



**Increasing Access to Affordable Housing Working Group
San Diego Housing Commission
1122 Broadway, San Diego, CA 92101
May 10, 2018, 1-3 PM
Meeting Notes**

In Attendance: San Diego Promise Zone (SDPZ), AmeriCorps VISTA, City of San Diego Economic Development Department, City of San Diego Council District 9, Harder + Co., San Diego Housing Commission, Civic San Diego, MAAC, GRID Alternatives, Habitat for Humanity San Diego

Welcome and Introductions

The Increasing Access to Affordable Housing Working Group started the meeting by welcoming Partner representatives who hadn't previously attended the Working Group and by thanking those who returned to the Working Group. It then reviewed the meeting agenda, the group's Work Plan and its goals.

Review of the Past Year's Working Group Meetings

The Working Group summarized its successes of the past year, which included developing a logic model and building a Work Plan. Members were also informed that, as the Working Group moved into the implementation phase, the previous month's meeting was canceled in order to plan this month's discussion session on the group's near-term goals and activities.

The activities identified in the initial SDPZ application to the U.S. Department of Housing and Urban Development (e.g., develop affordable housing) are already happening and will continue to progress in parallel with the activities of the Working Group. The Working Group's impact is more likely to lie with activities that work directly with residents and stakeholders, influence policy or resource flows, or change structures and systems that impede resident opportunity and progress. This observation served as a natural transition to the next agenda item, which was discussing and prioritizing the Working Group's potential activities.

Goal Area Discussion and Prioritization

The Working Group engaged in a free-form discussion of housing-related needs in the Promise Zone and possible Working Group projects, below. The group did not discuss the full list or begin the task of prioritizing items. The discussion will be continued at a future meeting.

SDPZ Housing Market Data and Analysis:

Initial Discussion:

Assembling and offering data indicators, and market intelligence for potential investors could help

encourage individuals, organizations, or developers to come into the SDPZ. Our current data indicators (affordable housing units constructed, rehabilitated, preserved, lost, and the number of accessory dwelling units (ADUs) constructed) serve a different purpose. The Working Group agreed that any SDPZ housing-related research, program or product must be based on relevant and reliable data and must possess a utility for external outreach.

Trend and Market Analyses:

- One potential tool for better understanding the housing market within the SDPZ is developing a trend analysis, especially in relation to new products for affordable housing construction. Having a market trend analysis would aid the creation of new citywide or city-supported financial products.
- A key outcome of gathering such data would be the identification of properties available for development. Some data have already been collected by the SDPZ, which was included in the November 2017 SDPZ Economic and Community Development bus tour, but a comprehensive report has not been generated.
- Existing housing production and transit-oriented development (TOD) reports will be made available to members.

Cap-and-Trade Proceeds Allocation:

Initial Discussion:

California's cap-and-trade program generates billions of dollars in proceeds that are redirected to projects throughout the state, including affordable housing developments. The Working Group is interested in using the SDPZ designation to receive more money from the cap-and-trade program, but many obstacles exist to achieving that goal.

Obstacles:

- San Diego has unique factors that exclude it from receiving more cap-and-trade proceeds than it does currently. These factors include a dearth of matching dollars and a lack of local coordination to influence state funding decisions.
- Los Angeles is a master at receiving cap-and-trade proceeds. So what can the SDPZ and its members learn from its colleagues in LA?
- The Promise Zone designation was not yet established when the cap-and-trade program went into effect, so any SDPZ preference was not built into its allocation formula.
- Also highlighted were regulatory and technical requirements that affect how the money is distributed and spent. It was suggested that the Working Group might familiarize itself on the factors that affect San Diego's allocation.

SDPZ Land Trust:

Initial Discussion:

The Working Group broached the topic of establishing a land trust within the SDPZ. A land trust is a nonprofit corporation that develops and stewards affordable housing, community gardens, civic buildings, commercial spaces and other community assets on behalf of a community.

Considerations:

- Partners clarified that any successful financial model of a land trust involves free land.

- Some Working Group members believe that with the right modeling and outreach, a land trust can be popular and beneficial to the residents of the SDPZ.

Opportunity Funds:

Initial Discussion:

The Working Group highlighted the overlap of the Opportunity Zones with the SDPZ. The SDPZ Partners are excited about the possibilities made available through the Opportunity Zones, but there is still much to learn about them.

Considerations:

- The state of California has designated all the census tracts that form the SDPZ as Opportunity Zones.
- Regulations for the Opportunity Funds associated with Opportunity Zones have not been published yet. Any efforts to garner investments through them should be tempered until it is clear what the mechanisms and rules for investment are.

State Policy and Funding Lobbying/Advocacy:

Initial Discussion:

A robust conversation was had over what the SDPZ and its Partners can do to influence policy and funding at the state level.

Suggestions and considerations:

- Dollars generated by SB-2, including planning grant money, will begin to be allocated in FY 2019, once the state budget is passed. Successive years' funds will be allocated based on the CDBG formula. A challenge for San Diego, the members agreed, is that there is generally a lack of matching dollars that makes the city more competitive for state and federal grants.
- Through SB 635, authored by Senator Ben Hueso, Promise Zone preference points will be codified into state law. The Working Group stated its interest in ensuring this bill gets enacted, and then influencing how money gets allocated to the SDPZ.
- The Partners were briefed on how the Promise Zone designation has already influenced policymaking at HUD.
- Partners brought up the idea of a middle-income housing ordinance, which could face less political and community opposition than traditional affordable housing projects.

Code Compliance Violations:

Initial Discussion:

The Working Group agreed that code compliance violations are a major problem in revitalization and rehabilitation work. Single-family homes have a lot of deferred maintenance that needs to be addressed.

Considerations:

- The Working Group realized that the state of disrepair of homes can cause ripple effects in delaying or preventing rehabilitation efforts. For example, GRID Alternatives installs solar panels on single-family homes in the SDPZ, but it cannot place a solar system on a shoddy

roof. It partners with Habitat for Humanity to install new roofs, but Habitat often finds building deficiencies that affect health and safety, which must be addressed first before any work on a roof is accomplished.

- The Working Group stated that rehabilitation efforts are not just a physical issue; it is also a resource issue. There needs to be funding and other capital available, like labor and materials, to address such building deficiencies.
- It was suggested that a so-called conditions report can be developed for the SDPZ housing stock, which can be used to create a maintenance program at scale. Some data on conditions of the housing stock is available, and HOME funds can be used to seed a city-backed fund or program to encourage rehabilitation and code conformity.

Opportunity Project: Accessory Dwelling Units (ADUs)

Overview and background

Initial Discussion:

In 2017, the state of California approved regulations intended to streamline the process of building accessory dwelling units, or companion units (CUs). Municipalities were required to enact the changes into their own codes. City of San Diego also reduced or eliminated many fees associated with building CUs and junior units (JUs). The Working Group was briefed on these changes and the building characteristics of CUs and JUs.

CU regulation changes:

- CUs are permitted up to 1,200 square feet.
- The record owner of a CU does not have to reside on the premises (i.e. the property does not need to be owner-occupied).
- The CU can encroach into required setbacks.
- The CU is subject to the zone height.
- The CU does not have to provide parking if it is less than 500 square feet, or if it meets a parking exemption.
- CUs are now allowed in low multifamily zones.
- The parking ratio is .5 spaces per bedroom.
- A residence can convert an existing room within the residence into a junior unit (JU).
- Existing structures converted to CUs are not subject to water and sewer fees, and new structures pay for reduced fees.

Identify potential project components

Initial Discussion:

Following the presentation on general CU information, the Working Group honed in on the possibilities of a SDPZ ADU Pilot Program.

Possible features/components:

- One possibility is establishing a grant program that covers fees not waived by recent policy changes.

- On the financial side, CDBG can be used for garage or room conversions but not for new construction. HOME dollars can be used to support income-restricted units or CU rehabilitation. Another possibility is using grant money to guarantee loans taken out by a homeowner through private lenders.
- Modular construction is a feature of a CU pilot program that the San Diego Housing Commission is establishing in San Ysidro at government-owned single-family houses. SDHC estimates that the first CU will come online in November 2018. Such construction can be adapted to a SDPZ ADU pilot program.
- A pool of standardized architectural drawings that homeowners can choose from is being developed through Councilmember Scott Sherman's office. A similar pool can be used for a SDPZ ADU pilot program.
- Partners also discussed the possibility of incorporating code violation and unpermitted unit amnesty provisions into a SDPZ ADU pilot program.

Considerations:

- Union interests must be considered if the City backs a construction pilot program.
- A survey of possible homes and plots where CUs can be built would be helpful.
- Community outreach is essential in garnering support for CU construction and shaping a pilot program for the wants and needs of the community.
- SDHC's first-time homebuyer division may be a good program for administering any homeowner loan products created under a SDPZ ADU pilot program, since SDHC staff already have home loan underwriting and administration expertise.

Next Steps:

In recognition of the opportunities for partnership provided by ADUs, the City-County Reinvestment Task Force is dedicating its May meeting to the topic. Working Group members are invited to attend the meeting, which will continue today's discussion. The meeting will be Thursday, May 17 at noon at the County Administration Center, 1600 Pacific Highway, Seventh Floor.

The Housing Working Group agreed to move forward as an ADU work group for the next few months, with the ultimate outcome being an SDPZ ADU Pilot Program. Next month's agenda will focus on shaping such a program.

The Working Group's Work Plan will also be updated to incorporate the topics that were discussed in this month's meeting.

Next Meeting Date:

June 14, 2018, 1-3 p.m.

San Diego Housing Commission

1122 Broadway, San Diego, CA 92101