ADDRESSING THE HOUSING AFFORABILITY CRISIS:
ACTION PLAN FOR SAN DIEGO
PRESENTATION TO THE SENATE
TRANSPORTATION AND HOUSING COMMITTEE
BY RICHARD C. GENTRY
PRESIDENT & CEO OF THE SAN DIEGO HOUSING COMMISSION
MARCH 9, 2016

INTRODUCTION

The San Diego Housing Commission (SDHC) is honored to share with you a study we conducted last year regarding ways of reducing housing construction costs.

The report, *Addressing the Housing Affordability Crisis: An Action Plan for San Diego*, contains 11 recommended actions at the local, state, or federal level to reduce costs and to increase production, such as shortening the approval process, deferring development fees, and unlocking underutilized land.

We estimate that the local actions alone could reduce the cost of affordable housing construction by up to $174,000 per unit and reduce market-rate housing costs by up to $51,000 per unit.

BACKGROUND

Under the leadership of our San Diego Housing Commissioners, the San Diego Housing Commission added an important objective to our 2014-16 agency-wide Strategic Plan: "Ensure that the most effective and cost-efficient business practices are in place to create and preserve quality affordable housing" in the city of San Diego.

This objective to focus on cost-efficiency has been mirrored by the San Diego City Council. Mayor Kevin Faulconer has also been a constant proponent of finding more cost-efficiencies in affordable housing construction.

We also sought input from the San Diego Jobs and Housing Coalition, composed of local business and civic groups, including the San Diego Regional Chamber of Commerce, San Diego Building Industry Association, and San Diego County Taxpayers Association.

We all agreed that while we need affordable housing for our low-income workforce families, we also need "housing affordability" for the middle class.

We spent much of the year working on this issue because the more we studied it, the broader and more significant the impacts became to all sectors of our city:

- San Diego has an affordability gap of $2.4 billion, or 2.5% of the city's Gross Domestic Product. If housing were available at an affordable cost to all San Diegans, city households would have $2.4 billion more in disposable income to spend in the local economy, creating jobs and supporting local businesses.
- A lack of affordable inventory is causing long commutes and congested freeways, contributing to Greenhouse Gas emissions.
- As prices escalate, the threshold of income needed to avoid homelessness rises, potentially pushing more people on the streets.

The report was presented on December 9, 2015 to the San Diego City Council's Smart Growth and Land Use Committee, which voted unanimously to direct City staff to work with the San Diego Housing Commission to explore how the report's recommendations could be crafted into City ordinances or advocated at the federal or state levels. City Council committee members described the report as a "common sense" way of lowering construction costs.

Three of the 11 recommendations from SDHC's report are related to State law.

- Reform the California Environmental Quality Act (CEQA). This does not mean weakening the important environmental protections under the law, but instead would:

  - Require that plaintiffs filing CEQA lawsuits to disclose their identity and their related interests, whether environmental or non-environmental.
  - Eliminate duplicative lawsuits against EIRs that have already been certified.
  - Restrict project approvals from being invalidated because of purely technical errors in an EIR.

- Align the State government's oversight over housing policy, which is now split between five agencies:

  - The California Debt Allocation Committee

- The Tax Credit Allocation Committee
- The Department of Housing and Community Development
- The California Housing Finance Agency
- The Strategic Growth Council

Especially for affordable housing developers, better alignment between these agencies will reduce development and operational costs and reduce timelines for development.

- Increase State and Federal resources, such as the U.S. Department of Housing and Urban Development's Continuum of Care to address homelessness and Low-Income Housing Tax Credits to support the development of affordable housing, as well as the State Affordable Housing and Sustainable Communities Program (Cap & Trade), Multifamily Housing Program (MHP), and the Veterans Housing and Homelessness Prevention Program (VHHP).

  These programs are helping fill the gap left after the loss of redevelopment resources.

  We are also pleased that the legislature is planning to increase the State Tax Credit program in 2016, and perhaps expanding income eligibility beyond 60% of AMI. Increasing the size of this program will enable us to more fully use California's federal bond allocation.

These steps are essential to creating additional affordable housing.

CONCLUSION

In closing, the San Diego Housing Commission commissioned LeSar Development Consultants to help develop the "Addressing the Housing Affordability Crisis" report, incorporating analysis by Keyser Marston Associates.

The San Diego Housing Commission is one of the first public housing authorities in California to develop a comprehensive blueprint to identify the costs of developing affordable rental housing and make recommendations on how to lower those costs.

We expect that our report will be a valuable tool to address the creation of quality housing at more affordable costs.

We intend to share our report's recommendations with other cities and agencies throughout the state, such as the California League of Cities, California Forward, California Housing

Consortium, California Association of Housing Authorities and the California Association of Local Housing Finance Agencies.

Addressing the Housing Affordability Crisis: An Action Plan for San Diego
Public may access online report at www.sdhc.org,

REPORT ACTION ITEMS AT A GLANCE

The San Diego Housing Commission's report, "*Addressing the Housing Affordability Crisis in San Diego,*" presents an 11-step action plan that could reduce the cost of affordable housing construction by an estimated $36,000 to $174,000 per unit and reduce market-rate housing costs by $23,000 to $51,000 per unit.

1. Have the City Council set annual goals for housing production, with a scorecard to track progress in meeting the goals.
2. Introduce tax rebates and exemptions to encourage 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.
3. Defer impact fees, permit fees and other fees until after construction, saving up to $2,000-$7,000 per unit.
4. Reduce parking requirements for housing developments by alternatives such as tandem parking and car-sharing programs, saving up to $10,000-$19,000 per unit.
5. Reduce requirements on developers, where applicable, to include commercial space in multifamily complexes, which could save $10,000-$19,000 per unit.
6. Open more vacant or underutilized land for development, which could reduce the cost of affordable housing by $27,000-$39,000 per unit.
7. Shorten the permit approval process by allowing conceptual reviews of discretionary building permits, self-certification, online permitting, etc., to save $5,000-$9,000 per unit.
8. Approve Master Environmental Impact Reports (EIRs), which can reduce the time and expense of reviewing individual EIRs, saving $3,000-$6,000 per unit.
9. Reform the California Environmental Quality Act (CEQA).
10. Align the State government's oversight over housing policy, which is now split between five agencies.
11. Increase State and Federal 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.

Addressing the Housing Affordability Crisis: An Action Plan for San Diego
Public may access online report at www.sdhc.org,