

MIDDLE-INCOME HOUSING WORKING GROUP

SUMMARY OF RECOMMENDATIONS

Charge: What can the city and other stakeholders in San Diego do to encourage the development of new housing affordable to middle-income residents?

Middle-income is defined as 80-150% of Area Median Income. In San Diego, this means household incomes of between approximately \$75,000 and \$140,000, depending on household size.

Recommended Actions for Consideration

Near-Term (Less than 2 Years)

- **Catalogue Publicly and Institutionally Owned Land** | Housing developers cannot easily identify appropriate properties suitable for middle-income housing developments. The City should better catalogue all publicly and institutionally owned land that could be made available for middle-income housing, including opportunities to provide housing and air rights above existing public facilities.

Staff Response: The Department of Real Estate and Airport Management (DREAM) recommends engaging a consultant to verify information currently available to establish an up-to-date inventory of public lands that could be made available for housing, subject to funding availability. Additionally, in February 2022, the City submitted an application to SANDAG's Housing Acceleration Program to fund a study of City-owned facilities to determine the viability of housing development. The focus of the study would be on the City's operation yards, surface parking lots, and other sites that could yield housing near transit.

- **Revise Fee Structure** | Existing City development fee structures result in delays, inequitable investments, and inefficient processes. The City should update various fees, including development impact fees, water and sewer fees, and the Regional Transportation Congestion Improvement Program, especially in TPAs.

Staff Response: In August 2021, the City Council adopted Mayor Gloria's Parks for All of Us initiative, which included a new Citywide Park Development Impact Fee to replace community-specific fees that present significant barriers to the efficient delivery of infrastructure. This effort is continuing with Build Better SD, which includes new Citywide fees for mobility, fire, and library improvements. Build Better SD also includes amendments to the City's General Plan to align with the City's equity and climate goals, by prioritizing investments in the areas with the greatest needs and that further the City's Climate Action Plan implementation. The Citywide fees also include scaled fees that are more reflective of the true impact of development, rather than a one-size-fits-all approach. Where appropriate, fee discounts or reductions will be considered to align with the City's housing, equity, and climate goals. The Planning Department will work with the Middle-Income Housing Working Group to collect feedback about Build Better SD.

In addition, the Planning Department will retain an economic consultant to more fully evaluate the impacts of City fees on the production of housing.

- **Expand Complete Communities** | The existing Complete Communities requirements do not adequately incentivize middle-income housing. The City should consider a 100% Middle-Income alternative to Complete Communities with a higher percentage of base density units dedicated towards middle-income households without very low- and low-income requirements.

Staff Response: The Planning Department will evaluate ways that the Complete Communities program can be leveraged to provide potential additional options for moderate-income housing to include in future Homes for All of Us Housing Action Packages.

- **Reform Stormwater Compliance Programs** | Existing stormwater regulations limit the amount of developable land that can be constructed because permits require a lot of land. The City should consider stormwater reform to focus on larger basins and mitigation to encourage small projects and prepare a robust alternative compliance program.

Staff Response: The City will continue to work with the Regional Water Quality Control Board to implement stormwater regulations, and the Development Services Department will continue to provide education on stormwater compliance. Additionally, the Stormwater Department is currently developing an alternative compliance program to allow for more flexible compliance with stormwater requirements.

- **Modernize Construction Materials and Technology Code** | New construction materials and modern technology have the potential to reduce housing construction costs. The City should update local code to account for new construction materials and technology, such as panelization, mass timber, and full pre-fabrication.

Staff Response: The Land Development Code largely allows for new materials and technology with no additional code changes. We encourage building industry professionals (and all members of the public) to submit suggested improvements to the Land Development Code to the [Planning Department's portal](#). The Development Services Department will also be reaching out to industry professionals for additional recommendations and input.

- **Improve Historic Review Practices** | Existing historic preservation criteria are generous and slow the pace of middle-income housing development. The City should provide a ministerial solution for historic review, allow ministerial mitigation for non-architectural historic resources, and consider other process improvements that balance historic preservation and housing development.

Staff Response: The Planning Department will work to develop an action plan to streamline the historic review process with a goal of reducing process levels and processing time. Additionally, the Department will evaluate all historic regulations and develop a historic resources regulation reform program.

Medium-Term (Over 2 Years)

- **Transform Development Services Department** | The Development Services Department is in critical need of additional resources. Staff has made commitments to fill positions and address the backlog, but without priority attention and assistance on this department, San Diego cannot and will not deliver housing at the scale and impact levels we need.

Staff Response: The Development Services Department (DSD) is in the process of working with the Mayor and the Municipal Employees Association to hire outside contractors to backfill permitting services. DSD is working diligently to fill 130 Department vacancies due to retirement, promotions, attrition, and the Great Resignation. Additional staff resources have been requested for the FY 23 budget. DSD has a goal to triple permitting capacity from 5,000 units per year to 15,000 units per year in the next two years through hiring, training and technology advances.

- **Implement Vacancy Tax |** Many housing units across the City sit vacant. The City should consider a vacancy tax and revenue should be dedicated to providing funding for middle-income housing.

Staff Response: The San Diego Housing Commission studied this issue in 2021 ("[Residential Vacancies in the City of San Diego](#)"), and found that there are not as many vacant units as previously thought. Based on these findings, staff recommends prioritizing efforts on other recommendations to increase middle-income housing.

- **Identify Additional Revenue for Housing |** The City does not have an adequate revenue stream to subsidize middle-income housing development. The City should consider new funding sources, including trash fees, to subsidize deed restricted middle-income housing.

Staff Response: Staff agrees that additional funding would be pivotal in providing middle-income housing development in the City, and will work to identify funding, as well as priorities and actions for such a funding stream.

Recommended Mayoral Advocacy

Advocate for:

- Creation of a Construction Loan Guarantee Program
- Property tax abatements or reductions for middle-income housing, including a potential welfare real estate tax exemption for middle-income
- Robust Community Land Trusts
- Additional construction defect liability reform for condominiums
- Philanthropic funds to acquire middle-income housing
- Adapted State Density Bonus Laws to encourage more middle-income housing
- Training and apprenticeship programs focused on implementing new technologies
- San Diego Housing Commission to set aside and/or create funds for Middle Income Housing Loans through the Mayor's original AB 1637 program (expired January 1 – sunset extension in process)
- Deep financial analysis/case study to show effectiveness of MIHWG proposals

Staff Response: The Department of Government Affairs will consider each of these requests for legislative advocacy as part of its ongoing efforts to seek opportunities to support these measures through legislation that meets these goals in the current session. The Department will also work to more clearly include these concepts in next year's legislative platform and consider developing these concepts for potential City sponsored legislation.

Recommended Mayoral Convening

Convene:

- Stormwater alternative compliance workshop
- Developers, designers, contractors, and labor regarding new construction materials and technology
- Philanthropy, business, and other stakeholders around middle-income housing fund
- Developers and SDG&E on expediting housing projects
- MIHWG quarterly to discuss implementation of MIHWG recommendations

Staff Response: Staff will consider each of these recommended convenings and incorporate members of the Middle-Income Housing Working Group in ongoing or anticipated convenings.