



News from the City of San Diego

Council President Todd Gloria Councilmember Myrtle Cole

NEWS RELEASE

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Council Moves to Update Affordable Housing Funding After 18 Years *Solution Would Provide Stable Long-Term Funding for Affordable Housing*

SAN DIEGO (October 6, 2014) – Led by Councilmember Myrtle Cole and Council President Todd Gloria, the City Council today moved forward with a measure to update Workforce Housing Offset fee, which would provide additional funds for the development of affordable housing in San Diego. The measure to direct the City Attorney to draft the necessary Municipal Code changes passed with a vote of 7-1.

The City Council demonstrated its focus on addressing issues faced by working families by supporting an update to the Workforce Housing Offset, commonly known as the linkage fee or Housing Impact Fee, for the first time in 18 years. The 100% increase would revert it to its original 1990 levels, which were sliced in half in 1996 and never again revised due to economic pressures.

“Today’s bold move by the City Council caps a years long contentious debate between affordable housing advocates and members of the business community with a reasonable, collaborative result. I thank Councilmember Cole for helping us reach this point,” said Council President Gloria.

The City Council directed the City Attorney to draft the following Municipal Code updates.

- Fee: Raise the fee 100%, phased-in over three years, to the 1990 level. Phase-in period begins on January 1, 2015.
- The Housing Impact Fee adjustment will not sunset.
- Exempt manufacturing, warehouse, and nonprofit hospitals from the Housing Impact Fee for the purposes of economic development.
- No adjustment to the fee levels for research and development construction, for the purpose of economic development.
- Remove requirement for annual recommendation to the Council for revenue level update based on a construction cost index.

“Today, my Council colleagues and I voted to address the issue of quality affordable housing in the true spirit of collaborative government. We understand that something needed to be done to address the shortage of quality affordable housing, and at the same time we were sensitive to business development. I thank my Council colleagues for supporting the hard work my office has done to reach this compromise,” said Councilmember Cole, who serves as the Vice Chair of the Council’s Smart Growth and Land Use Committee.

The linkage fee was created in 1990 and requires that commercial developers who build in San Diego help cover the cost of providing affordable housing for low-wage workers through a one-time payment, assessed as a small percentage of development costs, which is deposited into the City’s Housing Trust Fund. Due to economic pressures, the fee was cut in half in 1996 and then not updated for 18 years, resulting in substantially less funding for affordable housing. The funding challenge was compounded with

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the state's decision to discontinue redevelopment programs, which had served as a key mechanism to increase affordable housing units locally.

To rectify this, the Council updated the fee for office buildings late last year, with similar increases on other nonresidential development. The Jobs Coalition and the San Diego Regional Chamber of Commerce then collected more than 50,000 signatures to oppose it. The City Council repealed the fee on March 4 and asked the stakeholders to work on a compromise. Councilmember Cole was dissatisfied with the progress toward a compromise and stepped in to work with stakeholders on the proposal discussed today.

The City Council will likely consider the Municipal Code changes later this month.

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