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Promoting Quality Affordable Housing and Community
Development Throughout San Diego County

March 31, 2005

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Barry Schultz, Chair
Planning Commission
City of San Diego
202 "C" St.
San Diego, CA 92101

Re: Planning Commission Docket of April 7, 2005, Item-18
Proposed change in City's Inclusionary Housing Policy

Dear Chairman Schultz:

At the December 1, 2004 meeting of the Land Use and Housing Committee Council Member Toni Atkins proposed that the current in lieu fee option of the City's Inclusionary Housing Ordinance be eliminated as most of the developers were paying the fee instead of building the units. The Board of Directors of the San Diego Housing Federation shares the view that developers should be required to build the units rather than pay an in lieu fee. However, we also believe that small projects should be allowed to pay the fee.

On February 16, 2005, the Board reviewed the attached chart showing what other cities do. They adopted the following recommendation:

The City of San Diego inclusionary housing ordinance should be amended to require that all housing development projects with 10 or more units build the required affordable units on-site or arrange to have the units built within the same community planning area. The in lieu fee should only be available to projects of 9 or fewer units or projects that demonstrate financial hardship. At the same time the City should give the developer flexibility to meet the standard with off-site construction, purchasing credits in another project, etc.

In determining our recommendation we have reviewed what other cities have adopted as thresholds for building units (please see attachment). We found that among 33 jurisdictions researched 21 (or 64%) of them do not give the alternative of paying an in-lieu fee for units above the exempt threshold.

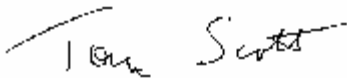
Our reasons supporting this recommendation are as follows:

- The density bonuses under state and local law help developers achieve cost efficiency when building the required units.
- Having a threshold above which developers must build units assures compliance with city's Balanced Community Policy 600-19. If developers do not have to build the affordable units together with the market units, it will become more difficult to have neighborhoods accept the development of solely affordable housing projects.
- We would also like to point out that in other cities and counties where "must build" requirements are in place development has continued. On the other hand, cities that have collected in lieu fees have had trouble using it to develop the affordable housing because of NIMBYism.

Having said that, we are also mindful that one of the reasons why the inclusionary ordinance has not produced units is that the phase-in period had a low in lieu fee that we all knew would result in more in lieu payments than actual construction. The reason for this was to provide the developers that had projects in the entitlement process an opportunity to adjust to the new requirements. Consequently, you may want to consider setting the implementation date for this change to coincide with the end of the initial three year phase in period.

We stand ready to help with the implementation of this recommendation. Please don't hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Tom Scott". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Tom Scott
Executive Director

Attachment

Cc: Toni Atkins

Inclusionary In Lieu Fee Study

Findings:

Among the 33 jurisdictions researched, 14 (or 42 %) of them have a threshold of 5 or less exempt units from the inclusionary housing requirement. Further, 12 of these jurisdictions do not allow payment of in-lieu fees as an alternative to constructing the units.

Among the 12 jurisdictions that have a 10% requirement for the inclusionary program 9 (or 75%) of them do not allow payment of in-lieu fees.

<u>Jurisdiction</u>	<u>Exempt Units</u>	<u>Inclusionary Housing</u> <u>(% Affordable)</u>	<u>Option of ILF</u>
-	-	-	-
City of Carlsbad	<7	15%	< 7 units
Sunnyvale	<10	10% outside of low density, sg. family resid. zones	10 - 20 units
Palo Alto	<3 for sale <5 for rent	10%	YES
San Francisco	<10	10%	YES
City of Davis	<5	25%	5 - 30 units
City of Folsom	<10	15%	NO
City of Isleton	<6	15%	1 - 5 units
Nevada County	<20	10%	NO
City of Rio Vista	<400	20%	N/A
City of Roseville	<4	10%	NO
City of Sacramento	<10	15%	NO
Sutter County	<10	5%	YES
City of Winters	<5	15%	For small projects at City's discretion
City of Woodland	None	10-30%	1-49 detached for sale units, when evidence shows that the alternative would result in taking of a property
Spring Lake Plan			
Yolo County	<10	10%	
City of Berkeley	<5	20%	NO
Calistoga	<5	20%	NO
Corte Madera	<10	10%	NO
County of Contra Costa	None	15- 25%	NO
County of San Benito	None	20%	NO
County of San Mateo	<5	20%	NO
City of Emeryville	<30	20%	NO
City of Hercules	<10	10%	NO
City of Los Altos	<2	10 - 20%	NO
City of Monrovia	None	20%	NO
City of Salinas	<10	12%	NO
City of San Leandro	<20	10%	NO
City of San Mateo	<11	10%	NO
City of Santa Clara	<10	10%	NO
City of Sonoma	<5	10%	NO
City of South San Francisco	<4	20%	NO
City of Chula Vista	<50	10%	YES
City of Oceanside	<3	10%*	YES

ILF = In-Lieu Fee

*not applicable to Redevelopment Project Area