



Policy Objectives to Lower Housing Costs or Create Efficiencies for Housing Creation

- 1) Developers who are required to provide affordable housing as part of an Inclusionary Housing Policy should not be required to build the housing but should have the option to:
 - a) Provide the housing-
 - Onsite, as part of their development project
 - Offsite as part of another affordable housing development
 - Purchase credits or units in an affordable housing mitigation bank
 - Assist an affordable housing developer directly by purchasing credits, units or funding the financing gap on as many units as the developer would be required to produce as part of their development project (private transaction)
 - OR
 - b) Pay a reasonable in-lieu fee
- 2) Inclusionary Housing Projects should be rental housing, in projects of sufficient size to achieve construction and maintenance cost efficiencies (for the following reasons):
 - a) Rental housing, specifically “garden style” 2-3 story walk up apartments, are the most efficient type of housing to construct and maintain
 - b) As tenants’ economic conditions improve over time (better jobs, getting an education or trade skill) the housing units are available for the next available tenant
 - c) These types of projects can be built and are indistinguishable from market rate apartment home projects
 - d) Different in type from the market rate housing, so long as they meet the minimum requirements of the Tax Credit Allocation Committee, Debt Limit Allocation Committee, US Department of Housing and Urban Development and applicable zoning codes, while maintaining community character. This will eliminate costs of units that are oversized and loaded with amenities in excess of the aforementioned requirements
- 3) The City could sell or lease City-owned land for its fair market value (with interest), but accept payment on a deferred and subordinated basis over the long term life of the project, e.g. 55 years. This eliminates the need to finance the cost of the land component of the affordable housing project. The city retains a long term ownership of the asset while ensuring its residents a reasonable rate of return on the City’s land sale. There is no “give away” of public funds.
- 4) The City could accept impact fees over on a deferred (with interest) and subordinated basis over the long term life of the project, e.g. 55 years. The elimination of the need to finance the cost of the impact fee component of an affordable housing project lowers the overall cost of the project. The City would receive an income stream to mitigate for the

- impacts of the project and a reasonable rate of return on the financing component for its residents.
- 5) The City should adopt an improved, incentive laden Density Bonus ordinance to enhance the prospects that this tool will be used. This Density Bonus ordinance should exceed state law in terms of the incentives it creates. Increasing incentives and flexibility will result in additional affordable housing units being created.
 - 6) Increase Densities. The number of units that can be built on a designated piece of land has a significant impact on housing affordability. Increasing residential densities to promote housing affordability for all income levels, especially in and around commercial centers and in areas served by public transit. While the public fears what it doesn't understand, organizations like ours should advocate for density increases. Increasing the supply of all types of housing will lower costs in the market place.
 - 7) The City should: expedite permit approval on affordable housing projects – WITHOUT an extra cost. A project that meets the City's standards should move through the approval system in an expedited manner, bringing needed affordable housing to market in the least amount of time.
 - 8) Facilitate the creation of an Affordable Housing mitigation bank. This was successfully implemented by the City of Carlsbad when the Aviara neighborhood was developed. Unit credits were sold to developers over the next 10-plus years by the City Housing Authority.
 - 9) Conversion of market rate apartments into affordable housing. This is the most cost effective creative tool to rapidly increase the affordable housing supply. This is an excellent complement to a mitigation bank proposal. Identify a project, purchase the project and sell the units as credits after refinancing the project as an affordable housing property with a combination of bank debt and tax credit financing. This is THE MOST cost effective way to produce affordable housing.
 - 10) Design Standards. Successful affordable housing communities have one thing in common, regardless of their density: they are well designed and "fit-in" with their surroundings. Cities must be careful not to "over require" (adds costs unnecessarily) superior design standards as it burdens the project with unnecessary costs and the tenants get no value for that cost. Refer to bullet point 2, d.
 - 11) Accessory Dwelling Units (ADUs). The State has made building an ADU easier and by right. Cities who have an Inclusionary Housing policy should allow ADUs to count towards the IH requirement. ADUs should qualify whether built as a stand-alone unit or as part of the housing built by the market rate developer. If the developer chooses to produce ADUs beyond the IH requirement, those additional ADUs should qualify as

credits towards another project or can be sold to another market rate developer to satisfy their IH requirement.

- 12) Affordable Housing projects should not be burdened with excessive infrastructure costs. Using an affordable Housing project as a “catalyst” to reinvigorate a neighborhood is an expensive urban renewal program. It unnecessarily burdens project costs to pay for needed infrastructure. If the City decides to do this, the infrastructure should be paid for with outside funds (CDBG grants, infrastructure bond funds, etc.).
- 13) Adopt a procedure for development concessions such as reduced setbacks and increased building height to make development of affordable housing more efficient or allow market rate builders those concessions in exchange for affordable housing credits (funding). Use the market to create value and provide this funding for affordable housing gap financing.
- 14) Eliminate any garage parking requirements. The City of San Diego is a leader by reducing parking requirements on Affordable Housing Projects. This follow-up suggesting is for cost savings. Refer to the City of San Diego’s Parking Study for Affordable Development.
- 15) Supply and Demand. Since the 1970’s, all levels of governmental authority have unwittingly conspired to constrain the ability of the market to provide the necessary supply for the demands of an ever growing population. Housing policy and regulations need to reflect the demographic link between need (demand) and the ability to find affordable place to live (supply). Controls, regulations requirements, fees and exactions are inexorably linked and should be re-examined for necessity and intended outcome. A fee exaction system will never yield a substantial enough supply of financial support to meet the affordable housing need, all the while making housing unnecessarily more expensive and driving more of the population into needing subsidized housing.