Appendix U13

Housing: Providing Homes for all Residents

Appendix U13 Contents

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Background

Housing is one of the major issues facing the San Diego region today. It represents our residents' largest expense, and, for those who own their own home, their largest source of equity. Housing can provide stability for our neighborhoods, communities, and families. It is vital to our economy. It is directly linked to health outcomes, traffic congestion, the length of our commutes, and the quality of our environment and our lives.

How much housing we build, what type of housing we build, and where we build it are some of the most important decisions we can make in shaping our region's future. A core value of San Diego Forward: The 2019 Federal Regional Transportation Plan (2019 Federal RTP) is to provide more housing choices — more apartments, condominiums, and single family homes in all price ranges. These homes need to be affordable to persons of all income levels, and accessible to persons of all ages and abilities. They need to be located in our urban communities, close to jobs and transit, to help conserve our open space and rural areas, reinvigorate our existing neighborhoods, lessen long commutes, and reduce greenhouse gas emissions.

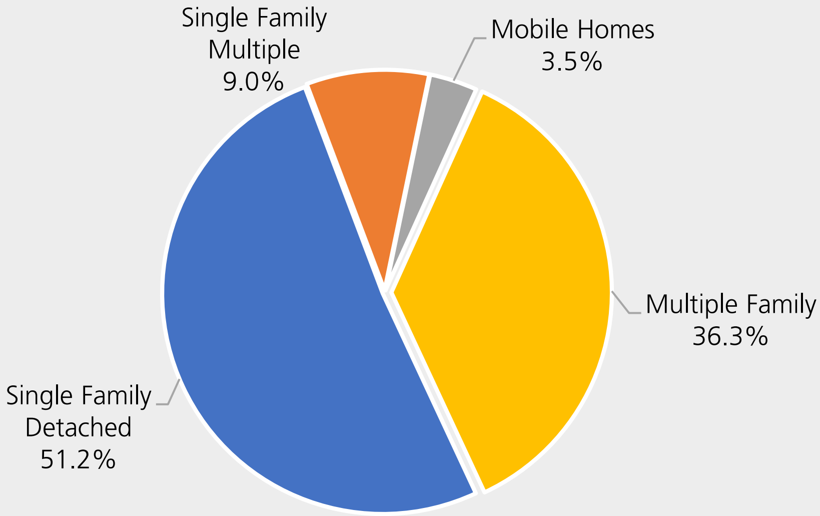
In the past 20 years, the region has seen a significant change in the location of planned residential capacity. This change is the result of amendments to local general and community plans and the adoption of specific plans to more closely align with the 2019 Federal RTP goals and objectives, which include more focus on urban infill and redevelopment in areas in proximity to existing and planned public transit. Local plans and regional growth forecasts have shown that multifamily homes will make up most of the new residential development, and most new residential and employment growth will be located in the urban areas of the region. Infill development with housing closer to jobs can help preserve more open space, allow for shorter commutes, and encourage more use of transit, walking, and biking.

Existing Setting

As of 2018, there were about 1,197,407 housing units in the San Diego region. While the types of homes vary, the majority (51.2%) are single family detached homes, as shown in Figure U13.2. An additional 9.0 percent of homes are single family attached homes (like townhomes and condominiums), and multifamily homes make up 36.3 percent of the region's housing stock. Mobile homes, manufactured homes, and trailers make up only 3.5 percent.[1]

Figure U13.1

Housing Types in the San Diego Region, 2018



As of January 2019, the median sales price for all homes sold (including all resale homes and condominiums, new homes and condominiums, and condominium conversions) in the San Diego region was $580,000, over six times the region's 2019 median income of $86,300 for a family of four.

Rental housing costs also are high. In its annual survey of rental costs entitled *Out of Reach 2019*,[2] the National Low Income Housing Coalition indicates that the Fair Market Rent (FMR) for a two-bedroom apartment in San Diego County is $2,068 a month. An annual income of $82,720 is needed to afford this level of rent without a household spending more than 30 percent of its income on housing. Rental rates and housing prices have far exceeded inflation. Between 2009 and 2017, home prices have increased 70 percent; rent prices, 31 percent; and inflation, 17 percent. Housing growth has failed to keep up with the demands of a growing population and economy. As a result, prices have steadily risen, reducing the amount of affordable housing on the market and putting the dream of buying a home out of reach for most of the population.

Lower income[3] families are especially hard hit. These families, who make up about 42 percent of San Diego's residents, are often forced to live in overcrowded and/or substandard units, and often pay excessive amounts of their income toward housing costs. For some extremely low income San Diego residents, housing is entirely out of reach. The 2019 We All Count Report from the Regional Task Force on the Homeless estimates that at the very minimum, there are 8,102 homeless persons in the San Diego region. Approximately 3 percent of the homeless population are families with children. All of these residents need quality, affordable housing, typically defined by a household paying no more than 30 percent of its rent toward housing costs.

To afford home ownership, many workers have moved far from their jobs in search of less expensive homes, often outside the County or across the international border. This imbalance between jobs and housing is leading to a tremendous strain on our roads, freeways, infrastructure, and environment, as well as a strain on the quality of life for those commuters. Also, the transportation costs associated with commuting often offsets the lower housing costs.

Existing Plans and Programs

A number of federal, state, regional, and local plans and programs currently guide housing development and assist in meeting the San Diego region's housing needs. These programs influence housing policies, as well as provide funds for lower and moderate income housing.

Housing Elements

The housing element is the primary local guide to housing development and housing programs. Each jurisdiction in the State of California must adopt a general plan to guide its development, and the housing element is one of its required components. The primary goal of the housing element is to ensure that local jurisdictions plan for and meet the existing and projected housing needs of all economic segments of the community. The housing element, which is now prepared every eight years (previously every five years), requires jurisdictions to plan for a variety of housing types and densities. The state, the San Diego Association of Governments (SANDAG), and local jurisdictions all have a role in the housing element process.

State Role

The State Department of Housing and Community Development (HCD) reviews housing elements to ensure their consistency with state law. The housing element is the only element of the general plan that is subject to review by HCD because the legislature has declared housing, specifically the provision of housing for all segments of the community, not merely a local issue, but a matter of statewide concern.

In addition to reviewing housing elements for compliance with state law, HCD plays an essential role in guiding local jurisdiction housing plans. They work with regional councils of governments (such as SANDAG) to determine each region's share of the state's housing need. In the San Diego region, the overall regionwide housing need for the eight-year housing element cycle is based on projections from the State Department of Finance and the SANDAG Regional Growth Forecast, and on assumptions about projected household formation rates, vacancy rates, household size, and demolitions. This number represents the amount of new housing units the region and its local jurisdictions will need to plan for during the housing element cycle.

SANDAG Role

After the State and SANDAG agree on the overall housing need number for the San Diego region, SANDAG, in cooperation with the local jurisdictions, allocates the region's housing needs to each jurisdiction in four income categories: (1) very low; (2) low; (3) moderate; and (4) above moderate. This process is known as the Regional Housing Needs Assessment (RHNA[4]). The allocation must further five objectives in state law, including increasing the mix and supply of housing, promoting infill development, improving the job/housing relationship, reducing the concentration of lower income households in cities and counties that already have disproportionately high amounts of lower income households, and addressing fair housing. The RHNA Plan – Fifth Housing Element Cycle – Planning for Housing in the San Diego Region 2010 – 2020[5] and 2050 RTP/SCS were adopted in October 2011. In addition to the RHNA Plan, SANDAG also adopted SANDAG Board Policy No. 033[6] following the adoption of the RHNA Plan for the fourth housing element cycle. SANDAG Board Policy No. 033 provides incentives for jurisdictions applying for SANDAG grants that plan for and produce lower income housing and submit an annual report regarding their housing production by income category. These incentives are described in SANDAG Board Policy No. 033 and the most recent Regional Housing Progress Report[7] (August 2018) covers the 2003 – 2016 timeframe. Development of the RHNA Plan for the sixth housing element cycle in currently in process, please see Appendix L for additional information related to both the fifth and sixth housing element cycles.

Local Government Role

Once allocated its regional share goals, each local jurisdiction prepares a housing element of its general plan. A key component of this process is the identification of adequate sites by local jurisdictions to plan for their share of the region's housing needs in all four income categories. To address their needs for very low and low income housing, jurisdictions must demonstrate that they have an adequate supply of land zoned for higher density housing (30 dwelling units per acre, or 20 dwelling units per acre in some circumstances). If they cannot, then jurisdictions must rezone land to provide for more capacity, usually by converting non-residential land to residential use, or by increasing the allowable densities on existing residential land. Higher density zoning provides the opportunity to use subsidies and programs to fund affordable housing construction.

Jurisdictions must complete three major parts of the housing element:

- An assessment of housing needs, and an inventory of resources and constraints relevant to meeting these needs.
- A statement of the community's goals, quantified objectives, and policies relative to the maintenance, preservation, improvement, and development of housing.
- A program that sets forth an eight-year schedule to implement the policies and achieve the objectives of the housing element. These actions can include: implementing land use and development controls; leveraging appropriate federal, state, and local subsidy and financing programs; and using redevelopment agency set-aside funds, if applicable.

Once HCD finds the housing element in compliance with state law, and local jurisdictions adopt the housing element as part of their general plan, jurisdictions are then required to provide an annual report to the state legislature, the state's Office of Planning and Research (OPR), and HCD on the status of the plan and progress in its implementation. This includes the jurisdiction's progress in meeting its share of regional housing needs, as well as local efforts to remove governmental constraints to the maintenance, improvement, and development of housing. This report is used by SANDAG to assist in the evaluation of local agency competitive grant programs that are subject to SANDAG Board Policy No. 033.

State Funding and Regulatory Programs

A number of state agencies, such as HCD, the California Housing Finance Agency (CalHFA), and the Treasurer's Office, are involved in the financing of affordable homes, using state general funds, bonds, and State and Federal Low Income Tax Credits. Funding for affordable housing from the state has been made available using cap-and-trade funds through the Affordable Housing and Sustainable Communities (AHSC) Program administered by the California Strategic Growth Council (SGC) and HCD. Efforts to create a permanent source of state funding for affordable housing were successful in 2017. Senate Bill 2 (Atkins, 2017) established a fund for the planning and construction of affordable housing. Additionally, voters approved Proposition 1 in 2018, issuing $4 billion in bonds for housing programs and construction. The State's FY 2020 Budget included additional funding for other state programs, including HCD's Infill Infrastructure Grant, along with regional and local government funds intended to boost housing production. These bills and bonds represent a significant replacement for local governments who lost their main source of affordable housing funding when Redevelopment ended earlier in the decade.

Additional legislation has sought to streamline the local approval process for housing, provide greater enforcement of housing laws, improve the RHNA process, and encourage the development of accessory dwelling units in cities and counties. For more information on recent housing legislation, visit the HCD website.

The Local Agency Formation Commission (LAFCO) also plays a role in housing. If a jurisdiction submits a proposal for a change of local government organization, LAFCO must consider how that change will affect the jurisdiction's ability to meet its share of the region's housing needs, as discussed earlier in the housing element section.

Local Regulatory Programs

Local jurisdictions implement a wide range of regulatory housing programs to help meet their housing needs. While this list is not comprehensive, it highlights some of the tools that jurisdictions have available. None of these are one-size-fits-all approaches; each jurisdiction must assess their housing needs and design a comprehensive housing program to meet them.

- **Inclusionary.** Inclusionary programs require the construction of affordable housing in new developments, or the payment of in-lieu fees to fund such housing.
- **Density Bonus.** Density bonus programs, required by state law, allow developers to build more than the usually allowable density if they reserve a portion of their development for lower income residents or seniors.
- **Minimum Density Requirements.** Minimum density requirements can be established to ensure that development occurs at, or above, the allowable density for a site.
- **Land Banking.** Through land banking, jurisdictions can acquire land that then must be used for affordable housing development.
- **Accessory Dwelling Units.** While jurisdictions are required by state law to allow a second dwelling unit (also known as an accessory dwelling unit or granny flat) to be developed on properties designated for single-family homes, programs at the local level can be designed to facilitate the development of these potentially affordable housing opportunities.
- **Incentives.** Many jurisdictions offer incentives to developers of affordable and mixed use housing. These can include streamlining of permit review processes, reduced parking standards,[8] increased densities, and fee reductions.

Consolidated Plans

In addition to the state-required housing element, the federal government, through the U.S. Department of Housing and Urban Development (HUD), requires that each state, along with cities with populations over 50,000 and counties with populations over 200,000, prepare a Consolidated Plan as a prerequisite to receiving federal housing and community development funds such as HOME and Community Development Block Grant money. HUD's Consolidated Plan requires jurisdictions to identify the housing and community development needs of their low and moderate income households and the resources available to address those needs. As part of their Consolidated Plans, jurisdictions must prepare a Strategic Plan that identifies its long-term (three- to five-year) program objectives, and an Annual Action Plan identifying resources to be used in the upcoming year to address their priorities. Some jurisdictions in the San Diego region have prepared joint housing elements and Consolidated Plans.

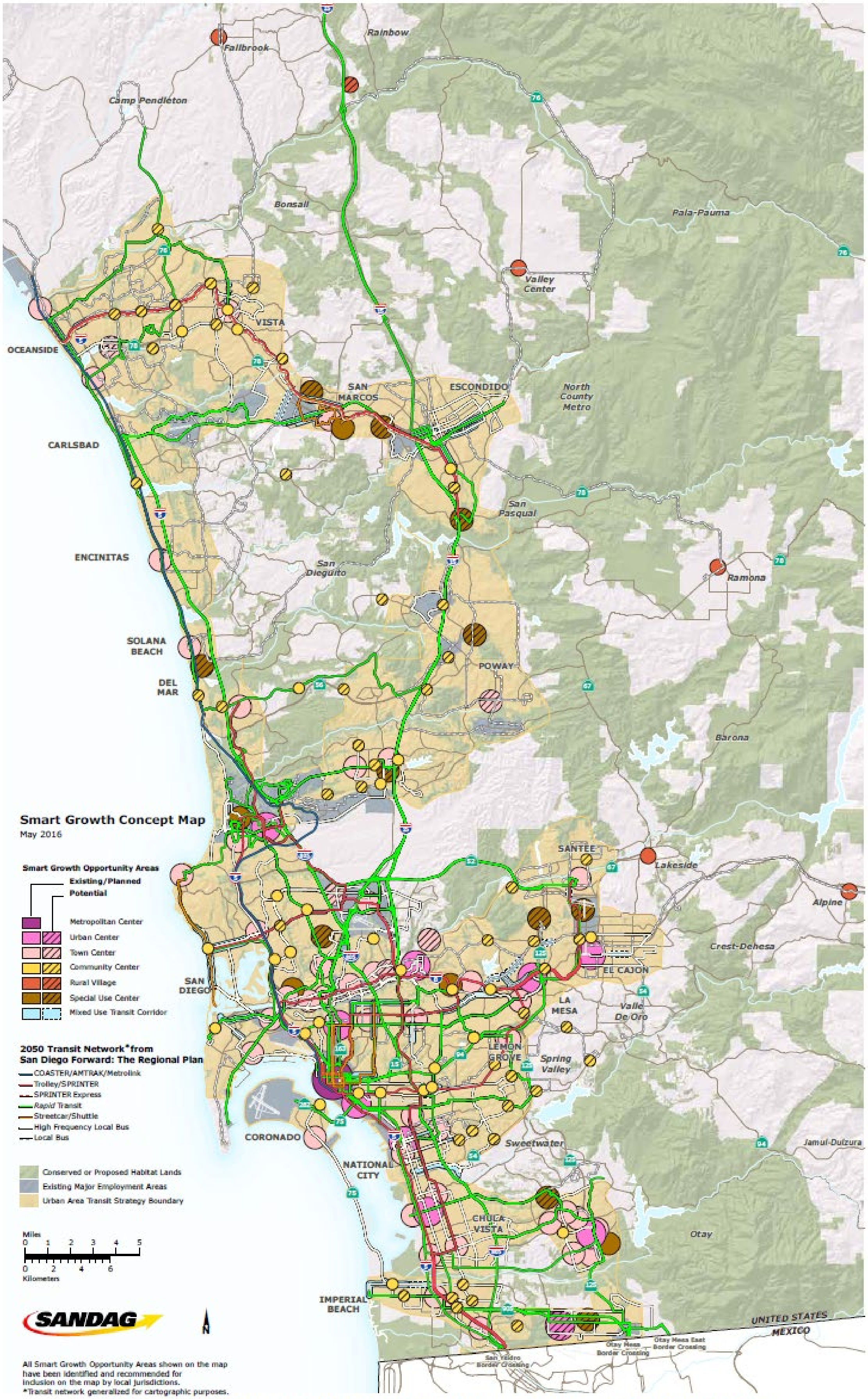
Smart Growth and Transit Oriented Development

As seen in Figure U13.1, a majority of the planned housing capacity in the region will be multifamily or single family attached housing, a shift from the greenfield, master planned communities of the 1970s-1990s toward more infill and redevelopment located in downtowns and near transit (transit-oriented development). This shift in development patterns has occurred over the past 15 years as local jurisdictions began to run out of vacant land and regional and local planning began to focus on smart growth – locating higher density and mixed use development close to existing and planned transportation infrastructure, particularly public transit.

Following the adoption of the Regional Comprehensive Plan in 2004, SANDAG worked closely with the 18 cities and the County of San Diego to develop the regional Smart Growth Concept Map[9] (adopted in 2006, and updated in 2008, 2012, 2014, and 2016). This map illustrates where smart growth development exists or could occur in our region. The map is used to prioritize transportation investments and to identify where the *TransNet* Smart Growth Incentive Program[10] grant funding, a key component of the 2019 Federal RTP, can be used. The map also has been used by local jurisdictions as a tool for local general and community plan updates and the development of specific plans that locate more housing and employment near transit stations and along major (high frequency) bus routes. For additional details about Smart Growth see Chapter 2, Building the Foundation, and the Smart Growth Concept Map and Smart Growth Tool Box.[11] The Regional Transit Oriented Development Strategy included in Appendix U4 includes additional strategies that will facilitate more construction of this type of development.

Figure U13.2

Regional Scale Smart Growth Concept Map



All Smart Growth Opportunity Areas shown on the map have been identified and recommended for inclusion on the map by local jurisdictions.
For more detail, see the subregional maps at sandag.org/smartgrowth.

In addition to considering where we build housing and what types of housing we build, it is important to consider how we build. The region's homes and landscapes should be designed, constructed, and operated to incorporate energy efficiency, water conservation, waste minimization, pollution prevention, resource-efficient materials, and indoor environmental quality. These "green-building" techniques can help us meet our region's housing needs while preserving the health of our residents and our environment.

Reducing Barriers to Housing Construction

The San Diego region faces barriers to housing production, especially multifamily and affordable housing production. The majority of these barriers are not new, and most have contributed to the housing shortage we have today:

- **Fiscal Inequities.** Because of state-mandated shifts in how tax dollars are allocated, local governments now receive approximately 11 times more revenue from a retail development than a residential development on the same size lot. This encourages localities to seek land uses and development projects that will pay (or generate) more taxes than they will require in government services. Under this system, sales-tax-generating commercial uses consistently win out over housing, resulting in a severe imbalance between commercial and residential development. SANDAG has monitored, and been active in the past, in fiscal reform legislative efforts that could move the State toward a more equitable tax system. In addition, recent research has demonstrated the fiscal benefits of downtown redevelopment, mixed use, and infill in comparison to greenfield development, which may help eliminate this barrier.
- **Government Regulations and Developer Fees.** The land use regulations, development fees (assessed to pay for necessary public facilities), growth-management programs, and environmental review process (California Environmental Quality Act [CEQA]) that affect the residential development process are numerous and often cumbersome, and may act as a barrier to housing development. While local review is an important and beneficial part of the planning and development process, the process could be streamlined to provide efficiency and to give developers greater certainty regarding their project schedule and costs. One of the most promising changes is the move away from using traffic congestion (i.e., Level of Service) and toward criteria that focus on a broad suite of factors including vehicle miles traveled (VMT), greenhouse gas emissions, safety, and alternative modes of travel. These changes can help facilitate infill development and development near transit stations and corridors.
- **Availability of Capital.** The 1986 Federal Tax Reform Act, and subsequent changes in state law, made investments in rental housing less profitable, thus reducing the capital available to build multifamily homes. Though funding for real estate has become more accessible, in part because of the volatility of the stock market (people see real estate as a more secure investment), new market rate multifamily development mostly serves the higher cost, luxury rental market.
- **High Land Prices.** Several factors contribute to the region's high land costs, which is a primary cause of the region's escalating housing costs. These include: a relatively strong economy, great weather, and an attractive physical environment, which cause the San Diego region to be a desirable place to live and work. A very limited supply of large tracts of vacant land available for development, coupled with the practice of land speculation, in which people purchase property and resell it within a short timeframe at a higher price without adding significant value, have also contributed to the rise in land prices.

- **Land Availability.** A more recent barrier, particularly from the standpoint of developing sites that have redevelopment and infill potential, is the difficulty of finding owners who are willing to sell their property at a price that allows new, higher intensity development to "pencil out." High land prices often make such infill development difficult to accomplish.
- **Community Opposition.** Residents often oppose new housing and mixed use developments, especially those that are higher density and include multifamily and/or affordable homes, out of concerns that the development will have negative effects on their communities and property values, and that infrastructure like parks, schools, and public safety services will not be in place to support additional development. Because of this opposition, local governments have denied these types of projects in the past, despite acknowledging a need for them in their communities.

Meeting Our Diverse Housing Needs

The region needs to ensure the construction and availability of a variety of housing types for residents of all income levels and abilities. During the past decade, the majority of new housing units built in the San Diego region are single family homes, apartments and condominiums that are affordable only to people whose incomes are in the above moderate income range. While the housing needs for above moderate income households have been met, the affordable housing needs for lower and moderate income families have not been met (see the 2017 Regional Housing Progress Report for details regarding the provision of housing in the region for all income levels).

Preventing Housing Discrimination

For the San Diego region to truly meet its housing needs, it must ensure that its housing market is free from discrimination. The Federal Fair Housing Act of 1968 prohibits housing discrimination based on race, color, national origin, religion, sex, family status, and disability. Despite this, discrimination occurs in the San Diego region. Additionally, a lack of multifamily zoning can lead to the exclusion of low income and minority residents from communities, which has implications for furthering fair housing and eliminating housing discrimination.

Unfair lending, or "predatory lending," is also very common in lower income and minority communities. This type of lending puts borrowers in mortgages that strip away large amounts of their home equity, trap them in excessive and unaffordable monthly payments, or result in a number of other costs which the resident often cannot afford. This practice also can lead to loss of homes through foreclosure. Developers who want to build in lower income and minority communities also may face difficulties in obtaining financing, as banks can be reluctant to invest in areas they consider to be "high risk."

Jurisdictions should safeguard against housing discrimination by working with nonprofit housing groups. Entities such as the Fair Housing Council of San Diego offer public outreach and education regarding fair housing rights; owner, manager, and lender training; and discrimination complaint processing. The San Diego Regional Assessment of Impediments to Fair Housing (2015-2020)[12] addresses housing discrimination issues in the San Diego region.

Strategies for Consideration

The region needs to provide a variety of affordable and quality housing choices for people of all income levels and abilities throughout the region. This can be accomplished in a variety of ways and requires the collaborative efforts of federal, state, and local government; for-profit and nonprofit developers; transit agencies; and non-governmental organizations. The focus of these efforts should be on the following big concepts and strategies:

- Increase the supply and variety of housing choices, especially higher density multifamily housing, for residents of all ages and income levels in areas with frequent transit service.
- When developing vacant land, and in redevelopment and infill sites, integrate housing with jobs, transit, schools, recreation, and services, to create more livable neighborhoods and diverse mixed use communities to support smart growth objectives.
- Provide incentives for local jurisdictions to meet their housing needs.
- Provide an adequate supply of housing for our region's workforce to minimize projected interregional and long-distance commuting.
- Conserve and rehabilitate the existing housing stock.
- Provide safe, healthy, environmentally-sound, and accessible housing, for all segments of the population.
- Minimize the displacement of lower income and minority residents, as housing costs rise when redevelopment and revitalization occurs.

Planning, Design, and Coordination

- Identify and rezone appropriate sites for higher density multifamily housing, and mixed use housing in appropriate locations close to public transportation, employment, and other services.
- Identify and develop appropriate underutilized sites for housing, such as vacant shopping centers and deteriorated strip commercial and industrial centers.
- Identify and rezone appropriate sites for facilities serving homeless residents, transitional housing, farmworker housing, and housing for those in need of supportive services, while not disproportionately siting them in any one community.
- Support the development of housing that implements the 2019 Federal RTP goals and discourage housing development that does not.

Program and Project Development and Implementation

- Develop and implement local affordable housing programs and incentives, such as land banking, inclusionary housing, density bonus, accessory dwelling unit, and priority permit processing programs.
- Review governmental processes and fees, and make changes if needed, to ensure that they are not acting as unnecessary barriers to housing construction.
- Develop and implement programs for new housing construction that encourage environmentally sustainable construction (green building techniques) and the application of universal design principles to promote accessibility.
- Eliminate environmental and health hazards in existing housing, and in new housing as it is sited, designed, and built.

- Develop strategies to provide replacement housing for lower income residents as conversion, demolition, redevelopment, and/or infill development occurs.
- Implement public education programs, showing positive examples and benefits of affordable and multifamily housing, and mixed use developments.
- Encourage the development of accessory dwelling units to provide needed housing in predominately single family neighborhoods.

Funding

- Ensure that housing affordability continues to be included in the evaluation criteria for the SANDAG Smart Growth Incentive Program.
- Pursue State of California funds for the creation of additional affordable housing for families, seniors, veterans, persons with disabilities, homeless residents, and other lower income residents.
- Develop new funding sources for the creation of additional affordable housing for families, seniors, veterans, persons with disabilities, homeless residents, and other lower income residents, such as housing trust funds, linkage fees, and bonds.

Conclusion

There is a strong need to increase and diversify the housing supply in the region. The strategies for consideration in this Appendix can be used by the local jurisdictions, and others, to assist the region in meeting its housing needs through smart growth — providing more housing, and more types of housing, in appropriate locations close to public transportation, employment, and other services. A cooperative effort to undertake these strategies will ensure that more of the region’s residents have access to safe, decent, affordable homes.

Endnotes

[1] SANDAG Data Surfer 2018 Estimates http://datasurfer.sandag.org/dataoverview/detailview.

[2] National Low Income Housing Coalition, http://nlihc.org/oor.

[3] Lower income includes extremely low, very low, and low income households. Extremely low income households earn less than 30% of the Area Median Income (A.M.I.) for San Diego region, which was $75,900 for a family of four in 2014; for a family of four, extremely low income is $24,800 or less. Very low income households earn between 30 and 50% of A.M.I.; for a family of four, very low income falls between $24,800 and $41,300. Low income households earn between 50 and 80% of A.M.I.; for a family of four, low income falls between $41,300 and $66,100. California Department of Housing and Community Development (HCD), State Income Limits for 2014.

[4] For more information on the RHNA Plan for the Fifth Housing Element Cycle 2010-2020, see Appendix L, Regional Housing Needs Assessment Plan and sandag.org/RHNA.

[5] SANDAG Regional Housing Needs Assessment, http://www.sandag.org/index.asp?classid=12&subclassid=116&projectid=189&fuseaction=projects.detail

[6] SANDAG Implementation Guidelines for SANDAG Regional Housing Needs Assessment Memorandum http://www.sandag.org/uploads/projectid/projectid_189_12244.pdf

[7] SANDAG Regional Housing Progress Report 2003-2013 (March 2015), http://www.sandag.org/uploads/publicationid/publicationid_1928_18891.pdf

[8] For more information on recent developments in parking standards, see "Affordable Housing Parking Study," City of San Diego, 2010.

[9] Smart Growth Concept Map, http://www.sandag.org/index.asp?classid=12&projectid=296&fuseaction=projects.detail

[10] http://www.sandag.org/index.asp?classid=12&projectid=491&fuseaction=projects.detail

[11] Smart Growth Tool Box, http://www.sandag.org/index.asp?classid=12&projectid=334&fuseaction=projects.detail

[12] http://www.sandiegocounty.gov/sdhcd/organizations/impediments_fair_hsg.html