



City of San Diego

Smart Growth and Land Use Committee

MEMORANDUM

DATE: February 10, 2017
TO: Honorable City Councilmembers
FROM: Councilmember Scott Sherman, Chair 
RE: Smart Growth and Land Use Committee Work Plan

I. Background

The San Diego region is facing a housing crisis where the cost of living is far outpacing incomes earned. Throughout the state of California, middle class families are spending more than 30 percent of their incomes on housing—the standard used as the upper bound of reasonable expenditure. Lower income families find themselves saddled by monthly housing costs at an even higher rate. The specific costs of the various housing sectors all prove to be financially burdensome. The average rent in San Diego is \$1,743 per month. As of October 2016 the County’s median home sale price was \$507,500 and the median sale price of a new home in the County was \$765,000.

The high cost of living, increased demand for affordable housing, and lack of efficient supply are significant indicators of the region’s net-out migration. Between July of 2014 and July of 2015, 9,370 San Diego residents moved out of the area, a trend replicated throughout the state. The high cost of housing has grave negative implications on our future local economy. In fact, a recent study reported that San Diego had one of the smallest growth rates among millennials in metropolitan areas over the last decade. In order to retain San Diego’s current talent and to accommodate the necessary increase in the workforce, the City must plan for housing now.

II. Introduction

The housing affordability problem is rampant throughout the San Diego region. This committee has an obligation to address the problems of housing supply and discover the ways in which we can mitigate the effects of our housing crisis.

The demographic trends in San Diego project an increase of one million people by 2050. The City lacks the ability to address the current housing deficiency, and this will only worsen as our City grows. Therefore, if the supply of housing does not increase, and demand is only expected to grow, housing will continue to be less and less affordable.

Many of the regulatory barriers placed upon developers disincentivizes development, especially low, middle, and moderate income units, which do not provide the same profit margin as high income housing. More low, middle, and moderate income unit developments are needed to discourage residents from moving out of the area, and to attract members of the workforce, who contribute positively to our economy, into making San Diego their permanent home. If this is not addressed, the housing supply crisis in the City will continue to grow, absent widespread and substantial housing policy changes. The City of San Diego will continue to inadequately provide housing for its current and future constituents.

There is no one solution to combat the housing crisis, but it is necessary to create a multi-faceted approach that seeks to increase the number and affordability of homes. We must incentivize developers and property owners to increase housing stock, and ease restrictions on housing types, that directly address the needs of our workforce such as companion units and other unique infill policies.

III. Housing Affordability

Housing Affordability is at the forefront of the policy agenda; ensuring the development of workforce housing is a top priority of this committees work plan. The following strategies are broken up into four subcategories: cost, strategy, process streamlining, and supply. Each proposal serves to tackle smart growth and land use problems within the city of San Diego from many angles.

A. Cost

1. Tax Incentives and Rebates

- a. *Summary.* Explore the creation of tax incentives for developers and for employers who build housing or offer housing assistance.
- b. *Policy Changes.* Introduce tax rebates and exemptions to encourage workforce housing developments, such as 80/20 developments, in which 80 percent of units are at market-rate and 20 percent are affordable. This could reduce the cost of the affordable housing by \$56,000-\$85,000 per unit. Moreover, tax incentives for employees may encourage employees to reside within municipal limits.

2. Parking Requirements

- a. *Summary.* Increasing development near multi-modal communities both encourages compliance with the CAP and allows opportunities to reduce parking requirements and subsequently the cost of development.
- b. *Policy Changes.* Encourage market-based determination of parking spaces by reducing multiple forms of parking requirements located in transit areas such as: waiving 2/3 of parking requirements on small lots, limiting requirements for affordable housing to 0.5 per unit, setting a maximum of 0.25 spaces per unit in

senior housing, and waiving tandem parking only requirements—all within transit areas. Consider parking maximums for new development projects in order to reduce development costs within designated villages, senior projects and within the Downtown Community Plan area.

3. Fees

- a. *Summary.* Reevaluate the archaic structure by which many fees are administered in order to better reflect changes in smart growth and incentivize development.
- b. *Policy Changes.* Defer impact fees, permit fees and other fees until after construction, saving up to \$2,000-\$7,000 per unit. Implement credits for traffic calculations on commercial developments near transit oriented development to reduce fee burdens due to the lower traffic generation.

4. Restructuring DIF

- a. *Summary.* DIF fees are one of the highest inhibitors to development in many communities and in a housing crisis pose a major deterrent to development.
- b. *Policy Changes.* Recalculate DIF based on square footage of the home, not based on the units. Changing to square footage provides a greater incentive to build fewer large units and thereby increases the supply of smaller units.

5. Floor to Area Ratio (FAR) Bonus

- a. *Summary.* Expand funding sources for housing affordability by offering incentives to commercial developers.
- b. *Policy Changes.* Sell limited FAR rights for commercial developers to fund Affordable Housing Trust Fund. This would allow commercial developers to receive comparable benefits to residential developers in exchange for a similar contribution to affordable homes.

B. Strategy

1. Initiate Housing Target Plan

- a. *Summary.* Create a target strategy that creates goals over the next five, ten, and fifteen years for each community's capacity and responsibility to increase housing units to be used as a benchmark for smart growth. Creating this type of strategy will help inform policy decisions, advance work items, and inform funding decisions.
- b. *Policy Changes.* Mandate that each community in San Diego report on their achievements toward their individualized housing goals for their community culminating in an annual report of target met.

2. Qualcomm Stadium Site

- a. *Summary.* Due to the recent move of the San Diego Chargers it is important to reevaluate this site due to its infinite potential in the geographic center of the City.
- b. *Policy Changes.* Ensure that development of the stadium site takes into consideration new high density housing, employment, educational uses, open space, the San Diego River Master Plan, transit, sports, and recreation uses.

3. Community Planning Groups

- a. *Summary.* Reform Community Planning groups by amending Council Policy 600-24 to achieve higher professionalism and increased efficiency in planning group processes.
- b. *Policy Changes.* Specific changes include requiring additional training for community planning board members, increasing diversity among property and demographic interests in the community on the board, and consolidating community planning groups into larger regional groups.

4. Restructuring Park Equivalencies

- a. *Summary.* Park Equivalency determinations are important in maintaining aspects of each community, however our measurement system needs to be updated and reevaluated in order to better reflect the needs of the community.
- b. *Policy Changes.* Restructure the process by which park equivalency fees are measured through a well-designed park master plan.

5. Land Acquisition Cost

- a. *Summary.* At the core of the housing affordability problem in San Diego is the challenge of land acquisition. Unique methods must be adopted in order to reduce land acquisition costs which are directly passed onto the consumer.
- b. *Policy Changes.* Explore new opportunities for affordable housing production on city and other publically owned land.
 - i. Request an update in its real estate disposition policies to create opportunities for additional affordable housing production and maximize capacity and development potential.
 - ii. Authorize and monitor the implementation of the San Diego Affordable Housing Transit-Oriented Development Fund.
 - iii. Explore partnerships with and evaluate publicly-owned land in relation to Civic San Diego, the San Diego Housing Commission, the County, SANDAG, MTS, SDUSD, and other public agencies to advocate for ground leases of public property to private affordable and moderate income housing developers or the establishment of Community Land Trusts.
 - iv. Ensure that the City is in compliance with AB 2135 to strengthen affordable housing's right of first refusal when local agencies, including cities and counties and special districts such as transportation authorities and school districts, dispose of publicly-held land.
 - v. In partnership with the Public Safety and Livable Neighborhoods Committee, the Office of the City Attorney, and the San Diego Housing Commission, identify long-standing nuisance properties such as run-down motels and/or dilapidated or abandoned residential buildings. Consider compelling the owners of nuisance properties to correct those conditions and if the owner fails to do so, the municipality can use its powers to correct, or abate, the conditions itself. Nuisance abatements present accelerated opportunities to convert property to affordable housing or supportive housing.

C. Supply

1. Accessory Dwelling Units (ADUs)

- a. *Summary.* Provide homeowners the opportunity to build accessory units by easing of restrictions in order to facilitate supplemental income for homeowners and affordable in-fill housing for residents.
- b. *Policy Changes.* Amend the Municipal Code to reflect the changes set forth by the State of California in SB 1069 which relieves parking, setback, and height requirements for ADUs. Work with industry professionals in order to develop a comprehensive toolkit for homeowners to easily convert or build ADUs.

2. Junior Accessory Dwelling Units (JADUs)

- a. *Summary.* Provide homeowners the opportunity to build units less than 500 square feet completely within their existing home. Distinguishing features of a JADU include: a small kitchenette including a sink, a hot plate, and a door on the exterior of the house.
- b. *Policy Changes.* Amend the Municipal Code to reflect SB 1069's companion bill AB 2406, which was not chartered alongside ADUs. Changes generally include a provision permitting JADUs with waived parking restrictions and new connection fees.

3. Amnesty of Accessory Dwelling Units

- a. *Summary.* Implement a program allowing owners of unpermitted ADUs to become legal dwelling units if brought up to safety and additional codes.
- b. *Policy Changes.* Specific changes to the municipal code include: mandate the unit be brought to code, ease inhibiting requirements (i.e. separate metering, waived school fees, and parking), and waive application and permitting fees.

4. "Huffman 6-Pack" Zoning

- a. *Summary.* The Huffman 6-packs are relatively older units, mostly cited as affordable within communities of San Diego, but are in need of updating.
- b. *Policy Changes.* Implement a City-wide ordinance allowing property owners of Huffman 6-packs to redevelop their property to be more appealing, higher quality, and allow increased density by-right if owners follow a staff produced toolkit.

5. MTS Affordable Housing

- a. *Summary.* Incentivize affordable developments adjacent to MTS public transit to situate housing near public transportation to serve the needs of the community and the CAP.
- b. *Policy Changes.* Reduce development fees and barriers for affordable housing developers to utilize land adjacent to public transit and owned by MTS. Silicon Valley's VTA affordable housing policy, Oakland's BART policy and others have been extremely success in achieving target development.

D. Process Streamlining

1. Historic Resources Board (HRB)

- c. *Summary.* Require that HRB reinstate procedures in place prior to a decision made by the preservation ordinance review committee and implement policies that reinstates HRBs intent as an advisory body with more oversight from Council.
- d. *Policy Changes.* Specific reforms include: mandating Council approval on any new historic or potentially historic district, allowing an appeal of an historic designation on any ground, bifurcating HRB hearings into two per month separating the agendas of DSD referral and voluntary designation, increasing the designation to 75 years, proposing a cap on historic properties, reviewing only those properties in a predetermined historic zone, amending the criteria used to designate (eliminate wildcard criteria), and capping the limit by which Mills Act tax credit recipients may receive such a credit—once the threshold of property value is met, homeowners must pay taxes on the remaining value.

2. Permit Process Change

- a. *Summary.* Amend the planned development permit regulations in order to increase development.
- b. *Policy Changes.* The development proposal refers to multiple dwelling unit residential development with increased density per the adopted land use plan in transit areas and will be changed from a Planned Development Permit Process 4 to a Process 3.

3. California Environmental Quality Act (CEQA)

- a. *Summary.* Amend the current structure of environmental determination appeals to ensure that appellants with a just case maintain their ability to appeal, while limiting frivolous, costly, and lengthy appeals of environmental determinations.
- b. *Policy Changes.* Clarify and update the current municipal interpretation and execution of CEQA requirement.
 - i. Streamline the appeal process for environmental determinations by reducing the right to appeal to 5 days, requiring an in-person appeal, increasing the fee structure for appeals, and expediting the amount of time Council has to hear an appeal.
 - ii. Investigate further into a 2013 City Attorney Memo requesting City Council clarification on pursuing an appeal when the appellant has rescinded.
 - iii. Reevaluate thresholds outlined in section 15064.7 of the CEQA Guidelines, which encourages public agencies to develop and publish such analytical tools that include the significance determination thresholds. Specific focus should determine if these thresholds need to be revised in order to reflect the General Plan’s urban infill strategy focused within transit priority areas.
 - iv. Request and review a report from the Development Services Department and the Planning Department regarding SB 743’s transition from Level of Service (LOS) to Vehicle Miles Travelled (VMT).

4. Expand Self-Certification

- a. *Summary.* Currently the City of San Diego offers a limited self-certification program, but there are opportunities for expansion.
 - b. *Policy Changes.* Increase self-certification programs on building projects, landscape plans, the majority of low level permits, and others. Emphasize ePermitting approval program, such as Accela, through Council.
- 5. Traffic Study Process**
- a. *Summary.* Traffic studies are a key component of the development process and are currently contracted out to SANDAG.
 - b. *Policy Changes.* Bring traffic studies relating to City of San Diego projects in-house, as it was originally, in order to regain control of the studies, increase time efficiency, and reduce costs.

IV. Additional Smart Growth and Land Use Priorities

1. Review and Provide direction to Staff on the eleventh Land Development Code Update
2. Explore opportunities to utilize technology to improve land use processes, community input, and opportunities for smart growth.
3. Ensure Commencement and Completion of Community Plan Updates
 - a. The committee should ensure that each Community Plan Update is a public process, soliciting as much feedback as possible through workshops and local planning groups. In addition, the Committee should continue to work with City staff to ensure the effective and expeditious completion of each Community Plan Update.
 - i. Specifically request a revised proposal for updating the Barrio Logan Community Plan for consideration after a previously overturned plan.
4. Short-Term Vacation Rental Ordinance
 - a. After years of input and debate, the committee shall hear and decide upon an ordinance for short-term vacation rentals.
5. Streamline Process to Develop New Off-Leash Dog Parks in the City
 - a. Maintaining and maximizing neighborhood parks is a top priority for residents, especially as more and more San Diego families desire convenient and safe park space to enjoy with their dogs. The Development Services and Planning Departments should work cooperatively with community members to revise SDMC §63.0102(b)(2)(C) to allow for a feasible path for identifying, developing, and opening new off-leash dog parks within existing City parks.
6. Revise City Employee Transportation Alternatives Program
 - a. The City's Climate Action Plan seeks to increase the number of mass transit commuters in Transit Priority Areas by 8 percent to achieve its 2020 goal. To help expedite this, the Committee should consider amending the City's current public transportation incentives offered to City employees through the Transportation Alternatives Program. The current program offers incentives only to employees who do not purchase a monthly parking pass from the City Parkade and does not offer mileage reimbursement for work travel taken with public transportation. The Committee should consider amendments to this program that will extend incentives to Parkade pass holders and employees who utilize public transit to work.

7. State and Federal Focus

- a. Increase resources such as the U.S. Department of Housing and Urban Development's continuum of Care to address homeless and Low-Income Housing Tax Credits to support the development of affordable housing.
- b. Support SB2 "Building Homes and Jobs Act" (Atkins). It is estimated that this fee will generate approximately \$500 million each year to support affordable housing in California. This Committee should support this piece of legislation because of the positive impact it will have on addressing the issue of affordable housing and will ensure this becomes a specific legislative priority for the City's State lobbying team.
- c. Utilization of Promise Zone Funding. Promise Zones are characterized for high unemployment, low education levels, concentrated poverty, rising crime and limited affordable housing. This Committee should explore the potential of leveraging promise zone funding to help support housing affordability in these areas.

V. Conclusion

The San Diego region faces a severe housing crisis, but there are significant reforms that can be adopted that would substantially reduce the cost of living. A decrease in regulations coupled with unique City incentives will spur the desire and ability for the development of market rate housing. This in turn creates an environment that is inviting to families of all incomes resulting in a positive effect on our economy.

The Smart Growth and Land Use Committee will seek not only to address, but begin to solve the housing crisis this year before the situation worsens in the San Diego region. It is the objective of this committee, through these strategies and others, to tackle both large and small scale legislative changes in order to make a substantial impact on affordable housing and housing affordability, transit oriented development, and smart growth.