San Diego Planning Commission Housing Workshop

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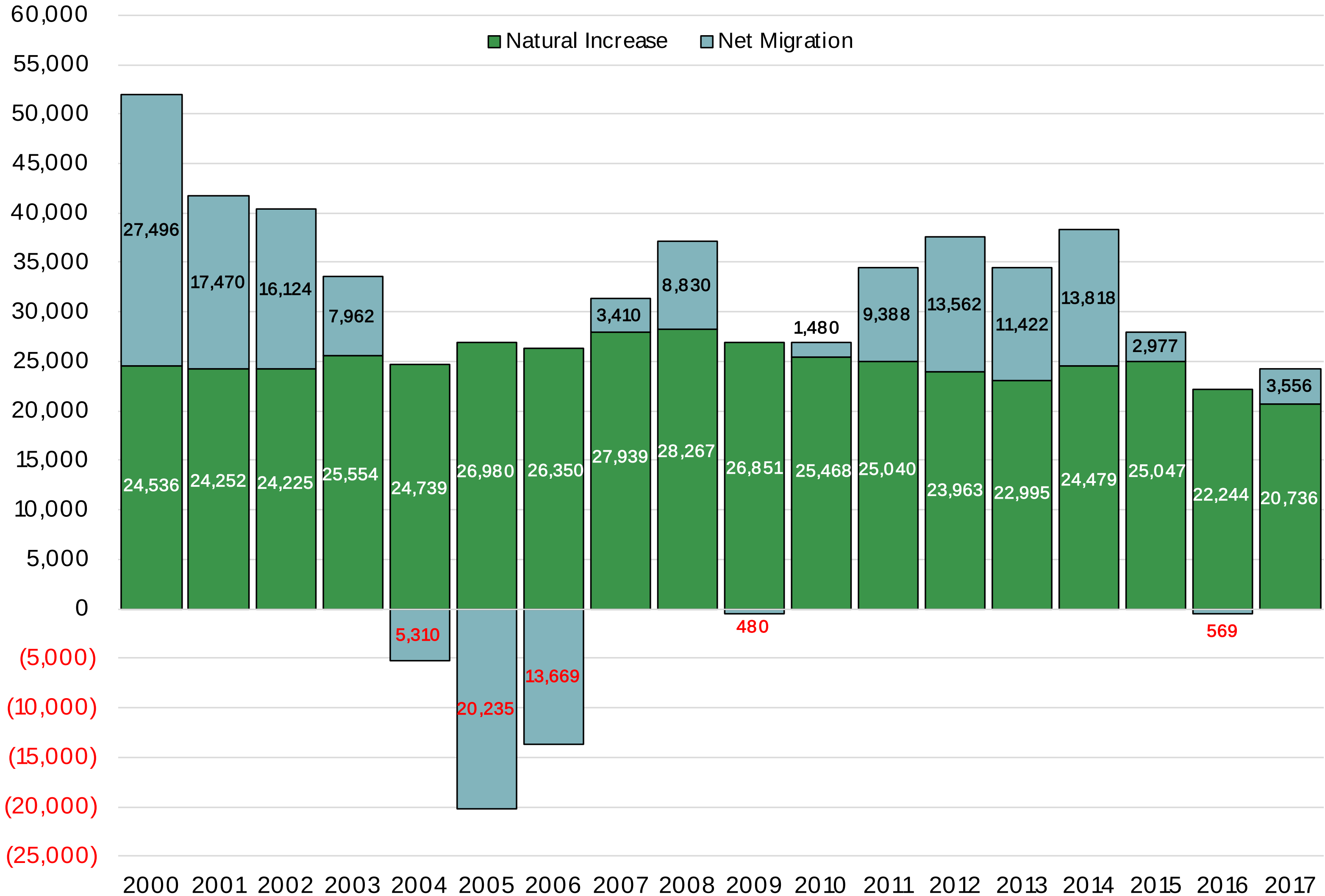
San Diego County Components of Annual Population Change



Source: London Moeder Advisors, CA Department of Finance

San Diego County Net Migration

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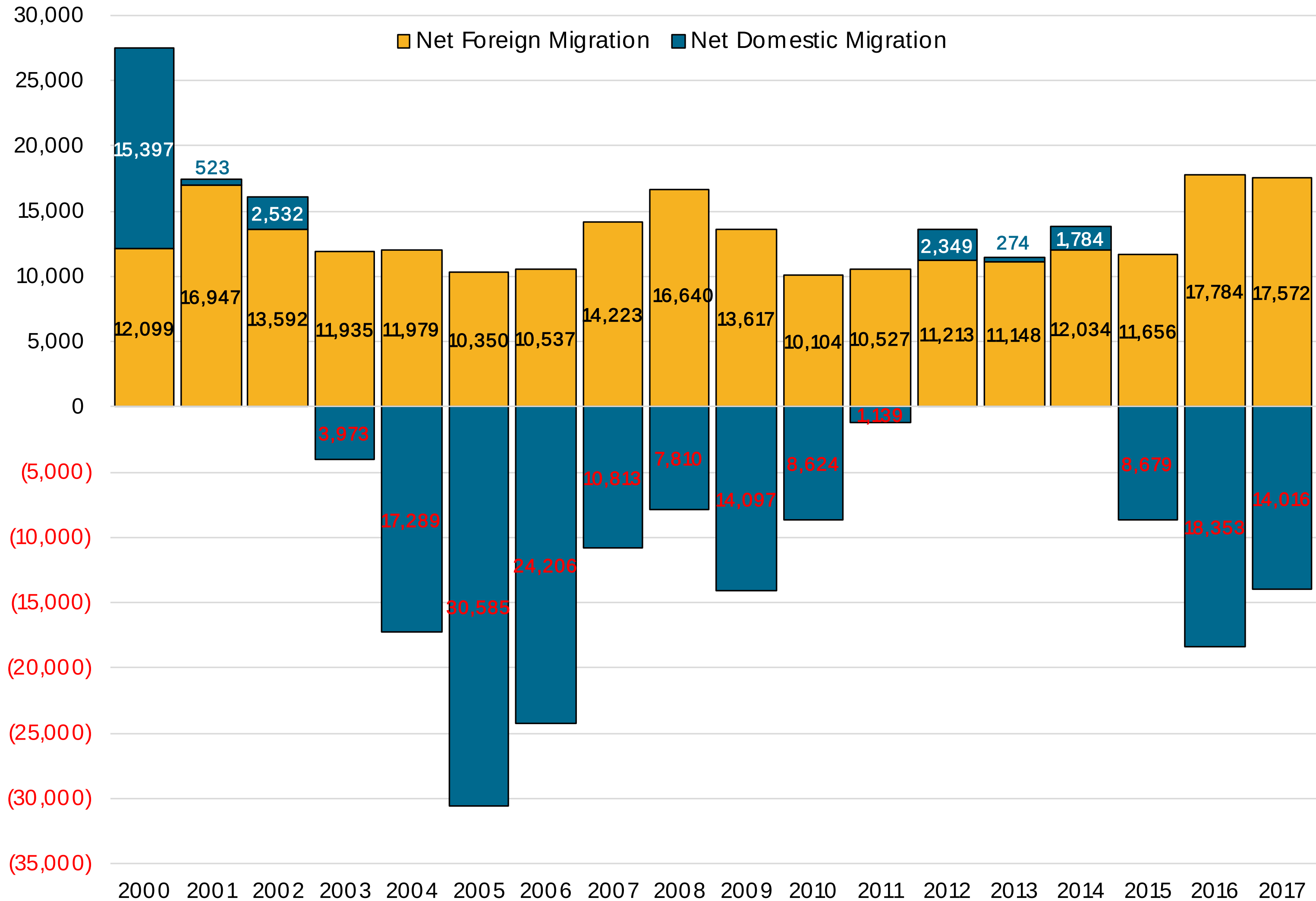
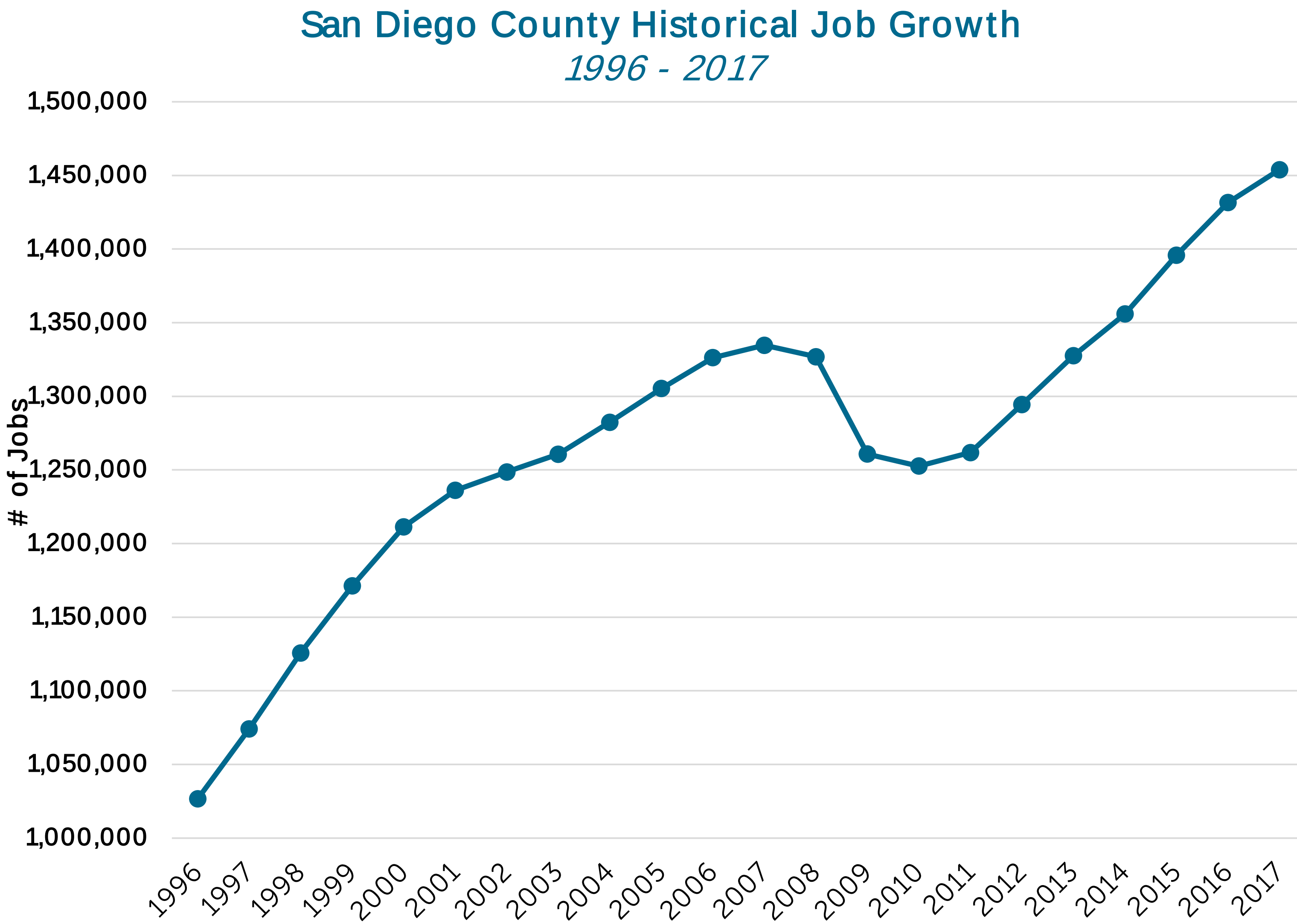


Source: London Moeder Advisors, CA Department of Finance

Historical Job Growth



Source: London Moeder Advisors, State of California Employment Development

Potential Job Growth by City

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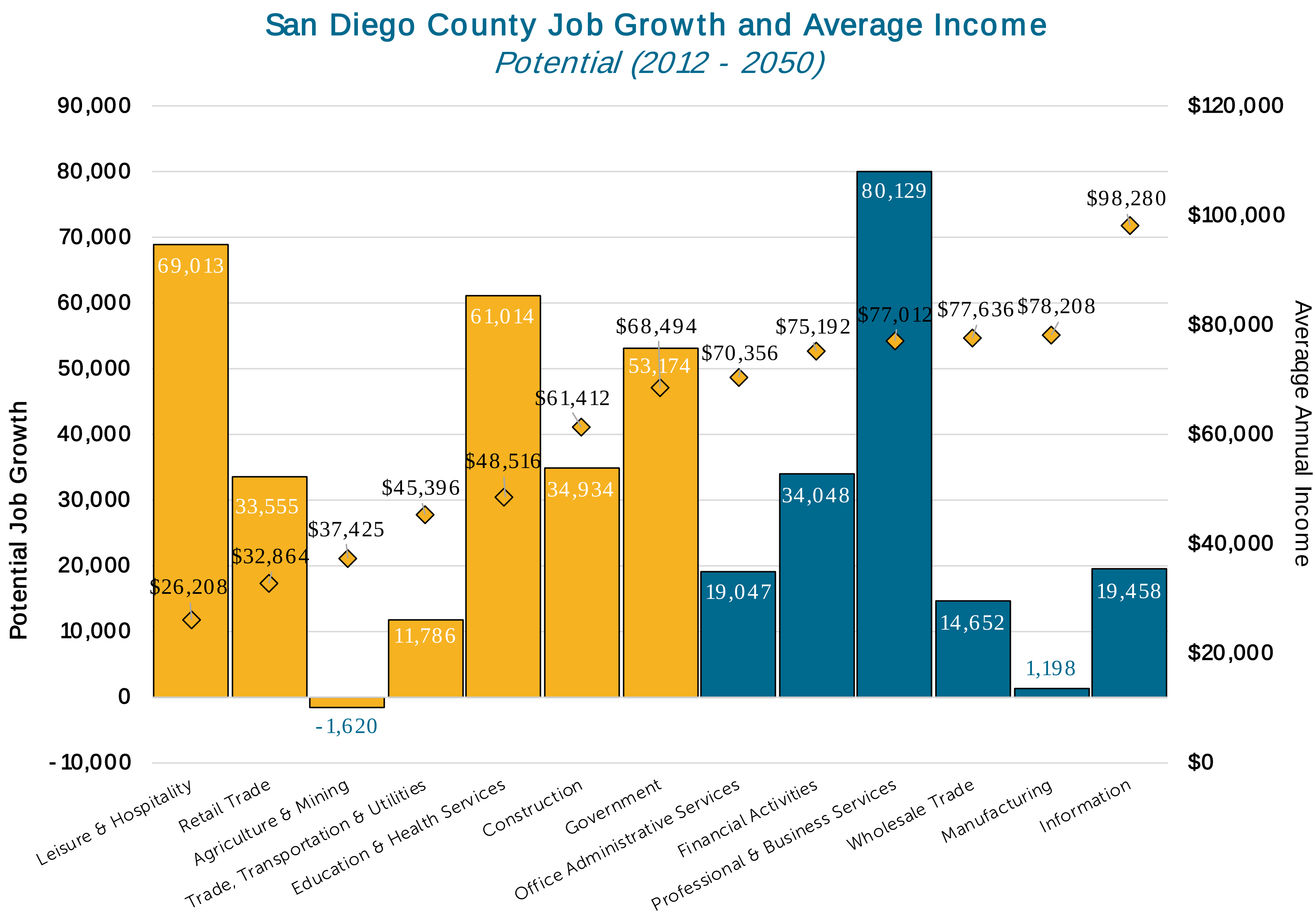
Future Job Growth by City
2012-2050 SANDAG

	2012	2050	Total Change	% Change	% of Total Growth
Carlsbad	66,279	85,757	19,478	29.4%	4.2%
Chula Vista	65,340	114,550	49,210	75.3%	10.7%
Coronado	12,377	12,536	159	1.3%	0.0%
Del Mar	4,521	4,726	205	4.5%	0.0%
El Cajon	38,393	49,825	11,432	29.8%	2.5%
Encinitas	26,165	29,551	3,386	12.9%	0.7%
Escondido	48,874	59,111	10,237	20.9%	2.2%
Imperial Beach	3,421	4,613	1,192	34.8%	0.3%
La Mesa	25,233	36,552	11,319	44.9%	2.5%
Lemon Grove	6,774	8,656	1,882	27.8%	0.4%
National City	22,270	34,736	12,466	56.0%	2.7%
Oceanside	41,974	53,992	12,018	28.6%	2.6%
Poway	30,851	37,173	6,322	20.5%	1.4%
San Diego	**742,718**	**971,259**	**228,541**	**30.8%**	**49.6%**
San Marcos	37,608	64,328	26,720	71.0%	5.8%
Santee	14,519	18,570	4,051	27.9%	0.9%
Solana Beach	7,568	8,803	1,235	16.3%	0.3%
Unincorporated	116,238	163,903	47,665	41.0%	10.4%
Vista	35,840	48,814	12,974	36.2%	2.8%
Total	**1,346,963**	**1,807,455**	**460,492**	**34.2%**	**100.0%**

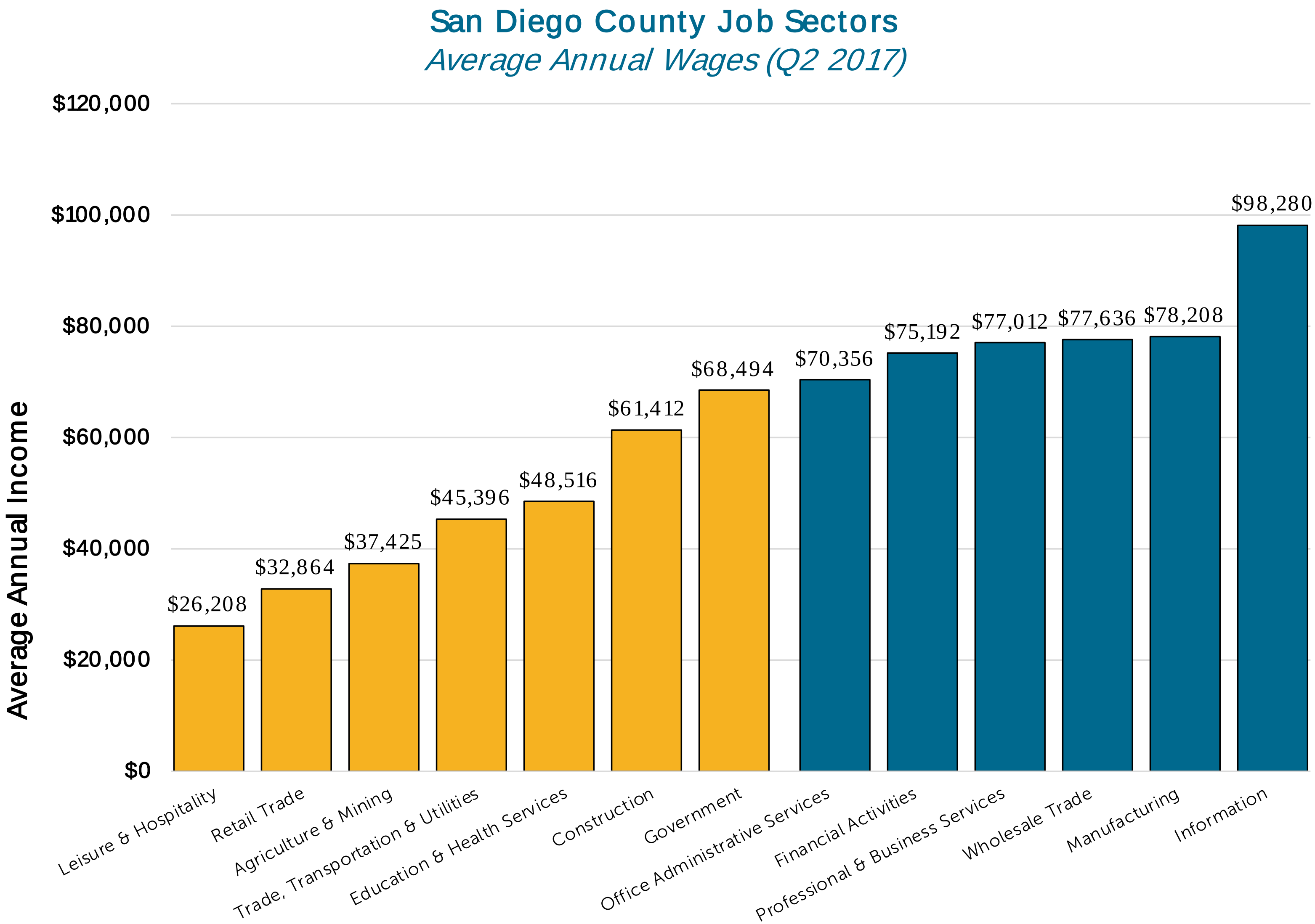
Source: London Moeder Advisors, SANDAG

Jobs Growth & Salaries



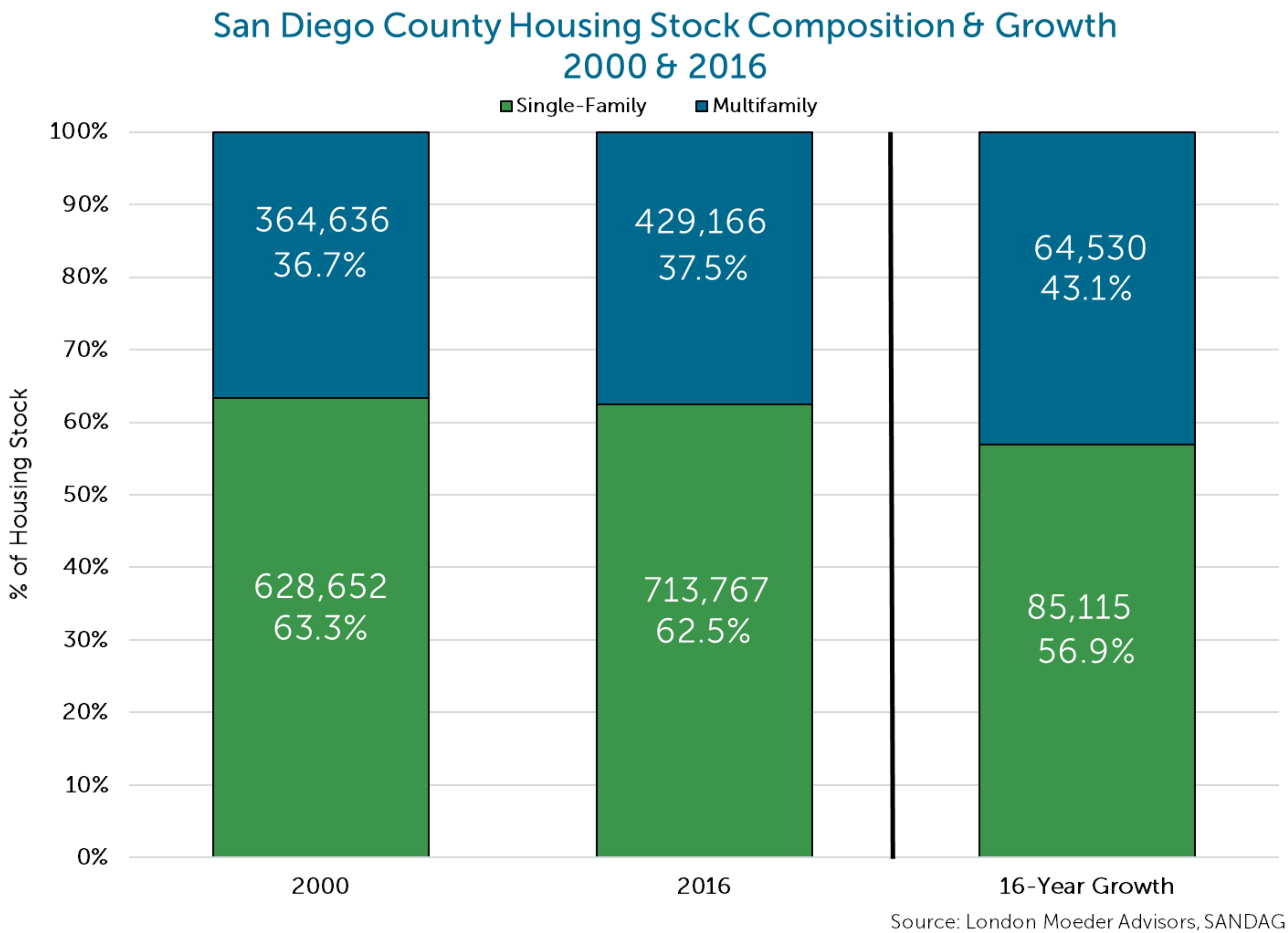
Source: London Moeder Advisors, SANDAG, EDD

Jobs & Salaries

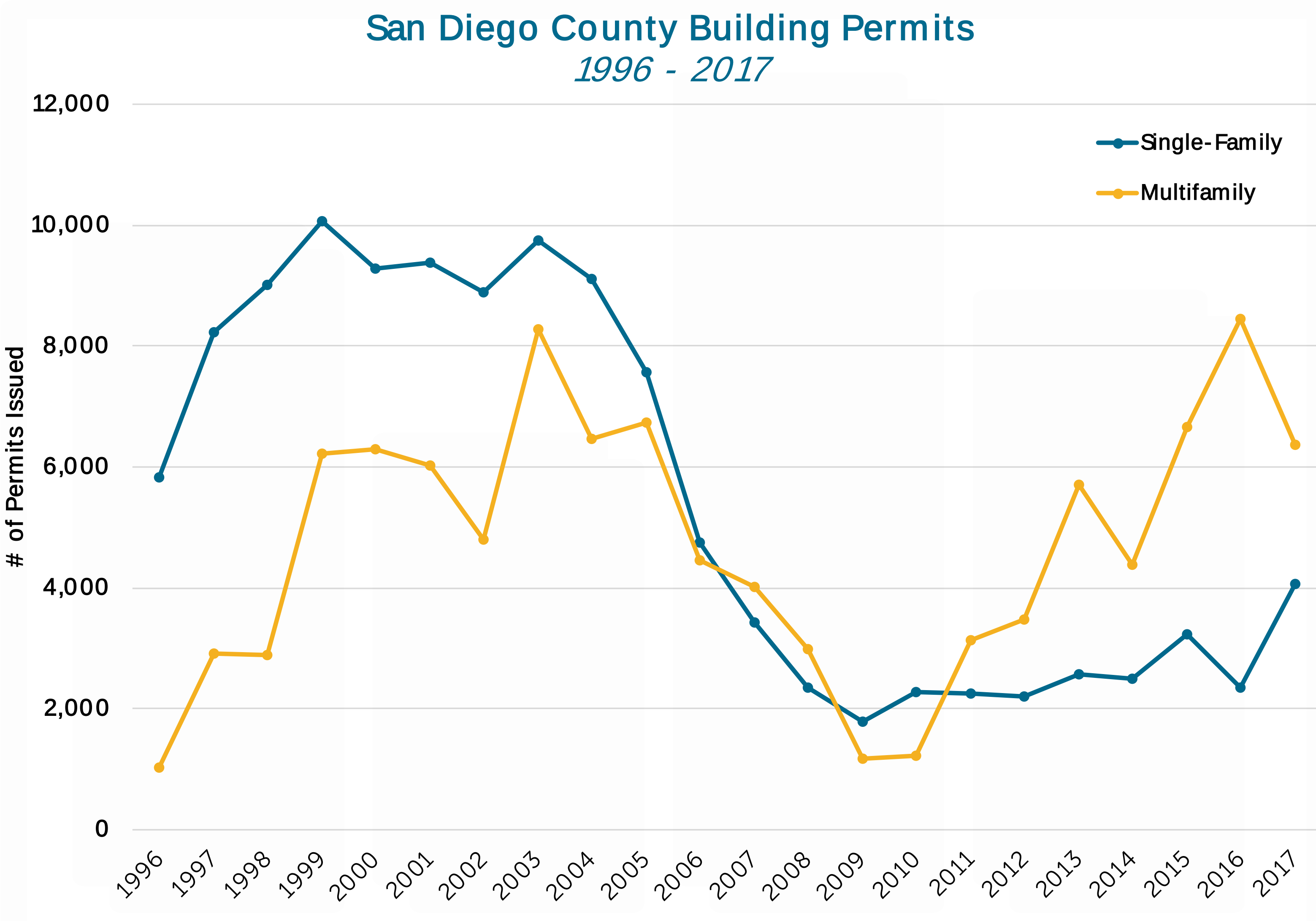


Source: London Moeder Advisors, EDD

Historical Housing Growth

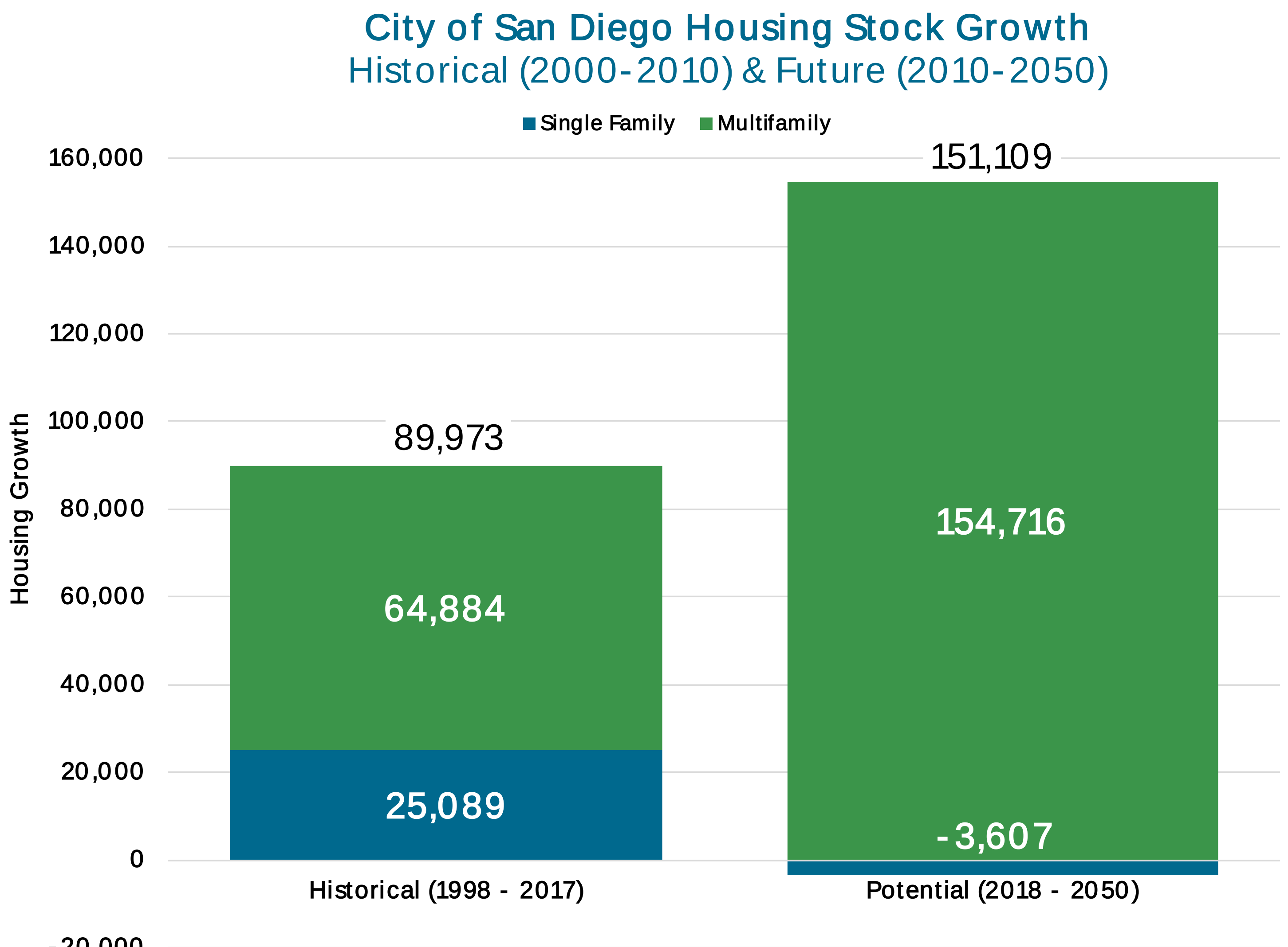


Historical Housing Growth (Building Permits)



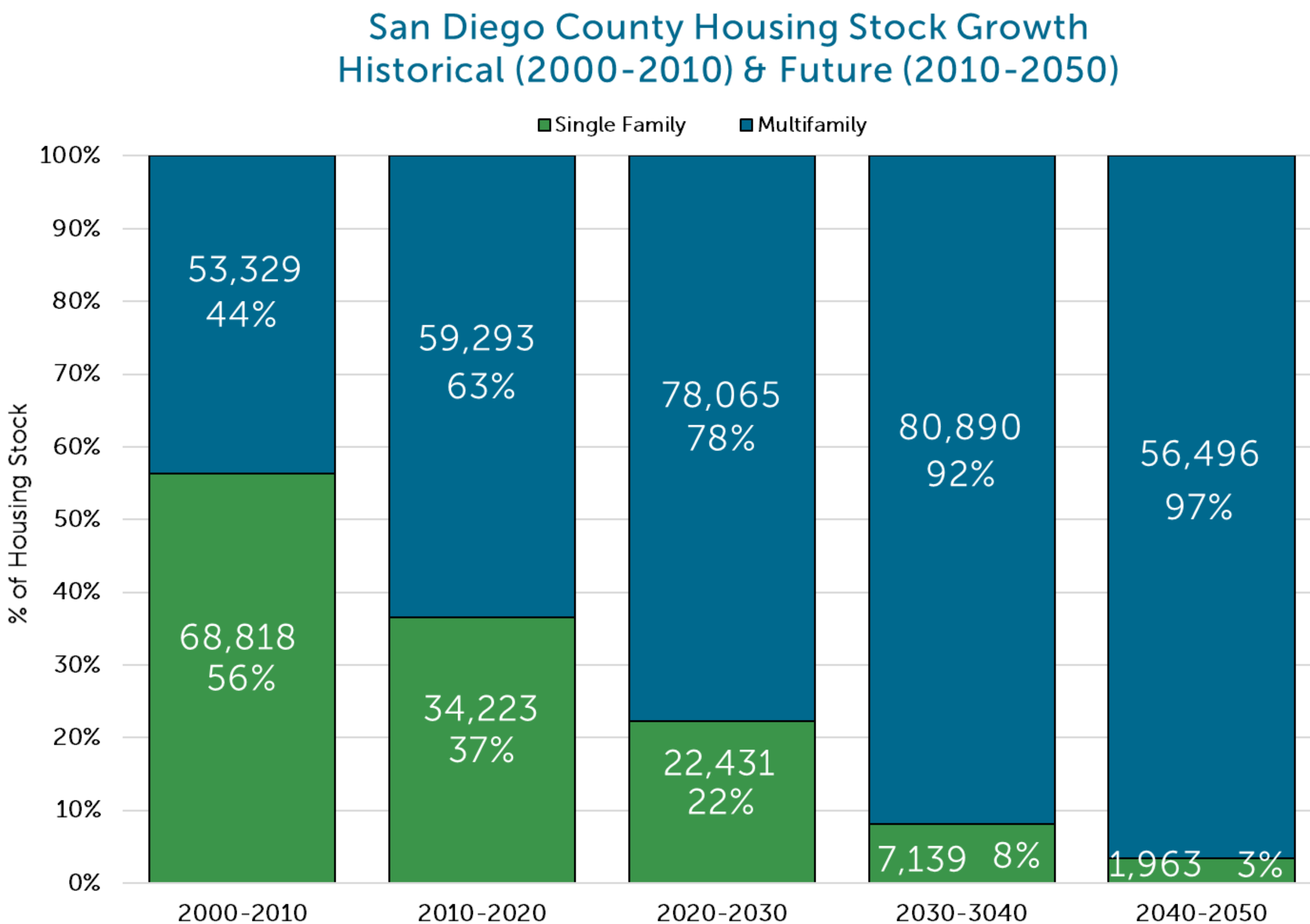
Source: London Moeder Advisors, U.S. Census

Housing Growth: City of San Diego



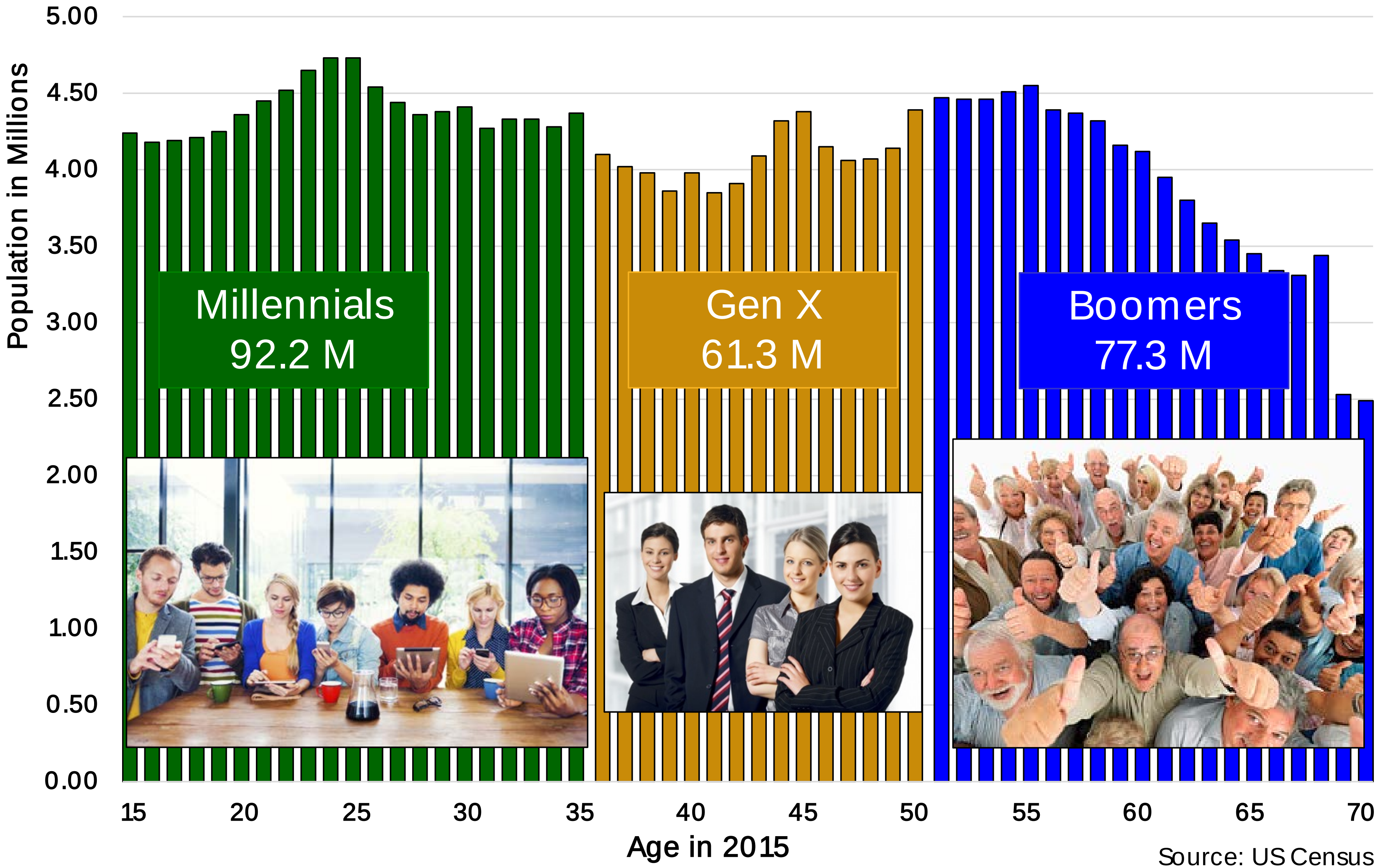
Source: London Moeder Advisors, U.S. Census, SANDAG

Potential Housing Growth



Source: London Moeder Advisors, SANDAG

Reaching Peak Millennial



San Diego County Housing Shortage

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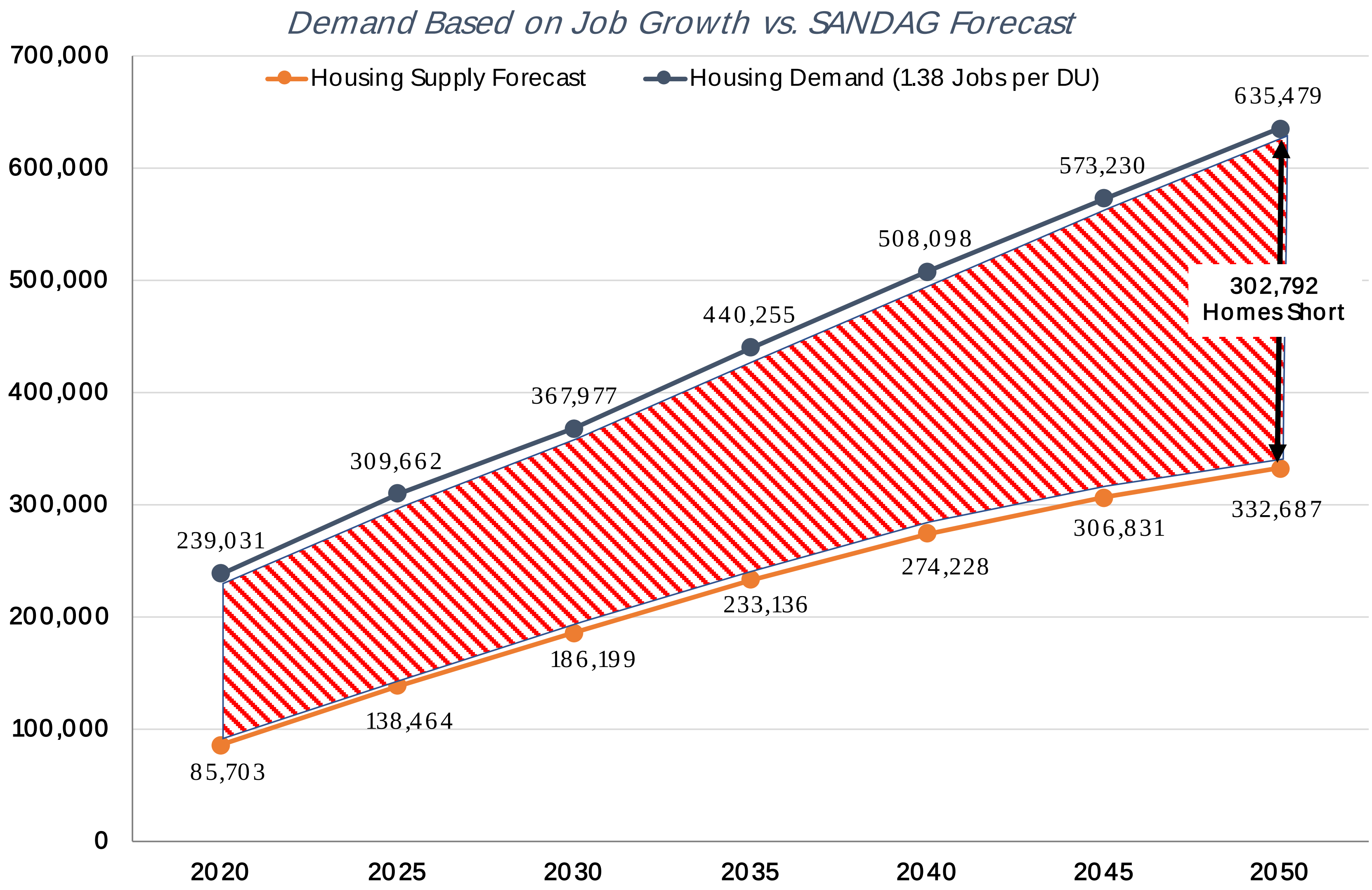

Source: London Moeder Advisors, SANDAG

Can San Diego County Recover?

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PROVIDING STRATEGIC VISION, ANALYSIS, CAPITAL AND DEAL ACCESS TO DEVELOPERS, INVESTORS, LENDERS, ATTORNEYS AND PUBLIC AGENCIES FOR OVER 25 YEARS.

A Moon-Shot Plan Is Needed to Build San Diego Out of Its Housing Shortage

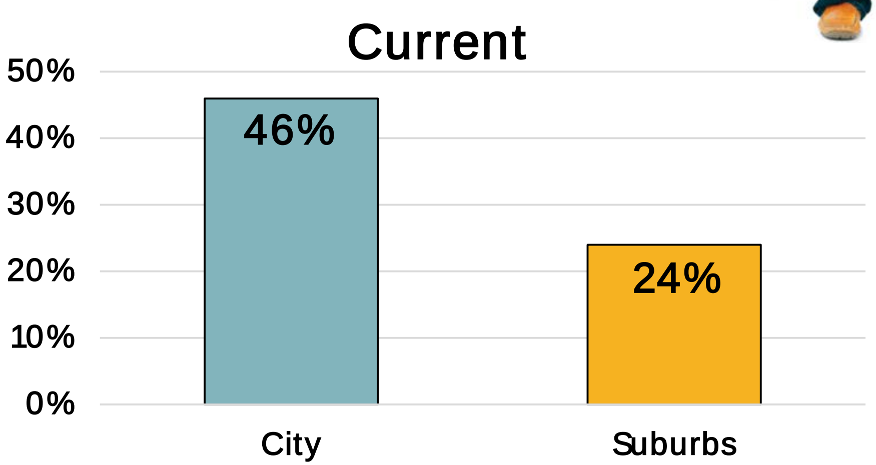
By Gary H. London

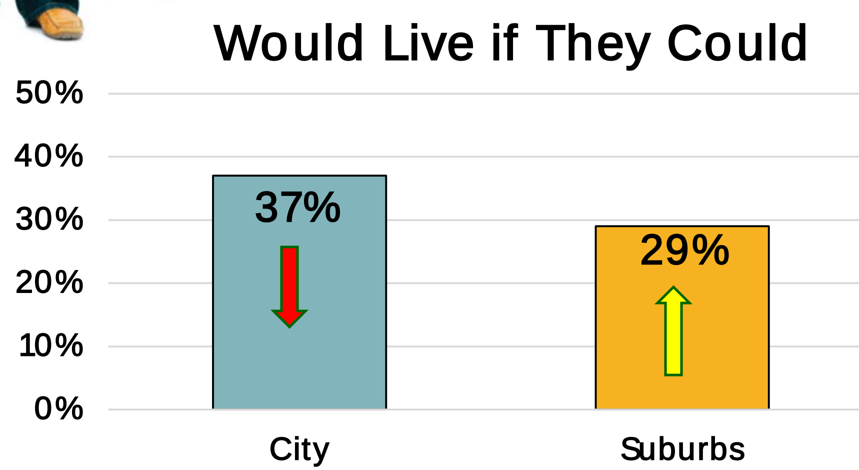
Synopsis

In this paper, I propose that developers, housing advocates and public agencies within the San Diego Region team to create a ten-year plan to build 17,000 housing units per year, a goal of 170,000 housing units, to rebalance supply and demand. If accomplished, pricing would stabilize, young families could be housed and the "crisis" would be over.

To achieve this, we need to build slightly denser home subdivisions in the abundant "infill" locations throughout our region. The path to a solution includes setting policy goals to achieve these numbers; revising plans so that what we prescribe can actually be built; and changing state and local regulation so that housing may be built faster.

Future Generations: Millennials May Become Less Urban





Source: ULI- America in 2015

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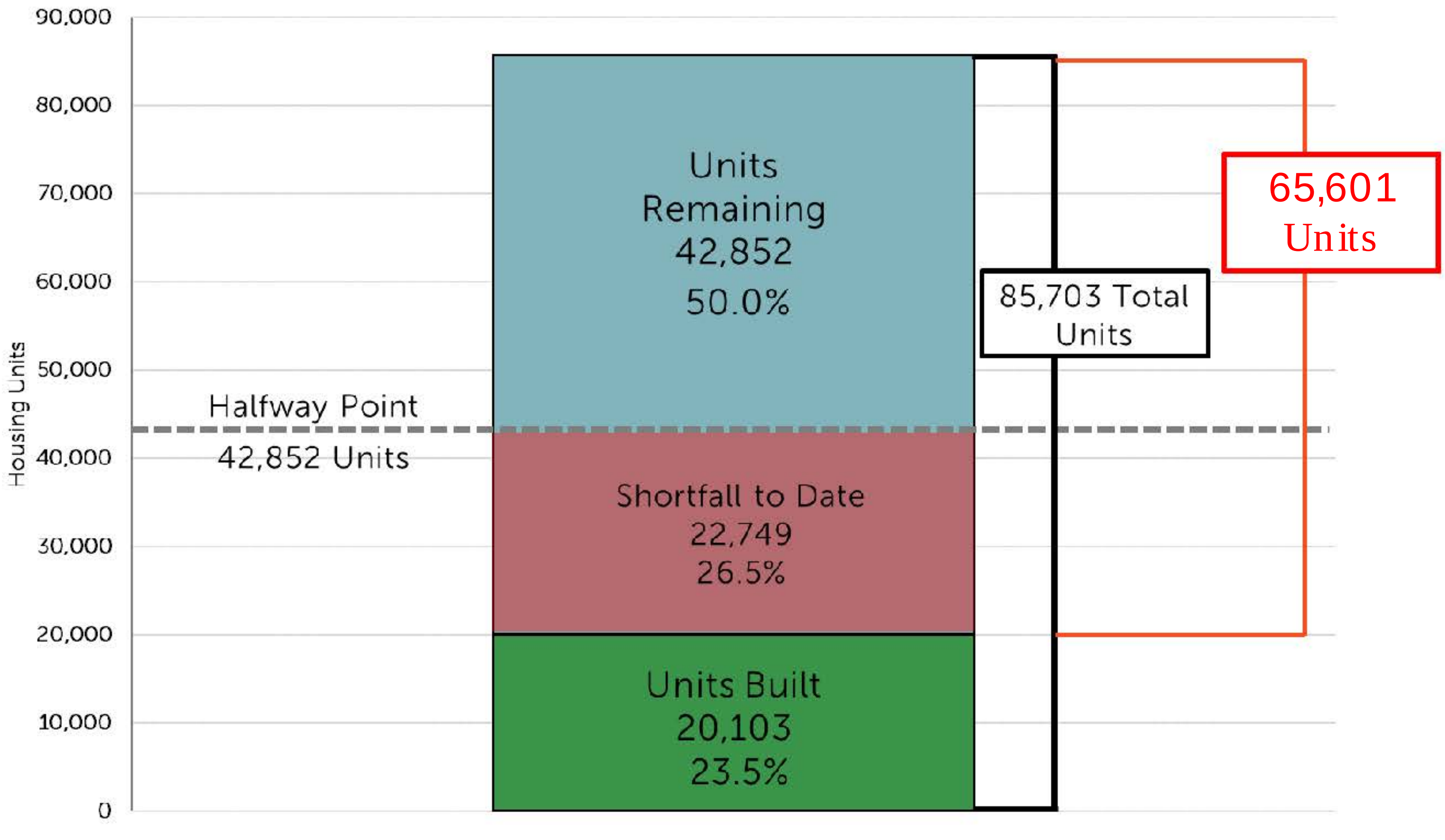
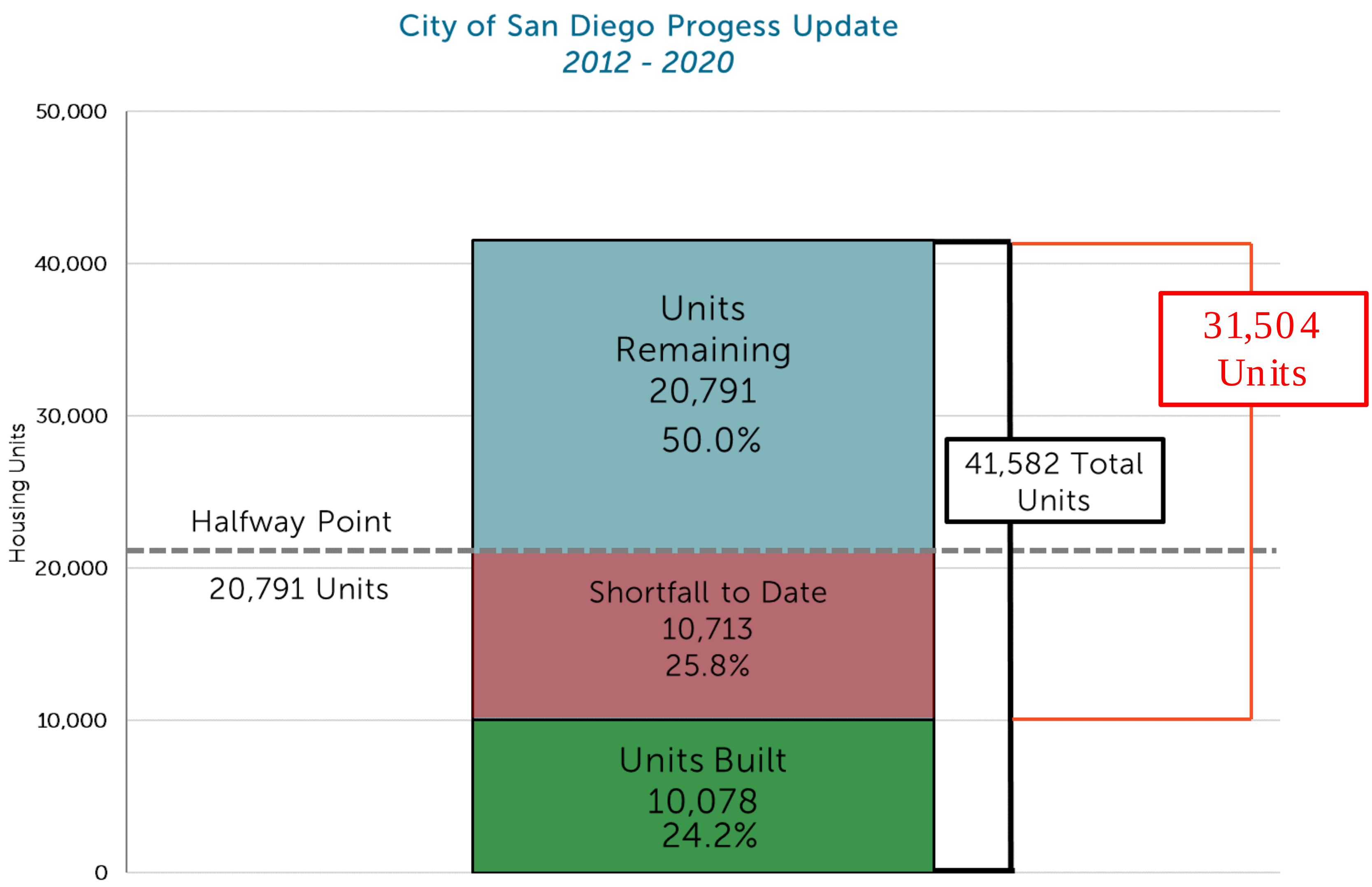
San Diego County Progess Update
2012 - 2020



Source: London Moeder Advisors, SANDAG

City of San Diego Progress:



Source: London Moeder Advisors, SANDAG

Challenges

- Total Delivery: one-half of what we need.
- Composition of Delivery: mostly MF, not nearly enough SF
- Prices: mostly of land, because we have run out
- Geographic distribution: We like housing Downtown, but no where else
- Wrong target: Mostly for younger, not enough for forming families.

Feasibility Challenges

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	CC-3-9 (1 Unit per 400 SF of Lot Area)			
	100% Market Rate	10% Low Income (80% AMI); 20% Density Bonus	5% Very Low Income (50% AMI); 20% Density Bonus	15% Very Low Income (50% AMI); 50% Density Bonus
FAR	2.7	3.1	3.1	3.9
Density (DU/Ac.)	109	131	131	164
Bldg Height	40' - 50'	50' - 60'	50' - 60'	60' - 70'
Construction Type	V-Mod.	V-Mod.	V-Mod.	III-Mod.
Hard Costs PSF (Gross)	$180	$180	$180	$180
Parking Costs ($/Space)	$35,000	$35,000	$35,000	$35,000
Land Value PSF	$191	$234	$250	$246
Land Value Per Unit	$76,564	$78,136	$83,340	$65,179
Average Rental Rates				
Market Rate	$2,554	$2,559	$2,559	$2,566
Affordable	$0	$1,433	$882	$900
Total Blended Rent	$2,554	$2,458	$2,485	$2,404
Total Blended $/S.F.	$3.26	$3.16	$3.19	$3.07
% Diff to Market Rate	----	-3.1%	-2.1%	-6.0%
Profitability Over 5 Years				
Profit/Unit	$166,719	$124,965	$148,652	$126,236
% Diff to Market Rate	----	-25.0%	-10.8%	-24.3%
Yield On Cost	6.00%	6.00%	6.00%	6.00%

Feasibility Challenges

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	CC-3-10 (1 Unit per 200 SF of Lot Area)		
	100% Market Rate	10% Low Income (80% AMI); 20% Density Bonus	5% Very Low Income (50% AMI); 20% Density Bonus
FAR	5.5	6.4	6.4
Density (DU/Ac.)	218	261	261
Bldg Height	140'	160'	160'
Construction Type	Type I	Type I	Type I
Hard Costs PSF (Gross)	$250	$250	$250
Parking Costs ($/Space)	$35,000	$37,500	$37,500
Land Value PSF	$355	$318	$355
Land Value Per Unit	$70,921	$53,000	$59,167
Average Rental Rates			
Market Rate*	$3,066	$3,096	$3,084
Affordable	$0	$1,456	$896
Total Blended Rent	$3,066	$2,959	$2,987
Total Blended $/S.F.	$3.66	$3.57	$3.62
% Diff to Market Rate	----	-2.4%	-1.2%
Profitability Over 5 Years			
Profit/Unit	$183,647	$143,878	$165,576
% Diff to Market Rate	----	-21.7%	-9.8%
Yield On Cost	6.00%	6.00%	6.00%

Solutions: Development Perspective

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- Planners ascribe density that is feasible and compels land owners to sell their property for development.
  - Needs to be studied at a higher level. Current efforts and analysis for the city fall short of understanding what development is actually feasible.
- Balance between height limitations and urban form.
  - Taller building heights allow for higher achievable rents on top floors, which helps project feasibility.
  - Taller building heights open up the site and allow for better placemaking and community amenities.
- City to fund Specific Planning Areas in communities where higher intensity development is required to make development happen.
  - Without City funding development will stall. Land owners in a given area will not blindly fund an expensive study without an immediate development plan.

Solutions: Planning Perspective

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- Eliminate or make more flexible many zoning/land use restrictions: most new projects are exceptions to zoning. Accommodate them through form-based design, perhaps moratorium of rules in certain corridors (e.g. El Cajon Blvd.!)

- Establish neighborhood housing goals, and roll them up to a City-wide goal. Stress test them every year. Ask why we haven't built those homes. Solve the problem. Updating community plans are simply not enough.

- Invite the providers to help address the problems. Form a "blue ribbon" committee with the task of helping staff and management to create ideas and audit change.

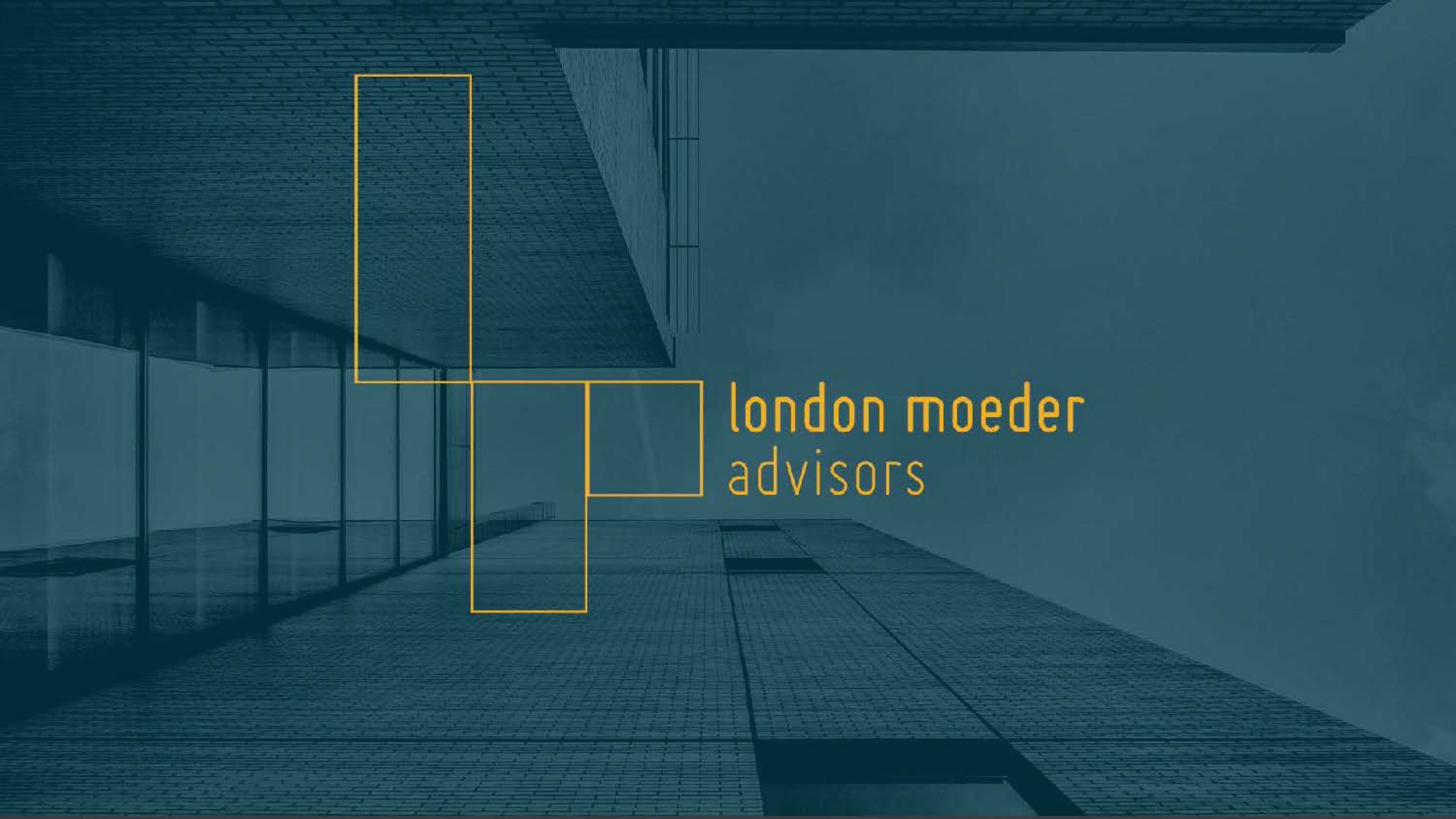
- Invite and encourage housing for young families on infill sites by maximizing land efficiencies through rowhomes and townhomes.

And If No Solutions

- Prices Will Continue to Increase
- The skilled young will continue to move out
- There will be a rash of short sighted, unworkable, impusive “solutions” which might include Rent Control, ballot box planning or ballot box rejections of projects, and community pushback.
- More need for government subsidies

- But beside the housing problems, we are most certainly going to face ***economic problems***: What is keeping business owners and managers up at night? Not finding skilled employees, and dealing with stressed employees (dollars and commutes).

Real Estate Development Is Not Getting Any Easier



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