



SAN DIEGO
HOUSING
COMMISSION

“We’re About People”

Addressing the Housing Affordability Crisis in San Diego

California League of Cities
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Housing affordability impacts everyone. San Diegans spend less money in the local economy as they struggle to pay for housing, reducing economic activity, productivity and local demand in San Diego.

Some of the key metrics of the City of San Diego housing market:

- Annual housing affordability gap of \$2.4 billion, equal to **2.5 percent of City Gross Domestic Product**
(Source: LeSar Development Consultants calculations)
- One of the six least affordable cities for housing in the US
(Source: Zillow.com real estate website)
- **More than 70 percent of San Diegans cannot afford to purchase an average home** (Source: LeSar Development Consultants calculations)



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Key Market Metrics (Cont.)

- Home prices have risen more than 35 percent over the past 5 years (Source: Zillow.com)
- Wages have not kept pace with inflation over the past 5 years (Source: U.S. Bureau of Labor Statistics)
- Low-income families are severely rent-burdened. \$468 monthly rent is affordable at minimum wage (Source: National Low-Income Housing Coalition) compared to average San Diego rent for a 2-bedroom unit (Source: Jones Lang LaSalle)
- **120,135 extremely low-income families** and only **20,376 units** available for them. (Source: Urban Institute)



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Low-Income Families Are Severely Rent-Burdened

One in Three San Diego Households Do Not Have Sufficient Income to Meet Basic Expenses, and Housing is the Largest Component of Expenses

- Two full-time, minimum wage earners earn \$33,280 in gross income. (Source: United Way of California)
- **Basic annual expenses exceed income by \$18,034**. (Source: United Way of California)
- The minimal cost of housing in San Diego annually is approximately \$19,000, or more than 50 percent of annual income for a family with two minimum wage earners.

Extremely Low-Income Families Are Severely Rent Burdened and Face a Shortage of Available Affordable Units

- San Diego has **120,135 extremely low-income renters** and **20,376 units** affordable to those renters. (Source: Urban Institute)
- The San Diego Area Median Income (AMI), determined by HUD, for extremely low-income renters is \$24,300 per year for a family of four. The **minimal housing cost** of \$19,000 is **78.1% of this AMI amount**.





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San Diego Housing Commission directed to research and propose solutions for:

- Rising Costs of Housing; and
- Reasons for Inadequate Production of Housing

Resultant Report is an Action Plan to Address the Housing Affordability Crisis in San Diego:

- Analyzes current housing affordability in San Diego; and
- Recommends **11 action steps** to **address housing affordability**.



SDHC worked with two local leading consulting firms to complete the analysis and propose recommendations:

LeSar Development Consultants



- Adapted from the McKinsey Global Institute's global affordability study
- Determined that the housing affordability gap can be eliminated completely for the population earning more than 50 percent to 80 percent of Area Median Income by employing a disciplined approach focused on four key action items:
 - 1) unlocking land;
 - 2) reducing construction costs;
 - 3) reducing operations and maintenance costs, and
 - 4) reducing financing costs



Keyser Marston Associates, Inc.



Keyser Marston Associates, Inc. provided quantitative analysis:

- Prepared a summary memorandum comparing costs of market rate housing to affordable housing;
- Recommended potential policy initiatives to reduce affordable housing costs; and
- Provided a cost savings analysis for the key action items recommended in the LeSar Development Consultants analysis.



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Housing Affordability and Affordable Housing

This Action Plan is focused on the production of multifamily housing that impacts all income levels.

Housing Affordability impacts everyone.

- Generally, housing is considered “affordable” if it costs no more than 30 percent of a household’s monthly income

Affordable Housing

- Housing for individuals who earn no more than 30-120 percent of the Area Median Income (AMI)





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- Review of a wide array of recent reports on housing affordability published by academia, think tanks, government agencies, trade groups, and private sector
- Utilized McKinsey Global Institute's methodology published in *A Blueprint for Addressing the Global Affordable Housing Challenge (2014)*
- Requested review and comments:
 - San Diego Jobs and Housing Coalition
 - City of San Diego leaders
 - California Council for Affordable Housing
 - State and Federal Policy Leaders



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Housing Production – Need and Demand

City of San Diego Estimated Housing Need vs. Building Permits Issued

Share of New Housing Units by Income Category, January 1, 2010 – December 31, 2013 (4 years) Fifth Housing Element Cycle

	Very Low	Low	Moderate	Above Moderate	Total for all Categories
Total Housing Units Permitted	1,950	2,151	1,156	21,029	26,286
Regional Housing Needs Assessment Goal (5th Cycle)	36,450	27,700	30,610	67,220	161,980
Percent of Goal Produced	5%	8%	4%	31%	16%
Units Left to Permit	35,414	26,729	30,132	60,062	152,337

Source: SANDAG



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Housing Affordability Action Steps

Action Opportunities for San Diego Housing Market				
Opportunity	Proposed Action	Level of Government	Timeline	Scope
1. Set Annual Housing Production Goals	Sets annual housing production goals and publishes annual scorecard tracking progress against the goal.	San Diego City Council	Short Term	Affordable & Market
2. Incentivize more 80/20 developments	Incentivize 80/20 developments to produce more affordable units at lower cost, utilizing unused 4% credits and lower subsidy from SDHC.	San Diego City Council SDHC	Short Term	Affordable
3. Defer Development Fees	Implements a policy that builds on existing deferral programs to defer more development fees until Temporary Certificate of Occupancy is issued.	San Diego City Council	Short Term	Affordable & Market
4. Reduce Parking Requirements	Further reduce parking requirements by amending the City's Land Development Code to include maximums rather than minimums.	San Diego City Council SDHC	Short Term	Affordable & Market



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Housing Affordability Action Steps (Cont.)

Action Opportunities for San Diego Housing Market				
Opportunity	Proposed Action	Level of Government	Timeline	Scope
5. Reduce Commercial Space Requirements	Reduce ground floor commercial space requirements by amending the City's Land Development Code.	San Diego City Council SDHC	Short Term	Affordable & Market
6. Unlock Land & Increase Ground Leases	Inventory land, increase ground leases of land to affordable housing developers at below market rates or at nominal cost, and make regulatory changes to unlock land for market rate housing.	San Diego City Council SDHC	Short Term	Affordable
7. Shorten Entitlement Process	Mayor directs development services to streamline entitlement process, including implementing conceptual review and online processing of approvals.	San Diego City Council	Short Term	Affordable & Market
8. Approve Community Plans with Master EIRs	Expedite Community Plan Updates and requires completion of Master EIRs as part of process.	San Diego City Council	Long Term	Affordable & Market



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Housing Affordability Action Steps (Cont.)

Action Opportunities for San Diego Housing Market				
Opportunity	Proposed Action	Level of Government	Timeline	Scope
9. Support CEQA Reform	Streamline California Environmental Quality Act (CEQA) for Infill Projects. City Council action to amend local CEQA thresholds.	State Local	Medium Term	Affordable & Market
10. Align State Oversight	Ad hoc committee issues recommendations to align the five state housing oversight agencies and policy processes.	State Governor/ Treasurer	Medium Term	Affordable
11. Increase State and Federal Resources	<p><u>Fair Share of Continuum of Care</u> Recommend a formula change to ensure San Diego gets fair share of homelessness funds.</p> <p><u>Expand Low-Income Housing Tax Credit</u> to support development and preservation of affordable housing.</p> <p><u>Increase Federal Rental Assistance</u> for affordable housing.</p> <p><u>Enact Moving to Work Authority</u> to support people transitioning back to employment.</p>	State Federal Congress HUD	Medium Term	Affordable



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Estimate of Total Cost Savings – Affordable Units

Affordable Units					
Action Step	Savings per Unit		Potential Applicability	Total Savings @ 650 Units per Year ¹	
	Low	High		Low	High
2. Incentivize more 80/20 developments	\$56,000	\$85,000	10%	\$3,640,000	\$5,525,000
3. Defer Development Fees	\$2,000	\$6,000	100%	\$1,300,000	\$3,900,000
4. Reduce Parking Requirements	\$5,000	\$10,000	50%	\$1,625,000	\$3,250,000
5. Reduce Commercial Space Requirements	\$11,000	\$19,000	15%	\$1,073,000	\$1,853,000
6. Unlock Land and Increase ground leases	\$27,000	\$39,000	5%	\$878,000	\$1,268,000
7. Shorten Entitlement Process	\$5,000	\$9,000	100%	\$3,250,000	\$5,850,000
8. Approve Master EIRs	\$3,000	\$6,000	50%	\$975,000	\$1,950,000
Total				\$12,741,000	\$23,596,000

(1) Reflects on the approximate number of affordable units developed annually in the City of San Diego between 2010 and 2015.



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Estimate of Total Cost Savings – Market-Rate Units

Market-Rate Units					
Action Step	Savings per Unit		Potential Applicability	Total Savings @ 2,300 Units per Year ¹	
	Low	High		Low	High
2. Incentivize more 80/20 developments					
3. Defer Development Fees	\$2,000	\$7,000	100%	\$4,600,000	\$16,100,000
4. Reduce Parking Requirements	\$5,000	\$10,000	35%	\$4,025,000	\$8,050,000
5. Reduce Commercial Space Requirements	\$11,000	\$19,000	15%	\$1,265,000	\$2,185,000
6. Unlock Land and Increase ground leases					
7. Shorten Entitlement Process	\$5,000	\$9,000	100%	\$11,500,000	\$20,700,000
8. Approve Master EIRs	\$3,000	\$6,000	50%	\$3,450,000	\$6,900,000
Total				\$24,840,000	\$53,935,000

(1) Reflects the approximate number of market-rate units developed annually in the City of San Diego between 2010 and 2015.





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Next Steps:

- Over 50 more opportunities to streamline or improve processes
- Quarterly meetings with City and Partners
- Annual report on progress
- Share with other stakeholders





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Questions & Comments

