# COUNTY OF SAN DIEGO

## LAND USE AGENDA ITEM



**DATE:** **October 10, 2018** **02**

**TO:** Board of Supervisors

**SUBJECT**

**RECEIVE THE REPORT ON OPTIONS TO IMPROVE HOUSING AFFORDABILITY IN THE UNINCORPORATED AREA; PROVIDE DIRECTION ON THE OPTIONS CONTAINED IN THE REPORT (DISTRICTS: ALL)**

**OVERVIEW**

According to the American Communities Survey (2017), nearly half of all households in San Diego county (Region) spend more than 30 percent of their income on housing. In May of 2017, the Public Policy Institute of California released a report that reveals the shortfall of available rental homes in the Region exceeds 140,000 units and growing. Furthermore, regional housing production goals contained in the County of San Diego (County) General Plan for the unincorporated area are not being met, with a housing production shortfall of nearly 18,000 units since 2010, or approximately 2,250 units per year. This shortage of housing has contributed to increases in median rental and home prices in the Region. A lack of housing supply and product variety limits affordability and housing options in the Region and for households in various life stages such as young couples, families, students, seniors, and veterans.

In response to the affordable housing shortage, on March 28, 2018 (12) the Board of Supervisors (Board) directed the Chief Administrative Officer (CAO) to investigate ways to retain General Plan housing capacity and "to investigate the means and mode of establishing a Density Transfer Credit program, a Transfer Development Rights, or an equivalent program in the County of San Diego". On April 18, 2018 (5), the Board directed the CAO to "investigate options that would further promote the expedient building of homes in the unincorporated area and the closing of the housing gap through incentive programs and/or reductions in regulations in San Diego County."

The report on Options to Improve Housing Affordability in the Unincorporated Area (Report) identifies opportunities to address lack of housing supply and to improve areas within the control of the County such as local regulations and the local permitting processes. The Report includes a total of 19 actions within the following five categories:

- Process & Streamlining (PS): There are a three actions is this category focused on reducing time and costs associated with the permit process.

- Regulatory Reform (RR): There are four short term actions in this category to correct inconsistent or outdated regulations that inadvertently act as barriers to housing production.
- Participation & Incentives (PI): There are four actions in this category to explore incentives to stimulate production of diverse housing types.
- General Plan & Community Plans (GP): There are four actions in this category intended to implement General Plan goals and policies related to maintaining General Plan housing capacity.
- Land Development Code (LDC): There are four actions in this category to consolidate and modernize zoning and use regulations.

Some of the actions contained within these categories are already underway as part of the Planning & Development Services (PDS) work program, several have been previously directed by the Board, and others are new efforts requiring Board direction.

This is a request for the Board to accept the Report and provide direction on the options contained in the Report.

**RECOMMENDATION(S)**
**PLANNING COMMISSION**
N/A

**DEPARTMENT OF PLANNING & DEVELOPMENT SERVICES**

1. Find in accordance with Section 15061(b)(3) that today’s actions are exempt from CEQA pursuant to the general rule since it can be seen with certainty that there is no possibility that today’s actions may have a significant effect on the environment.

2. Receive the report on Options to Improve Housing Affordability in the Unincorporated Area (Report) (Attachment A) and the associated 19 actions, six of which include programmatic options.

3. Provide direction on programmatic options for six actions contained in the Report: Density Bonus Program (PI-1), Affordable and Inclusionary Housing Programs and Ordinances (PI-2), Accessory Dwelling Units (PI-3), Development Impact Fee Study (PI-4), General Plan Capacity and Transfer of Development Rights (GP-3), and Allow and Encourage Varied Housing types (LDC-4).

**FISCAL IMPACT**
There is no fiscal impact associated with accepting the report on Options to Improve Housing Affordability in the Unincorporated Area (Report). There will be no change in net General Fund cost and no additional staff years in Fiscal Year (FY) 2018-19.

**SUBJECT:** RECEIVE THE REPORT ON OPTIONS TO IMPROVE HOUSING AFFORDABILITY IN THE UNINCORPORATED AREA; PROVIDE DIRECTION ON THE OPTIONS CONTAINED IN THE REPORT (DISTRICTS: ALL)

There are implementation costs for the actions contained in the Report. If all of the programmatic options for the actions are accepted and directed by the Board of Supervisors (Board), additional costs are estimated up to: $11,000,000 for a five-year trial fee waiver program ($2,200,000 annually beginning in FY 2019-20); $3,100,000 in one-time funding requests in FY 2019-20; $740,000 in one-time funding requests in FY 2020-21; and $160,000 in ongoing costs to support the addition of 1.00 staff year in the Department of Planning & Development Services beginning in FY 2019-20; and if approved, will be included in future Operational Plans. If directed, PDS will return in the last year of the trial period to report on the status of this program.

The annual estimated fiscal impact is as follows:

| *incremental cost in millions – not to exceed* | | **FY19/20** | **FY20/21** | **FY21/22** | **FY22/23** | **FY23/24** |
|---|---|---|---|---|---|---|
| A | One-time Funding Requests | 3.10 | 0.74 | 0.00 | 0.00 | 0.00 |
| B | Five-year trial fee waiver Program | 2.20 | 2.20 | 2.20 | 2.20 | 2.20 |
| **C (A+B)** | **Total Annual One-time Funding Cost** | **5.30** | **2.94** | **2.20** | **2.20** | **2.20** |
| **D** | **Ongoing Cost (1.00 staff year in PDS)** | **0.16** | **0.16** | **0.16** | **0.16** | **0.16** |
| **E (C+D)** | **Total Annual Cost** | **5.46** | **3.10** | **2.36** | **2.36** | **2.36** |

**BUSINESS IMPACT STATEMENT**

The report on Options to Improve Housing Affordability in the Unincorporated Area includes actions that support the local economy by working with the public, developers, and construction related professionals, to improve permit processing and regulations, and by creating new incentives for increasing the supply of housing in the unincorporated area.

**ADVISORY BOARD STATEMENT**

Informational presentations were provided to the Community Planning and Sponsor Group chairs on July 14, 2018, to the Planning Commission on August 3, 2018. Presentations were also requested by and provided to the Jamul-Dulzura Community Planning Group on August 14, 2018, and to the Campo Lake Morena Community Planning Group on August 27, 2018. Written correspondence was received from the Campo Lake Morena Community Planning Group dated September 6, 2018 (Attachment C).

**INVOLVED PARTIES**

N/A

**PLANNING COMMISSION VOTE**

N/A

**BACKGROUND**

According to the American Communities Survey (2017), nearly half the households in San Diego county (Region) spend more than 30 percent of their income on housing. In May of 2017, the Public Policy Institute of California released a report that reveals the shortfall of available rental homes in the Region exceeds 140,000 units and growing. Furthermore, regional housing production goals contained in the County of San Diego (County) General Plan for the unincorporated area are not being met, with a housing production shortfall of nearly 18,000 units since 2010, or approximately 2,250 units per year. This shortage of housing has contributed to increases in median rental and home prices in the Region. A lack of housing supply and product variety limits affordability and housing options in the Region and for households in various life stages such as young couples, families, students, seniors, and veterans.

Over the past several years, significant attention has been placed on the increasing costs of housing and the overall lack of housing affordability in the State of California and the Region. Concerns raised by elected officials, local business advocacy groups, and the public have brought attention to the shortage of for sale and rental housing. In response to the housing shortage, on March 28, 2018 (12) and April 18, 2018 (5), the Board of Supervisors (Board) directed staff to investigate options that would further promote the expedient building of homes in the unincorporated area and close the housing affordability gap through incentive programs and or reductions in County of San Diego (County) regulations.

The report on Options to Improve Housing Affordability in the Unincorporated Area (Report) (Attachment A) responds to both the March and April Board direction. It presents options for Board consideration to address housing affordability and identifies short to long-term solutions for increasing the housing supply, addressing regulatory and process barriers, and expanding housing opportunities in the unincorporated area.

Housing development trends countywide show that there is not enough housing overall, and the housing that is being built does not meet the full spectrum of needs for the Region and for households at various life stages. In the unincorporated area the housing being built is predominantly limited to single-family housing and housing being built in the cities is generally higher density. In neither case are the housing products providing a full range of housing options for different household sizes and income levels; particularly within the range of middle-income households. This “Missing Middle Housing” is defined as in-between housing that is between single-family houses and larger multi-family buildings. Housing production has not included a diversity of townhouses, duplexes, triplexes, courtyard and bungalow courts, multiplexes, or live-work unit product types.

In preparing the Report, staff reviewed various publications and studies including those prepared by the Southern California Association of Governments (SCAG); the California Legislative Analyst’s Office (LAO), a nonpartisan fiscal and policy advisor for the State of California; and McKinsey Global Institute, a business and economic research think tank. These sources identify several factors contributing to the low supply and high cost of housing in both the Region and across the state, including land costs and availability; state and local regulations; and development costs. Land costs in California are among the highest in the country and vacant land suitable for development is limited making it difficult for developers to find sites to build new housing. As stated in the 2011 General Plan, approximately 5.6% of the unincorporated area, or

128,369 acres is privately held, undeveloped land with potential for future development. State regulations, such as the California Environmental Quality Act (CEQA) add to the cost of housing. The environmental review process alone can pose a challenge to housing production due to required public agency review of possible environmental impacts and potential mitigation measures to address them. Furthermore, project opponents sometimes use the environmental review process and litigation to limit or stop projects. According to a LAO report in 2015, California's High Housing Costs: Causes and Consequences, local permitting processes, public hearings, and other processing requirements can be lengthy and extend the overall timeframe to complete a development project.

The lack of housing affordability has resulted in overcrowding, economic insecurity, longer commutes, and difficulty in retaining employees. For example, according to 2017 American Community Survey within the Region, 6% of renter households are overcrowded. In addition, high housing costs leave households with little left over for other important expenses, leading to difficult budget trade-offs. Local economies are then impacted because money that might be spent in local stores (generating sales-tax revenues for the community) is being spent on housing. Of the Region's one million person workforce, one out of every five workers lives outside of the county and drives to an employment center in the county. These commuters purchase lower cost homes outside of the Region such as in Riverside County.

The General Plan directs future growth in the unincorporated area and provides a projected capacity to accommodate more than 232,300 existing and future homes. These homes would accommodate 20% of the regional population projection, or about 700,000 residents. The General Plan specifically addresses housing affordability through policies intended to increase the supply of housing, provide a mix of housing and tenancy types, increase housing choice, and decrease housing costs by reducing permit processing times, streamlining regulatory processes, and removing obstacles to achieving planned densities.

In addition to providing policies and programs that support housing production, State law requires the County's General Plan to address existing and projected housing needs of residents at all income levels. Through the state-mandated Regional Housing Need Allocation (RHNA) process, the Region is assigned a housing need allocation by the State Department of Finance. Through a process at the San Diego Association of Governments (SANDAG) the share of the regional housing needs is then distributed among the 18 incorporated cities and unincorporated area. The County's share of the RHNA is 22,241 units between 2010 and 2020, or 2,241 units per year. These units are then distributed by income categories for Extremely Low and Very Low, Low, Moderate and Above Moderate.

The State requires that each jurisdiction provide an inventory of sites with designated development capacity to accommodate the required housing within its General Plan. The General Plan identifies sites designated at 24 to 30 dwelling units per acre for lower-income families and sites designated at 10.9 to 15 dwelling units per acre for moderate-income families. Housing for families in the moderate and above moderate-income groups are accommodated by residential lands in the Village, Semi-Rural, and Rural regional categories designated at densities of 7.3

dwelling units per acre and lower. More than eight years into the current cycle, the County has produced 24 Extremely Low and Very Low (1%), 321 Low (20%), 904 Moderate (15%), 3,777 Above Moderate (29%) units. In total, as of July 2018, 5,026 units have been permitted, or approximately 22% of the County's share of the RHNA of 22,241 units. According to the State Department of Housing and Community Development, over the last 10 years, California has built an average of 80,000 homes a year, far below the 180,000 homes needed a year to keep up with housing growth from 2015-2025.

The Board has recently taken actions to increase affordable housing programs in the Region. On March 21, 2017 (6), the Board directed staff to review the inventory of County-owned excess property for the purpose of developing affordable housing. Eleven sites within incorporated areas were identified as potentially conducive to building affordable housing. Two of the sites are currently in the process to identify a potential developer. On June 20, 2017 (21), the Board directed Housing and Community Development Services (HCDS) to develop an ordinance that would create an interest bearing Innovative Housing Trust Fund (Fund) and establish criteria for the use and distribution of the funds. The purpose of the Fund is to increase affordable housing opportunities throughout the Region through the construction, acquisition, and/or rehabilitation of multi-family housing for Extremely Low, Very Low, Low, and Moderate-Income households.

**Housing Affordability Actions & Options**

The Report, based on Board direction, identifies opportunities to improve areas related to housing production and increase a diversity of housing types within the control of the County such as local regulations and the local permitting processes. The Report includes a total of 19 actions within five categories that focus on reducing time and costs associated with the permit process, correcting inconsistent and outdated regulations that inadvertently act as barriers to housing production, exploring incentives to stimulate production of diverse housing types, implementing General Plan goals and policies related to maintaining General Plan housing capacity, and consolidating and modernizing zoning and use regulations.

Some of the actions contained within these categories are already underway as part of the Planning & Development Services (PDS) work program, several have been previously directed by the Board, and others are new efforts requiring Board direction or are programmatic options for further development after receiving direction from the Board. Summary tables for each category are provided to identify direction if needed, timeframe for completion, and costs. Costs are identified as either one-time for initial action(s) or as ongoing programmatic costs to be considered depending on Board direction for further development. An additional 1.00 staff year is estimated for Fiscal Year (FY) 2019-20 to implement the actions recommended in the Report.

**Process & Streamlining**

This category covers three existing and ongoing efforts to streamline the development review process through business process re-engineering, improvements to project management of permit applications, and enhancements to community outreach. While these efforts serve multiple objectives, the anticipated housing affordability outcomes include reducing overall costs by reducing the time it takes to review and approve permits without sacrificing safety of residents or the quality of review. The actions within this category are ongoing and further Board direction is not needed.

| Process & Streamlining (PS) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| PS-1 | Business Process Reengineering (BPR): Continue ongoing improvement to application processing and -permitting through implementation of Red Tape Reduction Task Force and Land Development Industry actions. The purpose of BPRs is to reduce processing times and costs to applicants, comply with existing laws and regulations, improve the quality of the review process, and increase process transparency. | Previously directed by the Board | **Timeframe:** Continuous improvement is ongoing<br>**Costs**: $300,000 in one-time costs in FY 2019-20 |
| PS-2 | Community Engagement: Improve the public review process to increase transparency, efficiency and predictability. The goal of this action is to continue to receive public input at key points in the process to develop balanced recommendations and provide improvements where necessary. An effective community engagement process allows for public input and a consistent methodology for providing recommendations to County decision makers at all levels. | Included in PDS work program | **Timeframe:** Short Term (<1 Year)<br>**Costs**: $100,000 in one-time costs in FY 2019-20 |
| PS-3 | Project Management: Improve project scoping; communication; issue identification/elevation; application processing, tracking and archiving; and coordination and partnering between County departments. Specific actions and commitments to improve project management and the overall discretionary review process were identified in collaboration with the Land Development Industry and the County's Land Use and Environment Group (LUEG). | Included in PDS work program | **Timeframe:** Short Term (<1 Year)<br>**Costs**: No additional costs |

**Regulatory Reform**

This category contains short term actions to correct inconsistent or outdated regulations that inadvertently act as barriers to housing production. A total of four regulation changes are identified. Outcomes include increased condition satisfaction flexibility, removal or redundant regulations, and expanded ministerial permit opportunities. Examples include converting discretionary administrative permits to ministerial or "by-right" and other improvements such as facilitating condominium development without requiring a zone reclassification. These efforts are identified as short and medium term actions to be completed in less than two years.

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Regulatory Reform actions have been previously directed by the Board and are included in the PDS work program.

| Regulatory Reform (RR) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| RR-1 | Site Implementation Agreement (SIA) Ordinance: Prepare a new ordinance to establish SIA agreements between property owner(s) and the County which consolidates and allows the deferral of conditions of approval. The current process is time consuming for staff, difficult for applicants, creates potential for error in determining if requirements have been met, and is challenging for the County to monitor. SIAs will consolidate project conditions, streamline the development process, and improve facilitation of mitigations and improvements. | Previously directed by the Board | **Timeframe:** Short Term (<1 Year)<br>**Costs**: $120,000 in one-time costs in FY 2019-20 to develop ordinances and conduct environmental evaluation. |
| RR-2 | Resource Protection Ordinance (RPO) and Biological Mitigation Ordinance (BMO): Revise RPO and BMO to remove potential redundancies with existing local, state, and federal law and create a more efficient process. Ensuring the RPO and BMO are consistent will provide flexibility to projects to avoid duplicated work efforts and make the ordinances easier to implement and interpret. | Previously directed by the Board | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: Total project costs of $430,000 are partially budgeted in PDS in the FY 2018-19 Operational Plan ($250,000). Additional one-time costs ($180,000) in FY 2020-21 |
| RR-3 | Permit Procedures: Continue to revise permit review procedures, improve permit processing guidance, streamline decision making authority, and expand online permits to make it easier for customers to obtain a permit. Permit processing procedures and guidance can be improved to achieve applicant cost savings and reduce trips to the County, several Administrative Permits can be reduced to ministerial or “by-right” approvals. The County currently has online permit processing activities for permits that include water heater replacements, roof mounted solar panels, air conditioning replacement, etc.; this will continue to be expanded to more permit types. | Previously directed by the Board | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: No additional costs. |
| RR-4 | Group Quarters Ordinance: Revise the Group Residential definition in the Zoning Ordinance to allow for units with an independent kitchen which will increase flexibility and facilitate independent living. | Provide direction to update the ordinance and return to the Board for consideration | **Timeframe:** Short Term(<1 Year)<br>**Costs**: No additional costs |

| Regulatory Reform (RR) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | The County is experiencing increased demand for group quarters for senior and group homes with living units with kitchen facilities in order to facilitate independent living and retain the benefits of medical care, when necessary. Group quarters can also be for senior assisted living or rehabilitation facilities. | | |

## Participation and Incentives

The purpose of this category is to explore areas where the County can provide incentives to reduce economic barriers and increase the production of a larger variety of housing product types. Incentives are intended to increase housing production and create economic conditions to encourage the construction of missing middle housing products that would otherwise not be built. There are a total of four recommended actions in this category which require Board direction on programmatic options to be further developed for Board consideration. Analysis for each action is provided below, followed by a summary table of all of the actions in this category.

Affordable housing is defined by household income levels established by State law. The table below shows the income for Extremely Low, Very Low, Low, Moderate and Above Moderate-income and the corresponding affordable sales price for a residential unit. Area Median Income (AMI) for the Region for a family of 4 in 2018 is $81,800. The median price of a home in the Region was estimated to be $550,000 in 2017, which is only affordable for households at the above moderate-income category. These categories of income will be used when proposing options below.

| Income Category | Area Median Income (AMI) Percent | Income | Sale Price |
|---|---|---|---|
| Extremely and Very Low | Below 50% | $48,650 | $130,000 |
| Low | 50% to 80% | $77,850 | $225,600 |
| Moderate | 80% to 120% | $98,150 | $289,600 |
| Above Moderate | Above 120% | > $98,151 | $315,900 |

*Density Bonus Program (PI-1)*

The density bonus tool can provide a useful mechanism to encourage greater affordable housing production and to lower the cost of market-rate housing in areas with high land costs. The added density allowed is intended to incentivize a developer with additional revenue from additional units, while recognizing the added costs of development or differences in profit margins between market rate and below market rate units. In turn, a developer would provide deed restricted affordable units to persons and families of Extremely Low, Very Low, Low, or Moderate income for a period of at least 55 years.

Use of density bonuses can increase the diversity of housing product types by incentivizing developers to construct housing products that would otherwise not be feasible without the provision of incentives and concessions. The current incentives allowed by the County include a reduction in site development standards and architectural requirements that go beyond minimum building and safety code requirements, e.g. design criteria, colors, and materials. Additional incentives include approval of mixed use zoning not otherwise allowed and other regulatory incentives proposed by the applicant or the County that result in identifiable and actual cost reductions.

The County's existing density bonus program has had little success in incentivizing the production of affordable housing units. Only one application in 2006 has been submitted since the density bonus program adoption. This can be attributed to various reasons. One reason is that not all projects are built to the maximum allowed densities and therefore would not benefit from a density bonus. This issue has been addressed with updates to Government Code Section 65915 that went into effect on January 1, 2017 allowing developers to request an incentive, even if they do not request a density bonus. Other barriers include the administration costs associated with managing affordable units including screening tenants/purchasers for income eligibility. Other jurisdictions provide services to screen tenant and purchasers through their housing programs.

Actions the County can take beyond State law to encourage the use of Density Bonuses and incentivize the construction of affordable housing include providing greater incentives and expanding the program to include middle-income households.

PI-1 provides two options to increase density bonus opportunities. The first is to allowing additional incentives for a project. The second option is to expand the density bonus program to include middle-income earners from 120% to 150% of AMI. Staff recommends that the Board provide direction to further develop these options and return to the Board consideration.

*Affordable and Inclusionary Housing (PI-2)*

Inclusionary housing policies are local land use policies that link approvals for market-rate housing to the creation of affordable homes for low and moderate-income households. The primary goals of inclusionary housing programs are to expand the supply of affordable housing and promote social and economic integration. Affordable housing provides a greater range of housing choices, smaller unit options, and homes that are priced within reach for households at all income levels and life stages. Program criteria and implementation procedures must be carefully designed to avoid unintended consequences, including a reduction in overall housing production or increases in market-rate prices.

Costs associated with inclusionary housing programs are typically assumed by the home buyers or renters. Without the correct market conditions, an inclusionary housing program could render some housing projects infeasible and reduce overall housing production. Based on best practices research, factors that are typically associated with successful inclusionary housing programs include a strong housing markets, flexible compliance options, incentives that offset the cost to developers, and clear guidelines. Research also shows that mandatory programs tend to work better than voluntary programs. Within the Region, eleven jurisdictions have inclusionary housing programs: Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Encinitas, Oceanside, Poway, San Diego, San Marcos and Solana Beach. Programs throughout the Region vary, but generally require that 10-15 percent of all new residential units be deed restricted as affordable.

The County can require an affordable housing component through the development of an Affordable Housing Program or Inclusionary Housing. Based on a review of statewide best practices and recent trends, four options are proposed for Board direction as noted in the table on page 12.

Additionally, the County has a General Plan Housing Element policy- *H-1.9:Affordable Housing through General Plan Amendments* requiring developers to provide an affordable housing component when requesting a General Plan amendment for a large-scale residential project when this is legally permissible. The Implementation Plan of the General Plan indicated a timeframe of 2-7 years (2012 - 2018) to develop and implement criteria for Policy H-1.9. Due to several unanticipated projects, the criteria has not yet been developed. Board direction will guide implementation of this policy.

Options for PI-2 include inclusionary housing programs and ordinances. Staff recommends that the Board direct staff to prepare an economic feasibility analysis flexible compliance program and an ordinance with a minimum 10% affordable housing requirement (options 1 and 2) and return to the Board for consideration.

*Accessory Dwelling Units (ADUs) (PI-3)*
ADUs can provide a more affordable housing option due to their smaller size and lack of additional land costs and infrastructure requirements. Many ADUs are rented at 80 to 120 percent of the Area Median Income (AMI). The additional income from renting out an ADU can help some homeowners remain in their homes. In addition, ADUs provide opportunities for rental housing and income diversity in neighborhoods that are often affordable only to high-income earners and are generally perceived as consistent with single-family neighborhoods.

Construction of ADUs could provide smaller housing types available to households that include young couples, students, young professionals and seniors. An ADU can also provide homeowners flexibility to respond to changing family needs. For example, ADUs can accommodate multi-generational families or senior households since they provide flexibility for aging in place or living with an extended family. The addition of an ADU can make it easier for seniors to remain in their neighborhood where they otherwise might be priced out.

Since January 2017, there have been 126 ADUs permitted in the unincorporated area. Barriers to construction of ADUs include design, engineering, and construction costs; permit and development impact fees; utility connections costs; lack of access to financing (loans); inexperience with construction and permitting processes; and owner occupancy requirements.

The options for PI-3 could encourage the construction of ADUs by making the permitting process easier and less expensive for homeowners, providing incentives, and allowing flexibility. Staff recommends that the Board provide direction to prepare and implement pre-approved plans; develop a program for ADU fee waivers and return to the Board for consideration; and prepare an ordinance to allow Junior ADUs and return to the Board for consideration. For the potential ADU subsidy program, staff recommends that the Board direct staff to monitor implementation in other jurisdictions and report back in one year.

<table>
<tr><th colspan="2">Participation & Incentives (PI) Actions</th><th>Direction Requested</th><th>Timeframe and Costs</th></tr>
<tr><td rowspan="3">PI-1</td><td colspan="3"><u>Density Bonus Program:</u> Consider expanding the Density Bonus Program beyond State Law to provide a greater number than the three incentives and concessions allowed and expand the program from the current 120% and below Area Median Income (AMI) to target middle-income individuals and families above 120% of AMI. Both Option 1 and Option 2 can be directed, they are not mutually exclusive.</td></tr>
<tr><td><u>Option 1: Increase Maximum Number of Incentives and Concessions Allowed:</u> Consider increasing the number of incentives and concessions allowed to encourage use of the Density Bonus Program.</td><td>Provide direction to develop program and return to the Board for consideration</td><td>Timeframe: Short Term (<1 Year)<br>Costs: No additional costs</td></tr>
<tr><td><u>Option 2: Prepare Middle-Income Density Bonus Program:</u> Consider analyzing and expanding the existing Density Bonus program to target middle-income individuals and families earning between 120% and 150% AMI.</td><td>Provide direction to develop program and return to the Board for consideration</td><td>Timeframe: Medium Term (1-2 Years)<br>Costs: $330,000 in one-time costs in FY 2019-20 to develop program and return to the Board</td></tr>
<tr><td rowspan="3">PI-2</td><td colspan="3"><u>Affordable and Inclusionary Housing Programs and Ordinances:</u> Consider developing an Affordable or Inclusionary Housing Program/Ordinance as outlined in General Plan Policy H-1.9 to require large General Plan Amendments (GPA) to include an affordable housing component. Affordable and inclusionary housing programs/ordinances would require Extremely and Very Low or Low-income Units (80% of AMI or lower) be set aside for households in that income group. Four options are provided for Board direction. The Board may provide direction on one or a combination of the following recommendations. As part of its direction, the Board may direct staff to conduct an economic feasibility study to evaluate how program option(s) could impact the unincorporated areas (All Options).</td></tr>
<tr><td><u>Option 1: General Plan Amendment (GPA) Affordable Housing Program:</u> Consider requiring large GPA projects (over 50 units) to include an affordable housing component. This option would provide a flexible list of compliance options and not set a minimum number of affordable units.</td><td rowspan="2">Provide direction to prepare an economic analysis and criteria and return to the Board for consideration</td><td rowspan="2">Timeframe: Medium Term (1-2 Years)<br>Costs: $240,000 in one-time costs in FY 2019-20 to prepare an economic analysis and develop program/ordinance criteria</td></tr>
<tr><td><u>Option 2: GPA Inclusionary Housing Ordinance:</u> Consider requiring large GPA projects (over 50 units) to provide a minimum percentage of units as affordable. This option would establish a minimum</td></tr>
</table>

| **Participation & Incentives (PI) Actions** | | **Direction Requested** | **Timeframe and Costs** |
|---|---|---|---|
| | percentage of affordable units required and may include deed restricted units. This requirement could also be satisfied with commensurate alternatives including payment of in-lieu fees. | | |
| | Option 3: Large Project Inclusionary Housing Program/Ordinance: Consider expanding applicability of Policy H-1.9 beyond large GPAs to all large residential development projects of 50 units or more. This option could be an expansion of either Option 1 or 2 to apply to all large residential projects | Staff does not recommend this option | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $300,000 in one-time costs in FY 2019-20 to develop and return with ordinance for Board consideration |
| | Option 4: Prepare Comprehensive Inclusionary Housing Ordinance: Consider developing a comprehensive inclusionary housing ordinance to require projects of all sizes, above a minimum threshold, to provide a minimum percentage of units as affordable. This option would establish a minimum percentage of affordable units required that would be deed restricted. This requirement could also be satisfied with commensurate alternatives including payment of in-lieu fees. | Staff does not recommend this option | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $340,000 in one-time costs in FY 2019-20 to develop and return with ordinance for Board consideration. |
| PI-3 | Accessory Dwelling Units (ADUs): Consider expanding the ADU program beyond State Law by making the permitting process easier and less expensive for homeowners, providing incentives and subsidies, and allowing greater flexibility. Four options are provided for Board direction. These are not mutually exclusive. The Board may provide direction on one or a combination of the following recommendations: | | |
| | Option 1: Pre-Approved Plans and Program Development: Consider reducing permitting time and cost by providing pre-approved ADU plans to property owners, expedite plan check review and reduced permit fees. | Provide direction to prepare plans and implement program | **Timeframe:** Short Term (<1 Year)<br>**Costs**: $150,000 in one-time costs in FY 2019-20 to prepare plans and outreach materials |
| | Option 2: Waiver of Impact and Permit Fees**:** Consider reducing permitting costs by waiving development impact (Transportation Impact Fee and Park Lands Dedication Ordinance) and permit fees (building, drainage, and septic) for a five-year trial period. If directed, PDS will return in the last year of the trial period to report on the status of this program. | Provide direction to develop program and return to the Board for consideration | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $2,200,000 in annual one-time costs over the five-year trial period. If directed, a request for any necessary current year appropriations and funding source(s) will be included when a Waiver of Impact and |

| Participation & Incentives (PI) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | | | Permit Fee trial period item returns to the Board for consideration, and in future Operational Plans. |
| | <u>Option 3: Junior Accessory Dwelling Units</u>**:** Consider providing greater flexibility and a lower cost option by creating a Junior Accessory Dwelling category that costs less to build by converting an existing space within a house or addition and requires no additional parking. | Provide direction to prepare an ordinance and return to the Board for consideration | **Timeframe:** Short Term (<1 Year)<br>**Costs**: No additional costs |
| | <u>Option 4: Subsidize Construction of ADU:</u> Consider encouraging construction of ADUs by developing a pilot program to provide bridge funding, in the form of a grant or loan, to property owners to construct an ADU in exchange for renting the ADU at an affordable rate through a deed restriction or similar mechanism. | Provide direction to monitor implementation in other jurisdictions and report back to the Board in one year | **Timeframe:** To be determined (TBD)<br>**Costs**: TBD |
| PI-4 | <u>Development Impact Fees Study:</u> Conduct a review of Development Impact Fees with all departments and evaluate ability to modify fixed development impact fees for new dwellings to fees based on the total square footage of the dwelling. | Provide direction to prepare a study and return to the Board with options | **Timeframe:** Short Term (<1 Year)<br>**Costs**: No additional costs |

## General Plan & Community Plans

The purpose of this category is to implement General Plan goals and policies related to maintaining General Plan housing capacity. This will be accomplished through the use of regional coordination, new reporting tools, retention of General Plan housing capacity, and updated community plans. There are a total of four projects in this category including previous Board direction to update 15 Community Plans by 2030. Another action, General Plan Housing Capacity and Transfer of Development Rights (GP-3) requires further Board direction on programmatic actions to be further developed for Board consideration. An Analysis for GP-3 is provided below followed by a summary table of all of the actions in this category.

*General Plan Capacity and Transfer of Development (GP-3)*

Transfer of Development Rights (TDR) is a tool that removes the right to develop or build from one area (sending sites) and redirects, or transfers, development to designated areas (receiving sites). TDR programs are often established as cost-effective ways to preserve open space and achieve General Plan goals and policies to promote growth near infrastructure, services and jobs. TDR programs are voluntary and compensate owners to varying degrees for property rights.

A TDR program could preserve or maintain General Plan capacity and achieve other public policy goals, such as open space conservation or Climate Action Plan implementation. Through targeted allocation of units, a TDR program could also be designed to incentivize developers to implement planning priorities by directing transferred units to identified areas or by facilitating the provision of infrastructure.

TDR programs can be complicated to design and implement. A TDR or equivalent program would include costs associated with the development and administration of the program. Market fluctuations may also influence the value of sending sites and be a barrier to potential program implementation. In addition, TDRs may inadvertently increase the value of sending sites that are currently devalued due to limited development potential. Furthermore, a program that relies exclusively on existing villages as the receiving sites may not be economically feasible, as unutilized capacity already exists in these areas. There may also be potential for community opposition to identifying and increasing density at receiving sites. Efforts like the Safeguard Our San Diego Countryside Initiative if passed by the voters could limit the implementation of a TDR program outside of Village Areas.

The options for GP-3 would create a mechanism for the retention of General Plan capacity. However, further economic analysis and feasibility studies through Community Plan updates may provide a better understanding of market conditions and community support. Staff recommends that the Board receive the report, consider options, and provide direction.

| **General Plan & Community Plans (GP) Projects** | | **Direction Requested** | **Timeframe and Costs** |
|---|---|---|---|
| GP-1 | Regional Military Housing Coordination: Improve coordination with the military and other jurisdictions to accommodate an anticipated increase in military and their families through the San Diego Association of Governments (SANDAG) Regional Military Working Group. On April 18, 2018 the Board also asked PDS to investigate the current projections for military personnel and ways to coordinate increases in personnel or their families. The San Diego Military Economic Impact Study states that the military's need for affordable housing for its current and growing workforce should be a critical part of any strategic plan to address the Region's lack of adequate housing supply and high housing costs. Coordinating with the military will enable the County to identify and plan for projected military housing needs. | Included in PDS work program | **Timeframe:** Ongoing<br>**Costs**: No additional costs |
| GP-2 | Development and General Plan Tracking: Monitor General Plan goal attainment by tracking housing permitting, production, and changes in capacity. | Included in PDS work program | **Timeframe:** Ongoing<br>**Costs**: No additional costs |
| GP-3 | Explore Options to Retain General Plan Capacity and Transfer of Development Rights: Consider creating | | |

| General Plan & Community Plans (GP) Projects | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | opportunities to capture unrealized density and transfer development rights. The Board may provide direction on the desired goals and approach to maintaining or increasing General Plan capacity, as reflected in the four options. | | |
| | Option 1: Excess Dwelling Unit Bank: Consider developing a program to track unrealized residential units from downzoned properties or developments built out below the maximum density allowed. This option would provide the Board with discretion to allocate unrealized residential units on a case-by-case basis to maintain General Plan capacity. | Receive the report, consider options and provide direction to staff to develop a program | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $300,000 in one-time costs in FY 2019-20 to develop program and return to the Board. |
| | Option 2: Limited-Scope TDR Program (County Managed): Consider developing a TDR program with defined criteria for identifying sending and receiving sites to be evaluated by the Board on a case-by-case basis. This option would identify circumstances when use of TDRs would be used, such as General Plan Amendments. | | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $490,000 in one-time costs in FY 2019-20 to develop program and return to the Board. |
| | Option 3: Transaction-Based TDR Program (Market Driven): Consider developing a transaction-based TDR program with defined sending and receiving sites. This option would require Board direction to identify and map sending and receiving sites to facilitate private-to-private market-rate transactions to transfer development rights between properties. | | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $800,000 in one-time costs in FY 2019-20 to develop program and return to the Board |
| | Option 4: Consider Impact of General Plan Initiative: Monitor outcomes of the election result for the 'Safeguard our San Diego Countryside Initiative' to assess its impact on a potential TDR Program, and report back to the Board 180 days after the election with options. | | **Timeframe:** Long Term (>2 Years)<br>**Costs**: No additional costs |
| | Option 5: Require Minimum Densities: Consider amending General Plan policies to require residential development be constructed to a minimum percentage of allowed densities. | Staff does not recommend this option | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: No additional costs |
| GP-4 | Community Plan Updates: Update community plans to revise land use and design guidelines to ensure realization of planned densities, allow for streamlined environmental review, and identify financing sources for both public and private improvements such as Community Facilities Districts, Business Improvement Districts, Enhanced Infrastructure Financing Districts, and Maintenance | Previously directed by the Board | **Timeframe:** Long Term (>2 Years)<br>**Costs**: No additional costs |

| General Plan & Community Plans (GP) Projects | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | Assessment Districts. Updating community plans will also implement the Climate Action Plan. Community plans will and guide the location, quantity, and type of housing products allowed within each community planning area. Community plan updates have the potential to be affected by the Safeguard Our San Diego Countryside Initiative if they are making changes outside of established Village areas. | | |

**Land Development Code**

The purpose of this category is to prepare a comprehensive update of the Land Development Code including Zoning, Grading and Subdivision ordinances and other regulatory codes. This will remove inconsistencies between the Land Development Code, General Plan, and other State regulations and create an understandable set of regulations to guide development in the unincorporated area. There are a total of four actions in this category. One action, Allow and Encourage Varied Housing Types (LDC-4) requires Board direction for further development and Board consideration. An Analysis for LDC-4 is provided below followed by a summary table of all of the actions in this category.

*Allow and Encourage Varied Housing Types (LDC-4)*

As part of the Land Development Code and Community Plan Process, there is an opportunity to provide more flexibility to allow or encourage varied housing types. There is previous Board direction to update 15 community plans by 2030 to implement the Climate Action Plan with a purpose of reducing vehicle miles traveled. The community plan updates include extensive opportunities for stakeholder input as they are developed. The goal will be to simplify, and clarify requirements to guide encourage the production of a variety of housing product types.

The Community Plan updates will be coupled with amendments to the County Zoning Ordinance, and ultimately the Comprehensive Land Development Code. The existing Zoning Ordinance tends to produce single-family subdivisions and multi-family housing projects within village areas.

The options for LDC-4 will allow greater flexibility and varied housing types through future Community Plans and Climate Action Plan implementation. Staff recommends that the Board accept the action to include these options in the PDS work program in order to allow greater flexible and stakeholder input through Community Plan updates.

| Land Development Code (LDC) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| LDC-1 | <u>Grading Ordinance:</u> Complete phased ordinance updates to first streamline grading and clearing permits for common projects followed by a | Provide direction to update the ordinance and | **Timeframe:** Medium Term (1-2 Years) |

| Land Development Code (LDC) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | comprehensive update to all grading standards. Currently the Grading Ordinance requires a grading and clearing permit for a broad range of property activities, including clearing associated with digging a well and landscaping improvements, resulting in additional time and costs for property owners. The thresholds for requiring permits can be increased to be consistent with surrounding jurisdictions. | return to the Board for consideration | **Costs**: $235,000 one-time costs in FY 2019-20 to prepare the ordinance and return to the Board |
| LDC-2 | <u>Residential Rounding Ordinance:</u> Complete phased ordinance updates to allow projects to achieve their maximum densities within villages, semi-rural and rural areas. The County's residential rounding methodology in the General Plan requires rounding down for partial units. The County's zoning ordinance allows fractions of .5 or higher to round up. The General Plan takes precedence over the zoning ordinance and as a result, some developments are not developing not the intended densities. Changing the methodology to allow for rounding up at 0.5 units instead of down will increase opportunities for some attached unit types in village areas, and subdivisions in semi-rural and rural areas where property owners are unable to conduct a lot split. | Previously directed by the Board | **<u>Phase I</u>**<br>**Timeframe:** Short Term (<1 Year)<br>**<u>Phase II</u>**<br>**Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $250,000 budgeted in PDS in the FY 2018-19 Operational Plan. No additional costs. |
| LDC-3 | <u>Land Development Code:</u> Restructure uncoordinated land development ordinances into a consolidated Land Development Code that is modern, streamlined, and user-friendly. The County's Zoning Ordinance has not been comprehensively updated since 1975. In addition, other ordinances that regulate the land development process such as Grading and Subdivision ordinances are separate. A consolidated land development code would allow for an easier understanding of the regulations and implementation. | Previously directed by the Board | **Timeframe:** Long Term (>2 Years)<br>**Costs**: Total project cost of $2,066,000 is partially budgeted- in PDS in the FY 2018-19 Operational Plan ($1,041,000). Additional one-time costs in FY 2019-20 ($725,000) and FY 2020-21 ($300,000) |
| LDC-4 | <u>Allow and Encourage Varied Housing Types:</u> Consider investigating housing options by expanding the range of housing types permitted, lot sizes, and reducing regulatory barriers to development. | Provide direction to develop program and return to the Board for consideration | **Timeframe:** Medium Term (1-2 Years)<br>**Costs**: $260,000 in one-time costs in FY 2020-21 to conduct public outreach, develop program options, and |

| Land Development Code (LDC) Actions | | Direction Requested | Timeframe and Costs |
|---|---|---|---|
| | | | return to the Board |

*Outcomes and Impacts*
The desired outcomes for each of the projects is to increase overall housing affordability. All of the projects are centered on objectives to encourage housing production, increase flexibility for housing product type, incentivize or encourage product types, or reduce requirements. Impacts to housing production from any of the projects or options will be included and reported on as part of the Annual General Plan Progress Reports.

**ENVIRONMENTAL STATEMENT**
Accepting the Options to Increase Housing Affordability in the Unincorporated Area Report (Report) and presentation and obtaining direction from the Board is also exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines as it would have no potential for resulting in physical change to the environment, directly or indirectly. It can also be seen with certainty that there is no possibility that the Board’s direction for the Chief Administrative Officer to initiate work on any of the recommendations may have a significant effect on the environment.

The Report assesses projects and options seeking to increase the supply and availability of housing. Accepting this Report does not commit the County to any definitive course of action and would have no potential for resulting in significant physical change or effect on the environment, directly or indirectly. Subsequent actions would be reviewed pursuant to CEQA and presented to the Board for consideration prior to implementation.

Therefore, it can be seen with certainty that there is no possibility that today’s action may have a significant effect on the environment and that the actions are exempt or no subject to CEQA.

**PUBLIC INPUT**
As part of development of the report on Options to Increase Housing Affordability in the Unincorporated Area, Planning and Development Services (PDS) staff held meetings with and sought input from the Planning Commission, the Community Planning & Sponsor Groups, and the building industry.

Planning Commissioners’ comments addressed inclusionary housing, transfer of development rights, addressing factors that affect project financing costs, and process streamlining. Community Planning & Sponsor Group members highlighted infrastructure needs, water availability, fire protection, tiny homes, and mobile homes. Building industry representatives emphasized the importance of process streamlining, training of staff, best practices, proportional fees, inclusionary / fair housing, and the cost of challenging projects.

In addition, PDS staff convened a series of four (4) public workshops throughout the Region to gain input on options to address housing affordability in the County. The purpose of the workshops was to educate the public about current and potential strategies to improve housing affordability in the unincorporated communities, and to receive public input about preferences and additional ideas related to potential strategies.

The workshops occurred August through September 2018 at County library or recreation center facilities in the communities of Lakeside, Valley Center, Rancho San Diego, and at the County Operations Center in Kearny Mesa. Approximately 97 community members participated across the four workshops. The two-hour workshop format included an overview presentation, an open house and input session, and a summary of main discussion points and next steps. PDS staff recorded public input on flipchart pages, and some participants submitted written comment forms. A summary of the workshops is included in the Housing Affordability Options: Regional Workshop Summary report (Attachment B).

Additional correspondence was received from the Campo Lake Morena Community Planning Group (Group) (Attachment C). Comments from the group addressed housing affordability and issues associated with mobile and modular homes.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's proposed action to accept the Options to Increase Housing Affordability in the Unincorporated Area and presentation, then provide direction to staff on the options contained in the Report providing direction supports the Operational Excellence Initiative in the County of San Diego's 2018-2023 Strategic Plan by pursuing policy and program change to positively impact residents. Today's proposed action also supports the Sustainable Environments/Thriving Initiative by providing and promoting services that increase the well-being of our residents and increasing consumer and business confidence.

Respectfully submitted,

SARAH E. AGHASSI
Deputy Chief Administrative Officer

**ATTACHMENT(S)**

Attachment A – Options to Increase Housing Affordability in the Unincorporated Area
Attachment B – Housing Affordability Options: Regional Workshops Summary
Attachment C – Campo Lake Morena Community Planning Group comments dated September 6, 2018

**SUBJECT:** RECEIVE THE REPORT ON OPTIONS TO IMPROVE HOUSING AFFORDABILITY IN THE UNINCORPORATED AREA; PROVIDE DIRECTION ON THE OPTIONS CONTAINED IN THE REPORT (DISTRICTS: ALL)

**AGENDA ITEM INFORMATION SHEET**

**REQUIRES FOUR VOTES:** ☐ Yes ☒ No

**WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED**
☐ Yes ☒ No

**PREVIOUS RELEVANT BOARD ACTIONS:**
March 21, 2017 (6), Capital Improvement Needs Assessment Fiscal Years 2017/18-2021/22; June 20, 2017 (21), Innovative Housing Initiative – Tackling Homelessness and Affordability; June 20, 2017 (22), In Support of Cost Effective, Creative Affordable Housing Solutions; March 28, 2018 (12), Housing Affordability: Establishing a Density Transfer Credit Program, a Transfer of Development Rights, or an Equivalent Program in the County of San Diego; April 18, 2018 (5), Housing Affordability: Addressing the Region's Housing Crisis

**BOARD POLICIES APPLICABLE:**
N/A

**BOARD POLICY STATEMENTS:**
N/A

**MANDATORY COMPLIANCE:**
N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION NUMBER(S):**
N/A

**ORIGINATING DEPARTMENT:** Planning & Development Services

**OTHER CONCURRENCE(S):** Department of Park and Recreation, Department of Public Works, Health and Human Services

**CONTACT PERSON(S):**

| | |
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