




OFFICE OF COUNCILMEMBER CHRISTOPHER WARD THIRD COUNCIL DISTRICT

MEMORANDUM

DATE: October 23, 2017

TO: Mayor Kevin Faulconer
Councilmember Scott Sherman, Chair, Smart Growth and Land Use Committee
Rick Gentry, President & CEO, San Diego Housing Commission

FROM: Councilmember Christopher Ward 

SUBJECT: Recommendations for Revisions to the City of San Diego's Inclusionary Affordable Housing Regulations pursuant to Assembly Bill 1505 to Address Housing Affordability Crisis

The City of San Diego enacted an Inclusionary Housing Ordinance in July 2003 (amended in 2011) that requires housing developers of two units or more to set aside at least 10 percent of their projects for low- and moderate income residents. The purpose of the inclusionary affordable housing regulations is to encourage diverse and balanced neighborhoods with housing available for households of all income levels. The intent is to ensure that when developing the limited supply of developable land, housing opportunities for persons of all income levels are provided.

Just last month, in September 2017, the San Diego Housing Commission released a report *Addressing The Housing Affordability Crisis: San Diego Housing Production Objectives 2018-2028*, which recommends that San Diego needs to roughly triple the number of homes it builds, to an additional 150,000 to 220,000 housing units by 2028—or 17,000 to 24,000 each year—to keep up with demand and to keep prices down. The report notes that housing affordability is an issue for at least half of San Diegans; and 50 percent of San Diegans can't find market-rate rental housing they can afford, while 60 percent cannot afford home ownership. In addition to the production objectives, another one of the Housing Commission's Strategic Plan Goals is to “increase the number of housing opportunities that serve low-income and homeless individuals and families in the City of San Diego.”

Assembly Bill 1505, signed into law on September 29, 2017 and effective January 1, 2018, provides another option to combat San Diego's housing affordability crisis. AB 1505 authorizes the legislative body of a city or county to establish inclusionary housing requirements as a condition of the development. Prior to this legislation, local agencies were prohibited from imposing inclusionary requirements on rental units that did not receive governmental assistance. AB 1505 specifies that cities and counties may adopt ordinances

that “require, as a condition of the development of residential rental units, that the development include a certain percentage of residential rental units affordable to, and occupied by,” households at or below moderate-income levels. The legislation requires inclusionary housing ordinances to provide alternative means of compliance that may include in-lieu fees, land dedication, off-site development of units, or rehabilitation of existing units.

I request that the Mayor’s Office and appropriate City departments, along with the San Diego Housing Commission, bring forward amendments to the City’s Inclusionary Affordable Housing Regulations to the Smart Growth and Land Use Committee to take advantage as soon as possible of the opportunities available from the implementation of AB 1505 and to maximize tools for the immediate production of new affordable housing. Additionally, the Housing Commission should conduct an assessment of the current Inclusionary Housing Ordinance to evaluate its impact on the provision of housing opportunities for San Diego citizens, particularly low-to moderate-income households. This analysis should examine whether the current policy has led to the creation of economically integrated communities that allow households of modest means access to a range of opportunities, the underlying principles of the ordinance.

Amendments should be made on how to render the Inclusionary Affordable Housing Regulations a more effective tool. I offer the following recommendations for consideration:

- Inclusionary on-site (no less than 10%) requirement for projects that involve a zoning increase, City-owned land, or public financial assistance
- Inclusionary on-site (no less than 10%) requirement for projects located in Transit Priority Areas or in any of the five San Diego neighborhoods identified in the San Diego Housing Commission’s geospatial analysis where it is estimated that 40 percent of housing capacity exists: Mira Mesa, Mission Valley, City Heights, North Park, and Uptown
- Modify income levels and set-asides, such as:
 - Adding a requirement for a minimum percentage (no less than 10%) of housing to be affordable at very low and low income households (30% AMI to 60% AMI)
 - Adding a requirement for a minimum percentage (20%) of housing to be affordable at moderate and middle income households (no more than 150% AMI)
- Requirement for an additional 5% affordable housing when affordable units are provided off-site
- Adjusting in-lieu fee payments to greater incentivize the production of on-site affordable housing units

If implemented properly, updated inclusionary policies can help address the shortage of affordable housing with the potential for creating socially and economically integrated communities. Thank you for your thoughtful consideration. I look forward to receiving your recommendations.

cc:
Mara W. Elliott, City Attorney
Council President Myrtle Cole