median income. These census tracts have been identified as Communities of Concern. Compounding these issues is a lack of multi-homes and affordable homes within a majority of higher resource areas of the City that provide access to opportunity, as well as diversity in home types to meet the needs of households of various sizes. These areas are predominately zoned for single-homes, but not multi-homes, uses.

Our regulatory reforms will allow for the development of Small-Scale Neighborhood Homes at varying densities through new or amended zones within the City’s Sustainable Development Areas. This will increase the supply of homes generally, and affordable homes in particular, and will provide more home-type options for lower-income households in areas with high access to opportunities. Given how inequitable the housing cost burden is for San Diegans, this will particularly benefit Black and Brown San Diegans. The proposed study of alternative ownership models will promote homeownership for lower-income households making up to 120% of area median income through group mortgages associated with housing co-ops, and homes can be indefinitely affordable through the re-sale agreements of community land trusts and limited-equity housing cooperatives. The initiative’s development impact fee (DIF) credit program will apply for 100% affordable projects in higher resource areas, areas that generally have access to higher paying jobs, better performing schools, and fewer environmental issues like poor air quality. This will reduce the costs of these developments, savings that can be passed onto tenants and homeowners, and can strengthen the financial viability of more affordable home developments that benefit lower-income households.

Additionally, the initiative’s Inclusive Public Engagement Strategy will work with San Diegans in higher resource areas to address concerns about increased density and whether there is adequate infrastructure for more homes. The initiative will also work with community-based organizations in Black and Brown communities to encourage their participation. Special attention will be paid to provide support and to design the public outreach so as to make participation easier for lower-income

households, including the providing of food and activities for children while parents participate in the development of the initiative.

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Attachment D: Affirmative Marketing and Outreach

The City of San Diego will conduct a number of marketing/outreach activities if the City is selected for a HUD award. The proposed Inclusive Public Engagement Strategy will identify key community stakeholders, target outreach to identified stakeholders, conduct workshops on the grant and the initiative, and create a website to educate community members about the initiative and implementation. The Strategy will utilize social media to raise awareness about the initiative, with information about each component of the initiative, contact information, supportive documentation, and guidance on opportunities to contribute to the development to the projects. Information will be available in multiple languages so as to reach as many San Diegans as possible. These strategies will be tailored to ensure that they effectively reach and involve residents from various backgrounds and neighborhoods. The focus will be on areas with the greatest needs and significant growth to ensure that the proposed infrastructure and home developments align with the evolving demands of the city.

Additionally, virtual workshops and in-person workshops will be conducted on the initiative throughout the City, particularly in Black and Brown communities, at varying times to give people working different schedules an opportunity to contribute to our initiative. Moreover, we will reach out to a wide range of community-based organizations to inform them and their members of the initiative and to encourage their participation. In addition, this will be accompanied by flyers that will be distributed in community-centers, parks, libraries, and other public spaces to inform community members of the initiative. To encourage the participation of lower-income households, food and activities for children will be provided at outreach events.

Planning Department staff has been engaging with the building industry, affordable housing developers and community members as part of the recently adopted HAP 2.0 and the 2024 Land Development Code Update to gather community input in order to guide the development of policies and implementation strategies. The Small-scale Neighborhood Homes Initiative will continue these efforts as part of the development of our regulatory reforms and in the development of alternative ownership models. The Inclusive Public Engagement Strategy will help to ensure that the Small-scale Neighborhood Homes Initiative reflects the vision and goals of the diverse communities in the City, particularly disadvantaged communities that have been disproportionately harmed by the development of homes in the City. The City Planning staff has utilized engagement tactics such as theater-based techniques, model making, mapping, etc. that are interactive and welcoming to people of age groups and abilities. The City of San Diego recognizes the importance of continuous process improvement and constantly monitors the impact of adopted policies and amendments to the municipal code to ensure that adopted initiatives are effective. Regular monitoring and reporting have led to identifying gaps and making amendments to already adopted initiatives to ensure successful results. The progress of the marketing and outreach activities associated with the HUD grant award will be part of the City's Annual Report on Homes.

By efficiently utilizing the grant funds for DIF credit and channeling the collected DIF fees toward infrastructure improvements, the DIF Credit Program ensures a balanced and sustainable development process. This enables the City to provide more affordable housing options while enhancing its infrastructure to meet the needs of the growing community. Under Build Better SD, DIF fees have been moved from individual communities to an overall Citywide approach so that funding for projects in under-resourced communities can get more funding than previously possible.

City Planning staff play a key role in leading engagement efforts to gather public input on infrastructure prioritization. The City has created a website and survey where San Diego community members can provide their input; the city can now directly hear from voices that might have been overlooked previously. Community input gathered through the engagement efforts informs the Five-Year Capital Improvement Program (CIP) outlook and budget process for the city. The aim is to identify and address the infrastructure needs of the community in a balanced and equitable manner.

Through these proactive engagement efforts and inclusive strategies, the City Planning staff seeks to foster a collaborative approach to home developments and infrastructure prioritization. By gathering input from the community, City Planning staff aim to make informed decisions that reflect the diverse perspectives and priorities of the residents. This process will thus facilitate the production of affordable homes in VMT-efficient high-resource areas as well as prioritize the much-needed public infrastructure in areas with the greatest needs.

The City has received recognition by local and state planning organizations for past innovative public outreach and engagement. The City was awarded the 2023 Award of Excellence for Public Outreach by the California Chapter of the American Planning Association for the Build Better SD initiative. Build Better SD is a citywide initiative to create a more effective and equitable development impact fee funding system for public facilities. The City will continue to engage in these same innovative approaches to outreach for the Small-scale Neighborhood Homes Initiative and DIF Pilot Credit Program.

Attachment E: Experience Promoting Racial Equity

The City of San Diego is still dealing with the negative impacts of racist housing policies and investment decisions from the past, such as redlining, exclusionary zoning, inequitable investments in infrastructure and public amenities, and racial covenants in housing. These actions have impacted the developmental patterns in the City, health outcomes, access to public amenities such as parks, exposure to a wide range of pollutants, and concentrated both poverty and wealth geographically.

The City is committed to addressing these historical injustices and fair housing. The City's Department of Race and Equity supports City efforts, including working groups, such as the Climate Equity Working Group that meet regularly to discuss opportunities to incorporate climate equity, among other policies, into City projects and programs. The City of San Diego's Climate Equity Index Report illustrates the compounding impact of underinvestment in Black and Brown communities and helps to identify areas with lower access to opportunities and higher energy burdens that face infrastructure and financing challenges to comply with building performance standards. Furthermore, the City partnered with numerous local organizations and agencies (see Figure 1) in the Development of the San Diego Promise Zone Strategic Plan's six working group areas, including increased economic activity, increased access to quality housing affordability, promote access to healthy communities, improve educational opportunities, create jobs, and to create a priority of safety.

Figure 1: San Diego Promise Zone Partners



Partners

Able-Disabled Advocacy	Kitchens for Good	San Diego Unified School District
Access Youth Academy	Leah's Pantry	San Diego Workforce Partnership
Accessity	Legal Aid Society	San Ysidro Health Center
Barrio Logan College Institute	Local Initiative Support Corporation	SBCS (Formerly South Bay Community Services)
Catalyst of San Diego & Imperial Counties	Logan Heights Community Development Corporation	Second Chance
Central San Diego Black Chamber of Commerce	Meals on Wheels San Diego County	Small Business Development Center of San Diego and Imperial Counties
Chicano Park Museum and Cultural Center	Metro Community Ministries Inc.	Social Advocates for Youth San Diego
Circulate San Diego	Metropolitan Area Advisory Committee on Anti-Poverty	South County Economic Development Council
City of San Diego	mohuman	The League of Amazing Programmers
Community Housing Works	Mongol Tribe	United Way of San Diego
Computers 2 SD Kids	National Conflict Resolution Center	University of California San Diego
Corona Enterprises LLC	National University	Urban Collaborative Project
County of San Diego HHSA	Neighborhood House Association	Urban Corps of San Diego County
DETOUR	Nile Sisters Development Initiative	Urban League of San Diego County
Diamond Business Association	Outside the Lens	UrbanLife Ministries
Diamond Education Excellence Partnership	Partnership for Environmental Progress	Workshops for Warriors
Dreams & Ducats	Paving Great Futures	YMCA of San Diego County
Family Health Centers of San Diego	Project A.W.A.R.E.	Youth Will
Feeding San Diego	Project Concern International	
Good Neighbor Project	Project New Village	
GRID Alternatives	Reality Changers	
Groundwork San Diego	Regional Taskforce on the Homeless	
Harmonium	San Diego Association of Governments	
Heartland Coalition YouthBuild San Diego	San Diego Co-Harvest	
Hip Hop & Wellness	San Diego Community College District	
Home Start, Inc.	San Diego Continuing Education	
I Am My Brother's Keeper	San Diego County Office of Education	
International Rescue Committee	San Diego Food System Alliance	
Jacob & Cushman San Diego Food Bank	San Diego For Every Child	
Jacobs Center for Neighborhood Innovation	San Diego Futures Foundation	
Jewish Family Service	San Diego Habitat for Humanity	
	San Diego Housing Commission	
	San Diego Housing Federation	
	San Diego Parks Foundation	
	San Diego State University	

***Steering Committee Members**

The City's numerous affordable housing programs have created several incentives for developers to increase affordable homes in High and Highest Resource Areas, as defined by the California Tax Credit Allocation Committee (CTCAC). For example, the Affordable Housing in All Communities Regulations, which permit multi-home and affordable home developments in areas of the City that do not otherwise allow for multi-home developments provided that the location of a development is in a High or Highest Resource Area. The City's Affordable Housing Regulations and its Inclusionary Affordable Housing Regulations permit offsite affordable homes in higher resource areas of the City. The City is also proposing regulatory reforms as part of its PRO Housing grant application that will allow for multi-home developments and affordable home developments in a portion of higher resource areas of the City that currently only permit single-home uses. Additionally, our grant application proposes to study alternative ownership models that will promote homeownership among lower-income households and historically disadvantaged communities.

The City has prioritized infrastructure investments in historically underserved and disadvantaged communities. Initiatives like Build Better San Diego (BBSD) and City Council Policy 800-114 are clear demonstrations of our commitment to equitable and equal community investments regarding capital improvements in structurally excluded communities.

The City's newly adopted Environmental Justice (EJ) Element is a testament to our commitment to reducing pollution exposure, improving air quality, and promoting equitable access to public facilities, food, safe and healthy homes, and physical activity. These initiatives are designed to ensure that people of all races, cultures, and incomes are equally and equitably valued, protected, and served, and they aim to address existing inequities in these areas. As part of the EJ Element, from November 2020 to February 2024 the City conducted a thorough public engagement campaign that included initial outreach and engagement about the EJ element, partnering with five CBOs selected through an equitable application process to participate in pop-up events, workshops, meetings, bike rides, walks and community clean up events, hosting visioning workshops, roundtable meetings, and community events, and organizing seven roundtable sessions to provide ongoing updates. A summary of community engagement that are part of the EJ element is below, in Figure 2.

Figure 2 Summary of Community Engagement for the Environmental Justice Element



The City also conducted extensive community engagement throughout the process of updating our Climate Action Plan (CAP). In 2020, the City hosted a series of public, virtual forums, where 447 attendees discussed which climate actions they prioritize, what climate equity means to them and how climate change has already impacted them.

The City engages with community-based organizations, Community Planning Groups, and other stakeholders through presentations, listening sessions, and community events such as farmers markets, and events organized through Councilmember offices. The City Planning Department has also met with Casa Familiar, a community land trust, to learn about its formation, growth, and its plans and to discuss existing policies that can help support the growth of community land trusts. City Planning staff have had discussions with local limited-equity housing cooperatives to learn about their history, how they operate, the challenges they face, and to gather data on the housing costs of co-op owners.

As part of its effort to affirmatively further fair housing, the City has conducted citywide outreach to engage all San Diegans across all demographics to solicit public opinion. This has included online

outreach efforts, such as online surveys, webinars, and online workshops, as well as in-person engagement events, which include community meetings, committee meetings, in-person workshops, tabling events, and public hearings.

The City is committed to engaging all San Diegans across all demographics in its outreach and engagement efforts, with particular focus on collaborating with and soliciting input from marginalized communities. The City understands the importance of engaging community members from marginalized communities that have historically been and continue to be impacted by racist housing and planning policies such as redlining and exclusionary zoning and has demonstrated its commitment to engaging with these community members through its outreach efforts. The City regularly hosts online outreach efforts such as online surveys and webinars, which allow for greater accessibility by all members of the public, especially those in marginalized communities who may not otherwise have the time, transportation, or resources to attend in-person events, to provide their input on Citywide initiatives. This method of outreach has garnered the greatest amount of participants across any outreach method, however, in-person outreach efforts have also been an important engagement method to solicit participation and input from community members. To engage members of the public, especially those in historically disenfranchised communities, in Citywide initiatives, the City also has hosted in-person outreach events such as in-person workshops at public libraries and community events in Low Resource Areas, which have had significant participation from members of the public. One such outreach event included an in-person workshop hosted at the Valencia/Malcolm X Library for the Housing Action Package 2.0.