

### MAYOR KEVIN FAULCONER'S HOUSING PACKAGE

**POSITION:** The Chamber's Infrastructure, Housing & Land Use Committee voted to SUPPORT the Mayor's proposal in concept on February 21, 2017. The Public Policy Committee voted to SUPPORT the proposal on March 14, 2017.

**STATUS:** City of San Diego Mayor Kevin Faulconer proposed reforms to housing development and processing at his State of the City on January 11, 2017. These proposals are currently being vetted through city processes.

#### AT-A-GLANCE

The Mayor's proposal to address the housing crisis in San Diego is comprised of a revised expedite program for qualified projects, easing development for accessory dwelling units (ADU's), the 11<sup>th</sup> annual code update, additional funding for affordable housing and reassessing current regulations such as fee structures and parking requirement for residential buildings.

#### SUMMARY

To address the shortage of affordable and workforce housing in San Diego, Mayor Kevin Faulconer has proposed a package of reforms and incentives made up of the following:

- **Accessory Dwelling Units:** Per a recently passed state law, regulations around accessory dwelling units, or "granny flats" have been relaxed to spur growth and have allowed for local jurisdictions to revise their regulations. The City proposes to repeal the requirement that the owner live on premise; allow detached ADU's to reach an increased maximum of 1200 square feet; relax parking requirements, and relax setback requirements.
- **Affordable/Infill & Sustainable Expedite Program:** Projects that are "sustainable" meaning they meet the voluntary and mandatory requirements laid out in the CalGreen building code may be eligible for a Process 2 review (instead of Process 4). Projects that are 100 percent affordable will be made as close to by-right as possible, being moved to a Process 1 review. Projects for workforce housing, tentatively defined as 150% area median income (AMI) would be moved to a Process 2 review, modeled after the successful density bonus program recently implemented by the City.
- **Transit Priority Areas:** Reduced and/or specialized parking requirements within Transit Priority Areas.
- **Reassessed Fee Structure:** Development Impact Fees (DIF) as determined by the city may be decreased or otherwise calculated to better reflect the realities of infrastructure and parks, among other things, within the city and planning needs.
- **Improvement via the 11<sup>th</sup> Code Update:** Included in the 11<sup>th</sup> Code Update will be regulations addressing shopkeeper units, allowing for increased flexibility and usage in areas outside of downtown.
- **Housing Inventory Report:** To improve accountability, an annual report documenting how the city is working to meet its inventory goals, what challenges have arisen and efforts to ameliorate those.
- **Additional Funding for Affordable Housing:** The City recently released a Notice of Funding Availability (NOFA) through the Housing Commission and Civic SD for \$25 million that will be utilized for additional affordable housing units. The City is also working to develop a Transit Oriented Development Fund that will look to leverage \$20 million in public assets at a 3:1 ratio to

provide finance options that are currently unavailable or scarce to help fund affordable housing developments.

## **ANALYSIS**

The seven components of the proposal all have a piece of the larger strategy to increase the housing supply in San Diego, thereby lowering the cost of building, price of purchase and rent, and allowing the dollars currently being used for costly rents and mortgages to be reinvested into the local economy. The average monthly rent in San Diego is \$1,700 per month, and the median home price is stubbornly at half a million dollars, making it more challenging for the workforce to remain in area, increasing congestion and commute times, and keeping the City from meeting its Climate Action Plan (CAP) targets.

These reforms are intended to be implemented within the next nine months as they are vetted by city staff and committees. The Chamber has prioritized housing supply and affordability for 2017 and is working with city staff as these proposals are realized. Early analysis indicated that processing at lower levels could save as much time as 30%, and significantly decrease cost. Additionally, providing developers assurances of speedier processing time can boost development interest and provide a wider range of supply being built. As the City gets closer to being fully built out, it is appropriate that city leadership be considering improved ways to achieve infill development.

It should be noted that the significant majority of units being developed in the region are located within city boundaries. While the region lags behind demand, it is clear that the City is leading the way and may serve as an example for neighboring local leaders to implement some or all of these ideas as well.

Taken with ongoing efforts by city staff, such as completing Community Plan Updates within three years, updating zoning to be more consistent throughout the city and addressing the community response to density, San Diego could significantly increase the number of units available- particularly for low and middle income residents.