The County of San Diego

Planning Commission Hearing Report

Date:	March 24, 2023	Case/File No.:	PDS2020-POD-007
Place:	County Conference Center 5520 Overland Avenue San Diego, CA 92123	Project:	Inclusionary Housing Ordinance
Time:	9:00 a.m.	Location:	Various
Agenda Item:	H2	General Plan:	Various
Appeal Status:	Approval by the Board of Supervisors	Zoning:	Various
Applicant/Owner:	County of San Diego	Community:	All
Environmental:	CEQA § 15162 through 15164 Addendum	APNs:	Various

A. OVERVIEW

This is a request for the Planning Commission to receive a presentation and materials on the Draft Inclusionary Housing Ordinance and Criteria Options (Draft Ordinance and Criteria Options). This item will be held as a workshop for the Planning Commission to review and discuss the option criteria for an inclusionary housing program that would apply to the unincorporated area of the County and provide input on the criteria options. The input received from the Planning Commission will be used to refine the Draft Ordinance and Criteria Options, which will be presented to the Planning Commission at a future date for evaluation and to make a recommendation to the Board of Supervisors (Board).

The Draft Ordinance and Criteria Options intend to help increase the supply of affordable housing in the unincorporated area, while ensuring the pace of market rate housing production is not significantly affected, as all forms of housing are needed to address the housing crisis and meet local needs. This project proposes to update the County of San Diego's (County) Zoning Ordinance to establish an Inclusionary Housing Program that will apply to new housing development in the unincorporated area. Inclusionary housing is a tool used to increase the production of affordable housing. It works by requiring new development to set aside a percentage of the total units of a project as affordable housing for lower (up to 80% of the area median income, or AMI) and moderate-income families (up to 120% of the AMI).

This project responds to the Board of Supervisors (Board) on February 10, 2021 (4) and August 31, 2021 (7) to develop an Inclusionary Housing program for all projects above a certain threshold and captures land value increases for projects with increased residential density from General Plan Amendments (GPAs). Inclusionary Housing is a tool to help increase affordable housing production for low- to moderate-income households. It requires developers to create affordable housing units in new residential projects. The primary goals of inclusionary housing programs are to expand the supply of affordable housing and reduce the affordable housing gap in high-cost areas to support the creation of more economically diverse and inclusive communities.

Inclusionary Housing programs typically include incentives to facilitate the feasibility of projects that have affordable units within the development. Incentives can include reduced development requirements such as setbacks, building height, and open space standards. In addition, section 65850 of the California Government Code (CGC) requires that Inclusionary Housing programs provide alternative compliance options for projects that cannot accommodate the affordable housing units on site due to site or economic constraints. Typical alternative compliance options include paying fees that contribute to affordable housing programs instead of building affordable units on-site (or in-lieu fee), allowing development of affordable housing units at another location, rehabilitation of units, and land donations.

This report provides an overview of the considerations that were part of the development of the Draft Ordinance and Criteria Options, including best practice research, public input, and the findings from the Phase II Economic Analysis conducted to ensure that the Draft Ordinance can achieve the goals of providing affordable housing and maintain development feasibility. It also outlines the Draft Ordinance and Criteria Options, which includes the typically components found in successful inclusionary housing programs such as flexible alternative compliance options, incentives to facilitate project feasibility, and clear guidelines for ordinance application. The Draft Ordinance and Criteria Options were designed to meet State requirements and facilitate County equity and housing goals, while also being responsive to stakeholder feedback from the building industry, housing advocacy, and labor groups, and a wide array of other stakeholders with an interest in housing across the spectrum. The Draft Ordinance and Criteria Options includes a range of options and requirements for the provision of affordable housing, including requiring new housing development to provide between 5% to 20% of its units as affordable housing depending on the project type and income levels of the affordable housing units, and options for alternative compliance and incentives to help facilitate project feasibility.

B. STAFF RECOMMENDATIONS

Staff recommends the Planning Commission take the following actions:

1. Find that today's actions to receive a presentation and have a discussion are not "projects" as defined in the Public Resources Code section 21065 and California Environmental Quality Act (CEQA) Guidelines section 15378 and therefore are not subject to CEQA pursuant to CEQA Guidelines section 15060(c)(3), or alternatively, are exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the actions may have a significant effect on the environment.

2. Receive the presentation and materials for the Inclusionary Housing Draft Ordinance and Criteria Options Workshop, and have a discussion related to the potential program options developed through best practices research, public input, and the Phase II Economic Analysis.

C. PUBLIC INPUT

Staff conducted a robust public outreach process to receive feedback on best practices for developing an inclusionary housing program tailored to the unincorporated area housing needs. The outreach strategy included stakeholder interviews, focus group meetings, public meetings, one-on-one stakeholder meetings, fact sheets, a project website, and a 45-day public review of the Draft Ordinance and Criteria Options, which started on January 20, 2023, and ended on March 7, 2023.

In October 2020, as part of the development of the Phase I Economic Analysis, staff conducted 10 interviews with developers, brokers, and industry associations to discuss opportunities and challenges of housing development in the unincorporated area and to receive recommendations on program development and implementation. In addition, in November 2020, staff held two public meetings with community members to discuss and receive initial feedback on the Board's direction, project scope, and best practices for the development of the program. The input received as part of this initial outreach was presented to the Board during the Housing Element Workshop conducted on February 10, 2021 (4).

During the development of the Phase II Economic Analysis (from February 2021 until March 2023), which resulted in the Draft Ordinance and Criteria Options, staff conducted several one-on-one meetings with stakeholder groups, including multiple meetings with the Building Industry Association (BIA), Land Development Technical Working Group, Environmental Coalition, Housing Federation, Wildlife Agencies, Sierra Club Housing Team of the Quality-of-Life Coalition, and Community Planning Groups Chairs. The goal of these meetings was to ensure stakeholder groups were kept informed of all of the project's key milestones, next steps, and were able to provide input along the way.

In addition, in February and March 2022, staff held three focus group meetings with (1) affordable housing developers and advocates, (2) market-rate developments and development industry, and (3) environmental, equity, and labor union groups. During these meetings, staff discussed best practices associated with inclusionary housing programs and received input on the program criteria to be included in the Draft Ordinance, including minimum requirements for ordinance applicability, minimum affordable housing requirements, incentives to help facilitate development feasibility, and alternative compliance that can provide flexibility for the project to comply with the program.

A public meeting was held with community members and stakeholders on June 28, 2022. As part of this meeting, staff provided an overview of the project's scope and provided an interactive forum to collect feedback on potential program criteria (e.g., projects to be subject to the ordinance, minimum set-aside, alternative compliance, and incentives) found through the best practices. In January 2023, prior to the release of the Draft Ordinance and Criteria Options for public review, staff held three additional focus group meetings with (1) affordable housing developers and advocates, (2) market-rate developments and development industry, (3) environmental, equity, and labor union groups to inform stakeholders of the start of the public review and discuss the materials that would be available for public review.

During the public review, held between January 20, 2023, and March 7, 2023, staff continued to have one-on-one meetings with stakeholders, including the BIA, San Diego Regional Chambers, San Diego Labor Union Stakeholder Group, the Environmental Coalition Group, Farm Bureau, Housing Federation, and the Land Development Technical Working Group. In addition, another public meeting was held on March 1, 2023, to discuss the materials that were available for public review, including the Economic Analysis, the Draft Ordinance and Criteria Options, the comments received during the public review period, and the changes made to the Draft Ordinance and Criteria Options in response to public input received. In addition, the Draft Ordinance and Criteria Options were presented to Community Planning and Sponsor Groups (CPSG) for additional community feedback, including Twin Oaks, Jamul, Valle de Oro, Valley Center, Rainbow, and Fallbrook.

Comments received as part of the outreach events were incorporated in the Draft Ordinance and Criteria Options, including criteria to determine which projects should be subjected to the ordinance, the amount of affordable housing and the income level of the units. Additional details on the comments received can be found in Attachment F. An overview of the comments received and how they were addressed in the Draft Ordinance and Criteria Options is provided below:

Comment Received – Location Criteria for Ordinance Applicability: Regarding location criteria for ordinance applicability, staff received comments requesting that the inclusionary housing program applies countywide and not be used as a growth management tool to encourage or discourage development in certain areas. In addition, comments requested that the program not limit the location where affordable housing should be located as all communities need affordable housing. However, other constituents expressed that the inclusionary housing program should focus on incentivizing the construction of affordable housing within high and highest resource areas, and where the stock of affordable housing is low, outside fire hazard severity zones, and within vehicle miles traveled (VMT) efficient and infill areas.

- Action Taken: As determined by the Phase II Economic Analysis, the inclusionary housing requirement would apply countywide within the communities where housing projects were found to be able to economically support the development of affordable housing. Areas where the new development could not support the inclusionary housing requirement (Borrego Springs, Boulevard, Desert, Lake Morena/Campo, Jacumba, Mountain Empire, North Mountain, Palomar Mountain, Potrero, and Tecate), could still accommodate affordable housing development through the use of the alternative compliance options, such as through offsite development, rehabilitation of units, land dedication, or funding from an in-lieu fee program. However, the Planning Commission can make recommendations on the location criteria that would apply to the alternative compliance options that are not provided within 1 mile from the market-rate units site, including requiring that land dedication, offsite development, and rehabilitation of units be focused on areas outside high and very-high fire severity zone, be within VMT and infill areas, and be within high and highest resource areas. Additional details on these options are provided in the analysis section of this report.

Comment Received – Minimum Set-Aside: Comments were received regarding the minimum set-aside requirements (percentage of affordable units within the development of affordability level of those units) that would apply to the ordinance. Staff receive comments requesting that the set-aside requirement be economically feasible and that a tier system be used to apply different requirements depending on the project type and location. In addition, members of the development community have expressed interest in a phased approach, which would apply the set-aside requirement in phases in order to a smooth transition and allow the market to adjust over time. Finally, constituents express that the ordinance should focus on increasing the supply for lower-income housing but have also expressed concerns that County should have program to incentivize the production of middle-income housing.

- Action Taken: As part of the Phase II Economic Analysis, the County developed economically feasible options for General Plan compliant projects for sale, General Plan compliant projects for rent, and GPA project. All feasible set-aside options took into consideration the economics of each project type to confirm its economic feasibility. In addition, set-aside options have been developed to incentivize the construction of very-low, low-, and moderate-income housing. The

Planning Commission may recommend that any of these feasible options be selected by the Board. Despite the study founding that all feasible set-aside option can be implemented in the current unincorporated County housing market, the Planning Commission may recommend that the requirement be implemented in phases as recommended by the building industry. For example, if the applicable set-aside requirement was 10% lower-income and the requirement was phased in 2 years, the applicable set-aside for year 1 would be 5% lower-income in year 1, and 10% lower-income in year 2.

<u>Comment Received – Alternative Compliance</u>: County received comments requesting that the ordinance provide flexibility through various type of alternative compliance options, including in-lieu fee, accessory dwelling units (ADUs), offsite development, and rehabilitation of units. Regarding the in-lieu fee option, community members expressed concerns that it could reduce the County's ability to increase the affordable housing supply as projects could elect to pay a fee as opposed to building the affordable housing unit but have also expressed that the in-lieu fee could be available for small projects to help make the project feasible. Also, others have expressed that in-lieu fee is a good to tool to create additional affordable housing units as it can be used in conjunction with state and federal funding to help produce 100% affordable housing projects, which would also be eligible to receive tax credit financing and other benefits, and to help preserve naturally occurring affordable housing. In addition, constituents expressed concerns with the use of ADUs as an alternative compliance option due to challenges to ensure that units remain affordable during the required affordability period as well as concerns that ADUs would not be equivalent in size and quality as the market-rate units. Regarding land donation, constituents requested that the County ensure that criteria be developed to ensure the land can accommodate housing, is not environmentally or otherwise constrained, and is relatively easy to develop. Finally, constituents also expressed concerns with the use of rehabilitation of units as even though this option would help increase the affordable housing stock, it would not increase the overall housing supply.

- Action Taken: The Draft Ordinance and Criteria Options include options for alternative compliance, including ADUs, offsite development, land donation, rehabilitation of units, and in-lieu fees. Pursuant to State law, the ordinance must include at least one alternative compliance option for projects that cannot accommodate the affordable housing units on site due to site or economic constraints. The Planning Commission may recommend that alternative compliance be allowed to all projects in order to provide flexibility or require that projects demonstrate that providing unit on site would be infeasible in order to utilize an alternative compliance method. Regarding the use of in-lieu fee, options have been developed to allow its use for all projects, or only for small projects (10 units or less). In order to address the concerns related to ADUs, staff included a limitation on the number of ADUs that would be allowed to satisfy the inclusionary housing requirement. Limiting the number of ADUs allowed to satisfy the inclusionary housing requirement is consistent with best practice research as the only two jurisdictions that provide ADUs as an alternative compliance method (City of Encinitas and City of Carlsbad) place this limitation to address the comparability concern. For land donation, staff included specific criteria to require that the land not be environmentally constrained and that it meets specific requirements, including that its land use regulation allows for multifamily development. Finally, for rehabilitation of units, options have been developed to require developers provide a higher amount of affordable housing units if than what would otherwise be required if the units were provided within the market-rate development. All units produced through the alternative compliance options would have a deed restriction to ensure they remain affordable during the required affordability period.

Comment Received – Incentives: Regarding incentives, the County received comments stating that they should be easily accessible to all projects that provide affordable housing. However, some constituents have expressed that additional incentives should only be provided to projects that include more affordable housing units than the inclusionary housing set-aside requirement, or provide additional public benefits. In addition, community members expressed concerns about impacts associated with regulatory incentives, such as parking reduction, additional height, and increase in density. In addition, comments suggested that County should provide an expedited process for projects that provide affordable housing. Finally, comments expressed that the County should waive fees for affordable housing units in order to reduce the costs for its development.

- Action Taken: The Draft Ordinance and Criteria Options allow projects to utilize the County's Density Bonus Program, which provides incentives beyond what is allowed in State law. For example, projects that provide 5% of its units affordable for very-low income can receive one incentive under the State density bonus program, but two incentives under the County's Density Bonus Program. Staff has received additional comments during the public review requesting that the incentives be further expanded. The Planning Commission may recommend that the Draft Ordinance and Criteria Options be revised to provide additional incentives for inclusionary housing projects. In addition, staff has developed options for projects to be eligible to receive an expedited review if they agree to provide more affordable housing than the minimum inclusionary housing set-aside requirement.

Attachment E summarizes the comments received as part of the outreach events. Staff has also received additional comments during the public review. The County received comment letters from the League of Woman Voters, Climate Action Campaign, Sheppard Mullin LLP, Sierra Club, BIA, Pacific Southwest Association of Realtors, San Diego Chambers of Commerce and additional letter letters and comments from community members. The specific comments are described in this report under the discussion of each Draft Ordinance Criteria Option, and included in Attachment F.

D. BACKGROUND

With rising housing costs and increasing numbers of San Diegans spending more than 30% of their income on housing, in 2018 the Board directed the Chief Administrative Officer (CAO) to investigate options to further promote the expedient building of homes in the unincorporated area. In response, on October 10, 2018 (2), the Board received a Report on Options to Improve Housing Affordability in the Unincorporated Area and directed staff to prepare an economic analysis and criteria to inform the development of options for GPA Affordable Housing Program and Inclusionary Housing Ordinance (Phase I Economic Analysis). In addition, the Board directed that Phase I Economic Analysis focus on evaluating these options for large GPAs projects proposing 50 or more units. On February 10, 2021 (4), staff presented the results of the Phase I Economic Analysis to the Board. In response, the Board directed staff to develop an Inclusionary Housing Ordinance with predetermined set-asides applicable to all housing projects of all sizes above a minimum threshold, including options for incentives to help facilitate the development of affordable housing. In addition, on August 31, 2021 (7), the Board added to this direction and requested that staff also evaluate and identify options for an inclusionary housing program that could capture land value increases tied to significant upzonings as a part of GPAs.

This project responds to the Board direction on February 10, 2021 (4) and August 31, 2021 (7) and includes an update the Phase I Economic Analysis to expand its scope and evaluate economically feasible options for the development of an Inclusionary Housing program and criteria options that would apply to all housing projects, including GPAs and General Plan compliant projects at all sizes (Phase II Economic Analysis). For the purpose of the Inclusionary Housing program, GPA refers to projects that propose to change the General Plan land use in order to increase the maximum density that would otherwise apply to the project under the General Plan. Density is the number of residential units allowed on a parcel and is measured as the number of dwelling units per acre. The Phase II Economic Analysis resulted in the development of the Draft Ordinance and Criteria Options that will be considered for recommendation by the Planning Commission. The options evaluated as part of the Phase II Economic Analysis and reflected in the Draft Ordinance and Criteria Options were developed through best practice research and the input received from the public and stakeholders as part of interviews, focus group meetings, public meetings, and one-on-one stakeholder meetings.

Affordable housing is defined by the U.S. Department of Housing and Urban Development (HUD) as housing — including rent/mortgage and utilities — that costs no more than 30% of a household's monthly income. Typically, Inclusionary Housing programs focus on increasing the production of lower- and moderate-income housing, which would be affordable to families earning up to 120% of the Area Median Income (AMI). AMI is set by the California Department of Housing and Community Development (State HCD) annually to establish the maximum income limits that can be considered lower and moderate-income for affordable housing programs. The price of an affordable housing unit varies depending on the income and additional costs associated with the home, such as property taxes, home owners association (HOA), and interest. For example, a low-income household is a household that has an income no more than 80% of the area median income, which for a family of four in 2022 corresponded to $104,100. An affordable rent or mortgage would cost no more than 30% of this household’s income, in this case, no more than $31,230 a year or $2,602 a month. Therefore, in order affordable for lower-income family, a for sale unit would cost no more than $328,059, assuming a 3.5% down-payment, 30-year mortgage at 5.3% interest, 1.1% property tax, HOA/Insurance at $89.50 per month, and utilities at $186 per month. The sale price or rental amount of an affordable housing unit could be maintained at affordable levels for a set period of time through the recordation of a deed restriction on the property.

Inclusionary housing is a tool to help increase affordable housing production for low- to moderate-income households. It requires developers to create affordable housing units in new residential projects. These units are maintained affordable throughout a set period of time through the recordation of a deed restriction on the property. The primary goals of inclusionary housing programs are to expand the supply of affordable housing and reduce the affordable housing gap in high-cost areas to support the creation of more economically diverse and inclusive communities. This is in line with the County’s initiative to increase equity, and is also mandated by the State and reflected in the County’s Housing Element goals, which identifies the development of an inclusionary housing program as an implementation action to address Affirmatively Furthering Fair Housing (AFFH), pursuant to Assembly Bill (AB) 686, which requires local governments to take meaningful actions to overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics.

An inclusionary housing program works by requiring new housing developments to provide (or set-aside) a percentage of affordable units within their project. For example, an inclusionary housing program may require that 15% of all new housing units in a development be reserved for low-income families. These affordable units are often sold or rented at below-market rates, making them accessible to households that otherwise may not be able to afford housing in the area. Developers who comply with the inclusionary housing program are often offered incentives, such as density bonuses or expedited permitting processes, to encourage them to build affordable units. These incentives help offset the financial impact of providing affordable housing. Pursuant to section 65850 of the CGC, the County can elect to adopt an inclusionary housing program, but if it chooses to do so, it is required to incorporate alternative compliance options as part of the program. Alternative compliance options ensure that projects that cannot feasibly accommodate the affordable housing units on site, are provided an alternative means to comply with the program. In addition, the law also requires that jurisdictions develop an economic feasibility analysis to ensure that any inclusionary housing requirement adopted does not unduly constrain the development of housing. Although not required, inclusionary housing programs may include incentives to partially offset the costs of providing affordable units.

This section of the report will provide an overview of the (1) requirements related to the Regional Housing Needs Assessment (RHNA) and Housing Element implementation, (2) findings from best practice research, and (3) findings from the Phase II Economic Analysis conducted to ensure that the Draft Ordinance and Criteria Options are economically feasible and will not unduly constrain the development of housing within the unincorporated area.

Regional Housing Needs Assessment and Housing Element Implementation

The goal of the Draft Inclusionary Housing Ordinance and Criteria Options is to increase the production of affordable housing units without unduly burdening overall housing production, so that the County can meet its housing goals, including compliance with State Housing Element law and progress towards its RHNA allocation. State Housing Element law requires that the County adopt a Housing Element as part of the General Plan. The Housing Element provides implementation actions to help the County meet its RHNA goal, as established by State HCD and the San Diego Association of Governments (SANDAG). The RHNA is the amount of housing in each income category that the jurisdiction must plan for based on SANDAG's distribution of units among the jurisdictions of the region. However, the Board is also striving to meet or exceed actual production of the RHNA allocation for the County. The County's RHNA goal, allocated for the 2021 - 2029 planning period, is 6,700 new dwelling units spread across very-low, low, moderate, and above-moderate income categories.

The County's Sixth Cycle Housing Element (2021-2029 Housing Element) was adopted by the Board on July 14, 2021 (1) and certified by State HCD in November 2021. The 2021-2029 Housing Element identifies the development of an inclusionary housing program as an implementation action to facilitate the production of affordable housing (up to 120% of the AMI) and to comply with AB 686, also known as AFFH. AB 686, adopted by the State legislature in 2019, requires local governments to take meaningful actions to overcome patterns of segregation as part of the adoption of future local programs. The duty to affirmatively further fair housing extends to all of a public agency's activities and programs relating to housing and community development. The Inclusionary Housing program was identified as a program that can create more community integration by fostering the development of mixed-income buildings and locating affordable housing in high and highest resource areas, which are defined by the California Tax Credit Allocation Committee and State HCD (TCAC/HCD) as areas linked to positive critical life outcomes, such as educational attainment, earnings from employment, and economic mobility. The Draft Ordinance and Criteria Options take AFFH into account by providing options to require that projects that do not build affordable housing on site continue to promote community integration by locating affordable housing units developed through alternative compliance (e.g., land dedication, offsite development, or rehabilitation of units) within high and highest resource areas.

Table 1 below summarizes the County's RHNA progress since adopting the 2021-2029 Housing Element. A total of 3,337 housing units were permitted within the unincorporated communities, representing 50% of the County's housing permitting goals. However, the gap between the number of housing units needed and the amount of housing permitted was higher for very-low income households, as the County has only met 10% of its very-low income housing permitting goals. Inclusionary housing can be a helpful tool to increase the production of affordable housing, including very-low income housing, as it can establish specific requirements that are economically feasible for projects to include affordable housing units, including very-low income housing, as part of their development.

Table 1: 2021-2029 County's RHNA Allocation, Housing Affordability, and RHNA Progress

Income Category	RHNA Allocation	AMI Percent	*Max. Income	**Max. Unit Sale Price	Issued Permits	RHNA Progress (%)
Very Low	1,834 units	50% or below	$65,050	$146,200	190	10%
Low	992 units	51% to 80%	$104,100	$311,000	526	53%
Moderate	1,165 units	81% to 120%	$128,300	$501,300	802	69%
Above Moderate	2,709 units	Above 120%	$128,301+	$501,301+	1,819	67%
Total	6,700 units				3,337	50%

*2022 AMI for a family of four: $106,900
**2022 Purchase Price Assumptions: down payment (5%); 30-year mortgage; interest (3.95%); PMI included; property tax (1.2%);; Annual gross income allocated towards housing for very-low and low incomes (30%), and moderate and above-moderate incomes (35%). Additional details on page 58 of the Inclusionary Housing Economic Analysis (Attachment B).

Best Practices Research

As part of developing the Draft Ordinance and Criteria Options, staff conducted a best practice analysis to evaluate the implementation of inclusionary housing programs by other jurisdictions and a literature review to better understand how inclusionary housing programs can be developed and implemented. In addition, staff conducted meetings with staff from other jurisdictions and professionals to discuss the challenges and opportunities associated with developing and implementing inclusionary housing policies.

Currently, 11 of the 18 jurisdictions within the region have mandatory inclusionary housing programs in place. Sixty-six percent of the region's population reside within cities with mandatory inclusionary housing requirements. When considering the RHNA distribution in the region, the jurisdictions with a mandatory inclusionary housing program account for 79% of the regional RHNA allocation. Based on best practices research, factors typically associated with successful inclusionary housing programs include a strong housing market, flexible alternative compliance options, incentives to facilitate project feasibility, and clear guidelines.

Staff reviewed all inclusionary housing programs implemented by jurisdictions in the Region, including ordinance from the cities of Carlsbad, Chula Vista, Coronado, Del Mar, Encinitas, Oceanside, Poway, San Diego, San Marcos, Solana Beach, and Vista. In addition, staff also reviewed programs from other jurisdictions throughout the state, including the cities of Pasadena, Sacramento, West Sacramento, Davis, Pismo Beach, and San Jose, San Luis Obispo, and the counties of San Luis Obispo, Los Angeles, Santa Barbara, and Santa Clara. Below is a summary of the main findings from the best practices analysis. A detailed overview of the best practices conducted as part of this project can be found in Attachment B, and a summary table of all ordinances evaluated can be found in Attachment D.

- Minimum threshold for ordinance applicability: The minimum threshold for program applicability is the type and minimum project size that the ordinance applies to (e.g., residential projects proposing 10 units or more). Most inclusionary housing programs provide an exemption for projects below a specified unit threshold. Minimum thresholds range between 1 and 50 units, with 10 units being the most common project size at which a mandatory inclusionary program applies. Some programs set the threshold as low as 1 or 2 units, for which compliance is enabled through an in-lieu fee.

- Minimum set-aside requirement: The minimum set-aside requirement establishes the amount of affordable housing to be provided, affordability level (e.g., lower-income, moderate-income), and the period of affordability. Programs typically set different set-aside schedules for rental and sale projects. Rental project set-aside requirements may be more concentrated in lower-income tiers than for-sale project requirements. The best practice research found that most jurisdictions require an inclusionary set-aside of affordable units that ranges from 10 to 20% of the total number of units. In addition, depending on the relative strength of their various housing markets, jurisdictions also have different set-asides and targeted AMI levels for for-sale and for-rent housing to minimize the costs of their program and incentivize the development of both affordable and market-rate units. Multiple jurisdictions target moderate-income households (120% of the AMI) with for-sale development.

- Alternative Compliance: State law requires that inclusionary housing programs include alternative compliance options for projects that cannot include the affordable housing units on site. Regarding alternative compliance options, most jurisdictions allow for in-lieu fees, off-site development, or land dedication. Some ordinances have also allowed the development of accessory dwelling units (ADUs) as an alternative compliance option. In-lieu fee is the most common form of alternative compliance allowed by judications, but some jurisdictions limit its applicability only to small projects (e.g., less than 10 units). Alternative compliance options are typically provided by jurisdictions as tool to provide flexibility for ordinance compliance. However, some jurisdictions require, as a condition to use alternative compliance options, that the applicant demonstrate that providing the affordable units on site would render the development infeasible.

- Incentives: Jurisdictions also provide incentives and concessions to compensate for the costs of developing affordable units under a local inclusionary housing program. Most jurisdictions provide the incentives available through the State Density Bonus program and may provide additional waivers for projects that provide affordable housing but do not qualify for incentives and concessions under the State Density Bonus program. In addition, certain jurisdictions, including the City of San Diego, provide expedited review for projects that provide 100% of its units as affordable housing, or waiver or reduction of the development impact fees that would apply to the affordable housing units.

Inclusionary Housing Economic Analysis

As part of the development of the inclusionary housing program, the Phase II Economic Analysis was prepared to evaluate feasible options for requiring new housing development to provide affordable housing. The goal of the Phase II Economic Analysis was to ensure that the potential program criteria to be included in the program can assist in producing affordable housing without unduly impacting market-rate housing production. The program criteria evaluated as part of the Phase II Economic Analysis were informed by best practice research and input from the public and stakeholder groups. The Phase II Economic Analysis includes a (1) Market Study, (2) Economic Feasibility Study, and (3) an In-Lieu Fee Study. The Phase II Economic Analysis was available for a 45-day public review, from January 20, 2023, to March 7, 2023.

The Phase II Economic Analysis was completed by a team of economists from AECOM, who had extensive experience in completing similar analyses. In addition, the Phase II Economic Analysis was peer reviewed by economists from a third-party consultant team, Michael Baker International (MBI), to confirm it conformed with the industry standards and to validate its approach, methodology, and findings. The peer review was completed as part of an indicative process and its findings and recommendations were used to refine and strengthen the Phase II Economic Analysis. The purpose of the peer review was to ensure a high-quality economic analysis, transparent explanation of methods, objective interpretation of results, and effective communication of the information. In addition, as inclusionary housing programs can impact the economics of housing developments, the peer review process was essential to identify and minimize any potential unintended consequences associated with the Draft Ordinance and Criteria Options. Finally, the peer review served to improve accuracy of the Phase II Economic Analysis and ensure that the Draft Ordinance and Criteria Options are grounded in a reliable economic analysis and are based on sound economic principles.

It is important to note that the Phase II Economic Analysis was completed based on data and information that was available during the development of the analysis. On September 28, 2022, the Board adopted the County's Transportation Study Guidelines (TSG), which created new criteria for evaluating transportation impacts associated with new projects based on vehicles miles traveled (VMT). VMT is a measure of the total distance traveled by all vehicles on a given road network over a specified period of time, as is used to estimate transportation impacts associated with new development. As the Board has not established the specific fees that will apply to mitigate VMT impacts, costs associated with VMT mitigation were not factored in the analysis. The Planning Commission may recommend that the Phase II Economic Analysis be updated once data associated with VMT mitigation becomes available.

Market Study

The Market Study evaluated the market conditions specific to the unincorporated area. The Analysis aimed to assess the feasibility of applying an inclusionary housing requirement within different unincorporated communities. To explore whether the County's inclusionary housing program should differentiate between different communities, the Market Study assessed the market and socioeconomic conditions in five geographies, which correspond to differences in socioeconomic conditions and housing markets. Attachment B (page 30) shows a map of these geographies.

After evaluating several economic factors associated with each subarea, including population, employment, income, housing supply and demand, residential development in the pipeline, and home values, the Market Study found that, with the exception of Subarea 5, the geographical subareas analyzed do not reflect clear submarkets with discrete economic characteristics that might benefit from tailored affordable housing requirements. Regarding Subarea 5, which includes the unincorporated communities of Borrego Springs, Boulevard, Desert, Lake Morena/Campo, Jacumba, Mountain Empire, North Mountain, Palomar Mountain, Potrero, and Tecate, the Market Study recommended exempting it entirely from the inclusionary housing requirement as an inclusionary housing requirement within these areas would render housing development infeasible. Attachment B provide a detailed overview of the findings from the Market Study.

Economic Feasibility Study

The Economic Feasibility Study evaluated the impact of 29 different affordable housing set-aside scenarios (number of affordable units, and income level) on housing development feasibility. As the economics of project vary depending on the project type, the Economic Feasibility Study evaluated each affordable housing set-aside scenarios for General Plan compliant projects that are for sale, General Plan compliant projects that are for rent, and GPA projects. In order to address the Board direction for GPA projects, the Economic Feasibility Study evaluated the affordable housing set-aside scenarios for GPA projects that propose changes to the General Plan to increase the density that would otherwise apply to the project under the General Plan. Density is the number of residential units allowed on a parcel and is measured as the number of dwelling units per acre. The underlying assumption is that the increase in density would result in an increase in land value that could be captured and contributed in part toward the development of affordable units. The findings from the Economic Feasibility Study formed the basis for the Draft Ordinance and Criteria Options, including the range of feasible options for each project type described in the analysis section of this report.

In-Lieu Fee Study

In-lieu fee is a form of alternative compliance that can be offered as an option for projects to satisfy the affordable housing requirement. In-lieu fee works by allowing a developer to pay a fee in lieu of on-site production of affordable housing units. Pursuant to State law, alternative compliance options are a required component of inclusionary housing programs, and the in-lieu fee is one of the most common methods of alternative compliance. As part of the development of the program, an In-Lieu Fee Study was prepared to estimate the fees projects could pay in-lieu as opposed to providing the affordable housing units on-site. The total in-lieu fee for each project is tailored to reflect the different set-aside scenarios tested in the Economic Feasibility Analysis.

The in-lieu fee represents the costs to the developer of providing required units on-site, which is the difference in sales price (for sale) or rental revenue (for rent) between the affordable units and equivalent market rate units. This difference is also referred to as the affordability gap. For example, if the affordable set-aside requirement is 10% of units at low-income (i.e., 80% AMI), a 10-unit project would be required to set aside 1 unit as affordable. If the value of a market-rate unit in this scenario is $500,000 and the value of the affordable unit is $230,000, the affordability gap is $270,000, which implies an in-lieu fee of $30,000 per market-rate unit ($270,000 affordability gap divided between 9 market-rate units). Details on the in-lieu fee that would apply to each of the different affordable housing set-aside scenarios is available in Attachment C. The Planning Commission can recommend that the Board adopt an in-lieu fee as an alternative compliance option for all projects, or only for specific projects, as outlined in the Draft Ordinance and Criteria Options, discussed below.

E. ANALYSIS AND DISCUSSION

Inclusionary Housing programs can very among jurisdictions depending on different priorities and the outcomes intended to be achieved. For example, some jurisdictions may prioritize the development of mixed-income projects by limiting the applicability of alternative compliance options, have set-aside requirements that focus on different income levels, and provide different types of incentives to help with project feasibility. Staff conducted best practice research and public outreach to discuss the many different options that could apply with the County's Inclusionary Housing programs. The input received helped to refine the Draft Ordinance and Criteria Options that is being presented to the Planning Commission. The public outreach conducted for the projects resulted in a Draft Ordinance and Criteria Options that are specific tailored to the unincorporated area needs and meets the community's vision.

The Draft Ordinance and Criteria Options incorporate all typical components of an inclusionary housing program, including the minimum project size, minimum affordability set-aside (number of required affordable housing units and income levels), alternative compliance options, and incentives to help facilitate project feasibility. In addition, the Draft Ordinance and Criteria Options were evaluated by the Economic Analysis to ensure that overall housing production is not constrained by the program. This section of the report describes each criteria option that can be recommended by the Planning Commission, including specific considerations, challenges, and opportunities associated with each option, as applicable.

Minimum Project Size for Ordinance Applicability (Section 6341.b of the Draft Ordinance).

The minimum project size for ordinance applicability establishes the minimum project size that would require compliance with the inclusionary housing program. Therefore, projects that do not meet the threshold for ordinance applicability would not be required to comply with the inclusionary housing requirement. In addition, as discussed under the Economic Analysis section of this report, project located within the Subarea 5 (Page 30 of Attachment B) would not be subject to the inclusionary housing program because an affordable housing requirement within these areas would render housing development infeasible.

Options for the minimum project size for ordinance applicability were organized by project type, including options for General Plan compliant projects and GPA projects. For the purpose of the Inclusionary Housing Ordinance, GPA refers to projects that propose to change the General Plan land use in order to increase the density that would otherwise apply to the project. Density is the number of residential units allowed on a parcel and is measured as the number of dwelling units per acre. The Planning Commission may recommend applying the Inclusionary Housing Ordinance to projects that meet the following:

General Plan Compliant Options. The Planning Commission can make a recommendation on the General Plan Compliant projects that would be subject to the ordinance based on project size. As previously mentioned, most jurisdictions apply the inclusionary housing requirement to projects that provide 10 units or more or allow for an in-lieu fee for small projects (less than 10 units). During outreach events, community members supported applying the inclusionary housing requirement to projects of 10 units or more (over 30% of the respondents). However, respondents also supported applying to the ordinance to all projects but provide an in-lieu fee for small units (less than 10 units). The Planning Commission can make a recommendation that any of the following options apply as the minimum project size for ordinance applicability:

- Option 1. Projects proposing 5 Units or More. Require that all projects proposing 5 or more housing units be subject to the ordinance. The best practices research shows that local governments that apply inclusionary housing requirements to small projects (less than 10 units), allow for these projects to pay an in-lieu fee as opposed to providing the units on site.

- Option 2. Projects Proposing 10 Units or More. Require that all projects proposing 10 or more housing units be subject to the ordinance.

- Public Input: Staff received input form community members and stakeholders, including letters from the Sierra Club, requesting that the inclusionary housing requirement apply to all General Plan compliant projects, and that an in-lieu fee be available as an option for small projects (less than 10 units). However, comments have also been received, including a letter from the Climate Action Campaign, received requesting that the ordinance apply for project of 5 or more units. Finally, the County has also received a letter from Sheppard Mullin requesting that the program only applies to projects proposing 10 units or more.

GPA Projects. The Planning Commission can make a recommendation on the GPA projects that would be subject to the ordinance based on project size. As previously mentioned, most jurisdictions apply the inclusionary housing requirement to projects that provide 10 units or more or allow for an in-lieu fee for small projects (less than 10 units). During outreach events, most community members supported applying the inclusionary housing requirement to projects of 10 units or more (over 40% of the respondents). However, respondents also supported applying to the ordinance to all projects, but provide an in-lieu fee for small units (less than 10 units). The Planning Commission can provide a recommendation that any of the following options apply as the minimum project size for ordinance applicability.

- Option 1. Projects Proposing One Unit or More: Require that all projects proposing one or more housing units be subject to the ordinance. If this option were to be recommended, best practices research shows that local government provide an option for small projects (less than 10 units) to pay for an in-lieu fee as opposed to provide the units on site.

- Option 2. Projects proposing 5 Units or More. Require that all projects proposing 5 or more housing units be subject to the ordinance. The best practices research shows that local governments that apply inclusionary housing requirements to small projects (less than 10 units), allow for these projects to pay an in-lieu fee as opposed to providing the units on site.

- Option 3. Projects Proposing 10 Units or More. Require that all projects proposing 10 or more housing units be subject to the ordinance.

- Public Input: Staff received input form community members and stakeholders, including letters from the Sierra Club and the Climate Action Campaign, requesting that the inclusionary housing requirement apply to all GPA projects, and that an in-lieu fee be available as an option for small projects (less than 10 units). On the other hand, the County has also received a letter from Sheppard Mullin requesting that the program only applies to projects proposing 10 units or more.

Set-Aside Requirements (Section 6341.c of the Draft Ordinance).

The set-aside requirement is the minimum number of affordable housing units and affordability level of those units that projects subject to the ordinance would need to provide. The affordability level of a housing unit reflects the maximum income that families can earn in order to purchase or rent an affordable housing unit. As described above, the Phase II Economic Analysis was prepared to evaluate the impacts of 29 different affordable housing set-aside scenarios (number of affordable units, and income level) on housing development feasibility. The Phase II Economic Analysis resulted in a range of feasible options, including 6 feasible scenarios for General Plan compliant projects that are for sale, 12 feasible scenarios General Plan compliant projects that are for rent, and 26 feasible scenarios for GPA projects.

The set-aside requirement can be selected to achieve different priories, such as providing more affordable housing at a higher affordability range (up to 120% of the AMI) or focusing on providing lower-income housing (up to 80% of the AMI) but at a lower quantity. There is balance between the affordable levels and the number of affordable units that can be required from a project. The more affordable the unit, the lower the return for the developer (e.g., very-low income units have a larger affordability gap compared to market rate units than moderate-income units). Therefore, there is more opportunity to require additional affordable units (larger set-asides) if they are in the higher income levels, or tiers, of affordable housing, because those units produce a higher return. During the outreach events conducted for project, the majority of the community members selected more than one income category expressing that the inclusionary housing should focus on low-income housing (65% of the respondents), very-low income housing (52% of the respondents), and moderate-income housing (45% of the respondents).

The Planning Commission can recommend that the Inclusionary Housing program focus on any of the following incomes:

- Extremely Low Income Housing. Extremely-income units are affordable to families earning between 0-30% of the AMI. For a family of four, this represents a maximum income of $39,050. Extremely low income housing is not tracked individually for RHNA purposes. These units are included reported in the APR as very-low income housing. In 2022, an affordable rent for an extremely low-income family of four was $976 and an affordable home sale price was $36,500 (for a 3-bedroom home). As the affordability gap (i.e., difference in price between the market-rate and affordable housing unit) is the highest for extremely low income housing, options that include this income tier include a lower percentage of homes as affordable housing.

    - Considerations for Projects that are for Sale: As extremely low income housing would restrict the unit for families earning up to $39,050 (family of four), it can be a challenge to find eligible applicants for a for-sale project. Applicants would be required to qualify for a mortgage and factors such as debt to income (DTI) ratios and other financial considerations associated with homeownership can be difficult for extremely-low households to afford. The debt-to-income ratio is the percentage of a borrower's monthly gross income that is used to pay their monthly debts, including their proposed mortgage payment. Lenders generally prefer borrowers to have a DTI ratio of 43% or lower. This means that no more than 43% of a borrower's monthly gross income should be used to pay their monthly debts, including their proposed mortgage payment. As a result, the best practice research indicates that inclusionary housing program that require the development of extremely low income housing typically include those units as part of rental development as opposed to a for-sale development.

- Very-Low Income Housing. Very-low income units are affordable to families earning between 0-50% of the AMI. For a family of four, this represents a maximum income of $65,050. Very-low income housing is individually tracked for RHNA purposes and is report as its own category in the APR. In 2022, an affordable rent for a very-low income family of four was $1,626 and an affordable home sale price was $146,200 (for a 3-bedroom home).

    - Considerations for Projects that are for Sale: As very-low income housing would restrict the unit for families earning up to $65,050 (family of four), it can be a challenge to find eligible applicants for a for-sale project. Applicants would be required to qualify for a mortgage and factors such as debt to income (DTI) ratios and other financial considerations associated with homeownership can be difficult for very-low income households to afford. As a result, the best practice research indicates that inclusionary housing program that require the development of very-low income housing typically include those units as part of rental development as opposed to a for-sale development.

- Low-Income Housing. Low-income units are affordable to families earning between 0-80% of the AMI. For a family of four, this represents a maximum income of $104,100. Low-income housing is individually tracked for RHNA purposes and is report as its own category in the APR. In 2022, an affordable rent for a low-low income family of four was $2,602 and an affordable home sale price was $311,000 (for a 3-bedroom home).

- Moderate-Income Housing. Moderate-income units are affordable to families earning between 0-120% of the AMI. For a family of four, this represents a maximum income of $128,301. Moderate-income housing is individually tracked for RHNA purposes and is report as its own category in the APR. In 2022, an affordable rent for a moderate-low income family of four was $3,742 and an affordable home sale price was $501,300 (for a 3-bedroom home).

Inclusionary Housing Set-Aside Options.

As described above, the Phase II Economic Analysis was prepared to evaluate the impacts of 29 different affordable housing set-aside scenarios (number of affordable units, and income level) on housing development feasibility. As described above, as the affordability gap increases, the lower the return on investment for the developer. There is a range of feasible options, with (1) six options for General Plan Compliant projects varying between 5% very-low (lowest affordability gap) and 5% low + 10% moderate (highest affordability gap), (2) nine options for General Plan Compliant for Rent project varying between 20% moderate (lowest affordability gap) and 5% very-low + 5% low +10% moderate (highest affordability gap), and (3) 26 options for GPA projects varying between 10% moderate (lowest affordability gap) and 5% very-low+ 15% low (highest affordability gap). Options can be selected to achieve different priorities, as explained below.

- Prioritizing Achieving the County's Regional Housing Needs. The Planning Commission may recommend that the Inclusionary Housing Program set-aside requirement (number of affordable housing units and affordability level) focus on increasing the production of very-low, low, and moderate-income housing, which are the income levels that are tracked by the County and State as part of RHNA. As described above, the County is on track with producing low-income (53% of the RHNA goal achieved), moderate-income (69% of the RHNA goal achieved) and above-moderate (67% of the RHNA goal achieved) income housing. However, the County is behind with the production of very-low income housing. Producing very-low income housing is particularly important for the County to maintain its Housing Element compliance. Senate Bill (SB) 166, requires that the County continually evaluate its ability to meet its unmet RHNA obligations for very-low and low income housing throughout the eight-year Housing Element cycle (2021-2029). This is commonly referred to as the "No Net Loss" provision. Therefore, since the County is behind with the production of very-low income housing, it may be required to identify additional sites to accommodate its unmet very-low RHNA, if development on RHNA sites allocated for very-low income housing do not include those units.

- Prioritize Production of Overall Affordable Housing. The Planning Commission may recommend that the Inclusionary Housing Program set-aside requirement (number of affordable housing units and affordability level) focus on maximizing the number of deed-restricted affordable housing units. Options that would provide for the most amount of affordable housing units include a mix of moderate- and low-income units and can include up to 20% of its units as affordable housing, General Plan compliance for rent and GPA projects, and 15% for General Plan compliance for sale. As previously mentioned, as extremely low and very-low income units have a higher affordability gap (lower return on investment) there is less opportunity to require additional units to be deed-restricted affordable housing for these income tiers. However, due to the increase in land value that can be captured to provide additional affordable housing, GPA projects can provide a set-aside of up to 20%, including housing for extremely low and very-low income families.

- Prioritize a Mix of Income Housing. The Planning Commission may recommend that the Inclusionary Housing Program set-aside requirement (number of affordable housing units and affordability level) focus on providing a range of income levels, including very-low, low-, and moderate-income housing. For General Plan compliance projects that are for sale, the Planning Commission can recommend that projects include units affordable for low- and moderate-income families. For General Plan projects that are for rent and GPA projects, options available including units affordable for very-low, low- and moderate-income housing.

- Prioritize Project Feasibility. The Planning Commission may recommend that the Inclusionary Housing Program set-aside requirement (number of affordable housing units and affordability level) that have the lowest affordability gap but that also provide deed-restricted affordable housing units. These options provide the most return on investment for development while still providing affordable housing, and include low-set-aside requirements at very-low income levels or higher set-aside requirements at low- and moderate-income levels.

Attachment C provides an overview of all the feasible options to require projects to provide affordable housing. The Planning Commission can provide a recommendation to the Board on any of these feasible options.

Additional Public Input – Phasing in Approach

During the 45-day public review of the Draft Ordinance and Criteria Options, staff received input from the Building Industry suggesting that the inclusionary housing set-aside requirement apply gradually over a period of time in order to provide a smooth transition for transactions and projects currently under development or in process. The gradual implementation of inclusionary requirements can give the market and the development community time to adjust. An example of this is in San Luis Obispo County, which starting in 2010 phased in a 20% inclusionary requirement over five years, starting at 4% in the first year and increasing by 4% in every following year. The scheduled increase in the set-aside requirement provides time for land values, rents, and other program considerations to be absorbed by the market. Furthermore, the predictable schedule may create incentive for developers to expedite development, which could mitigate against short-term market shock that may result from adoption of an inclusionary program.

A concern with gradual phase-in of set-aside requirements pertains to the additional complexity compared to a single-phase implementation, as in-lieu fees and other alternative compliance options would have to be adjusted annually during the phase-up period. This could make administration more difficult for staff and lower program legibility for applicants. In addition, lower set-aside requirements during the phase-in period could produce fewer affordable units than a single-phase implementation, although this opportunity cost may be offset by greater overall housing production in a phased implementation. The Planning Commission may provide a recommendation that the selected set-aside requirement be implemented utilizing the phasing in approach.

Alternative Compliance Options (Section 6341.d of the Draft Ordinance).

State law requires that inclusionary housing programs include a form of alternative compliance option for projects that cannot include the affordable housing units on site. The alternative compliance options included in the Draft Ordinance and Criteria Options were found through the best practice review and have all been implemented by other jurisdictions. The Planning Commission can recommend any or all of the alternative compliance options. In addition, options have also been developed for the location criteria that would apply for off-site development, land dedication, and rehabilitation of units. As previously mentioned, one of outcomes of inclusionary housing program is to help produced mixed income projects. Mixed-income projects refer to housing developments that include a variety of income levels, including low, moderate, and high-income households. The development of the Inclusionary Housing Program was identified by the Housing Element as a program to help create community integration, in compliance with AFFH, as it will help promote economic diversity as people from different socio-economic backgrounds can live together in the same housing development. However, when projects utilize alternative compliance options, including dedication of land, offsite development, or rehabilitation of units, the deed-restricted affordable housing units would be located at a location other than the market-rate development.

In order to continue to promote community integration and creation of neighborhoods that include housing for various incomes, local governments can apply additional criteria for these projects, including that they be located close to the area where the market-rate housing is being developed, or that they do not be provided in lower-income neighborhoods. The Draft Ordinance and Criteria Options include criteria location that would apply for units produced through alternative compliance. To address community integration, the Planning Commission can require that development, land dedication, and rehabilitation of units, consistent with best practices, be located within a mile from the market-rate development, and if this requirement isn't met, that the affordable housing units be located within high and highest resource areas. These are areas identified by the State as linked to positive critical life outcomes, such as educational attainment, earnings from employment, and economic mobility. In addition, during the outreach process conducted for the development of the Draft Ordinance and Criteria Options, community members and stakeholders identified additional criteria for the program to consider when applicants propose to provide affordable housing units through an alternative compliance method, including that the units be located within VMT efficient and infill areas, and outside fire hazard severity zones. The Planning Commission can provide recommendations on the location criteria that would apply individually to land dedication, rehabilitation of units, and offsite development.

In-Lieu Fee. This option would allow for projects to pay a fee in lieu of providing affordable housing within the development. If this option were to be included, the in-lieu fee would reflect the same cost as a project providing the affordable housing units within the development. Therefore, the in-lieu fee would differ depending on the set-aside requirement (i.e., number of affordable housing units and affordability level) that is adopted as part of the ordinance. An in-lieu fee is a commonly used form of alternative compliance; however, some jurisdictions only allow it for small projects (e.g., less than 10 units).

- Opportunities: Inclusionary program administrators often value the flexibility that in-lieu fees can offer. Fee revenue can be used to produce units that are outside the operating parameters of the inclusionary housing program, such as lower AMI units, special needs housing, homeless housing, or transitional housing. Fee revenue can also be used to balance the outcomes. For example, if the program is primarily producing affordable for-sale units, the fees can be used to produce affordable rental housing. Or if development is concentrated in one area, the fees can be used to provide affordable housing in areas where no development is occurring. In addition, when an in-lieu fee revenue is collected and allocated to affordable housing developers, the units that are eventually created are operated by experienced affordable housing providers. This is valuable for monitoring purposes, and an increased likelihood of compliance with affordable restrictions such as tenant eligibility and ongoing tenant income verifications, services, etc. which affordable developers may be more experienced with than market rate developers.

- Challenges: One of the main challenges associated with the use of an in-lieu fee as an alternative compliance option is that the increase in production of affordable housing is not automatic. After a project pays the in-lieu fee, it may take many years until the affordable units are actually built. This is because the effective use of an in-lieu fee may require other financing sources to leverage funding for the construction of affordable housing, availability of a non-profit interested in developing the affordable housing project, and available land. In addition, the in-lieu fee option is not as effective in achieving community integration or fair housing outcomes, as affordable housing units would not be integrated with market-rate units. Finally, it is important to note that the in-lieu fee that a project would pay reflects the costs associated with developing affordable housing within the proposed development and does not take into account additional costs associated with developing the units offsite, such as the costs of acquiring land, and potential increases in construction costs by the time the affordable housing units are actually going to be built.

- Public Input: Community members and stakeholders have identified in-lieu fee as alternative compliance option to be available for small projects (less than 10 units). Although the development industry has shown support for an in-lieu fee, communities' members have included in-lieu fee as their least preferred option. Staff has received a comment letter from the League of Women Voters, the Climate Action Campaign requesting that in-lieu fee only applies to projects proposing less than 10 units.

Offsite Development: This option would allow projects to construct the affordable housing units on a different site than the market-rate units. In order to promote community integration and in consistency with best practices, the Planning Commission can recommend that alternative compliance development be located within a mile from the market-rate development, or, if this requirement isn't met, that they be located within high and highest resource areas. In addition, the Planning Commission can also require that offsite development be located outside be within high and very-high fire hazard severity zones, and be within VMT efficient infill areas. In addition, the Planning Commission can also recommend that projects providing units offsite include additional affordable housing units.

- Opportunities: In many cases, it can be less expensive for developers to create separate buildings where all of the units are affordable. For instance, buildings with all affordable units may be eligible for tax advantages or subsidized financing, which may allow for a developer to build more affordable units off site for the cost associated with fewer units on site in a mixed-income building.

- Challenges: Despite the potential efficiency, allowing offsite development may not be as effective in achieving community integration or fair housing outcomes, as affordable housing units would not be integrated with market-rate units. To mitigation for this issue, the Planning Commission can recommend that the offsite units be located in close proximity of the market-rate units (within 1 mile) or within high and highest resource areas. There are also additional challenges for staff to track the development of offsite units and ensure their construction and completion take place concurrently with the market-rate development.

- Public Input: During outreach events, community members expressed preference for offsite development as an alternative compliance option (68% of the respondents during Public Meeting 1 and 38% during Public Meeting 2). In addition, the County receive a comment letter from the League of Woman Voters requesting that offsite development include at least 10% more affordable housing than what would be required for lower-income housing (0-80% of the AMI). On the other hand, a comment letter received from the Climate Action Campaign requested that offsite development not be included as an alternative compliance option due to concerns that offsite development could result on concentration of poverty and would not comply with AFFH requirements.

Land Dedication: This option would allow a project to donate land to the County for future affordable housing development to be constructed on the land as opposed to constructing the affordable housing units on the same site as the market-rate units. The donated land would need to be at the same or greater value than the cost of developing the units on-site. In addition, the land would need to meet specific criteria, such as not being environmentally constrained, allowing multifamily development, not have any hazardous materials or soils on site and be located within the unincorporated County. Also, the Board would have the discretion to review and approve the use of land dedication as an alternative compliance method. If land donation were to be recommended by the Planning Commission as an alternative compliance option, additional recommendations can be provided on location criteria for eligible properties, including that they be located outside high and very-high fire hazard severity zones, be within high and very-high resource areas, and be within vehicle miles traveled efficient areas or Board-directed infill areas.

- Opportunities: This option would help increase the County's inventory of land available for the construction of affordable housing and can work in conjunction with the in-lieu fee, which would provide further assistance for the development of affordable housing. In addition, since projects produced on donated land would be 100% affordable housing, they would be eligible to additional density bonus and benefits that could improve project feasibility and allow for an opportunity to build additional affordable housing units.

- Challenges: The land dedication option can be more challenging to implement than other common alternatives as it would require staff to ensure that the property complies with all requirements land donation and is a good site for future affordable housing development. In addition, this option may not as effective in achieving community integration or fair housing outcomes, as affordable housing units would not be integrated with market-rate units. Even though the Planning Commission may recommend that only sites locate in high and very-high resource areas be eligible, this option may not achieve the goal of creating mixed-income developments.

- Public Input: During outreach events, community members expressed preference for land dedication as an alternative compliance option (68% of the respondents during Public Meeting 1 and 38% during Public Meeting 2). On the other hand, a comment letter received from the Climate Action Campaign requested that land dedication not be included as an alternative compliance option due to concerns that offsite development could result on concentration of poverty and would not comply with AFFH requirements.

Rehabilitation of Units. Projects would rehabilitate existing market-rate units and convert them to affordable housing units or could rehabilitate existing affordable housing units at risk of being converted into market-rate (e.g., expiring deed restriction).

- Opportunities: Rehabilitation of units can be a great tool to preserve the existing affordable housing stock and to ensure that naturally occurring affordable housing, which is typically provided through old housing stock, can be renovated and deed restricted as an affordable housing unit.

- Challenges: Rehabilitation of existing units would not increase the overall housing stock as the units to be rehabilitated already exist. In addition, as units that need to be rehabilitated existing affordable housing units that have an expiring deed restriction, they may be located in lower-income neighborhoods. However, this issue may be mitigated if the Inclusionary Housing Program were to require that rehabilitated units be in high and highest resources. In addition, there are additional challenges related to ensuring the units rehabilitated have an adequate useful life post-rehabilitation. In order to ensure the rehabilitation is properly done, a needs assessment must be completed on the front-end, but that are still risks of potential omissions and additional resources that would be needed to monitor the quality of the repairs.

- Public Input: During outreach events, community members expressed less preference for rehabilitation of units as only 13% of responded selected land dedication as a first option and 19% selected it as a second option. On the other hand, a comment letter received from the Climate Action Campaign supporting the use of rehabilitation of units as an alternative compliance method for project that are less than 10 units and located within VMT efficient areas or and high and highest resource areas located in Transit Priority Areas (TPAs). In addition, the comment requested that the rehabilitated units be of equivalent value to the set-aside requirement.

Accessory Dwelling Units (ADUs). Projects would construct ADUs as part of the development and deed-restrict them as affordable housing. This is not a traditional alternative compliance option, but some cities, including Carlsbad and Encinitas, allow for ADUs as an alternative compliance method.

- Opportunities: ADUs can help facilitate the development of affordable housing in single-family neighborhoods and high resource areas, which traditionally have not been accessible to lower-income families.

- Challenges: Despite providing developers with flexibility, especially for single-family home developers, implementing ADUs as an alternative compliance method may inhibit the County's ability to require that affordable housing units be comparable in size to the market-rate units since State law limits the size of ADUs to 1,200 sq.ft.. In addition, allowing ADUs as a form of alternative compliance may create additional complexities for the implementation and enforcement of deed-restrictions. If a parcel contains market rate and affordable units, then restrictions and enforcement mechanisms, such as foreclosure, become difficult to implement only on the affordable unit due to the shared parcel. Therefore, the enforcement mechanism requiring to foreclose the ADU would also require the foreclosure of the primary unit potentially furthering impacting the homeowner who purchased the unit. Remedies to this challenge may be available, such as lot splitting, but it would add additional complexities to this process.

- Public Input: During outreach events, community members have expressed less support to including ADUs as an alternative compliance method. However, staff received comments from the building industry requesting ADUs as an alternative compliance option for the program. A comment letter was received from a community member requesting that the inclusionary housing program further allow the use of ADUs by removing the limitation on the use of ADUs as an alternative compliance method. In addition, the County received a comments letter from the Climate Action Campaign requesting that ADUs be only allowed as a method of alternative compliance for projects of 10 units or less, and that the be deed-restricted as affordable housing for very-low income households for at least 65 years.

Table 2: Draft Ordinance and Criteria Options for Alternative Compliance	
Type of Alternative Compliance Options	
Options	Considerations
Option 1: In-Lieu Fee. Allow for projects to pay a fee in lieu of providing affordable housing on site.	If the program were to apply to projects proposing less than 10 units, the best practices research shows that an in-lieu fee option be is provided for these projects.

Option 2: Offsite Development. Allow for the development to provide affordable housing units in a separate location.	If the program were to apply to projects proposing less than 10 units, the best practices research shows that an in-lieu fee option be is provided for these projects.
Option 3: Land Donation. Allow for the project to donate land as opposed to provide affordable housing on site.	If this option were to be recommended, the Planning Commission can also include recommendations on location and other criteria that would apply to land donation.
Option 5: Rehabilitation of Units. Allow for the project to rehabilitate existing housing units and deed-restrict them as affordable housing.	If this option were to be recommended, the Planning Commission can also include recommendations on location criteria that would apply to rehabilitation of units.
Option 5: Accessory Dwelling Units. Allow for the project to construct ADUs as part of the development and deed-restrict them as affordable housing.	No additional considerations.
Location Criteria for Offsite Development, Land Donation, and Rehabilitation of Units	
Type	Considerations
Option 1: Fire Considerations. Requires that offsite development, land donation, and rehabilitation of units be provided outside high and very high fire hazard severity zones.	The options are not mutually exclusive and can all be recommended.
Option 2: High and Very-High Resource Areas. Requires that offsite development, land donation, and rehabilitation of units be provided within high and very-high resource areas, unless located within less than a mile from the market-rate development	
Option 3: VMT and Infill Areas. Requires that offsite development, land donation, and rehabilitation of units be provided within VMT and infill areas, unless located within less than a mile from the market-rate development	
Additional Criteria for Offsite Development	
Type	Considerations

Option 1: Require Additional Affordable Housing for Offsite Development. Require projects that propose to development the deed-restricted affordable housing units offsite provide an additional 5% lower-income housing (0-80% of the AMI).	The Planning Commission may choose to include this option.

Incentives

Inclusionary housing projects can also include incentives to facilitate the feasibility of market-rate development to provide affordable housing. As part of the February 2021 Board direction, staff was tasked with developing an inclusionary housing program that would provide incentives and reforms to facilitate development feasibility. As projects that provide affordable housing on site are eligible to receive density bonus incentives through the State Density Bonus Law (section 65915 of the California Government Code), most jurisdictions take advantage of this program to provide incentives. Incentives under State Density Bonus Law may include reduced regulatory requirements that would otherwise apply to a project, such as maximum height, setbacks, or parking requirements. Jurisdictions can also provide additional incentives beyond the ones available through State Density Bonus Law, such as waivers or reduced development fees for affordable units, or expedited review.

The County has codified its Density Bonus Program, which meets the requirements under State law in Sections 6350 to 6399 and 7400 to 7449 of the Zoning Ordinance. The Density Bonus Program provides additional density and incentives, such as deviations from local development standards in exchange for the development of affordable housing units. Density Bonus is an important program to incentivize the development of affordable housing units (up to 120% of the AMI) in mixed-income projects, and to help the County meet its regional housing needs goals. The County has adopted its own Density Bonus Program which is codified in Sections 6350 to 6399 and 7400 to 7449 of the Zoning Ordinance. The County's Density Bonus Program was lastly updated in 2019 and currently provides incentives beyond what is required under State law. For instance, the County's Density Bonus Program provides for 2 incentives for projects that provide at least 5% of the units for very-low income (up to 50% of the AMI), 10% of the units for low-income (up to 80% of the AMI), or 10% of the units moderate-income (up to 120% of the AMI) housing. Under State law, these projects would only be eligible to receive one incentive as opposed to two incentives. The Draft Ordinance and Criteria Options would allow for projects to use the additional incentive available through the County's Density Bonus Program and additional density increases pursuant to the Density Bonus schedule, to facilitate the feasibility of project providing affordable housing units onsite.

In addition to providing incentives under Density Bonus Program, the Planning Commission can recommend that the inclusionary housing program also include expedited review for projects that provide additional affordable housing. Currently, the County has Policy A-68 which provides for expedited review for projects that elect to provide affordable housing units. This program provides faster review timeframes for projects that provide affordable housing units. However, once the inclusionary housing program is adopted, all projects would provide affordable housing and be eligible for the Policy A-68 Affordable Housing Expedited Review Process. Therefore, Criteria Options have been developed to still provide expedited review, but only to projects that provide additional affordable housing beyond the minimum requirement established by the Inclusionary Housing Ordinance. Options for the Expedited Review incentive is provided below:

<u>Option 1 – Expedited Review for 100% Affordable Housing Projects</u>: Apply the Expedited Review program to projects that provide all units within the development as affordable housing units for lower-income families (0-100% of the AMI).

<u>Option 2 - Expedited Review for Projects with Additional Affordable Housing</u>. Apply the Expedited Review program to projects that provide at least 50% more affordable housing than required.

<u>Additional Public Input – Additional Incentives</u>

During the 45-day public review of the Draft Ordinance and Criteria Options, staff received input from the Building Industry and from members of the public, including a comment letter and comments provided by members of the Casa de Oro CPG suggesting that the inclusionary housing program include additional incentives for all projects. In addition, the County also received comments from members of the public requesting that additional incentives be provided to projects that provide additional public benefits such as additional affordable housing, labor agreements and prevailing wages, and construct the affordable housing units that is accessible pursuant to the American Affordability Act (ADA).

Most inclusionary housing local governments do not provide incentives beyond the incentives available through their Density Bonus Program. However, some jurisdictions, including the County of Los Angeles, provide one additional incentive to help with project feasibility. In addition, the City of San Diego allows projects to apply for a variance or waiver, if the development would not be feasible without the modification and there are no alternative means of compliance available. In order to address the public comments, the Planning Commission may recommend that the Inclusionary Housing Ordinance include additional incentives, and density bonus to all housing projects or to projects that meet specific criteria.

As previously discussed, the inclusionary housing program will require that new development include affordable housing units, and providing incentives, even though it may not completely offset the costs associated with development the affordable housing units, it can help facilitate project feasibility. In addition, providing additional incentives will align with previous Board directions, which requested the County to continue findings strategies that can help create more housing. If the Planning Commission were to recommend that additional incentives be included, the following may be recommended:

- Provide additional incentives (e.g., 2 incentives and an additional 5% density bonus) that every inclusionary housing project would be able to qualify for regardless of the incentives available through state density bonus law.

- Provide incentives beyond the incentives that every inclusionary housing project would qualify for (e.g., 4 incentives and an additional 10% density bonus) to projects that provide additional public benefits, such as:
    - Include labor agreements, prevailing wages, and apprenticeship programs.
    - Include additional affordable housing units.
    - Include affordable housing units that are ADA accessible.
    - Include additional sustainability features and green building features, such as electrification.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

Today's proposed actions to receive a presentation and have a discussion were reviewed in compliance with the California Environmental Quality Act (CEQA). In accordance with Section 15061(b)(3), the actions are not "projects" as defined in the Public Resources Code section 21065 and California Environmental Quality Act (CEQA) Guidelines section 15378 and therefore are not subject to CEQA pursuant to CEQA Guidelines section 15060(c)(3), or alternatively, are exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the actions may have a significant effect on the environment.

Report Prepared By:	*Report Approved By:*
Camila Easland	

AUTHORIZED REPRESENTATIVE: ______________________________
DAHVIA LYNCH, DIRECTOR

ATTACHMENTS:

Attachment A – Draft Inclusionary Housing Ordinance and Guide for Public Input
Attachment B – Inclusionary Housing Economic Analysis
Attachment C – Summary of Set-Aside Options
Attachment D – Best Practices Summary Table
Attachment E – Summary of Outreach Activities
Attachment F – Public Comments

Attachment A – DRAFT INCLUSIONARY HOUSING ORDINANCE AND GUIDE FOR PUBLIC INPUT

INCLUSIONARY HOUSING DRAFT ORDINANCE

Guide for Public Feedback

The draft Inclusionary Housing Ordinance is available for public review for 45-days from January 20 – March 7, 2023. The Draft Ordinance is included starting on page 7 of this document.

Inclusionary housing is a tool used to help increase production of affordable housing. It works by requiring that new development include a percentage of affordable homes for low to moderate income families.

The following narrative and tables provide an overview of the different sections of the Draft Inclusionary Housing Ordinance (Draft Ordinance) where we are seeking feedback on the programmatic options that may be directed by the Board of Supervisors (Board) as part of the adoption of the Inclusionary Housing Ordinance. Your input will be used to refine the options that will be provided to the Board for consideration.

We are seeking feedback on:

- **MINIMUM PROJECT SIZE FOR ORDINANCE APPLICABILITY (Section 6341.b of the Draft Ordinance).** This is the project type and minimum project size that the ordinance would apply to.
    - General Plan Compliant projects refers to projects that are consistent with land use established in the General Plan.
    - General Plan Amendment projects, for the purpose of the Inclusionary Housing Ordinance, refers to projects that propose to change the General Plan land use in order to increase the density that would otherwise apply to the project. Density is the number of residential units allowed on a parcel and is measured as the number of dwelling units per acre. These projects are known as General Plan Amendment projects because they require the County General Plan to be amended to allow a higher housing density.
    - We are seeking specific feedback on the project type and minimum project size that the ordinance should apply to:
        - **Option 1**
            - General Plan Compliant Project: Apply the ordinance to projects proposing 5 or more units.
            - General Plan Amendment Project: Apply the ordinance to projects proposing 1 or more units.
        - **Option 2**
            - General Plan Compliant Project: Apply the ordinance to projects proposing 10 or more units.
            - General Plan Amendment Project: Apply ordinance to projects proposing 1 or more units.
        - **Option 3**
            - General Plan Compliant Project: Apply the ordinance to projects proposing 10 or more units.
            - General Plan Amendment Project: Apply ordinance to projects proposing 10 or more units.

- **SET-ASIDE REQUIREMENT (Section 6341.c of the Draft Ordinance).** This is the minimum number of affordable housing units and affordability level of those units that projects would need to provide.

INCLUSIONARY HOUSING DRAFT ORDINANCE

Guide for Public Feedback

- We are seeking specific feedback on how much affordable housing (i.e. set aside) and the level of affordability (i.e. AMI level) for those units that projects should be required to provide. The affordability level of a housing units reflects the maximum income that families can earn in order to purchase or rent an affordable housing unit. The maximum income levels are provide in table 5 below.
- The County conducted an Economic Analysis to evaluate and identify feasible options for projects to provide affordable housing. Since the economics of a project vary depending on whether the project is for sale, for rent, or a General Plan Amendment, there are different feasible set-aside options identified for each of these project types.
- Section 6341.c of the Draft Ordinance provides a range of the feasible options for projects to provide affordable housing. For the full range of feasible options for each project type, please refer to the associated tables listed below. This information can also be found on table 50 of the Economic Analysis.
  - General Plan Compliant Projects - For Sale (Please see Table 2 below)
  - General Plan Compliant Projects - For Rent (Please see Table 3 below)
  - General Plan Amendment Projects (Please see Table 4 below)
- You can use these tables as a guide for providing feedback on the different feasible set aside options that could be applied to different project types. We are seeking specific feedback on priorities for these set aside and affordability requirements. For example, should the ordinance focus on providing very low income or focus and a broader range of incomes?

- **ALTERNATIVE COMPLIANCE. (Section 6341.d of the Draft Ordinance).** State law requires that an Inclusionary Housing Ordinance include an alternative compliance option for projects that cannot include the affordable housing units on site.
- We are seeking feedback on the Alternative compliance options listed below including which options should be included in ordinance:
  - **In-Lieu Fee** – Project would pay a fee as opposed to constructing the affordable housing units on site.
  - **Off-Site Develop** – Project would construct the affordable housing units on a different site than the market-rate units.
  - **Land Dedication** – Project would donate land to the County for future affordable housing development to be constructed on the land as opposed to constructing the affordable housing units on the same site as the market-rate units.
  - **Rehabilitation of units**. Projects would rehabilitation existing housing units and deed-restrict them as affordable housing.
  - **Accessory Dwelling Units (ADUs)**. Projects would construct ADUs as part of the development and deed-restrict them as affordable housing.
- In addition, we are asking specific feedback on the following:
  - **In-Lieu Fee** – If in-lieu fee was included as an alternative compliance option, what projects should be allowed to use in-lieu fee:
    - **Option1:** In-lieu fee should be available to all projects
    - **Option 2:** In-lieu fee should only be available to project of 10 units or less.
  - **Off-Site Development** - If off-site development was included as an alternative compliance option, additional affordable housing could be required:
    - **Option1:** Require additional 5% lower-income housing (0-80% AMI)
    - **Option 2:** Not require additional affordable housing

INCLUSIONARY HOUSING DRAFT ORDINANCE

Guide for Public Feedback

- **Location Criteria for Off-Site Development, Land Dedication, and Rehabilitation of Units** – If off-site development, land dedication, or rehabilitation of units were allowed, what requirements should apply to make a property eligible for these alternative compliances:
  - **Option 1**: Property must be outside very-high and fire severity zones.
  - **Option 2**: Property should be within 1 mile from proposed project, or must meet the following:
    - Must be located within a Vehicle Miles Traveled (VMT) efficient area, or an infill area per the County's Transportation Study Guidelines
    - Must be within high or highest resource area

- **INCENTIVES (Section 6341.e of the Draft Ordinance).** Incentives are provided to help off-set the costs of providing affordable housing and to facilitate project feasibility. Projects subject to the ordinance will be eligible to receive incentives to the County's Density Bonus Program (Section 6365 of the Zoning Ordinance). Incentives include reduction of development standards that would per the Zoning Ordinance. In addition to the incentives available under the County's Density Bonus Program, the County could provide expedited review to certain projects. Please note that expedited review would not change the project review process that would be required for project but would reduce the timeframes for the completing of the required review.
  - **Option 1:** Expedited Review for project that provide all units as affordable housing for lower-income household (up to 80% of the AMI).
  - **Option 2:** Expedited review for project that provide 50% more affordable housing than required

If you have any questions related to any of this information provided in the document, please reach out to Camila Easland at **PDS.LongRangePlanning@sdcounty.ca.gov**, or Phone: (858) 505-6677. You may also request to schedule a meeting with county staff to further discuss the materials available for public review.

INCLUSIONARY HOUSING DRAFT ORDINANCE

Guide for Public Feedback

Table 1: Inclusionary Housing Ordinance Sections with Programmatic Options			
PROJECTS THAT WILL BE SUBJECT TO THE ORDINANCE – PROJECT SIZE (Section 6341.b of the Draft Ordinance) **The Board may provide direction on the projects that should be subject to the ordinance**			
General Plan Compliant Project	Option 1 5 units or more	Option 2 10 units or more	Option 3 10 units or more
General Plan Amendment	Option 1 1 unit or more	Option 2 1 unit or more	Option 3 10 units or more
SET-ASIDE REQUIREMENT (Section 6341.c of the Draft Ordinance) **The Board may select one of the feasible scenarios from the Economic Analysis**			
General Plan Compliant Project – Rent	Range between 20% M and 5% VL+ 5% L +10% M		
General Plan Compliant Project – Sale	Range between 5% VL and 5% L +10% M		
General Plan Amendment	Range between 10% M and 5% VL+ 15% L		
ALTERNATIVE COMPLIANCE (Section 6341.d of the Draft Ordinance) **State law requires that the ordinance include at least one alternative compliance option. The Board may select more than one of these options**			
In-Lieu Fee	Land Donation		
Off-Site Development	Rehabilitation of Units		
Accessory Dwelling Units			
IN-LIEU FEE CRITERIA (Section 6341.d of the Draft Ordinance) **This alternative compliance option would allow for a project to pay a fee as opposed to providing the affordable housing units on the same site as the market-rate units**			
Available to all projects			
Available to projects smaller than 10 units			
OFF-SITE DEVELOPMENT (Section 6341.d of the Draft Ordinance) **This alternative compliance option would allow for the affordable units to be developed at a different site than the market-rate units**			
Require that the project provide an additional 5% lower-income housing (0-80% AMI) as a condition for developing off-site.			
Not require additional affordable housing as a condition for the development of affordable housing off-site.			
LOCATION CRITERIA (Section 6341.d of the Draft Ordinance) **Can apply to off-site development, land donation, and rehabilitation**			
Must be outside very-high and high fire hazard zones			
Must be located within 1 mile distance or: 1. Must be in a Vehicle Miles Traveled area, or an infill area per the County's Transportation Study Guidelines 2. Must be within high or highest resource area			
INCENTIVES (Section 6341.e) **Incentives can be provided to help off-site the costs of providing affordable housing and to facilitate project feasibility**			
Expedited Review for project that provide all units as affordable housing for lower-income household (up to 80% of the AMI)			
Expedited review for project that provide 50% more affordable housing than required			

INCLUSIONARY HOUSING DRAFT ORDINANCE

Guide for Public Feedback

Table 2: Range of Feasible Scenarios for General Plan Compliant for Sale	
Scenario from Economic Analysis	**Example of a calculation for a project of 40 units**
5% Extremely Low (1a)	28 market-rate and 2 extremely low units
5% Very-Low (3a)	28 market-rate and 2 very-low units
10% Low (6a)	26 market-rate and 4 very-low units
10% Moderate (14a)	26 market-rate and 4 moderate=income units
15% Moderate (15a)	24 market-rate and 6 moderate=income units
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income units

Table 3: Range of Feasible Scenarios for General Plan Compliant for Rent	
Scenario from Economic Analysis	**Example of a calculation for a project of 30 units**
5% Extremely Low (1a)	28 market-rate and 2 extremely low units
5% Very-Low (3a)	28 market-rate and 2 very-low units
10% Low (6a)	26 market-rate and 4 low-income units
15% Low (7a)	24 market-rate and 6 low-income units
20% Moderate (16a)	22 market-rate and 8 moderate-income units
5% Very-Low + 5% Low + 5% Moderate (17a)	24 market-rate, 2 very-low, 2 low-income, and 2 moderate-income units
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income units
10% Low + 10% Moderate (19a)	22 market-rate, 4 low-income, and 4 moderate-income units
5% Very-Low + 5% Low + 10% Moderate (21a)	22 market-rate, 2 very-low, 2 low-income, and 4 moderate-income units

Table 4: Range of Feasible Scenarios for General Plan Amendment	
Scenario from Economic Analysis	**Example of a calculation for a project of 30 units**
5% Extremely Low (1a)	28 market-rate and 2 extremely low units
10% Extremely Low (2a)	26 market-rate and 4 extremely low units
5% Very-Low (3a)	28 market-rate and 2 very-low units
10% Very-Low (4a)	26 market-rate and 4 very-low units
15% Very-Low (5a)	24 market-rate and 6 very-low units
10% Low (6a)	26 market-rate and 4 low-income units
15% Low (7a)	24 market-rate and 6 low-income units
20% Low (8a)	22 market-rate and 8 low-income units
5% Very-Low + 5% Low (9a)	26 market-rate, 2 very-low, and 2 low-income units
10% Very-Low + 5% Low (10a)	24 market-rate, 4 very-low, and 2 low-income units
5% Very-Low + 10% Low (12a)	24 market-rate, 2 very-low, and 4 low-income units
5% Very-Low + 15% Low (13a)	22 market-rate, 2 very-low, and 6 low-income units
10% Moderate (14a)	26 market-rate and 4 moderate-income units
15% Moderate (15a)	24 market-rate and 6 moderate-income units
20% Moderate (16a)	22 market-rate and 8 moderate-income units
5% Very-Low + 5% Low + 5% Moderate (17a)	24 market-rate, 2 very-low, 2 low-income, and 2 moderate-income units
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income units
10% Low + 10% Moderate (19a)	22 market-rate, 4 low-income, and 4 moderate-income units
10% Low + 5% Very-Low (20a)	24 market-rate, 4 low income, and 2 very-low income units
5% Very-Low + 5% Low + 10% Moderate (21a)	22 market-rate, 2 very-low, 2 low-income, and 4 moderate-income units

INCLUSIONARY HOUSING DRAFT ORDINANCE

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5% Very-Low + 10% Low + 5% Moderate (22a)	22 market-rate, 2 very-low, 4 low-income, and 2 moderate-income units
10% Very-Low + 5% Low + 5% Moderate (23a)	22 market-rate, 4 very-low, 2 low-income, and 2 moderate-income units
7% Very-Low + 7% Low + 6% Moderate (24a)	22 market-rate, 3 very-low, 3 low-income, and 2 moderate-income units
8% Very-Low + 6% Low + 6% Moderate (25a)	23 market-rate, 3 very-low, 2 low-income, and 2 moderate-income units
11% Extremely Low (27a)	26 market-rate and 4 extremely low units
12% Extremely Low (28a)	25 market-rate and 5 extremely low units

Key Definitions:

Affordable Housing:
Affordable housing consists of housing units with requirements that rents or mortgages to be affordable to households at lower or moderate-income levels (see income limits in question 4). These requirements are recorded on the property title and referred to as deed-restricted properties. Residents of affordable housing pay no more than 30% of gross income for housing costs.

Inclusionary Housing:
Inclusionary housing is a tool used to help increase production of affordable housing. It works by requiring that new development include a percentage of affordable homes for low to moderate income families.

Income Limits for Affordable Housing Eligibility:
Every year, the State Department of Housing and Community Development (HCD) issues the income limits that apply to affordable housing programs (available here). The income limits for affordable housing eligibility are based on the Area Median Income (AMI). San Diego County's AMI in 2022 was $106,900.

Table 5: 2022 Affordable Housing Income Limits for a Family of Four

Income Category	Area Median Income (AMI)	Income Limits
Extremely Low	0-30% of the AMI	$39,050
Very-Low	30-50% of the AMI	$65,050
Low	50-80% of the AMI	$104,100
	80-120% of the AMI	$128,300

Draft Ordinance Amending the San Diego County Zoning Ordinance Related to Affordable Inclusionary Housing Program

(POD 20-007)

(Strikeout/Underline Copy)

DRAFT January 2023
Information Copy

PRELIMINARY DRAFT

ORDINANCE NO-__________________ (NEW SERIES)

AN ORDINANCE AMENDING THE SAN DIEGO COUNTY ZONING ORDINANCE RELATED TO THE AFFORDABLE INCLUSIONARY HOUSING PROGRAM

The Board of Supervisors of the County of San Diego ordains as follows:

Section 1. The Board of Supervisors finds and determines that the Zoning Ordinance should be amended to update and revise regulations for affordable inclusionary housing program. The amendments made by this ordinance are intended to set forth reasonable standards and procedures for affordable housing development projects. The County desires to allow flexibility for affordable housing. This ordinance provides the amended standards for affordable housing projects within the County's unincorporated areas.

Section 2. <u>Section 1100 Definitions (A) of the Zoning Ordinance is amended add new definitions:</u>

<u>Affordable rent: The maximum monthly rent calculated at the specified income level in accordance with California Health and Safety Code Section 50053 and implementing regulations.</u>

<u>Affordable sales price: The maximum purchase price that will be affordable to the specified household at the specified income level, calculated in accordance with California Health and Safety Code Section 50052.5 and implementing regulations. The affordable sales price shall include a reasonable down payment, and monthly housing payments (including interest, principal, mortgage insurance, property taxes, homeowner's insurance, homeowner's association dues, and a reasonable allowance for property maintenance, repairs, and utilities), all as determined by the County.</u>

<u>Area median income or AMI: The annual median income for San Diego County, adjusted for household size, as published periodically in the California Code of Regulations, Title 25, Section 6932, or its successor provision, or as established by the County in the event that such median income figures are no longer published periodically in the California Code of Regulations.</u>

Section 3. <u>Section 1100 Definitions (R) of the Zoning Ordinance is amended to add the following new definitions:</u>

<u>Rehabilitated Dwelling Unit: Painting, roofing, plumbing, electrical or other work to a single detached, multi dwelling, or mobilehome that restores or preserves the habitable condition of the single detached, multi dwelling or mobilehome.</u>

Section 4. Section 6341 is hereby added to the San Diego County Zoning Ordinance to read as follows:

<u>6341 AFFORDABLE HOUSING PROGRA</u>

6341.a TITLE AND PURPOSE

The provisions of Section 6341 shall be known as the Affordable Housing Program. The purpose of these provisions is to establish standards and procedures to require the development of housing that is affordable to a range of households with varying income levels in order to ensure the addition of affordable housing units to the County's housing stock in proportion with the overall increase in new housing units.

It is the policy of the County that this Section be interpreted and implemented in a manner to afford the fullest possible weight to the interest of, and the approval and provision of, affordable and inclusionary housing.

6341.b APPLICABILITY

1. Applicability. The requirements of this ordinance shall apply to all new residential and mixed-use development projects, for rent or for sale, approved after the date of this Ordinance, except as noted in Subsection 6341.b.1.ii (referred to from herein as "Projects"). The requirements of this ordinance shall apply to all developers and their agents, successors-in-interest, and assigns proposing a Project. All inclusionary units required by this ordinance shall be sold or rented in compliance with this ordinance and the County's regulations for the implementation of the Affordable Housing Program. No building permit shall be issued, nor any development approval granted for a development that does not meet the requirements of this ordinance.

   i. Project Size. The following Projects shall be subject to the requirements under this ordinance.

      [The Board will have an option to direct one of the options below.]

      Option 1

      a) A General Plan Compliant Project that proposes a minimum of five (5) dwelling units that will be developed for a rental or for-sale.

      b) A Project that seeks a General Plan Amendment to increase the maximum allowable density and that proposes a minimum of one (1) dwelling unit.

      Option 2

      a) A General Plan Compliant Project that proposes a minimum of ten (10) dwelling units that will be developed for a rental or for-sale.

      b) A Project that seeks a General Plan Amendment to increase the maximum allowable density and that proposes a minimum of one (1) dwelling unit.

      Option 3

a) A General Plan Compliant Project that proposes a minimum of ten (10) dwelling units that will be developed for a rental or for-sale.

b) A Project that seeks a General Plan Amendment to increase the maximum allowable density and that proposes a minimum of ten (10) dwelling units.

ii. Exempt Projects. The following projects are exempt from the requirements of this ordinance:

a) Project Location: Projects located in Sub-Area 5, per the Inclusionary Housing Economic Analysis.

b) Project Type. Projects that provide 100% of all units in the development, including total units and density bonus units, but exclusive of a manager's unit or units, as affordable housing (up to 120% of the AMI).

c) Residential developments for which an application for a ministerial has been received or for discretionary permit that has been deemed complete no later than the effective date of this ordinance.

d) Permit Expiration. Upon the expiration of any discretionary permit that is not eligible for renewal, and unless otherwise exempted, the residential development shall be subject to the affordable housing requirements of this ordinance, and shall not proceed until an affordable housing plan is approved in conjunction with any other required discretionary or ministerial permit or amendment thereto.

6341.c AFFORDABLE HOUSING UNIT COMPLIANCE REQUIREMENTS

1. Minimum Affordable Set-Aside Requirement for Onsite Units. Unless exempt from this ordinance, Projects must provide a percentage of the base units as affordable housing units as described below:

[The Board will have the option to decide the set-aside requirement. The economically feasible set-aside scenarios will be used to inform this decision.]

[Minimum Set-Aside for General Plan Compliant Rent]

a) General Plan Compliant for Rent. If the Project is General Plan compliant and proposes rental units, the affordable housing set-aside units shall be provided as [Range between 20% moderate income and 5% very-low income + 5% low-income + 10% moderate-income; please refer to table 50 of the Economic Analysis]

[Minimum Set-Aside for General Plan Compliant Sale]

General Plan Compliant For Sale. If the Project is General Plan compliant with for sale units, the affordable housing set-aside units shall be provided as [Range between 5% very-low income and 5% low-income + 10% moderate-income; please refer to table 50 of the Economic Analysis].

[Minimum Set-Aside for General Plan Amendment]

c) General Plan Amendment. If the Project proposes a General Plan Amendment, the affordable housing set-aside units shall be provided as [Range between 10% moderate-income and 5% VL+ 15%L; please refer to table 50 of the Economic Analysis].

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i. Rounding rules.

a) In calculating the required number of affordable housing units, if set-aside includes fractional units of 0.5 or above, one additional affordable unit shall be provided at the lowest affordability level required by the set-aside amount.

ii. Comparability. Affordable housing units must conform to the following standards:

a) Affordable housing units shall be comparable in size, exterior appearance, and overall quality of construction to market-rate units in the same housing development. Interior finishes and amenities may differ from those provided in the market-rate units, provided they are new, durable, and of good quality.

b) Affordable housing units shall have the same amenities as the market-rate units, including the same access to and enjoyment of common open space, parking, storage, and other facilities in the residential development.

c) The unit mix based on bedroom count provided for affordable housing units shall be proportional to the unit mix based on bedroom count provided for market-rate units.

d) Affordable housing units shall be dispersed throughout the housing development, on each floor, elevation, and section of the building(s) and throughout the site.

iii. Density Bonus. If an applicant seeks to construct affordable housing to qualify for a density bonus in accordance with the provisions of Section 6350, those affordable dwelling units that qualify a residential development for a density bonus shall also be counted toward satisfying the inclusionary housing requirements of this ordinance.

2. Duration of Affordability.

   i. Each affordable housing unit set aside pursuant to the requirements of this ordinance shall be limited to such below-market rates for a period of not less than 55 years, commencing from the date of the County's authorization for occupancy of the unit.

3. Timing for Construction of Inclusionary Housing Units

   i. All required inclusionary units shall be made available for occupancy concurrently with the market-rate units. For the purposes of this section, "concurrently" means one of the following:

      a) The County may not issue building permits for more than 50% of the market-rate units until it has issued building permits for all of the affordable units, and the County may not approve any unit occupancy final inspections for more than 75% of the market-rate units until it has issued unit occupancy final inspections for all of the affordable units. The County and developer may agree on an alternative schedule for development that is included in the affordable housing agreement.

      b) In-lieu fees, as appropriate, have been paid. [This section will be removed if the Board directs not to include in-lieu fee.]

      c) The applicant has met, or made arrangements satisfactory to the County to meet, an alternative requirement as permitted by Section 6340.d.

6341.d ALTERNATIVE COMPLIANCE OPTIONS

1. In Lieu Fees. [The Board will have an option to direct one of the options below.]

   [In Lieu Fee Applicability - Option 1]

   i. Applicability. Applicants may substitute up to one hundred percent (100%) for all set-aside requirements with the payment of in lieu fees only for Projects smaller than 10 housing units.

   [In Lieu Fee Applicability - Option 2]

   i. Applicability. Applicants may substitute up to one hundred percent (100%) for all set-aside requirements with the payment of in lieu fees.

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   ii. Fractional. Applicant may meet compliance requirements by splitting between providing on-site units and paying an in-lieu fee. [This section will be removed if the Board directs not to include in-lieu fee.]

iii. Affordable Housing Inclusionary Fund. [This section will be removed if the Board directs not to include in-lieu fee.]

a) All in-lieu fees or other funds collected under this ordinance shall be deposited into the County's Affordable Housing Inclusionary Fund and shall be maintained and accounted for separately in an inclusionary housing program subaccount.

b) Moneys deposited in the Affordable Housing Inclusionary Fund pursuant to this ordinance may be used by the County to pay for direct costs associated with the administration and enforcement of the Inclusionary Housing Program established by this Section

c) After payment of expenses, if any, described in this ordinance, all of the remaining moneys deposited in the Affordable Housing Inclusionary Fund pursuant to this ordinance shall be expended to provide newly constructed housing affordable to very low and low income households.

2. Off-Site Construction of Affordable Units.

i. The applicant may propose to construct the affordable units required by this Section on another site within the unincorporated area. The County may approve the off-site construction only if the proposal meets all of the following requirements:

a) Comparability. Off-site units must be comparable to or greater than on-site average market-rate units in terms of unit size, bedroom count, and quality. Such comparability standards may be modified at the discretion of the Director of Planning & Development Services on a project-by-project basis.

[The Board will have an option one or all of the options below.]

[Off-site Criteria – Options. None or all options may be selected]

b) Off-site development must provide an additional five percent (5%) of lower-income housing (0-80% of the AMI).

c) Off-site units must be located outside of High and Very High Fire Severity Zones.

d) Off-site unit land must be located within maximum distance of 1 mile of the market-rate units, or must comply with all of the following:

a. Off-site units must be located in High or Highest resource areas (as defined by the California Tax Credit Allocation Committee);

b. Off-site units must be located within a vehicle miles traveled (VMT) efficient area or an Infill Area found to have less than significant VMT impacts under the County's Transportation Study

Guide (TSG) for VMT.

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3. Accessory Dwelling Units. [The Board will have an option to include accessory dwelling units.]

   i. As an alternative to providing single-family detached dwelling units as affordable housing units, an applicant may instead provide an affordable accessory dwelling unit for each required affordable housing unit, subject to the standards for accessory dwelling units contained in Section 6156x.

   ii. The term and affordability of the accessory dwelling units and the affordable housing agreement and rent regulatory agreement shall conform with the provisions of this ordinance applicable to rental affordable housing units.

   iii. In no event shall a developer be allowed to construct more than 50% of the total required affordable housing units as accessory dwelling units for projects of 10 or more units, or five accessory dwelling units, whichever is less, in any given residential development to satisfy the requirements of this ordinance.

   iv. Comparability. ADUs must be comparable to the average on-site market-rate units in terms of unit size, bedroom count, and quality. Such comparability standards may be modified at the discretion of the Director of Planning & Development Services on a project-by-project basis.

4. Land Donation [The Board will have an option to include land donation.]

   i. Applicability.

      a) Land dedication shall be allowed as an alternative to providing on-site units. Land dedication may be used to fulfill all or part of an applicant's development application.

      b) The requirements of this ordinance may be satisfied by the donation of land if the donation is completed in accordance with California Government Section 65915(g) and if the value of the land on the date of donation is equal to or greater than the inclusionary in-lieu fee applicable to the Applicant's development on the date of donation.

   ii. Site Suitability.

      a) The County shall have the discretion to approve a developer's proposal to donate property. The developer must provide evidence of the following when the land donation proposal is submitted:

         1) The developer must provide a Preliminary Title Report for the property and have site control with a lien-free title. Any

encumbrances or easements that adversely impact the property's title must be remediated to the County's satisfaction prior to conveyance of the site. Anything that cannot be remedied must be approved by County and factored into the estimated value of the interests proposed to be conveyed to the County.

2) The developer must provide an appraisal report of the property that complies with the Uniform Standards of Professional Appraisal Practice (USPAP) and is prepared by a California Certified General license real estate appraiser. The purpose of the appraisal is to establish the "as-is" market value of the land. County of San Diego must be listed as an intended user. The appraisal report must be reviewed and approved by Department of General Services Real Estate Valuation. Definition of "market value" is based on the most current edition of The Appraisal of Real Estate published by the Appraisal Institute.

3) An initial review of hazardous materials must be performed by Department of Environmental Health and Quality, and all recommendations based on the findings must be completed, including any potential Phase 1 or 2 Environmental Reports. The property does not contain any hazardous materials at the time the land donation proposal is submitted and must disclose whether any hazardous materials were previously contained on the site; and if hazardous materials were previously remediated, the developer must provide evidence that the cleanup was performed in accordance with applicable law.

4) The property is not environmentally constrained and does not include steep slopes, wetlands, floodway, floodplain, prime farmland, farmland, conservation land, habitant land, or conservation easements. In addition, the project must be outside high and very-high fire hazard zones.

5) The property has not been improved with any residential use for at least five years prior to the submission of a land donation proposal.

6) The property owner has paid in full all property taxes and special taxes when the proposal is submitted and again prior to conveyance of the property to the County.

7) The site has a General Plan and Zoning designations that authorizes residential uses, including multifamily and is zoned for residential development, including multifamily, at a density to accommodate at least the number of otherwise required affordable housing units within the residential development.

iii. Location.

a) Donated land must be within the unincorporated County and located in High or Highest resource areas (as defined by the California Tax Credit Allocation Committee (CTCAC), and be within a vehicle miles traveled (VMT) efficient area or an Infill Area found to have less than significant VMT impacts.

5. Rehabilitation [The Board will have an option to include land donation.]

i. Requirement.

a) The affordable housing requirement may be satisfied by the rehabilitation and preservation of existing affordable housing units at risk of loss or by conversion of market-rate units to affordable units, if the preservation or conversion of these units is consistent with Government Code Section 65583.1 and allows the County to substitute the preservation or conversion of these units for the obligation to identify adequate sites.

[The Board will have an option one of the options below.]

[Rate of Rehabilitation – Option 1]

b) Rehabilitation/conversion of market-rate units into affordable housing units must be provided at twice the amount of required on-site units.

[Rate of Rehabilitation – Option 2]

b) Rehabilitation/conversion of market-rate units into affordable units must be provide in the same number and level of affordability as required by the set-aside.

ii. Comparability

a) Rehabiliated/converted affordable housing units must be comparable to or greater than the average market-rate units in terms of unit size, bedroom count, and quality. Standards may be modified at the discretion of the Director of Planning & Development Services on a project-by-project basis.

iii. Value.

a) The Applicant provides evidence that the existing structure has a remaining useful life of at least 55 years from the approval of the dwelling unit as an inclusionary dwelling unit.

b) The Applicant provides evidence that the rehabilitation work complies with California Building Code requirements to the satisfaction of the Building Official.

c) The Applicant provides a physical needs assessment to the satisfaction of the County Department of Housing and Community Development for each dwelling unit to be rehabilitated, for the premises where the dwelling units are located, and for any associated common area. All items identified in the physical needs assessment needing repair or replacement at the time of the assessment or that will likely require repair or replacement within three years of the assessment shall be completed by the applicant during the rehabilitation work.

d) On or before the time the applicant's application is deemed complete, the applicant complies with the State Relocation Act codified in California Government Code Section 7260 and provides all costs of notice to, and relocation of, any existing residents occupying the dwelling units to be rehabilitated.

iv. Location.

b) Rehabilitated dwelling units shall be located in High or Highest resource areas (as defined by the California Tax Credit Allocation Committee (CTCAC), and be within a vehicle miles traveled (VMT) efficient area or an Infill Area found to have less than significant VMT impacts.

6341.e AFFORDABLE HOUSING INCENTIVES

The developer of a residential development providing all required affordable housing units upon the same site as the market-rate units may, at the developer's sole option and concurrently with the submittal of the affordable housing plan, submit a written request for one or more of the following on-site affordable housing development incentives:

1. Density bonus incentives if the residential development contains sufficient affordable housing units to qualify for a density bonus, per Section 6365, If the applicant requests a density bonus, the other incentives listed below may be provided only if each is individually requested as a regulatory incentive.

[The Board will have an option one of the options below.]

[Expedited Review– Option 1]

2. Expedited Review. The developer may apply for the Expedited Review Process if all units within the development are affordable housing units for lower-income households (up to 80% of AMI).

[Expedited Review– Option 2]

2. Expedited Review. The developer may apply for the Expedited Review Process if the

developer provides at least 50% more affordable housing units than are required by this ordinance.

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3. Affordable Housing Plan. The incentives requested by the developer shall be included in the proposed affordable housing plan submitted at the time of application for the first approval of the Project, and any incentives approved by the County shall be included in the affordable housing plan.

6341.f AFFORDABLE HOUSING PLAN

An application for the first approval of a residential development shall include an affordable housing plan describing how the development will comply with the provisions of this ordinance.

1. No application for a first approval for a residential development may be deemed complete unless an affordable housing plan is submitted in conformance with this ordinance.

2. The affordable housing plan shall be processed concurrently with all other permits required for the residential development. Before approving the affordable housing plan, the approval body shall find that the affordable housing plan conforms to this ordinance. A condition shall be attached to the first approval of any residential development to require recordation of the Affordable Housing Agreement described in Section 7430 of the Zoning Ordinance prior to the approval of any final or parcel map or building permit for the residential development.

3. The approved affordable housing plan for a residential development, or for a building phase in a residential development, where phasing has been approved as part of a discretionary permit approvals, may be amended prior to issuance of any building permit for the residential development or building phase, if applicable. A request for a minor modification of an approved affordable housing plan may be granted by the Director of Planning & Development Services if the modification is substantially in compliance with the original affordable housing plan and conditions of approval. Other modifications to the affordable housing plan shall be processed in the same manner as the original plan. An affordable housing plan shall include, but not be limited to, the following:

   i. The number of affordable housing units proposed, with specific calculations detailing the application of any inclusionary credit adjustment;

   ii. The unit square footage, and number of bedrooms for market rate and affordable housing units and tenure (ownership or rental);

   iii. Detailed plot plan showing location of all affordable housing units

   iv. Amenities and services provided, such as daycare, transportation, job training/employment services and recreation;

v. Level of affordability for affordable housing units (very low, low or moderate);

vi. Schedule for production of dwelling units. The schedule must comply with Section 6340.c. 3.

vii. Incentives requested

Section 5. Section 7430 of the San Diego County Zoning Ordinance is hereby amended to read as follows:

SEC. 7430 ~~DENSITY BONUS~~/AFFORDABLE HOUSING AGREEMENT

a. Agreement Required. The applicant shall enter into a contract with the Department of Housing and Community Development, to the satisfaction of the Director of Planning & Development Services, agreeing to the specific terms and conditions of the Density Bonus/Affordable Housing Program or the Affordable Inclusionary Housing Program and to periodic inspections of the housing by County employees. The provisions contained within the agreement shall be enforceable by the County, and a violation of the agreement shall constitute a violation of this Ordinance. The property owner shall execute a ~~Density Bonus/~~Affordable Housing Agreement and must provide a copy of the recorded restriction for the inclusionary housing units prior to any of the following:

i. The County taking a ministerial action with regard to the project.

ii. The County's issuing a discretionary permit for the project. ~~issued in conjunction with a Density Bonus/Affordable Housing application, including tentative maps. The permit shall contain a condition detailing the actions required for compliance with the Density Bonus/Affordable Housing Program and with the terms of the application~~.

iii. Each final map or parcel map shall bear a note indicating the method of compliance with the requirements of the Density Bonus/Affordable Housing Program and stating that an affordable housing agreement shall be recorded prior to issuance of a building permit with respect to each parcel created by the map.

iv. No building permit shall be issued for a residential unit until the applicant has demonstrated ~~compliance with the Density Bonus/Affordable Housing Program through~~ recordation of an Affordable Housing Agreement, including providing a copy of the recorded restriction for the inclusionary housing units

b. Execution of Agreement.

i. Following ~~Board approval of the agreement and~~ execution of the Affordable Housing Agreement by all parties, the County shall record the completed agreement on the parcels created by the final or parcel map at the County Recorder's Office.

ii. The approval and recordation shall take place at the same time as recording of the final or parcel map or, where a map is not being processed, before issuance of a building permit.

iii. The agreement shall be binding on all future owners, developers, and/or successors-in-interest.

Section 6. This ordinance shall take effect and be in force thirty days after its passage, and before the expiration of fifteen days after its passage, a summary hereof shall be published once with the names of the members of this Board voting for and against it in the _________, a newspaper of general circulation published in the County of San Diego.

APPROVED AS TO FORM AND LEGALITY
Claudia G. Silva, County Counsel

By: Suedy Alfaro, Senior Deputy County Counsel

Attachment B – INCLUSIONARY HOUSING ECONOMIC ANALYSIS

AECOM Imagine it. Delivered.

Inclusionary Housing Study for the County of San Diego

Final Report

January 20, 2023

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The County of San Diego

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This document may include "forward-looking statements." These statements relate to AECOM's expectations, beliefs, intentions, or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "will," "should," "seek," and similar expressions. The forward-looking statements reflect AECOM's views and assumptions with respect to future events as of the date of this study and are subject to future economic conditions and other risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including, without limitation, those discussed in this study. These factors are beyond AECOM's ability to control or predict. Accordingly, AECOM makes no warranty or representation that any of the projected values or results contained in this study will actually be achieved.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions, and considerations.

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1. Executive Summary

1.1 Overview

Unincorporated San Diego County is in a housing crisis. Household income growth has lagged housing cost growth, and an estimated one in two households spends more on housing than considered financially sustainable by the Department of Housing and Urban Development (HUD) standards. The lack of housing affordability is attributable mainly to housing production that has fallen behind population growth and regional housing production goals, which has caused the price of scarce housing supply to be bid up. This is particularly true for lower income housing, as jurisdictions throughout the county have failed to meet RHNA production goals and provide the conditions for affordable housing to be developed.

To help address this need for housing, AECOM was retained by San Diego County Planning & Development Services (PDS) to assess the potential and prepare recommendations for an inclusionary housing program applicable to both GPA and GP-Compliant projects.

1.2 Inclusionary Housing Program Opportunity

Inclusionary housing, also known as inclusionary zoning, refers to jurisdictional ordinances that require a share of units in a residential development to be set aside as income-restricted affordable.

Inclusionary housing is widely represented in the San Diego region. As of 2022, 10 of 18 incorporated cities in San Diego County with 66 percent of County population have mandatory inclusionary housing programs. If the County adopts a mandatory inclusionary housing program, the covered population jumps to 81 percent of the County total. The 10 cities with inclusionary housing policies also account for approximately 79 percent of the 6th Cycle RHNA allocation, which would increase to 83 percent with the adoption of a County policy. The risk of an inclusionary housing program causing developers to bypass development in the unincorporated County area is mitigated by this widespread application.

A literature review of inclusionary housing programs nationwide found that successful programs increase production of affordable housing without having a long-run negative impact on housing production overall. Successful programs typically feature the following characteristics:

- Program elements closely calibrated with a jurisdiction's market and regulatory conditions.
- Access to incentives and offsets to help developers make up for the reduced revenue that results from inclusion of affordable units.
- Flexible compliance options such as in-lieu fees, off-site development, or land dedications that may be used in conjunction with or instead of on-site provision of affordable units.
- Streamlining of regulatory barriers and entitlement processes to facilitate implementation of inclusionary requirements.

1.3 Feasible Affordable Set-Asides

AECOM employed development feasibility analysis based on static pro forma models to explore the potential for unincorporated county residential projects to support inclusionary housing. Twenty-nine scenarios at different set-aside percentages and levels of affordability were tested for feasibility on prototypical GP-Compliant for rent, GP-Compliant for sale, and GPA projects.

The analysis found that 6 of the 29 set-aside scenarios met standards of feasibility for GP Compliant for sale,12 of 29 for GP Compliant for rent, and 26 of 29 for GPA. AECOM further narrowed this set down to the scenarios that provide the highest subsidy value as reflected by in-lieu fee equivalents. They are:

GP-Compliant For Sale:	10% Low Income *or* 5% Low Income + 10% Moderate Income
GP-Compliant For Rent:	15% Low Income *or* 5% Very Low Income + 5% Low Income + 10% Moderate Income
GPA:	5% Very Low Income + 15% Low Income *or* 10% Very Low + 5% Low + 5% Moderate *or* 8% Very Low Income + 6% Low Income + 6% Moderate Income

To be consistent with best practices and the findings of the economic analysis, the set-aside requirements should be implemented with the following additional considerations:

- Affordable units covenanted for 55 years or longer.
- Flexible compliance options that may be used instead of or in combination with on-site affordable housing development, including in-lieu fees, off-site development, land donations, and rehabilitation of existing projects for affordable housing.
- For GP-Compliant projects, the program should be applicable to the entire unincorporated County Area except for the area designated as Subarea 5, which comprises the North Mountain, Mountain Empire, and Desert Community Plan Areas. For GPA projects, the program should be applicable to the entire unincorporated County area without exceptions.

The in-lieu fee schedule is derived from the set-aside scenarios to represent the cost the developer would incur to provide the required affordable units on site. The fee is applied by multiplying a project's total market-rate square feet by a fee rate[1]:

GP-Compliant For Sale:	10% Low: $21.37 *or* 5% Low + 10% Moderate: $22.08
GP-Compliant For Rent:	15% Low: $24.32 *or* 5% Very Low + 5% Low + 10% Moderate: $24.44.
GPA:	5% Very Low + 15% Low: $43.13 *or* 10% Very Low + 5% Low + 5% Moderate: $42.81 *or* 8% Very Low + 6% Low + 6% Moderate: $42.15

1.4 Analytical Considerations

This study is based on estimates, assumptions, and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the Client and the Client's representatives.

As such, the document may include "forward-looking statements." These statements reflect AECOM's views and assumptions with respect to future events as of the date of this study and are subject to future economic conditions and other risks and uncertainties. Actual and future results and trends could differ materially from those set forth in such statements due to various factors, including, without limitation,

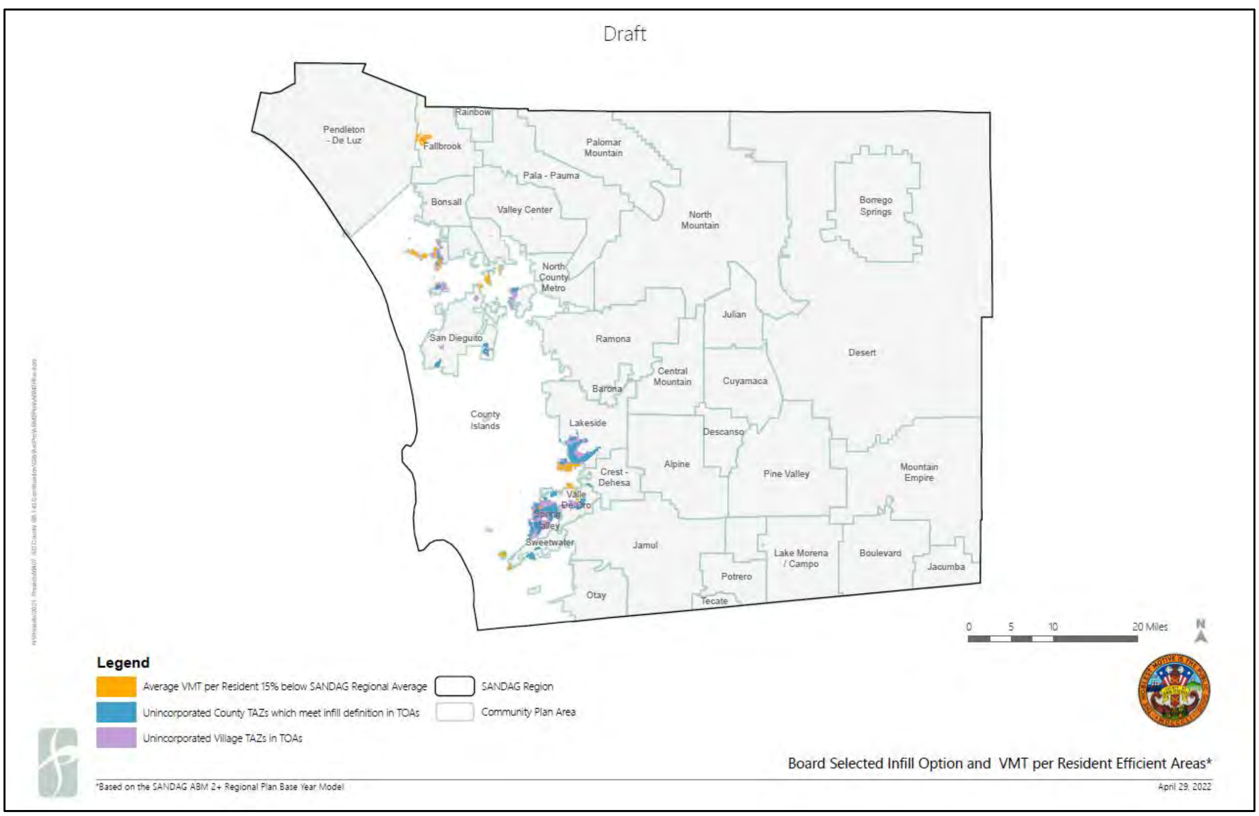
[1] The in-lieu fee is applied to a project's market-rate square feet (where market rate square feet are calculated as if the affordable set-aside scenario has been applied). Density bonus units do not incur the fee.

those discussed in this study. These factors are beyond AECOM's ability to control or predict. Accordingly, AECOM makes no warranty or representation that any of the projected values or results contained in this study will be achieved.

Readers should bear in mind several factors that could have a meaningful impact on the study's forward-looking statements, as follows below.

Vehicle Miles Travelled (VMT): The County is currently analyzing potential program options to lower the Vehicle Miles Travelled (VMT) generated by new development in the unincorporated County. The plan is part of a larger effort to address goals of the Climate Action Plan and to develop a framework for the entire San Diego Region. Starting in 2020 under SB 743, California state law has required jurisdictions to use VMT to evaluate the transportation-related environmental impacts of any given project and develop reduction and mitigation measures to address these impacts. New development will be evaluated on VMT generation, which is calculated by estimating the average number of miles future residents will travel daily. One potential program option could include financial disincentives (impact fees) on residential growth in areas with high estimated VMT values. A de-facto moratorium or mitigation fee on development in high VMT areas could impact the decisions of developers and landowners and alter the number, residential type, and location of future housing unit growth in the County. Figure 1 shows the areas of the unincorporated County where the Board has ruled no such mitigation measures will be applied, because it is expected that development in these areas will cause no significant VMT generation.

Figure 1: Areas Exempt from VMT Mitigation Measures



The exempted areas, which include those with below-average VMT generation, Infill Transit Opportunity Areas, and Villages within Transit Opportunity Areas, represent only a small portion of the County's development capacity according to the current General Plan. VMT measures could impact the financial feasibility of an inclusionary housing program by adding additional costs to development or changing the expected value of land within and outside of these areas.

Alternatively, considerations for VMT can be incorporated into the inclusionary housing program to the following components:

- minimum threshold for ordinance applicability
- minimum project set-aside.
- geographic area eligible for offsite development
- land dedication
- geographic application of incentives.

Inflation: At the time research for this study was conducted, the United States housing sector was experiencing historically high inflation. To assure the recommendations reflect the economic dynamics of the housing market at equilibrium, revenue and cost assumptions were based on the 2020-2021 period. While these cost and revenue assumptions do not reflect the very latest market measures, they encompass a stable economic relationship between unincorporated area supply and demand that can serve as a foundation for analysis. However, if inflation continues to grow at a high rate without stabilizing, and if median income and housing values do not keep pace, housing development economics will become more challenging, and the set-aside requirements recommended in this study could increase the burden on developers.

2. Overview and Organization of the Report

In April 2018, the San Diego County Board of Supervisors directed County staff to investigate options to accelerate home construction in the unincorporated county and promote housing affordability through incentive programs and reduction in regulations. The directive led to the *Report on Options to Improve Housing Affordability,* submitted in October 2018. The report identified 19 actions in five categories to address housing needs.

AECOM was retained by San Diego County Planning & Development Services (PDS) to conduct analysis for three actions identified in the *Report on Options to Improve Housing Affordability* that explore strategies for encouraging production of housing for low income and middle-income households:

1. PI-1: Density Bonus Program/Option 2: Prepare Middle-Income Density Bonus Program.
2. PI-2: Affordable and Inclusionary Housing Programs/Option 1: General Plan Amendment Affordable Housing Program: 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.
3. PI-2: Affordable and Inclusionary Housing Programs/Option 2: GPA Inclusionary Housing Ordinance: Consider requiring large GPA projects (over 50 units) to provide a minimum percentage of units as affordable. This option would establish a minimum 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.

Both options for PI-2 were to explore the possibilities for affordable housing development through an ordinance that would, "Require developers to provide an affordable housing component when requesting a General Plan amendment for a large-scale residential project when this is legally permissible." "Large" projects are considered those with 50 or more units.

In February 2021, County and AECOM staff presented findings from this first phase of analysis, including program recommendations, to the Board of Supervisors. The Board then gave direction to:

> "Develop an Inclusionary Ordinance (pre-determined set aside) based on options for an Inclusionary Ordinance applicable to all housing projects of all sizes above a minimum threshold including options for incentives and reforms to help facilitate construction of affordable housing."[2]

In August 2021, the Board of Supervisors gave further direction to:

> "Explore the potential to capture up-zoning land value windfalls through an inclusionary housing program focused on County general plan amendments (GPAs)."[3]

In response to this BOS direction, AECOM has prepared the following report analyzing the potential for an inclusionary housing program for all residential development in the unincorporated areas of the County, inclusive of GP-Compliant and GPA projects.

The report is organized in the following sections:

1. **Executive Summary**: Key Findings
2. **Overview:** Background of County Board of Supervisors direction and summary of the organization of the report.

[2] County of San Diego Board of Supervisors, Wednesday, February 10, 2021, Minute Order No. 4; Subject: General Plan Workshop
[3] County of San Diego Board of Supervisors, Tuesday, August 31, 2021, as part of the Transformative Housing Solutions

3. Inclusionary Housing Literature Review: A case- and literature-based review of best practices for the design of inclusionary housing programs; includes assessment of program implementations at peer jurisdictions.
4. GPA Policy Peer Jurisdiction Review: A review of the policy frameworks through which peer jurisdictions couple affordable housing requirements with General Plan Amendment projects.
5. Market Assessment: An evaluation of socio-economic trends and residential supply and demand factors that make up the market context for housing production in the unincorporated county area.
6. Public Outreach: A summary of findings from three Zoom workshops and telephone interviews with residential land use professionals and.
7. GPA Case Studies: An overview of how up-zoning creates land value and GPA history in the unincorporated County.
8. Economic Analysis: Technical evaluation of the feasibility of a range of potential inclusionary housing set-aside requirements.
9. In-Lieu Fee Analysis: An overview on in-lieu fee methodologies and analysis to derive an in-lieu fee schedule tied to different potential inclusionary housing set-aside requirements.
10. Summary of Findings: Program policy concepts for inclusionary housing for consideration by Staff and the Board of Supervisors.
11. Appendix: Backing technical analysis used in preparation of the report, a glossary of terms, and a bibliography.

3. Inclusionary Housing Literature Review

Chapter 3 features a review of recent literature about inclusionary housing and an assessment of established inclusionary housing programs at peer jurisdictions to identify precedents and best practices for consideration by the County of San Diego.

3.1 Trends in Inclusionary Housing

3.1.1 National Trends

The first inclusionary housing program to be successfully implemented in the United States was in Fairfax County, Virginia, in 1971. Since then, hundreds of programs in 28 states have been developed. Counting and tracking these has been difficult, however. Authors of a recent comprehensive recent study of inclusionary housing programs[4] qualify findings heavily due to a lack of consistent and comprehensive data. Key findings from the study include the following:

- There are 1,379 programs in 791 jurisdictions spread over 28 states among survey respondents. Of these, the states of New Jersey (45%), Massachusetts (27%), and California (17%) contribute the majority.
- The first program was established in 1971. The 2000s decade saw the greatest increase in the number of programs.
- 40 percent of surveyed jurisdictions report having more than one inclusionary program, which is defined broadly to include all programs that support production of affordable housing.
- Roughly half of all programs surveyed do not have a minimum development size threshold that triggers compliance requirements.
- Surveyed jurisdictions indicate that minimum required set-aside percentages vary widely and are typically staggered by affordability level. The range generally falls between 5 percent and 35 percent.
- Over 90 percent of inclusionary programs deed-restrict the affordable units to terms of 30 years or longer.
- A summary of affordable housing production from 675 jurisdictions responding to the survey is 173,707 units, an average of 257 units per jurisdiction. In addition, 373 responding jurisdictions reported generating $1.7 billion in in-lieu fees (over the full life of the program), an average of $4.6 million per jurisdiction.
- Many surveyed jurisdictions could not provide information on total affordable units and fees produced because of a lack of consistent accounting or standardized approaches for attributing sources for affordable housing production.

3.1.2 Local Trends

As of 2022, 10 of 18 incorporated cities in the County of San Diego have mandatory inclusionary housing programs in place, as shown in Table 1. This means 67 percent of the population resides in jurisdictions with such a program, a figure that increases to 82 percent if the County adopts one as well. The 10 jurisdictions currently with inclusionary housing policies also account for approximately 79 percent of the 6th-cycle RHNA allocation. Adding the unincorporated county area increases this share to 83 percent.

[4] Emily Thaden and Ruoniu Wang: "Inclusionary Housing in the United States: Prevalence, Impact, and Practices." Lincoln Institute of Land Policy, 2017.

Furthermore, several jurisdictions (Escondido, Vista, Lemon Grove) are currently studying options to adopt an inclusionary housing program in the future.

Overall, most residential development in the County of San Diego is subject to mandatory affordable housing requirements. This likely means that the risk of developers choosing to develop outside the County to avoid the obligation is diminishing. A County program, if adopted, would continue this trend.

Table 1: County Jurisdictions by Inclusionary Housing Program, RHNA Allocation, and Population

	RHNA Allocation[1]	Total Population[2]
Jurisdictions with Inclusionary Housing		
Carlsbad	3,873	114,622
Chula Vista	11,105	267,503
Coronado	912	21,683
Del Mar	163	4,322
Encinitas	1,554	63,158
Oceanside	5,443	177,362
Poway	1,319	50,207
San Diego	108,036	1,419,845
San Marcos	3,116	95,768
Solana Beach	875	13,938
Subtotal	**136,396**	**2,228,408**
% of San Diego Region Total	*79%*	*67%*
Jurisdictions without Inclusionary Housing		
El Cajon	3,280	105,557
Escondido	9,607	151,478
Imperial Beach	1,329	28,163
La Mesa	3,797	61,261
Lemon Grove	1,359	26,834
National City	5,437	62,257
Santee	1,219	56,994
Vista	2,561	103,381
Unincorporated County	6,700	513,123
Subtotal	**35,289**	**1,109,048**
% of San Diego Region Total	*21%*	*33%*

(1) San Diego County 6th Cycle Alloaction and Population 2021-2029
(2) SANDAG 2018 Estimates
Source: SANDAG, AECOM

3.2 Inclusionary Housing Characteristics and Success Factors

3.2.1 Challenges to Determining Best Practices

Several issues make it difficult to compare existing inclusionary housing programs to determine definitively why and how they succeed or fail. These issues include:

- Different motivations and goals between jurisdictions: While the impetus in some jurisdictions for inclusionary housing comes from communities demanding more housing diversity and affordability, other jurisdictions do so from regulatory pressures to encourage more affordable housing production, which can result in a program designed more to satisfy legal requirements than generate affordable units.
- Non-standard classification and inconsistent record-keeping: Inclusionary housing is typically one of many programs a jurisdiction will employ to encourage housing production. While jurisdictions usually track affordable housing inventory, they do not often attribute the source of new units to one program or another. Furthermore, because incentives from many sources may be combined to help fund production (e.g.: in-lieu fees and Low income Housing Tax Credits may be combined to help finance a 100 percent affordable project), attribution to one program or another is difficult.
- Different underlying market conditions between jurisdictions and over time. Because inclusionary housing policies rely heavily on private market investment, program success often tracks market conditions. For example,

a program established in 2008 or 2009 during the Great Recession would likely have underperformed a program established during the market rebound in 2010 or 2011.

3.2.2 General Best Practices

As a body of evidence from long-established programs has formed, several general themes for successful programs have emerged:

- Tailor program to area-specific market and regulatory conditions: Inclusionary housing programs closely calibrated to a jurisdiction's market and regulatory conditions and—where applicable—to distinctions between sub-areas do best in producing affordable units without having adverse impacts on housing production. This typically entails, at minimum, conducting an economic feasibility study before establishing set-aside requirements. Many earlier inclusionary programs were adopted without feasibility studies or otherwise close consideration of market factors, and as result, did not achieve desired goals.
- Flexible compliance options: Programs that offer a wide range of alternative compliance options such as in-lieu fees, off-site development, land dedications, or a range of set-aside AMI tiers typically perform better than those that don't, because flexibility allows developers to pursue a wider and more creative range of strategies to satisfy policy goals.
- Provide incentives and offsets. Programs that offer a broad range of options that help developers recoup revenues lost to rent-restricted units show little evidence of having an adverse impact on overall housing production,[5] whereas evidence exists that programs lacking incentives may suppress overall production. These can include reduced or waived permitting fees, expedited or ministerial entitlement and approvals, and density bonuses.
- Reductions in regulatory barriers to development: Regulatory barriers may increase development costs or limit flexibility to use offsets and incentives for affordable housing development that, if lowered, can help inclusionary housing programs be more effective. For example, height limits present challenges to applying density bonuses where building taller represents the only feasible means of applying them. Lengthy discretionary approval processes may discourage developers from seeking offsets and incentives to which they are otherwise entitled. Building parking in a residential development is costly, and high mandatory parking requirements increase the development cost burden.
- Alternative and complementary affordable housing programs within jurisdiction: Jurisdictions that offer a wide range of tools to support affordable housing production typically have more effective inclusionary housing programs, because the alternatives give developers additional resources to help fund development. Furthermore, key stakeholders in these jurisdictions are typically more committed to the goals of housing affordability, which leads to stronger community support, a more knowledgeable development community, and better Staff capability to leverage all available financing tools.
- Phasing: A phasing-in of program parameters and/or minimum thresholds may help ensure a smooth transition for transactions and projects currently under development or in process.

3.2.3 Inclusionary Housing and the California State Density Bonus Law

The most successful inclusionary zoning programs provide the developer with concessions or incentives that can lower development cost and/or increase revenue to help offset revenues lost due to the affordable units. This is the approach taken by the California State Density Bonus Law (SDBL) (found in California Government Code Sections 65915 – 65918). which provides a graduated schedule of concessions and density bonuses in exchange for increasing levels of affordable set-aside. Most mandatory inclusionary programs in California simply adopt the density bonus and concessions schedule provided by the SDBL to supplement the set-aside requirements.

[5] Jenny Schuetz, Rachel Meltzer & Vicki Been (2009) 31 Flavors of Inclusionary Zoning: Comparing Policies From San Francisco, Washington, DC, and Suburban Boston, Journal of the American Planning Association, 75:4, 441-456, DOI: 10.1080/01944360903146806

Key aspects of the SDBL are as follows.

- The SDBL is a mechanism that allows developers to increase project density beyond what is otherwise allowed by local jurisdictions through building or donating land for affordable units. By setting aside a portion of units as affordable, a developer can qualify for a density bonus that increases the allowable project density.
- In 2020, California expanded the SDBL to require cities and counties to comply with new rules that increase maximum bonuses and other benefits. Under the new law, the maximum bonus increases from 35 percent to 50 percent (for mixed-income projects). The maximum density bonus for 100 percent affordable projects is 80 percent.
- The state mandate requires all jurisdictions to grant a density bonus where developer applications satisfy all criteria for eligibility, even where the additional density may conflict with land use regulations. Consequently, jurisdictions should expect under a mandated inclusionary housing requirement, developers will take advantage of the SDBL to build higher density projects that may not fully comport with community standards or character. This is an inevitable compromise that connects use of the SDBL to mandatory inclusionary housing programs.
- The amount of density bonus an applicant may qualify for is set on a sliding scale based on the percentage of affordable units for very low income, low income, and moderate income households. These income levels are calculated through Area Median Income (AMI), which is a measure prepared by the U.S. Department of Housing and Urban Development (HUD) for use in gauging household eligibility for affordable housing. Additionally, the SDBL has bonuses for seniors, foster youth, disabled veterans, the unhoused, and college students, though these rates are flat and limited. See Table 83 in the Appendix for the schedule of available density bonuses at different levels of affordable set-aside.
- Cities and counties must also provide one or more incentives or concessions to each project that qualifies for a density bonus. Examples of an incentive or concession include a reduction in site development standards, such as reduced parking, approval of mixed-use zoning, or other regulatory concessions that result in identifiable and actual cost reductions. See Table 84 in the Appendix for a schedule of Incentives and Concessions provided by the State.
- Cities and counties have previously expanded on the SDBL by lowering the thresholds for incentives and concessions. Typically bonuses from the SDBL and other programs such as inclusionary housing are not cumulative, and jurisdictions must use either local use local or state benefits, but not both.
- While there are no specific density bonus exemptions from the California Environmental Quality Act (CEQA), some projects are candidates for exceptions. Common exemptions used for projects include urban infill (CEQA Guidelines Section 15332), housing projects near transit stops (CEQA Guidelines Section 15195), and affordable housing projects up to 100 units (CEQA Guidelines Section 15194). State law stipulates that density bonus projects are a ministerial decision and not subject to CEQA. However, many of the underlying projects may require a discretionary review that would be subject to CEQA.

3.2.4 Program Parameters

Inclusionary housing programs vary widely by compliance triggers, set-aside requirements, use of submarket areas, permanence mechanisms, alternative compliance options, and the availability of offsets or incentives to developers. The following typical program parameters are discussed below: compliance requirements, sub-area variation, set-aside requirements, alternative compliance, covenant period, and incentives and offsets.

3.2.4.1 Compliance Requirements

- Mandatory or Voluntary. Mandatory programs require all residential projects subject to program requirements to comply, which guarantees that every market-rate project contributes to affordable housing production. Voluntary programs give developers a choice in providing affordable units in exchange for incentives like added density. According to a 2021 study, approximately 70 percent of U.S. inclusionary housing programs are mandatory, compared to 30 percent voluntary. Furthermore, the mandatory programs typically apply to both for-sale and for-rent units, although a small minority designate either for-sale or for-rent projects as mandatory and the remaining as voluntary.[6]

- Compliance Triggers: Most inclusionary housing programs provide an exemption for projects below a specified unit threshold. Thresholds typically range between 1 and 50 units. The most common minimum threshold range is between 5 and 10 units. Some programs set the threshold as low as 1 or 2 units, for which compliance is enabled through an in-lieu fee. Some jurisdictions have different set-aside percentages for projects in different size categories under the assumption that larger projects are better able to absorb the cost imposed by a higher set-aside requirement.
- Comparability: Most programs require inclusionary housing units to be comparable in size and quality. Some may provide flexibility for set-aside units to be smaller, but usually only if aggregate area meets or exceeds the requirement. Some may also allow for inclusionary units to have different bedroom mix, but usually only if the number of provided bedrooms is greater than for the non-inclusionary units. Additionally, a few jurisdictions allow for different interior finishes, features, and appliances as long as the interior components are of durable quality and are consistent with contemporary new housing standards. Affordable dwelling units are typically dispersed to the maximum extent possible to avoid over-concentration in a development and should not appear as a separate product from the overall development. Offsite units must also be of similar size, appearance, materials, and finished quality. Though some of these standards may be modified at the discretion of the city on a project-by-project basis such as by modifying the appearance of units to fit the architectural style and physical characteristics of a given neighborhood.

3.2.4.2 Sub-Area Variations

Many programs, especially those with large and diverse terrain that encompasses multiple residential sub-markets, feature program compliance requirements that differ by sub-area.

- Sub-area requirements may reflect differences in market economics. For example, a sub-area may feature higher set-aside requirement because high market rents provide a greater source of subsidy for rent-restricted units than in sub-areas with lower rents.
- Sub-area requirements may also reflect land use regulations. A sub-area with higher permitted densities is more likely to be able to support affordable housing and reach economies of scale by taking advantage of density bonus incentives.
- Sub-areas may also be defined to provide exemption from compliance requirements entirely. These may correspond to areas that for economic, regulatory, or policy reasons are not a feasible source of support for affordable housing. For example, an area with little new development activity and low market rents that cannot support market-rate development will be even less able to support development that's encumbered with an inclusionary set-aside requirement. Alternatively, an area under a larger discretionary permit such as a specific plan area may have affordability requirements that supersede a regional inclusionary program.
- Sub-area exclusions may also be employed in areas with significant natural, historic, archeological and scenic resources where the provision of affordable housing may neither be feasible nor desirable.
- Jurisdictions may also use sub-area variations to promote policy goals, such as Transit Oriented Development (TOD) or mixed-income development in areas lacking housing diversity.
- To assure clarity and ease of implementation, it is important that the number of sub-area boundaries are clear and comprehensible and that the number of sub-areas be kept as low as is feasible to adequately reflect sub-market variances. Some jurisdictions do not vary requirements by sub-area to make their program easily comprehensible or where such distinctions are unnecessary or undesirable. The use of sub-areas must align with the jurisdiction's housing market and policy goals.

[6] Wang, Ruoniu, and Sowmya Balachandran. "Inclusionary housing in the United States: dynamics of local policy and outcomes in diverse markets." *Housing Studies* (2021): 1-20.

3.2.4.3 Set-Aside Requirements

Jurisdictions establish requirements for inclusionary programs tailored to their demographics and residential markets. This includes considerations of household incomes and whether development creates products that are for-sale or for-rent.

- Household Income level: Required affordable set-asides are typically scheduled by AMI tiers, which reflect census data at the local level, published by HUD and updated annually. Typical AMI tiers for which inclusionary housing programs schedule set-asides are Very Low income households (<50 percent AMI), Low Income households (50-80 percent AMI), and Moderate Income households (80-120 percent AMI). In addition, some programs also include options for workforce housing or middle-income housing. These are not standardized by income tier and typically fall in a wide range of between 60 percent and 150 percent AMI. For example, the County of Los Angeles mandates a set-aside for for-sale development targeting an average household income of 135 percent AMI.
- For-Sale vs. For-Rent: Programs typically set different set-aside schedules for rental and sale projects. Rental project set-aside requirements may be more concentrated in lower-income tiers than for-sale project requirements. For example, the City of San Diego requires a 10% set-aside at 60% AMI in for-rent developments and either a 10% set-aside at 100% AMI or 15% set-aside at 120% AMI in for-sale developments. Counties and cities often set higher AMI limits for for-sale units than rental units because of market prices. It is usually more feasible for a household earning 50-80 percent of AMI to rent a unit than purchase a home. For-sale units also typically cost developers more to produce. The resulting policy for most jurisdictions allows developers serve a higher-income group that reduces the burden of the inclusionary for-sale program while still serving a real affordable-housing need.

3.2.4.4 Alternative Compliance Options

Jurisdictions that impose mandatory inclusionary housing programs are required to provide alternative options to on-site site construction of affordable units.[7] These alternative options allow flexibility for developers and the opportunity for jurisdictions to further tailor their programs to meet policy goals.

- Onsite Development: Most jurisdictions offer both onsite and off-site compliance options. Onsite compliance can promote policies of creating mixed-income communities and, through specified requirements, ensure the quality and location of the inclusionary units are equal to the market rate units. Onsite compliance allows for added density through the SDBL or other density bonuses that may be offered. The SDBL also allows for additional incentives and concessions that make the development of onsite units feasible and more attractive to developers. Where development displaces very low, low, and moderate income households, it's typical for jurisdictions to require onsite development over other compliance methods.
- Offsite Development: Offsite compliance allows for flexibility and permits developers multiple options to comply with mandatory ordinances. Offsite development may offer economic advantages, as 100 percent affordable projects have access to financing tools that market-rate projects do not. For example, developers can leverage tools such as Low Income Housing Tax Credits, a joint venture with a qualified affordable housing developer, and the use of an affordable housing credit bank. For some jurisdictions, an affordable housing developer can combine inclusionary requirements from multiple market-rate developments. Offsite units may also help circumvent the challenges presented by increasing density in areas that may not be able to accommodate it. Still, offsite developments must also contain the equivalent number of units and bedrooms as required for on-site compliance. Typically, jurisdictions stipulate that offsite development occur in a location not far from the primary project, such as within a narrow radius, within the same planning area, or within the same sub-area. Alternately, program rules may seek to focus off-site development in areas that are consistent with jurisdiction goals for compact development and for co-location with transit and job centers. Many programs offer flexibility to comply through a mixture of both onsite and offsite development.
- In-Lieu Fees: Most jurisdictions provide an in-lieu fee option. The in-lieu fee must be calibrated to match a target percentage of set-aside. Depending on policy goals, an in-lieu fee can be set to represent an equivalent cost to building a unit on-site (typically calculated as the value gap between an affordable and market-rate unit), which offers a developer the maximum flexibility in complying with policy. Alternately, a fee that is lower than the cost of providing a unit onsite will provide an incentive to pay it, while a higher fee may compel onsite development. Many

[7] AB 1505 requires jurisdictions with mandatory inclusionary housing programs to provide alternative compliance options

programs offer flexibility to mix affordable unit development (both onsite and offsite) with payment of fees and other alternative compliance options. A more thorough discussion of in-lieu fees follows in Section 9.

- Acquisition and Rehabilitation: The acquisition and rehabilitation of existing residential units into very low or low income units is an option offered by most jurisdictions. Rehabilitation as a compliance mechanism includes the acquisition and rehabilitation of existing affordable units, or the conversion of market-rate units to affordable units. Jurisdictions may require the after-rehab value to exceed 25% of the market-value of the units after the rehabilitation is completed. Is it also common to require a physical needs assessment for each affordable dwelling unit, the property upon which the units are located, and any associated common area. Other stipulations may also apply to qualify the building acquired for renovation, such as evidence of substantial building code violations, abandonment, or long-term vacancy.
- Linkage Fees: An alternative to standard inclusionary housing programs is a housing impact or linkage fee program. Linkage fees are established through a nexus study that estimates how new demand for affordable housing may result from new commercial or market-rate residential development. Compared with the requirements for establishing an inclusionary housing and/or an in-lieu fee program, a linkage fee program represents a high analytical hurdle that may be subject to legal challenge if the nexus is not adequately proven. Furthermore, because the nexus requirement is generally based on job creation, high fee collections rely on high levels of commercial development; for areas with a greater concentration of residential development, this may result in a relatively small yield. A linkage fee program based on commercial development may be implemented in tandem with an inclusionary housing program. For example, the City of San Diego collects linkage fees for non-residential development, while residential development is subject to its inclusionary housing policy. Some jurisdictions assess linkage fees on residential development as well as commercial development. In these instances, the linkage fee program represents an alternative to an inclusionary housing program.
- Land Dedication: Most jurisdictions offer land dedications or donations as an alternative compliance option. Typical among cities and counties, land dedications must be of an equivalent value or greater than the in-lieu fees that otherwise would be required by the applicant's development. This land if often donated to a nonprofit agency or to the city. Land dedications must follow local inclusionary housing guidelines, approval from the city or county, and may also be required to be in the same market area. Like off-site production, land dedicated for affordable housing can allow for a greater production of affordable units than would have been possible on-site. These units also have the potential to be funded through tax credits or bonds.
- Accessory Dwelling Units: An approach adopted by several jurisdictions in San Diego County includes the acquisition of Accessory Dwelling Units (ADUs) off-site as an alternative to on-site affordable units or provision of on-site ADUs as affordable units. The primary advantage of ADU units is flexibility and cost effectiveness. One key disadvantage is ADUs may not meet the standard of comparability that affordable on-site units should match the size and quality of market-rate units.

3.2.4.5 Covenant Period

All programs specify a covenant period that preserves units as affordable for a defined length of time. Many older programs specified covenant periods of 30 years, but the recent the trend has been to stipulate longer periods, and 45 years, 55 years, and perpetuity covenants are now commonplace. Most jurisdictions use a housing commission or housing authority to monitor compliance.

3.2.4.6 Incentives and Offsets

To encourage compliance and mitigate potential negative impacts to the financial bottom line of proposed residential development, jurisdictions offer additional incentives and offsets to improve the feasibility of development.

- Density Bonus Unit Density and Floor to Area Ratio (FAR): All jurisdictions in California must comply with the SBDL and allow density bonuses according to the state schedule, which establishes allowable density bonuses for the minimum threshold of set-asides for Very low, Low, and Moderate Income tiers. Jurisdictions can further their housing policy goals by allowing additional compliance options for targeted household income levels, increasing density bonuses, or lowering the minimum threshold of set-asides. Some jurisdictions codify additional bonuses in their own set-aside schedules while others allow for a discretionary process to grant concessions, incentives, offsets, and additional density bonuses on a case-by-case basis.

- **Fee Reduction:** Jurisdictions levy fees on new development to recoup costs including staff time to process permits as well as to pay for infrastructure needed to support new development. These fees can take the form of development impact fees, housing impact fees, traffic impact fees, and others. In order to lower impediments to affordable housing development, some jurisdictions reduce or waive fees that apply to affordable housing development. Reduction/waiver commonly applies only to the affordable units, but discretionary processes allow for further case-by-case negotiation.
- **Expedited Processing:** Due to high carrying costs of land and tight schedules for development, some jurisdictions allow for expedited processing or priority processing for projects with inclusionary housing. This typically entails making certain approvals by-right or reducing timelines for project review, which allows developers to bring projects to market faster. These programs can have specialized city staff, significantly shorter staff review times, and priority on hearing dockets among other benefits.
- **Relaxed Development Standards/Design Guidelines:** The SDBL mandates that jurisdictions grant concessions or incentives to developers that qualify for density bonuses through affordable housing set-asides. The jurisdiction is required to grant the concession/incentive unless it finds the proposed concession does not result in actual cost reductions, causes public health, safety, or environmental problems, damages historical property, or is contrary to the state and federal law. Potential incentives include reduction of parking requirements, development standards pertaining to setbacks, heights and other zoning codes, or the approval of mixed-use land designations. The menu of options can be detailed in the jurisdiction's ordinance or subject to legal precedent or development feasibility analyses.
- **Administration:** Successful inclusionary housing programs have clear guidance and administrative procedures. This can often include an administrative manual and a regular schedule of program updates. A periodic reevaluation and update is important to assure that program parameters track changes in the real estate market. Typical update intervals include 5 years for the program as a whole and annually for in-lieu fees. The in-lieu fee schedule may also be indexed to a common register such as the construction cost index.

3.3 Comparable Inclusionary Housing Programs

3.3.1 Overview

A comparison of existing Inclusionary Housing Programs provides insights into options available for San Diego County. The 12 programs reviewed include seven city programs and five county programs, each tailored to the market dynamics and demographic needs of the jurisdictions they serve, which differ in terms of political, geographical, and socio-economic variables.

3.3.2 General Program Characteristics

See Table 2 for a summary of general program characteristics for each of the 12 programs reviewed.

- 9 of 12 jurisdictions profiled have in the last three years established or updated inclusionary zoning programs. The affordable housing crisis in California, coupled with stronger demands from Sacramento for enforcement of RHNA standards, has led to a growing interest by jurisdictions in inclusionary housing.
- Riverside County is the only jurisdiction of the 12 profiled with an entirely voluntary inclusionary housing policy. The City of Carlsbad program is mandatory for for-sale projects and voluntary for rental projects (unless the rental project seeks a density bonus or other development incentives). All others are mandatory for both rental and sale projects.
- Minimum project sizes that trigger compliance range from 1 to 50. Typically, those with lower thresholds allow payment of in-lieu fees to comply.

Table 2: Inclusionary Program General Information by Comparable Jurisdiction

	Established/ Last Revised	Mandatory/Voluntary	Project Size Trigger
Cities			
Carlsbad	1993/2000	Mandatory (For Sale) Voluntary (For Rent)	1 unit
Chula Vista	1981/2015	Mandatory	50 units
Long Beach	2021	Mandatory (but some subareas excluded)	10 units
Oceanside	1991/2020	Mandatory	3 (different set-asides for projects sized 10-19 and >20 units)
Pasadena	2001/2020	Mandatory	10 (different set-asides for projects 10-19 and >20 units)
San Diego	2003/2020	Mandatory	10 units
San Jose	2010/2021	Mandatory	10 (different set-asides for projects 10-19 and >20 units)
Counties			
Los Angeles	2020	Mandatory (but some subareas excluded)	5 (different set-asides for projects sized 5-15 and >15 units)
Riverside	2013	Voluntary	Discretionary
San Luis Obispo	2008/2019	Mandatory	1, 2, 11 (depending on sub-area)
Santa Barbara	2019/2021	Mandatory	20 units
Santa Clara	1992/2020	Mandatory	10 units
Density Bonus Law	1979/2020	Voluntary	NA

3.3.3 Minimum Set-Aside

See Table 3 for a summary of set-aside requirements for each of the 12 programs reviewed.

- Minimum compliance for mandatory programs ranges from 5 percent to 20 percent. The lowest minimum corresponds to the very low household income tier (the 5 percent minimum set-aside at 40 percent AMI for Los Angeles County). No jurisdictions except LA County have programs that target the very low income tier.
- 10 of 12 jurisdictions profiled provide compliance options to set aside units for moderate income households (80 percent-120 percent AMI). Moderate Income set-aside requirements apply mainly to for-sale units.
- Set-asides for-rental and for-sale projects fall into two categories between peer jurisdictions. The first, Chula Vista and Carlsbad, have identical minimum set-asides for-rental and -sale projects. All the remaining jurisdictions maintain separate requirements between ownership and rental units.
- San Luis Obispo County, the only jurisdiction to do so, reduces inclusionary housing requirements by 25 percent if a project's inclusionary requirements are met through either on-site housing for residential units, on-site housing for commercial or industrial projects, or if the development of affordable housing occurs within incorporated city limits.
- Newer inclusionary housing programs including San Luis Obispo and the City of San Diego incrementally phase-in set-asides over five years.
- Most jurisdictions stipulate that the size, quality, number of bedrooms, access, and other characteristics must be equal between the inclusionary and market-rate units.

Table 3: Affordable Set-Aside Requirements by Comparable Jurisdiction

	Rental Projects	Sale Projects
Cities		
Carlsbad	15% at 50%-80% AMI	15% at 50%-80% AMI
Chula Vista	10%: 5% at 50%-80% AMI and 5% at 80%-120% AMI	10%: 5% at 50%-80% AMI and 5% at 80%-120% AMI
Long Beach	11% at 30-50% AMI.	10% at 100% Moderate Income
Oceanside	10% at Low Income	10% at Low and Moderate Income
Pasadena	5% at very low income, 5% at low income, and 10% at moderate income	20% at moderate income
San Diego	10% averaging 60% AMI	10% averaging 100% AMI or 15% averaging 120% AMI
San Jose	5% at 100% AMI, 5% at 60% AMI, 5% at 50% AMI, or 10% at 30% AMI	15% at 120% of AMI
Counties		
Los Angeles	"5-15 Units: 5% at 40% AMI (avg.) or 7% at 65% AMI or 10% at 80% AMI.	
Riverside	>15 Units: 10% at 40% AMI (avg.) or 15% at 65% AMI or 20% at 80% AMI"	"5-15 Units: At 135% avg. AMI between 0% and 10% depending on sub-area.
San Luis Obispo	>15 Units: At 135% avg. AMI between 5% and 20% depending on sub-area. "	
Santa Barbara	N/A	15% at 50%-80% AMI or 25% at 80%-120% AMI or 80% average area price
Santa Clara	Coastal Zone. 15% @ 50%-80% AMI or 15% @ 80%-120% AMI	Coastal Zone A: 5% at 30%-50% AMI, 5% at 50%-80%, 5% at 80-120%, and 5% at 120-150%. Coastal Zone B: 15% at 50-80%. Inland Zone: 2% at 30%-50% AMI, 2% at 50%-80%, 2% at 80-120%, and 2% at 120-150%
Density Bonus Law	N/A	2.5% Very Low Income, 2.5% Low income, 5% Moderate income, 5% Workforce

3.3.4 Sub-Area Variations

See Table 4 for a summary of how different jurisdictions treat sub-areas.

- 9 of 12 jurisdictions profiled include sub-areas with different set-aside requirements and compliance options. For example, Los Angeles County has 6 subareas, Carlsbad 4, San Luis Obispo County 2, and the City of San Diego 2.
- Inclusionary set-aside requirements change for each sub-area except for Carlsbad. These requirements reflect market conditions, growth management, and a wide variety of physical characteristics within a jurisdiction.
- Though not included in the set of peer jurisdictions, many cities also maintain sub-area variations for the calculation of in-lieu fees.

Table 4: Geographical Sub-Area Variation by Comparable Jurisdiction

	Onsite Unit Requirements: Sub-Areas	In-Lieu Fee Schedule and Options: Sub-Areas
Cities		
Carlsbad	4 sub-areas	No
Chula Vista	2 sub-areas	No
Long Beach	3 sub-areas	3 sub-areas
Oceanside	Yes	Yes
Pasadena	No	6 sub-areas
San Diego	2 sub-areas	No
San Jose	2: strong and moderate market areas	2: strong and moderate market areas
Counties		
Los Angeles	6 sub-areas	NA
Riverside	No	
San Luis Obispo	2 sub-areas	No
Santa Barbara	3: CBD, high-density priority, medium-high density	3: CBD, high-density priority, medium-high density
Santa Clara	No	Yes
Density Bonus Law	N/A	N/A

3.3.5 Alternative Compliance Options

See Table 5 for a summary of how alternative compliance options are addressed in different jurisdictions.

- 10 of the 12 jurisdictions profiled provide options for **off-site development** with rules for where offsite units can be located. Some require units to be developed in the general vicinity of the project, either within a pre-set distance, planning area geography, or political jurisdiction. Others stipulate off-site to development to be near critical infrastructure such as transit. The City of San Diego, City of Chula Vista, and San Luis Obispo County grant exceptions if the development assists in meeting other goals such as providing economically balanced communities, transit-oriented development, or a unique public benefit that might not otherwise occur. For example, San Diego requires that the number of offsite units be increased by 5 percent over on-site units. Chula Vista additionally prohibits the use of the off-site option in areas of low and moderate income concentration, which ensures affordable units will be built in areas with more resources, including access to jobs and education. Off-site units must also mirror the quality and design of market-rate units, although there are exceptions when modifying the appearance of units to fit the architectural style of a neighborhood. Three of these jurisdictions explicitly note that developers may partner with another developer, such as an affordable housing developer, to meet off-site inclusionary requirements.
- Only Riverside and Santa Barbara Counties in the set do not provide an **in-lieu fee** option. In-lieu fees are typically developed to align with a target percentage set-aside. Of the 5 jurisdictions that allow compliance through the in-lieu fee, only San Luis Obispo County differentiates between sub-areas: for-sale developments in the Coastal Zone have an in-lieu fee for dwelling units larger than 900 square feet, while developments in the Inland areas have an in-lieu fee for dwelling units larger than 2,200 square feet. All jurisdictions offering in-lieu fees allow mixing in-lieu fees with other compliance alternatives and the fees are pro-rated to reflect their share of the total compliance obligation.
- **Land Dedication:** 6 of the 12 jurisdictions allow for compliance through a land dedication or donation. The land must either have an equivalent value as the in-lieu fee or be zoned for development suitable to meet the minimum requirements of the inclusionary ordinance. Sacramento and San Luis Obispo Counties stipulate land dedications must be in the same market area as the project and must follow site specific characteristics such as proximity to an existing or planned transit stop or proximity to a public elementary, middle, or high school. San Luis Obispo County further mandates the dedicated land shall be donated to a nonprofit or for-profit developer acceptable to the County that is willing to develop affordable housing on the land. The County will also reduce the inclusionary housing requirement by 25 percent if the inclusionary requirements are met on donated land within the urban limits of an incorporated city in the county. Other jurisdictions do not stipulate the location of the land, but rather mandate that the land dedicated is either of equal value to the applicable in-lieu fee or the land can accommodate the applicable units (Lot Size, General Plan Development Capacity, Zoning). The City of San Diego allows land dedication based on market value, and the City of Pasadena based on development capacity.
- The **rehabilitation of existing units** as a compliance option found in 7 of the 12 jurisdictions. This can be achieved through the acquisition and rehabilitation of existing affordable units, or the conversion of market-rate units to affordable units. Rehabilitation of dwelling units is typically done in the same market area with a few exceptions. San Diego also requires a physical needs assessment for each dwelling unit, the premises where the affordable dwelling units are located, and for any associated common area. The City of San Diego stipulates that the rehabilitation process cannot result in a net increase of dwelling units on the premises. Additionally, the city requires that the value of each affordable dwelling unit after rehabilitation work is 25 percent or more than the value of the dwelling unit prior to rehabilitation, inclusive of land value.
- **Commercial Linkage or Non-residential Housing Impact Fees**: Several of the jurisdictions collect linkage fees from commercial or non-residential development that contribute to the funding of affordable housing development. Linkage fees are established by nexus studies to mitigate the impact of new development on housing costs for lower-income households. No jurisdictions have both in-lieu fees for set-aside requirements and linkage fees for residential development, as they would be redundant.[8] The City of Los Angeles currently collects linkage fees for

[8] Prior to the 2020 adoption of an Inclusionary Housing Ordinance in the County of Los Angeles, both non-residential and residential linkage fees were considered but not pursued. Studies found that non-residential linkage fees would generate insignificant funds, and residential linkage fees would likely produce fewer affordable units than an inclusionary housing ordinance. Their conclusions are consistent with the national study carried out in 2015 by the Lincoln Institute that found linkage fees established through nexus

both commercial and residential developments but is in the process of developing a potential city-wide inclusionary housing program.

- Accessory Dwelling Units: 1 of the 12 jurisdictions surveyed and one additional city in the San Diego Region permit the construction of ADUs as an alternative to the provision of on-site affordable units. The City of Encinitas allows ADUs to replace affordable single family homes that would be required by the inclusionary housing ordinance with a maximum of five ADUs per development project. The ADUs are rent-restricted and must be built on-site. The City of Carlsbad allows for the construction of ADUs as an alternative compliance option for projects of more than 200 detached single family units with a maximum of 15 ADUs per development project. The ADUs are rent-restricted (at 70 percent AMI rather than the 80 percent normally required) and must be built on-site. Both programs have proven popular with developers since allowed in 2019.

Table 5: Alternative Compliance Options by Comparable Jurisdiction

	In-Lieu Fee	Off-Site Units	Land Dedication
Cities			
Carlsbad	Yes (<7 units or at City discretion)	Yes (city discretion; in same quadrant)	Yes (city discretion)
Chula Vista	Yes	Yes (excluding areas with low/moderate income)	No
Long Beach	Yes	Discretionary	No
Oceanside	Yes	Discretionary	No
Pasadena	Yes	Discretionary	Yes
San Diego	Yes	Yes (one mile or same community planning area, or +5% additional units > 1 mile)	Yes
San Jose	Yes	Yes	Yes
Counties			
Los Angeles	No	Yes (within submarket area)	No
Riverside	No	No	No
San Luis Obispo	Yes (tiered rate based on unit size)	Yes (within Market Area)	Yes
Santa Barbara	Yes	No	No
Santa Clara	Yes	Yes	Yes
Density Bonus Law	No	Yes	Yes

3.3.6 Other Incentives and Offsets

See Table 6 for a summary of how alternative compliance options are addressed in different jurisdictions.

- 4 of 12 profiled jurisdictions offer the possibility of fee reduction or waiver. These fees typically only include development impact fees. The reduction/waiver option commonly applies only to affordable units in the project, but discretionary processes allow negotiation for exact incentives. The City of Long Beach waives transportation improvement, park and recreation, and police/fire development fees for all affordable units in an inclusionary project. The City of San Diego waives discretionary building permit, development impact, and traffic impact fees for all affordable units. Other jurisdictions, such as the County of Los Angeles, waive fees only for projects that are 100 percent affordable.
- Only the Cities of San Diego and Long Beach provide expedited permit processing as an incentive for compliance with inclusionary housing requirements. However, both of these jurisdictions only allow 100 percent affordable projects to qualify for this incentive. Inclusionary housing projects that are 100 percent affordable are often the result of off-site construction of affordable units or a pooled effort from several projects. The City of San Diego allows developers of projects that are not 100 percent affordable to pay a fee to expedite processing. This typically results in a 50 percent reduction of project processing time.

studies faced significant legal challenges that lead to jurisdictions adopting lower than optimal fee schedules. While inclusionary housing programs establish in-lieu fees through the cost of affordable units, linkage fees are based on the economic impacts identified in nexus studies, for which estimates and subsequent fees are consistently lower relative to the costs of affordable development.

- All profiled jurisdictions offer **reduction or modification of development standards and design guidelines** as an incentive for providing affordable set-asides, which is an incentive also provided by the SDBL, Jurisdictions have flexibility, however, in defining a menu of options for this incentive. These can touch on parking requirements, height and set-back limits, discretionary design reviews, and other measures.

Table 6: Developer Incentives and Offsets for Comparable Programs

	Density Bonus (Beyond SDBL)	FAR Bonus	Fee Reduction	Expedited Processing	Reduced Development Standards	Reduced Design Guidelines
Cities						
Carlsbad	Yes	Yes	Yes	No	Yes	Yes
Chula Vista	Yes	Yes	No	No	Yes	Yes
Long Beach	Yes	No	Yes[1]	Yes	Yes	Yes
Oceanside	No	No	No	No	Yes	Yes
Pasadena	No	No	No	No	Yes	Yes
San Diego	Yes	No	Yes[2]	Yes	Yes	Yes
San Jose	Yes	No	No	No	Yes	Yes
Counties						
Los Angeles	Yes	No	Yes[3]	No	Yes	Yes
Riverside	Yes	No	No	No	Yes	Yes
San Luis Obispo	No	Yes	No	No	Yes	Yes
Santa Barbara	Yes	No	No	No	Yes	Yes
Santa Clara	No	No	No	No	Yes	Yes
Density Bonus Law	NA	Yes	Yes	NA	Yes	Yes

(1) Transportation improvement, park and recreation, police, and fire development impact fees
(2) Discretionary building permit, development impact, and traffic impact
(3) For 100% affordable: building permit and traffic impact fees

3.3.7 Density Bonuses and the State Density Bonus Law

- The profiled jurisdictions fall into two categories in how they relate to the set-asides and incentives provided by the California State Density Bonus Law program (SDBL). The first category, which includes Carlsbad, Chula Vista, Riverside, San Luis Obispo, features programs with density incentives that align with the SDBL schedule but that require a discretionary process to permit an exchange of higher set-asides for higher densities that surpass those allowed in the SDBL. This process usually entails approval of a zoning change and other provisions to address any negative effects that might result from increased density.
- The second category, which includes the City of San Diego and Los Angeles County programs, provides a set schedule with density bonuses that extend beyond those provided by the SDBL. The City of San Diego has lower incentive thresholds for its very low income category, enabling developers to claim more incentives than the SDBL allows. The City also grants 4 and 5 concessions at lower thresholds while the SDBL maxes out at 4 concessions. Los Angeles County incentives also align with the SDBL schedule but has additional incentives for developers who provide extremely low income housing units (30% AMI).
- As outlined in the SDBL, developers may be granted density bonuses through land donations for very low income projects. The SDBL allows for a land donation to be combined with density bonuses granted through affordable housing or senior citizen housing, up to a maximum of 35%. The parcel must be located within the boundary of the proposed development, or with one-quarter mile of the boundary of the proposed development if the jurisdiction agrees.
- Incentives and concessions among all jurisdictions are similar such as reductions in development standards or in design requirements, or approval of mixed-use zoning.

4. GPA Policy Peer Jurisdiction Review

Cities and counties employ a range of regulatory tools to facilitate housing development such as zoning code amendments, special overlays, specific plans, master plans, and general plan amendments. The general plan amendment process is a path for land development projects that seek non-general plan-compliant development. Up-zoning or re-zoning through changes to the zoning code or general plan can increase density, create value, and provide a resource to fund affordable housing, ensure community benefits, and manage growth.

AECOM surveyed ten peer jurisdictions, including five California cities and five California counties, to explore how each couples affordable housing development with the GPA process. The five peer cities include San Diego, Chula Vista, Los Angeles, San Francisco, and Carlsbad; the five peer counties include Riverside, Sacramento, Los Angeles, Placer, and Monterrey. A summary of the comparison is shown Table 7, and the key observations are as follows.

- Eight of the ten jurisdictions have mandatory inclusionary housing programs in place, and a ninth (the City of Los Angeles), has one under development.
- Nine of ten jurisdictions require GPAs to provide affordable housing, and one (Los Angeles County) specifies that some form of community benefit be provided, which may consist of affordable housing.
- Five of ten jurisdictions (Chula Vista, Los Angeles City, Riverside County, Placer County, and Monterey County) require GPAs to provide greater amounts of set-aside than GP-compliant projects. For example, Chula Vista requires projects seeking a land use plan amendment to provide equal or greater public benefit to the community. The City of Los Angeles through Measure JJJ sets inclusionary requirements for projects that request a density increase beyond what is allowed by the State Density Bonus Law or for projects switching land use from non-residential to residential. In Placer County, GP-compliant projects between 8 and 99 units are required to provide a 10% set-aside, whereas projects requiring General Plan Amendments must also provide a 10% set-aside for projects between 1 and 7 units. And in Monterey County, the Inclusionary Housing Program mandates 20% set-asides for GP-compliant projects and 35% set-aside for GPA projects.
- Some jurisdictions have inclusionary requirements in certain subareas where planned unit developments (PUDs) are the norm or only for projects of a certain size. For example, the City of San Diego has separate, higher set-aide requirements for its North City Future Urbanizing Area, where master-planned developments predominate. The City of Chula Vista applies inclusionary housing requirements to projects of 50 units or greater, which make up most of the residential development in the city. In both cases, the cities' reliance on PUDs results in a de-facto inclusionary housing requirement for large residential developments.
- In the five jurisdictions without specific set-asides for GPA projects where discretionary Development Agreements are negotiated on a case-by-case basis, the affordable set-asides are nonetheless typically set at a rate higher than required for GP-compliant projects.

Table 7: Inclusionary Programs for GPA Projects at Peer Jurisdictions

Jurisdiction	Mandatory/Voluntary Inclusionary Housing Program	Are Affordable Set-Aside Requirements for GPA projects different from those for GP-Compliant Projects?
Cities		
San Diego	Mandatory	**No**: However, while citywide inclusionary Program applies equally to all development, projects in the North City Future Urbanizing Area (NCFUA), which is dominated by large PUDs, must provide 20% affordable set-aside compared to 10% in the remainder of the City.
Chula Vista	Mandatory	**Yes**: Set-aside requirements are applied through discretionary Development Agreement (DA) but must be greater than required by GP-compliant projects.
Los Angeles	Voluntary (but Mandatory under development)	**Yes**: Per Measure JJJ, up-zoned GPA projects or parcels converted from non-residential uses must have affordable set-asides
San Francisco	Mandatory	**No**: But as set-aside requirements are applied through discretionary Development Agreement (DA), the set-asides are in practice usually larger than for by-right projects.
Carlsbad	Mandatory	**No**: Set-aside requirements are applied through discretionary Development Agreement (DA), but there is no provision that GPA projects set aside more than GP-compliant projects.
Counties		
Riverside	Voluntary	**Yes**: Incentive Zoning ties up-zoning to affordable for-sale housing. R-6 Residential Incentive Zone allows higher-density residential zoning with an inclusionary housing requirement: 15% Low or 25% Moderate
Sacramento	Mandatory	**No**: But Master Plans in New Growth Areas are required to provide 34.8% new units at 20 DU/AC or more, which provides housing that can be more affordable (if not covenanted).
Los Angeles	Mandatory	**No**: Specific Plans, which are guided through a discretionary Development Agreement (DA), are required to provide community benefits, which may include affordable housing.
Placer	Mandatory	**Yes**: GPA projects must provide 10% set-aside for all project sizes, while GP-Compliant projects require 10% set-aside for projects 100 units or more, and fees for projects between 8-99 units.
Monterey	Mandatory	**Yes**: GP-Compliant projects require 20% set-aside, but GPA projects require 35% set-asides

From this review, it may be concluded that GPA projects at peer jurisdictions are expected to provide a higher inclusionary set-aside than GP-compliant projects.

5. Market Assessment

5.1 Overview

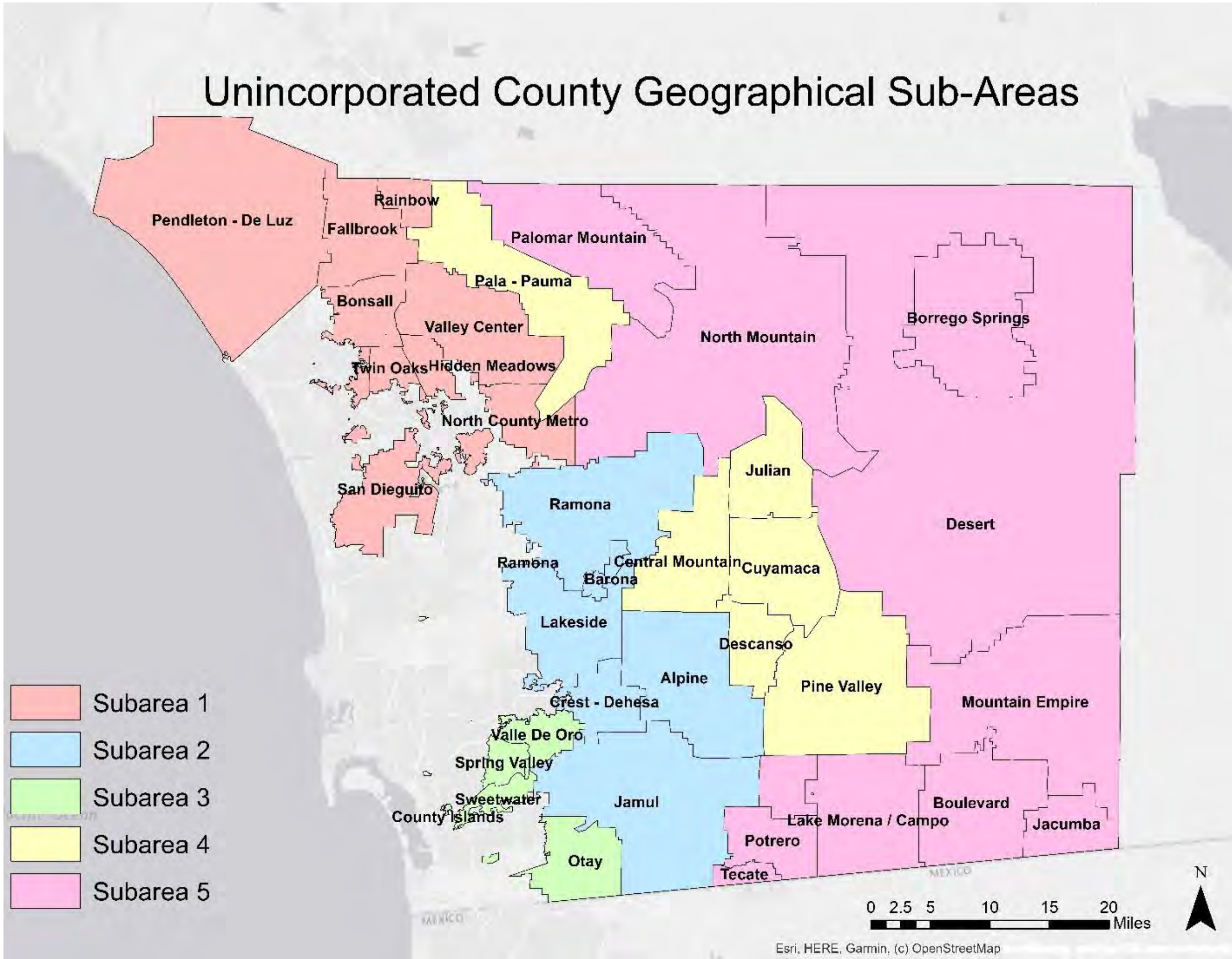
The purpose of this chapter is to evaluate the socio-economic characteristics and residential market trends in the unincorporated County area that inform housing production and provide a foundation for assessing the feasibility of an inclusionary housing program. The analysis draws upon existing housing policy documents such as the California Department of Housing and Community Development State Income Limits for 2022, SANDAG Regional Housing Needs Assessment (6th Housing Element Cycle), the adopted Housing Element of the County's General Plan, and the County of San Diego's 2018 report on Options to Improve Housing Affordability in the unincorporated area.

5.2 Geographic Subareas

The unincorporated area occupies a large proportion of total county area and features many submarkets with unique economic conditions. As noted in Section 4, inclusionary housing programs at some jurisdictions feature set-aside and in-lieu fee schedules differentiated by geographical sub-area where underlying conditions warrant.

To explore whether the San Diego County inclusionary housing program should differentiate between submarket area, AECOM assessed market and socioeconomic conditions in five discrete geographies, which correspond to major political, geographical, and market boundaries. Subarea 1 features the northern-most CPAs, Subarea 2 corresponds to the most centrally located CPAs, and Subarea 3 references the southern-most CPAs. Subarea 4 describes a generally mountainous portion of the County, while subarea 5 corresponds to the County's least-settled areas. Subareas 1 through 5 are shown in Figure 2. (For the remainder of this document, the total county area inclusive of both unincorporated and incorporated areas is referred to as the "County" or "San Diego County," and the unincorporated area is referred to either by sub-area, as the "unincorporated area," or as the "unincorporated county.")

Figure 2: Geographical Sub-Area Map



Source: ESRI, AECOM

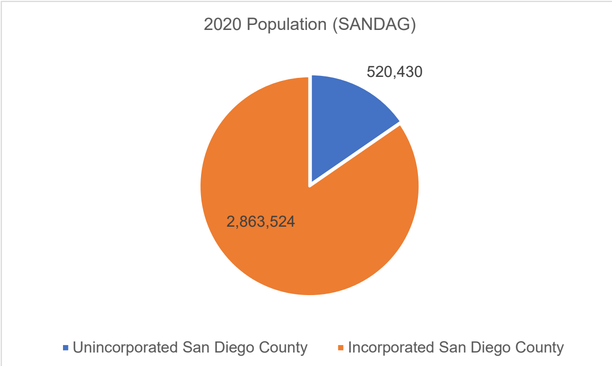
5.3 Population, Employment, and Income

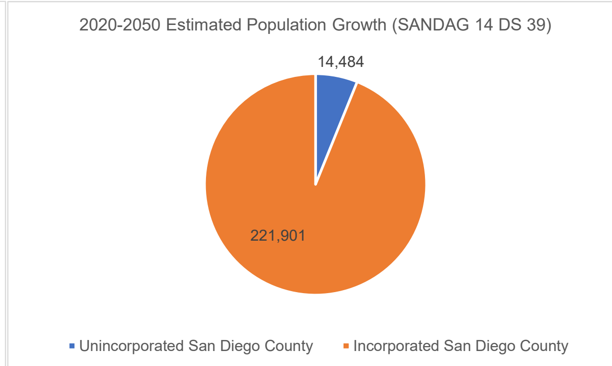
Population, employment, and income trends provide the basis for understanding residential demand in the unincorporated area and sub-areas.

- As indicated in Figure 3, the unincorporated area has a population of 520,0430, which is equivalent to 15% of the County population of 3,383,954. From 2020 to 2050, SANDAG (14 DS 39) projects the unincorporated area to capture 6% of population growth, indicating expected slower growth in the unincorporated area.[9]

[9] Projected future growth comes from SANDAG's Regional Growth Forecasts, which rely on the interaction of four models: (1) Demographic and Economic Forecasting Model, (2) Interregional Commute Model, (3) Urban Development Model, and (4) the Transportation Forecasting Model. The growth forecasts indicate that the areas in the east of the unincorporated County are likely to grow faster than those of the north and south because of current trends in employment and housing growth, land use designations, and transportation patterns.

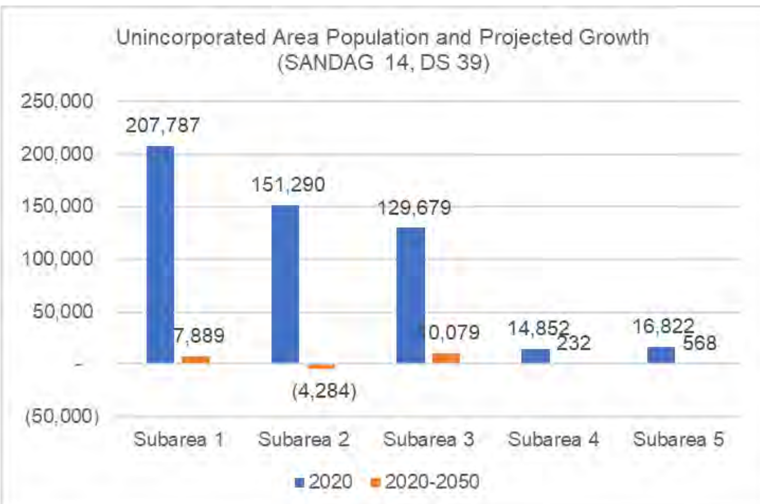
Figure 3: Population and Forecast, Incorporated and Unincorporated Areas, 2020-2050

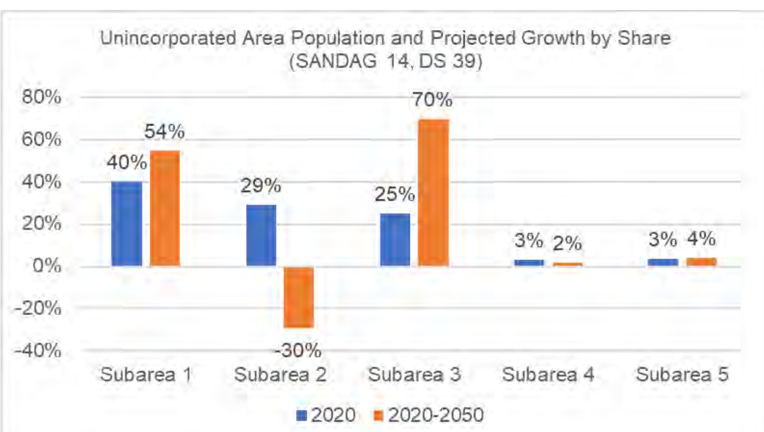




- Figure 4 shows that Subarea 1, Subarea 2, and Subarea 3 contribute most of unincorporated area population. SANDAG projects Subarea 1 and Subarea 3 to also capture most new growth through 2050 and Subarea 2 to lose a significant amount of population.

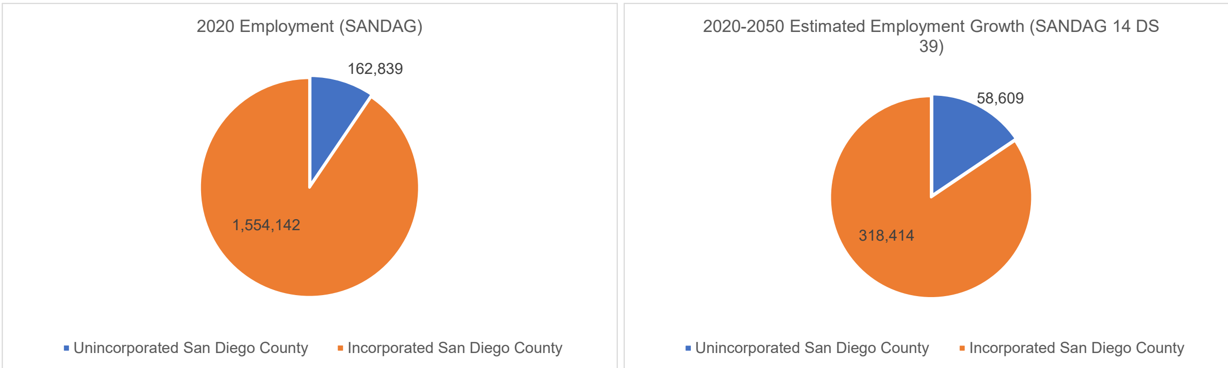
Figure 4: Population and Forecast by Sub-Area 2020-2050





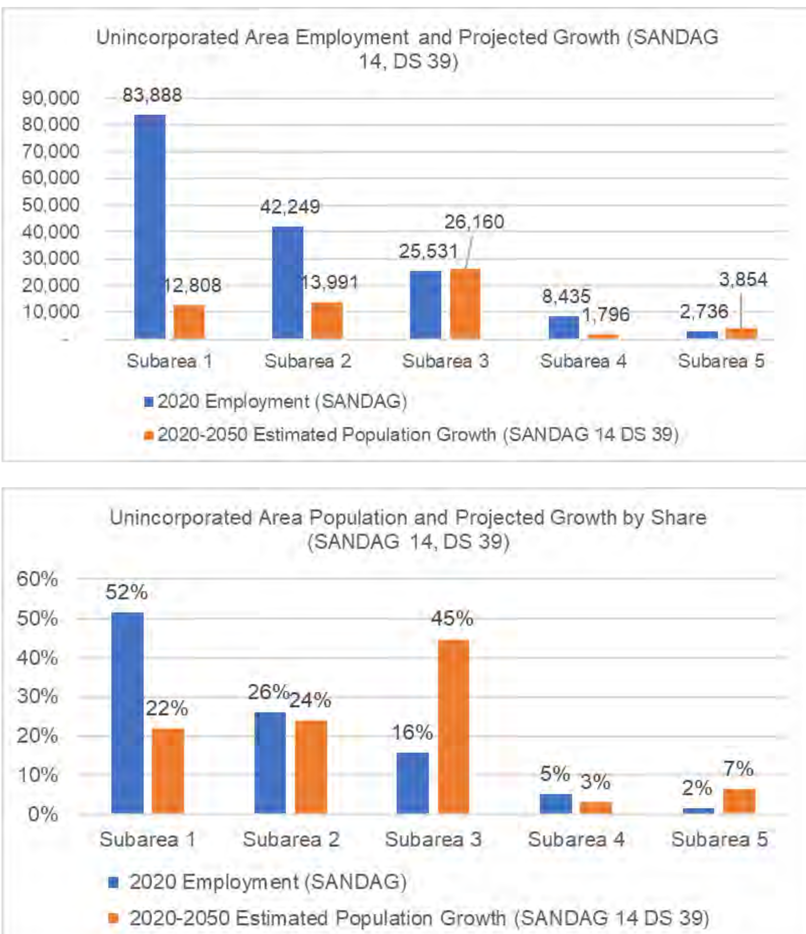
- Figure 5 shows current unincorporated area employment of 162,839, which is 95% of total County employment. Projections indicate that unincorporated area employment will grow faster through 2050 than in the incorporated area.

Figure 5: Employment and Forecast, Incorporated and Unincorporated Areas, 2020-2050



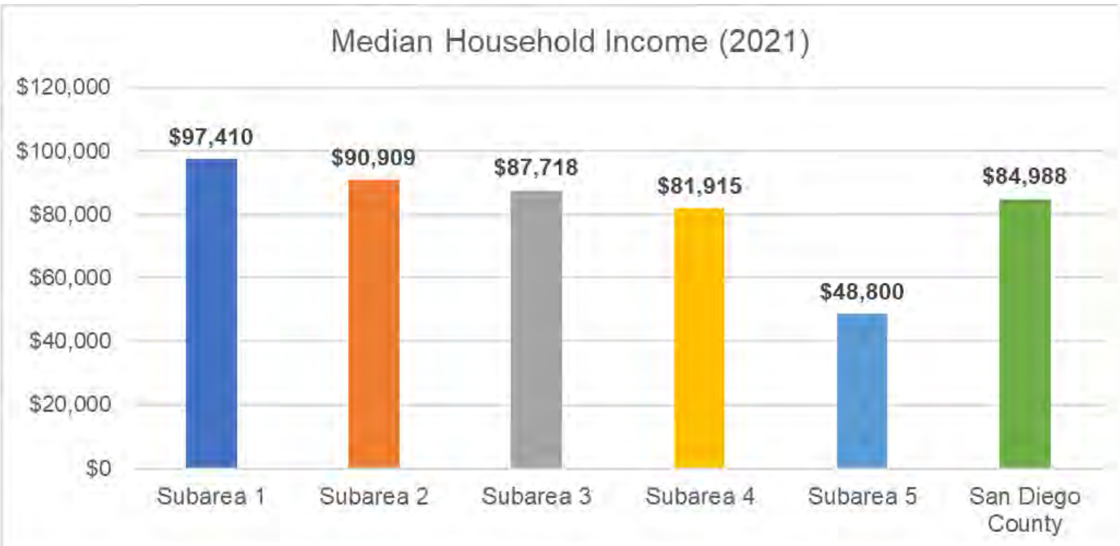
- Figure 6 shows that Subarea 1, Subarea 2, and Subarea 3 contribute 151,668 jobs representing 94% of the unincorporated area. SANDAG projects Subarea 3 (Otay Mesa in particular) will capture most new growth through 2050, followed by Subarea 2 and Subarea 1.

Figure 6: Employment Forecast by Sub-Area 2020-2050



- In all the prior illustrations, Subarea 4 and Subarea 5 are revealed as relatively modest contributors of population and employment.

Figure 7: Median Household Income (All Households) by Sub-Area



Source: ESRI

- As shown in Figure 7, Subarea 1, Subarea 2, and Subarea 3 exceed the County average while Subarea 4 and Subarea 5 lag it.[10]

5.4 Residential Supply Characteristics

This section documents historical and pipeline trends in residential supply production to obtain insight into current and future market-supported residential uses in the unincorporated area.

5.4.1 Housing Inventory

Table 8: Housing Inventory and General Plan Capacity

	2021 Inventory		General Plan Capacity			Inventory Growth 2011-2021		
	Units	Share of Total	Total Capacity	Remaining Capacity	Remaining % Total	Units	CAGR	Share of Capacity
Subarea 1	67,442	38%	91,828	24,386	41%	4,500	0.69%	5%
Subarea 2	55,770	31%	70,940	15,170	25%	2,032	0.37%	3%
Subarea 3	42,146	23%	47,418	5,272	9%	577	0.14%	1%
Subarea 4	6,076	3%	8,993	2,917	5%	176	0.29%	2%
Subarea 5	8,315	5%	20,747	12,432	21%	140	0.17%	1%
Total Uninc. Area	**179,749**	**100%**	**239,926**	**60,177**	**100%**	**7,425**	**0.42%**	**3%**
Source: County of San Diego Planning and Development Services, AECOM								

- According to PDS and the County's Housing Production and Capacity Portal, the unincorporated area has approximately 180,000 residential units as of 2021. Of these, the Subarea 1 contributes 38%, Subarea 2 31%, Subarea 3 23%, Subarea 4 3%, and Subarea 5 5%.
- The County General Plan has capacity for approximately 240,000 residential units, which means the unincorporated area is approximately 75% built out. The largest share of the 60,000 units of remaining capacity is in Subarea 1 with 41 percent, followed by Subarea 2 at 25 percent, Subarea 5 at 21%, Subarea 3 9%, and Subarea 4 at 5%.

[10] County median income is a different measure than Area Median Income (AMI), which is referenced in Table 14. Median income is derived from a base of all households in the County regardless of household size, while AMI, a measure prepared by HUD for use in gauging household eligibility for affordable housing, is based on a four-person household. For 2021, the AMI in the San Diego-Carlsbad Metropolitan Statistical Area (MSA) for a family of four is $106,900.

Table 9: Residential Development 2011-2021 by Type and Sub-Area

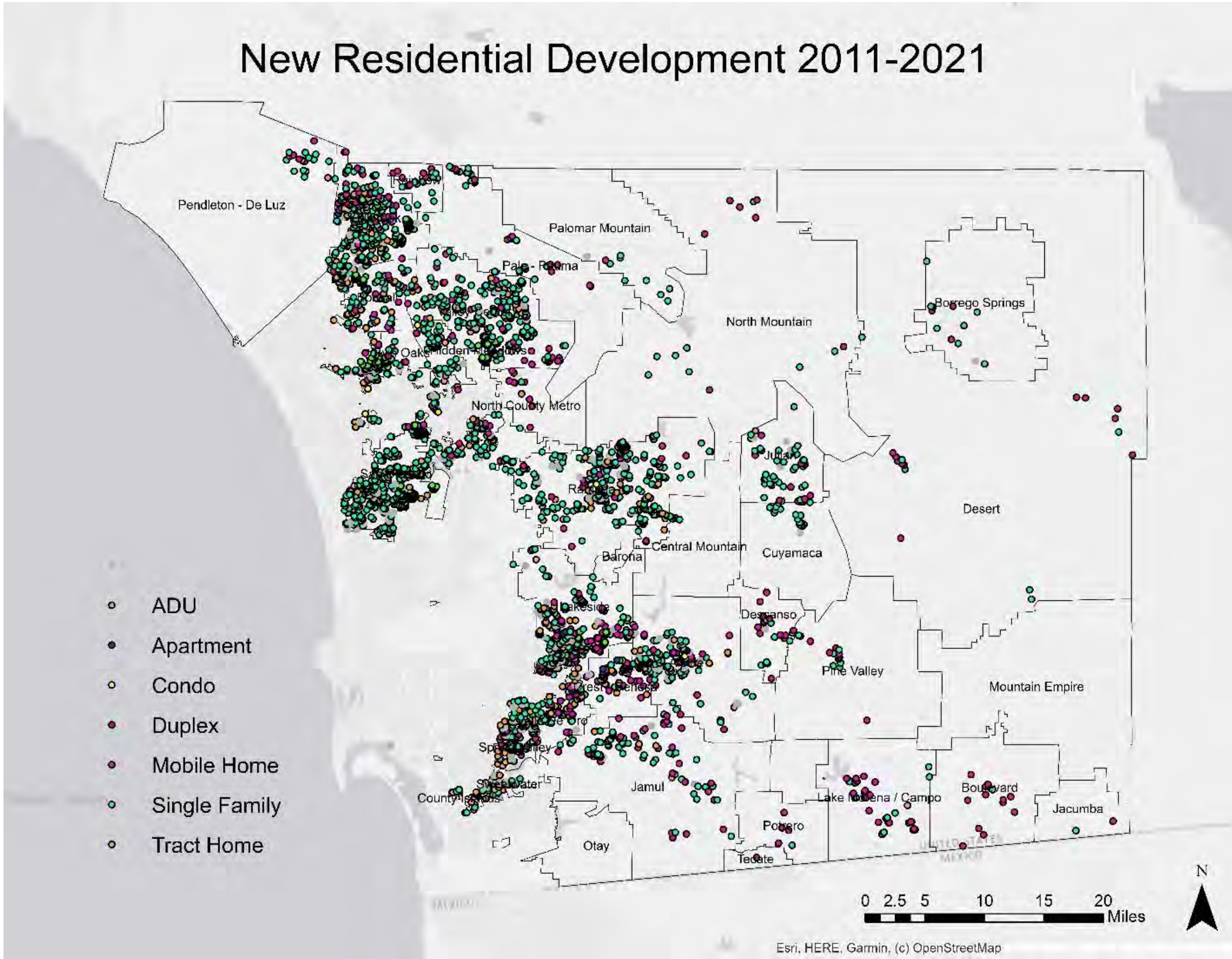
	Subarea 1		Subarea 2		Subarea 3		Sub Area 4		Subarea 5		Total Unincorporated County	
	Units	% Total	Units	% Total	Units	% Total	Units	% Total	Units	% Total	Units	% Total
Single Family	1,284	29%	756	37%	174	30%	106	60%	50	36%	2,370	32%
Tract Home	2,403	53%	368	18%	75	13%	0	0%	0	0%	2,846	38%
Duplex/Condominium	200	4%	107	5%	40	7%	3	2%	0	0%	350	5%
Apartment	68	2%	148	7%	92	16%	0	0%	0	0%	308	4%
Mobile Home	273	6%	428	21%	73	13%	53	30%	85	61%	912	12%
ADU/Guesthouse[1]	250	6%	207	10%	113	20%	7	4%	3	2%	580	8%
Miscellaneous[2]	22	0%	18	1%	10	2%	7	4%	2	1%	59	1%
Total Dwelling Units	**4,500**	**100%**	**2,032**	**100%**	**577**	**100%**	**176**	**100%**	**140**	**100%**	**7,425**	**100%**

(1) Category will be reorganized in the future to remove reference to guesthouses, which are no longer counted as housing units by the county, and to add Junior ADUs as a separate category.
(2) Includes multiple building permit types where completed dwelling units were recorded, including: lodges, fraternity and sorority houses, hotels, motels, tourist cabines, and pool houses.
Source: San Diego County Building Permits Data, AECOM

- According to County Permits Data[11], from 2011 to 2021, unit inventory in the unincorporated area grew approximately 4.3 percent.
- Most recent development (61%) occurred in Subarea 1, followed by Subarea 2 (27%), Subarea 3 (8%), Subarea 4 (2%), and Subarea 5 (2%)
- Approximately 32 percent of inventory growth between 2011 and 2021 was in the Single Family Detached category. Attached housing (Duplexes/Condominium plus Apartments) contributed 9 percent of growth, while Mobile Homes added 12 percent.
- Broken out by sub-area, Subarea 1 overwhelmingly added Single Family Detached Units and Tract Homes with a combined 82 percent of growth in the sub-area in these categories alone. Subarea 5 added 85 Mobile Homes, 61% of its inventory. Subarea 3 saw the most balanced mixed of residential growth, with no one category exceeding 30% of total growth.

[11] Note: figures for total residential unit growth between 2011 and 2020 in the unincorporated area differ slightly by data source, with figures from Permits Data shown in Table 9 close to but slightly lower than figures from PDS shown in Table 8.

Figure 8: New Development 2011-2021 by Type and Sub-Area



Source: San Diego County Building Permits, AECOM

5.4.2 Residential Development Pipeline

Table 10: County Housing Development Pipeline by Type

	Subarea 1		Subarea 2		Subarea 3		Sub Area 4		Subarea 5		Total Unincorporated	
	Units	% Total	Units	% Total	Units	% Total	Units	% Total	Units	% Total	Units	% Total
Single Family	78	16%	42	30%	17	24%	9	69%	2	29%	148	20%
Tract Home	307	62%	18	13%	6	8%	0	0%	0	0%	331	46%
Duplex/Condominium	9	2%	1	1%	0	0%	1	8%	0	0%	11	2%
Apartment	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mobile Home	16	3%	23	17%	1	1%	2	15%	3	43%	45	6%
ADU/Guesthouse[1]	83	17%	51	37%	45	63%	0	0%	1	14%	180	25%
Miscellaneous[2]	3	1%	3	2%	2	3%	1	8%	1	14%	10	1%
Total Dwelling Units	**496**	**100%**	**138**	**100%**	**71**	**100%**	**13**	**100%**	**7**	**100%**	**725**	**100%**

(1) Category will be reorganized in the future to remove reference to guesthouses, which are no longer counted as housing units by the county, and to add Junior ADUs as a separate category.
(2) Includes multiple building permit types where completed dwelling units were recorded, including: lodges, fraternity and sorority houses, hotels, motels, tourist cabines, and pool houses.
Source: San Diego County Building Permits Data, AECOM

- San Diego County Building Permits Data indicates a total of 725 units in the development pipeline[12] in the unincorporated area. If built, these will increase inventory by 0.7% percent.
- Most of the pipeline (68%) is in Subarea 1, followed by Subarea 2 (19%), Subarea 3 (10%), Subarea 4 (2%), and Subarea 5 (2%)
- The development pipeline generally reflects the product mix from the 2011 to 2021 period. Single Family Detached Units make up 20 percent of the total, while Tract Homes constitute 46%. Attached housing (Duplex/Condominium plus Apartments) consists of 2 percent of the pipeline.
- ADU/Guesthouse units, making up 25% of the pipeline, is the only category exhibiting significant change from the prior period, which saw 6 percent of units in this category.
- The geographical pattern of development for pipeline units continues historical development trends from 2011-2021, which saw new development concentrated in the western portion of the unincorporated sub-areas and along major freeways.

5.4.3 GPA Market Trends Analysis

This section considers how trends in GPA growth have differed from GP-compliant growth in the unincorporated county area.

- As indicated in Table 11, General Plan Amendment (GPA) Projects have been a significant source of residential growth, contributing more than 20,000 dwelling units in 51 projects to the County's housing inventory, including more than 1,800 units between 2011 and 2021.
- While most GPA projects change land use designation to Specific Plan Area (SPA), others adopt standard County land use designations. Some SPA projects were not created through an amendment to the General Plan or were initiated by the County. For this reason, there is a close correlation between GPA and SPA projects, but they are not always the same.
- The CPAs with the largest shares of the current GPA dwelling unit inventory are San Dieguito (41%), Valle de Oro (24%) and Fallbrook (11%).
- Several GPA projects are completely built out, whereas others have yet to break ground. For example, Valle de Oro has a large inventory but no remaining GPA capacity, and large approved projects at Otay and Jamul-Dulzura have yet to initiate construction.
- The most active GPA projects from 2011 to 2021 were in the Fallbrook and San Dieguito CPAs Subarea 1. These areas have experienced significant growth in GPA inventories and have also had new projects approved in recent years.
- GPA Projects range in size from less than one hundred units to several thousand. The average developed lot size for GPA dwelling units is around one acre, although recent growth patterns indicate a shift to smaller lots and low density multifamily building types, such as detached condominiums and townhomes. More recently approved projects have continued the trend towards denser building types, such as in Otay, Jamul-Dulzura, and San Dieguito.
- The remaining GPA development capacity is for approximately 16,000 dwelling units. Because these units are already entitled, their development will not be subject to inclusionary housing requirements.

[12] The pipeline indicated in the table reflects only projects under construction. Adding proposed projects, projects in the middle of obtaining approvals, and approved projects that have not yet begun construction would increase the pipeline by an additional 15,500 units. These units have been proposed in various GPA projects at all stages of development, and the timeline and eventual construction is uncertain.

Table 11: GPA Project Inventory by CPA[13]

		GPA Projects		Total Inventory		Units Built 2011-2021		Remaining Capcity	
CPA	Region	Projects	% Total	Units	% Total	Units	% Total	Pipeline	Unbuilt Capacity
Bonsall	Subarea 1	3	6%	169	1%	0	0%	0	0
Fallbrook	Subarea 1	6	12%	2,307	11%	632	34%	213	1,080
North County Metro	Subarea 1	5	10%	1,891	9%	132	7%	4	756
Valley Center	Subarea 1	4	8%	289	1%	16	1%	84	369
San Dieguito	Subarea 1	10	20%	8,228	41%	972	53%	227	1,276
Alpine	Subarea 2	1	2%	121	1%	0	0%	0	0
Crest-Dehesa	Subarea 2	2	4%	362	2%	0	0%	0	0
Jamul-Dulzura	Subarea 2	0	0%	0	0%	0	0%	0	2,209
Lakeside	Subarea 2	6	12%	1,059	5%	61	3%	6	307
Ramona	Subarea 2	5	10%	528	3%	0	0%	0	542
Otay	Subarea 3	1	2%	16	0%	16	1%	0	6,082
Spring Valley	Subarea 3	2	4%	0	0%	0	0%	15	325
Valle De Oro	Subarea 3	1	2%	4,957	24%	2	0%	1	0
Desert	Subarea 5	3	6%	370	2%	1	0%	2	1,809
Mountain Empire	Subarea 5	1	2%	3	0%	0	0%	0	1,244
North Mountain	Subarea 5	1	2%	0	0%	0	0%	0	358
Total		**51**	100%	**20,300**	100%	**1,832**	100%	**552**	**16,357**

Source: San Diego County Builing Permits, San Diego County Tax Assessor, Housing Cpacity Portal, AEOCM

- More recently, as shown in Table 12, of the 7,425 housing units completed between 2011 and 2021, 67% were in GP-compliant projects and 33% in GPA projects.[14]
- Single-family homes on both large lots (densities less than 2 dwelling units per acre) and small lots were the largest contributors to growth in inventory. GP-compliant projects at these densities yielded 52 percent of all units produced.
- Single Family residents in Specific Plan[15] areas comprised a large and growing share of units with 24 percent of the total. These are typically master-planned communities or planned unit developments from large land developers and homebuilders. The developers here include Lennar, D R Horton, Richmond Homes, Beazer Homes, and KB Home. The next-largest category was for Detached Condominiums in Specific Plan Areas followed by single-family homes in SR-1 (Semirural Residential) areas.
- Notably lacking are projects at higher densities that would be permitted in the Village Residential 20, 24, and 30 DU/AC tiers. This is consistent with historical trends in the unincorporated area that show a strong market preference for detached single family homes over attached products.

[13] For a complete list of GPA projects, see Table 52 in the Appendix.
[14] Note: this set excludes mobile homes and ADUs.
[15] A Specific Plan is a planning document that implements the goals and policies of the General Plan for a defined sub-area. Specific Plans typically contain development standards and implementation measures that go beyond what the normal zoning would regulate, providing an additional layer of planning control. Many GPA projects adopt a Specific Plan Area land use designation upon approval.

Table 12: GPA and GP-Compliant Residential Production in the Unincorporated Area 2011-2021

Land Use Designation	Units	Share of Total
By Right Projects		
Single-Family Large Lot (<VR 2)	2,978	40%
Single-Family Small Lot (VR 2 to VR 7.3)	915	12%
Multifamily Lower Density (>VR 7.3 to VR 15)	574	8%
Multifamily Higher Density (>VR 15 to VR 30)	250	3%
Non-Residential Land Uses	244	3%
SubTotal	**4,961**	**67%**
Specific Plan Area Projects		
Single Family Large Lot	546	7%
Single Family Small Lot	1,289	17%
Multifamily Low Density	465	6%
Multifamily High Density	88	1%
Mobile Home	46	1%
ADU	30	0%
Subtotal	**2,464**	**33%**
Total	**7,425**	**100%**
Source: San Diego County Builing Permits, San Diego County Tax Assessor, AEOCM		

5.5 Affordable Housing Demand

This task integrates findings from the socio-economic and residential supply analyses to characterize demand for affordable housing in the unincorporated area. The analysis builds upon work conducted separately as part of the 6th Cycle Regional Housing Needs Assessment (RHNA) and Housing Element update.

California state law mandates that regions produce a Regional Housing Needs Assessment as part of a periodic process of updating local housing elements of general plans. RHNA quantifies the need for housing within each jurisdiction and establishes goals for housing production at various income levels. In July 2020, the San Diego Association of Governments (SANDAG) approved the 6th Cycle Regional Housing Need Assessment Plan for San Diego, which allocates residential growth for the period of 2021-2029.

Table 13: RHNA County and Unincorporated Area Allocation 2021-2029

	Very Low (30%-50% AMI)	Low (50%-80% AMI)	Moderate (80%-120% AMI)	Above Moderate (>120% AMI)	Total
Unincorporated Area					
Allocation	1,834	992	1,165	2,709	6,700
% Total Allocation	27%	15%	17%	40%	100%
% County	4%	4%	4%	4%	4%
San Diego County					
Allocation	42,332	26,627	29,734	72,992	171,685
% Total Allocation	25%	16%	17%	43%	100%
Source: SANDAG RHNA Allocation 6th Cycle					

- The 6th Cycle RHNA mandated by the state of California to quantify housing need and update General Plan Housing Elements, establishes housing production goals for the period of 2021-2029 for all of San Diego and the unincorporated area.

- SANDAG adopted the RHNA Plan in July of 2020, which targets growth of 171,685 units in the County between 2021 and 2029.
- Although the unincorporated area comprises 16 percent of County population and is forecast by SANDAG to capture 16 percent of population growth between 2020 and 2035, the RHNA allocation targets the unincorporated area for only 4 percent (6,700 units) of total housing growth. This allocation, which is also lower than that allocated in the 5th cycle RHNA Allocation for the previous decade, is due to the fact that the 6th cycle Allocation was developed in compliance with the state of California's Sustainable Communities Strategy and SANDAG's Regional Plan, which encourages housing development near employment centers and transportation infrastructure (both existing and planned).[16] Relative to other areas of the County, the unincorporated area has a small share of both transit platforms and jobs.[17]
- Of the total allocation, 27 percent of units are targeted for households at the Very Low Income tier earning between 30 and 50 percent of AMI, 15 percent for the Low Income Tier (50%-80% AMI), 17 percent to the Moderate Income tier (80%-120% AMI), and the remaining 40 percent to households with incomes above 120 percent AMI. This distribution by income category is consistent with the distribution for the County as a whole, which by comparison has a slightly lower allocation of units at Very Low Income (25% vs. 27%) and a slightly higher allocation of units at Above Moderate Income (43% vs. 40%). These allocations of housing goals by income category are designed to align with the needs of current and future residents through 2029 according to their location and household income levels.

Table 14: HUD/HCD Affordable Housing Income Limits (2022)

	Extremely Low 30% AMI	Very Low 50% AMI	Low 80% AMI	Moderate 120% AMI
AMI % for calculating qualifying income[1]	30%	50%	80%	120%
Share of Qualifying Income Towards Housing[1]	30%	30%	30%	35%
Qualifying Income[2,3]				
1-Person Household (Studio)	$27,350	$45,550	$72,900	$89,800
2-Person Household (1BR)	$31,250	$52,050	$83,300	$102,600
3-Person Household (2BR)	$35,150	$58,550	$93,700	$115,500
4-Person Household (3BR)	$39,050	$65,050	$104,100	$128,300
5-Person Household (4BR)	$42,200	$70,300	$112,450	$138,600
Housing Cost/Year				
1-Person Household (Studio)	$8,205	$13,665	$21,870	$31,430
2-Person Household (1BR)	$9,375	$15,615	$24,990	$35,910
3-Person Household (2BR)	$10,545	$17,565	$28,110	$40,425
4-Person Household (3BR)	$11,715	$19,515	$31,230	$44,905
5-Person Household (4BR)	$12,660	$21,090	$33,735	$48,510

(1) Affordability tiers and share of qualifying income from CA Health and Safety Code Section 50052.5.

(2) Area Median Income limits for Extremely Low, Very Low, and Low income tiers: San Diego County (effective 4/18/22). AMI is $106,900. (https://www.sandiegocounty.gov/sdhcd/rental-assistance/income-limits-ami/)

(3) Area Median Income limits for Moderate from AECOM by applying 120% of AMI for a 4-person household and discounting (per HUD standard practice) by 90% for a two-bedroom household, 80% for a 1 bedroom household, and 70% for a studio.

- The California Department of Housing and Community Development (HCD) updates affordable housing state income limits each year based on guidelines established by the US Department of Housing and Urban Development (HUD).
- The HUD/HCD affordable housing income limits establish the maximum household income by household size for each income tier of affordable housing. Limits are based on the AMI that applies to all jurisdictions in a county. The

[16] The RHNA allocation methodology is based on access to transit and jobs with an equity adjustment to encourage lower-income housing in areas of historically higher income levels.
[17] The unincorporated areas of the county contain no major transit stops,1.3 percent of the SANDAG Region's Rail & Rapid Stations, and 9.3 percent of total jobs.

AMI for a 4-person household in 2022 is $106,900.[18] The inclusionary housing program is one of many policy tools that will help create new residential development to address the housing needs of the San Diego Region, which includes households of these sizes and income levels. The inclusionary housing program should be designed to address the RHNA allocations and create more dwelling units at lower levels of household income.

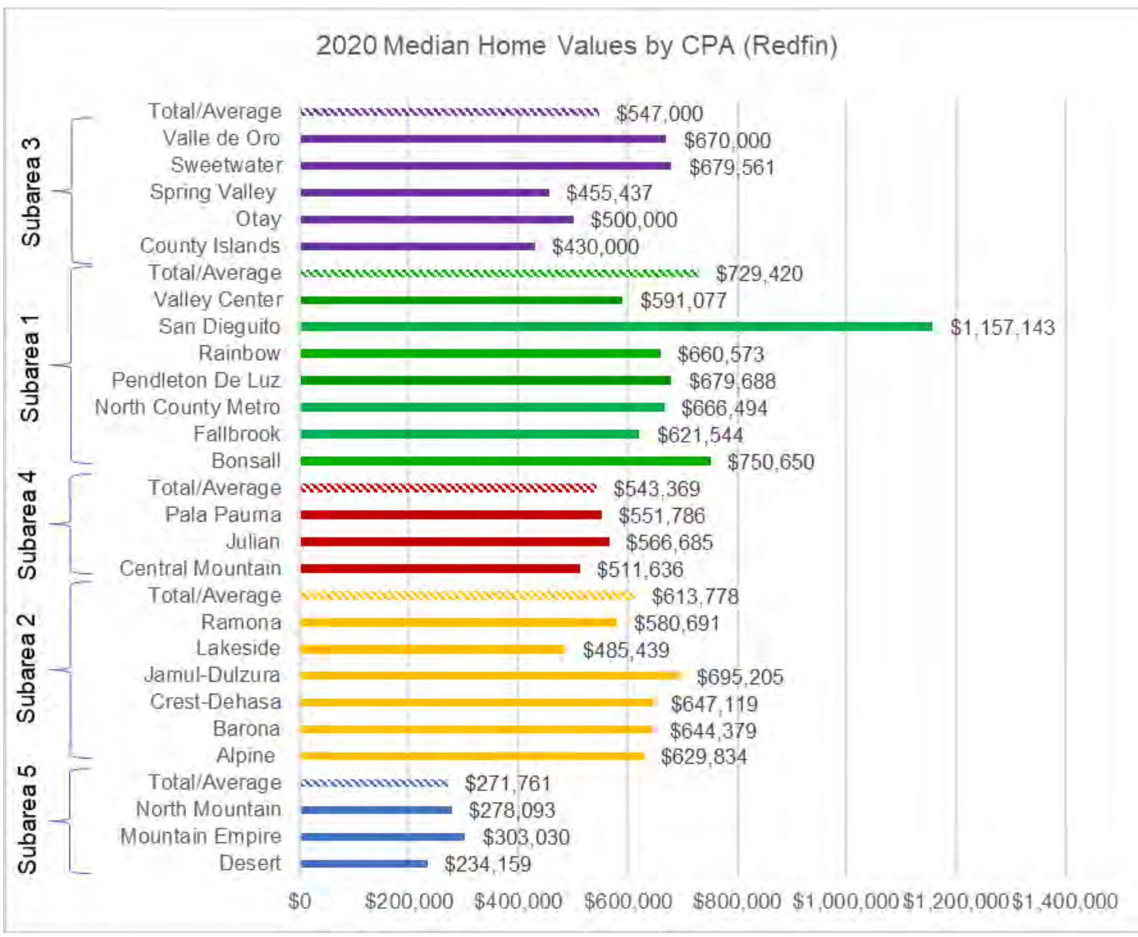
5.6 Residential Values

The unincorporated areas of the County encompass numerous communities that vary in size, proximity to urban centers, amenities, and even climate conditions. Consequently, there is significant diversity within each sub-area and even within each CPA. Some of this diversity can be seen in residential values.

Figure 9 shows median home value by CPA and average value by sub-area. Subarea 1's average median home value of $729,000 is the highest among sub-areas, followed by $613,778 for Subarea 2, $547,000 for Subarea 3, and $543,000 for Subarea 4, with Subarea 5 last at a significantly lower $272,000.

However, many CPAs across sub-area show similar values. Eleven out of 18 CPAs in Subarea 3, Subarea 2, and Subarea 1 have median home values in the range between $610,000 to $695,000. The only clear median home value outlier among sub-areas is Subarea 5.

Figure 9: 2020-21 Median Home Values by Sub-Area and CPA[19]



Furthermore, when median home values are normalized for price per square foot, as shown in Table 15, the range between sub-areas narrows even further. Subarea 4, which has the second-lowest median home value, has the

[18] Area Median Income (AMI) here is a different measure than County median income, which is referenced in Figure 7. County median income is derived from a base of all households in the County, while AMI is tiered based household sizes, as shown in Table 9.
[19] Values reference homes that were built and sold in 2020 and 2021

highest per-square foot value of $352, and Subarea 1, which has the highest sub-area value, has the second-lowest per-square foot value at $284.

The high level of home value heterogeneity within sub-areas and within CPAs themselves defies easy classification of residential submarkets.

Table 15: Home Sale Price per Square Foot by Sub-Area[1]

	Median	Maximum	Minimum
Subarea 1	$284	$500	$178
Subarea 2	$310	$454	$264
Subarea 3	$273	$344	$220
Subarea 4	$352	$443	$185
Subarea 5	$290	$318	$261

(1) Based on home sales for GP-compliant dwelling units 2020-2021

Source: Redfin, Zillow, AECOM

5.7 Summary and Conclusions

- The unincorporated area is predominantly made up of bedroom communities that export workers to job centers elsewhere in the County and beyond.
- Unincorporated area communities enjoy relatively high household incomes relative to the County average.
- Population growth in the unincorporated area has kept pace with the County, but projections indicate slower growth in the future.
- The unincorporated area is built-out to 76 percent of General Plan capacity. Subarea 1 and Subarea 2, with 66 percent of remaining capacity, have the greatest potential to absorb future growth.
- Residential inventory in the unincorporated area shows a high proportion of detached single-family homes, and recent development and project pipeline indicates continued strong emphasis on this product. The pipeline also indicates strong growth in ADUs, which represent 25 percent of dwelling units under development.
- The political and geographical sub-areas analyzed do not in general reflect clear submarkets with discrete economic characteristics that might benefit from tailored set-aside requirements. The exception is the Subarea 5, which has significantly lower home values, a small share of total unincorporated area inventory, and very little recent or pipeline development activity. Consequently, AECOM recommends applying a single set of set-aside requirements to the entire unincorporated county area but exempting Subarea 5 entirely from program participation.

6. Public Outreach

6.1 Overview

To complement the process of developing guidelines for an inclusionary housing program, the County sought input from constituents and key stakeholders involved with housing development. This section summarizes insights gained through interviews with land use professionals (Section 6.2) and focus group discussions (Section 6.3).

6.2 Interviews with Land Use Professionals

AECOM conducted a series of interviews with developers, brokers, and industry association representatives familiar with the economic geography of the unincorporated county area.

The interviewees were selected in cooperation with County staff to provide a range of perspective from the development and housing advocacy communities. The interviews were conducted telephonically and were distinct from the community workshops, which were conducted separately. Each interviewee was questioned about the opportunities and challenges of market-rate GPA development in the incorporated and unincorporated areas of the County and asked to provide feedback about a proposed inclusionary housing program and recommendations for implementation.

The following is a summary of the response received from ten interviewees. (Note: the summary reflects differing viewpoints expressed in the interviews and should not be construed as conclusive.)

Table 16: Interviewees

Interviewee	Firm/Organization	Date of Interview
Ed Holder	Mercy Housing	10/6/2020
Kurt Hubbell	DR Horton	10/7/2020
Gary London	London Moeder Advisors	10/8/2020
Jim Schmid	Chelsea Investment Corporation	10/13/2020
Mike Sweeney	Building Industry Association	10/13/2020
Matt Adams	Building Industry Association	10/13/2020
Bob Cummings	MirKa Investments	10/19/2020
William Ostrem	Lennar	10/21/2020
Andrew Malick	Malick Development	10/22/2020
Paul Barnes	Shea Homes	10/26/2020

6.2.1 Market-Rate Developer Interviews

6.2.1.1 Challenges of GPA Development in County Unincorporated Area

- Long and uncertain process for GPA project approval due to long entitlement process, CEQA, traffic impact VMT (Vehicle Miles Travelled) requirement, threat of voter referenda.
- Lack of land near transit corridors zoned for large-scale residential development.
- Topographical and environmental challenges on available land adds cost and delay.
- Limited market demand for denser residential types outside the incorporated cities. (The market favors small-lot SFR and detached condominiums in the 4.3-10.9 DU/AC range).
- Financial burden and limited sources of equity for large developments.

6.2.1.2 Challenges Posed by an Affordable Housing Requirement

- Requiring affordable units on site of “like kind” could create an extraordinary burden.

- An inclusionary housing ordinance would reduce land value, but this is unlikely to reduce land sales in the long term. Developers adjust quickly to new realities.
- The minimum project compliance trigger should be 100-150 units for a development project that could absorb the loss of value from inclusionary requirements. A 50-units threshold would be very challenging, especially if compliance required all on-site affordable units.
- A 10 percent affordable set aside is likely the upper limit for financial feasibility.
- An inclusionary housing ordinance would act as a tax on residential property. This increases the residual land value of non-residential uses.
- All projects are different, so the 30% reduction in land value threshold (for determining feasibility) is crude. However, there is likely no better rule of thumb for the entire unincorporated county.

6.2.1.3 Alternative Compliance Ideas

- Clear guidelines with maximum flexibility to allow for tailor-made solutions, as all projects are different in terms of geography, type, timing, price-point, site-constraints, etc.
- In-lieu fees, off-site compliance, and land donation are all crucial to create an inclusionary housing ordinance that works.
- Several mentioned the use of affordable housing credits or an affordable housing bank that would allow affordable developers to sell credits to market-rate developers to meet inclusionary requirements. Affordable units could be pooled together, and projects would achieve economies of scale.
- Several would be willing to exchange affordable housing units for expedited processing, guaranteed timelines, or reductions in impact fees (i.e. new traffic impact fee).
- Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
- Allow for For-Rent Affordable Units to satisfy requirement of For-Sale Market Rate development. This is the most cost-effective method of providing affordable housing.
- All inclusionary requirements should be introduced in phases over time to allow the market to adjust gradually.

6.2.1.4 Other Offsets the County Might Provide

- Self-certification for inspections (using a roster of pre-approved inspection consultants).
- By-right development if affordable is included.
- A tax abatement system akin to an opportunity zone with tax increment financing (TIF) for affordable housing.

6.2.2 Affordable Housing Developer Interviews

6.2.2.1 AH Financing Tools and Program Administration

- Affordable housing requires the provision of social and financial services, administrative and compliance requirements, and other legal obligations that favor larger developments that are 100% affordable.
- The cites of San Diego, Carlsbad, and Chula Vista all leverage their own city funds to help finance affordable projects. The City of San Diego has issued many bonds. Land donations from jurisdictions are also commonly used.
- Most sources of federal and state funding target very low and low income groups, but there should be more options for around 110 percent AMI. There is a significant gap between 60 percent AMI and 110 percent AMI. There are almost no tax credits or funding sources for household incomes at 120 percent AMI.
- Successful projects layer sources of funding and financing.
- Affordable housing credit bank to finance units, buy and sell credits, and/or build the project. Would reduce restrictions and burdens on developers. Several projects could serve as the bank and pool inclusionary requirements and realize scale economies, that will produce more affordable units.

6.2.2.2 Affordable Development Guidelines for GPA

- The goal of any inclusionary housing program should be to maximize the number of affordable units produced.
- Affordable Housing development requires a skillset and access to financial resources that are rare among market-rate developers.
- Site and resource identification are crucial for affordable provision. This is often a collaboration between private affordable developers, market rate developers and the jurisdiction.
- Affordable housing should be located near employment, transit, and site amenities that are seldom available in a GPA PUD project.
- For-sale affordable housing requires complex equity sharing agreements that often make them infeasible or undesirable, difficult to regulate, difficult to find buyers, and inefficient.
- For Sale Affordable Housing for income groups below 80%-120% AMI creates an affordability gap that is too large to fill.
- Inclusionary Housing Ordinances require a careful trade-off between market-rate and affordable housing. Too steep of a requirement will produce less affordable housing if it dampens supply of market-rate housing.
- Affordable det-aside should be capped at 10%. 15% would be the upper limit.
- 24 DU/AC is usually the most cost-efficient density for creating homes.

6.2.2.3 Alternative Compliance Options

- On-site compliance is less appealing for market-rate developers than in-lieu fees that the jurisdiction can leverage. Having the fee option can make both market rate and affordable housing more feasible.
- Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
- The in-lieu fee option should address the affordability gap of a unit, not more.
- Developers often favor credits or off-site pooled projects over in-lieu fees due to questions of transparency.
- Reduction in parking requirements is often desirable and feasible for affordable developments.
- There are numerous sources of gap-funding available. Projects with more and deeper levels of affordability are more competitive for funding.
- Extremely Low and Very Low Income levels are difficult to finance and require significant outside financing.

6.3 Focus Groups

Three stakeholder focus group workshops were held to gauge support for different program criteria and explore possible impacts.

Focus group sessions were conducted via Zoom virtual meetings. A total of thirty-three stakeholders representing affordable and market-rate developers, environmental groups, and equity and labor groups participated. The sessions took place on February 28 and March 2, 2022. Participants contributed by responding to Zoom poll questions, open forum discussion, live comments posted to the Zoom chat page, and follow-up emails. Participants were asked to choose two of three topics for discussion to allow for the appropriate length and depth of conversations and to focus on topics most relevant to their interests and expertise. The three options were: A) Minimum Project Thresholds, B) Alternative Compliance Options, and C) Incentives and Concessions.

Table 17: Focus Groups

Date	Focus Group	Participants	Selected Topics
February 28, 2022	#1 – Affordable Housing Developers, Advocacy Groups	14	A – Minimum project thresholds C – Incentives and concessions
February 28, 2022	#2 – Environmental and Equity Groups, Labor Unions	7	A – Minimum project thresholds B – Alternative compliance
March 2, 2022	#3 – Market Rate Developers and Building Industry	12	B – Alternative compliance C – Incentives and concessions

The following is a summary of responses from workshop participants. (Note: the summary reflects differing viewpoints expressed in the focus groups and should not be construed as conclusive.)

- The majority of Respondents favor inclusionary requirements triggered at low thresholds (5-10 units) with few opting for All Projects (1+) or the Large Thresholds (50+).
- Respondents support more density in the unincorporated areas. To the question of which residential typology represents the best opportunity for future growth in the county, the most popular response was densities higher than 30 DU/AC, followed by Townhomes (10-20 DU/AC) and Garden Apartments (20-30 DU/AC). (Note that the question of which typology best would be able to sustain inclusionary requirements was not asked).
- A consensus of respondents preferred inclusionary units to be located in high resource areas.
- One commenter opined that the Inclusionary Ordinance should be applied county-wide and should not become a de-facto growth management policy.
- Respondents at all three focus groups emphasized support for maximum flexibility in the program with respect to set-asides and AMI levels. They agreed there should be several options available as each project is unique.
- There were several comments made to the chat and in follow-up emails about the need for different programs for for-sale vs for-rent projects. For example, for-sale projects could have higher AMI options or shorter affordability durations than for-rent.
- One commenter suggested that off-site compliance or in-lieu fees should be used to fund a pool of NOAH or provide gap financing for affordable projects that are already shovel-ready.
- In-lieu fees are popular with the majority favoring them for all projects as an option. When asked how they should be assessed, the majority opted for the size of the market rate units and for "project characteristics."
- Follow-up comments suggested that in-lieu fees are a good way to leverage state and federal funds, provide key funding, and connect with affordable developers. Success stories in the city of San Diego were cited.
- Throughout the chat and follow-up comments, participants emphasized that affordable housing should be directed at high resource areas.
- Several commenters suggested that land dedication should be considered as an alternative compliance option only if the land can provide for the capacity of the affordable units and be provided in high resource areas.
- Participants were strongly opposed to ADUs as a compliance option (83%). (Only one focus group faced this question).
- The majority of respondents favored provision of additional incentives if developers surpassed minimum threshold requirements, and they were equally disposed towards expedited processing, additional bonus, and additional development standard waiver as potential incentive options.
- To the question of whether GPA projects should have separate requirements from GP-compliant projects, the consensus opinion was that an increase in land value or density should trigger additional requirements.

7. GPA Case Studies

In August 2021, the Board of Supervisors gave direction to:

> "Explore the potential to capture up-zoning land value windfalls through an inclusionary housing program focused on County general plan amendments (GPAs)."[20]

The purpose of this chapter is to illustrate the economics of GPA projects through case studies that explore how up-zoning creates value that may potentially be used to fund affordable housing and other community benefits.

7.1 Overview

General Plan Amendment (GPA) projects in the unincorporated County area have for decades contributed significant residential inventory to the County. GPA projects make up 12 percent of all residential inventory in the unincorporated area and have contributed 33 percent of all unit growth since 2011. GPA project applicants typically seek discretionary approval for projects that for different reasons are not permitted within the adopted General Plan framework. Consequently, each GPA project is unique, and the diversity of projects is vast with variety in location, underlying land characteristics, available and required critical infrastructure, size, density, residential product mix, commercial mix, and community benefits.

From a zoning perspective, most GPA projects change the existing land use designation to Specific Plan Area (SPA) to accommodate the new uses. The majority of GPA projects seek density increases, although some downzone, and others reorganize existing zoning to fit a new program concept, such as one that consolidates open space and concentrates residential uses near major existing or proposed infrastructure.

Some CPAs have a significant portion of total housing inventory in GPA projects, many of which have been in place for decades and predate the County's current General Plan. For example, Rancho San Diego in Valle de Oro, a master planned community with single family, multifamily, and non-residential uses, has served as a major driver of growth in that CPA. Likewise, 4S Ranch in San Dieguito has developed over 5,000 units, many of which are smaller, more affordable, and better connected to transportation networks than most GP-compliant developments in the CPA.

7.2 GPA Advantages and Risks

GPA projects can offer advantages to developers over GP-compliant projects. Foremost among them, GPA projects allow larger land parcels to be assembled than is typically possible for GP-compliant projects, and larger projects lead to scale economies that lower per-unit development costs and facilitate financing. Subject to County approval, large-scale GPA projects may also offer developers greater flexibility in master planning, landscape design, residential design, and provision of community amenities than smaller-scale GP-compliant projects. GPA projects can provide developers greater flexibility and control to design a compelling and market-sensitive product. GPA projects can benefit jurisdictions by providing a market-responsive way to recycle and re-position land between General Plan update intervals.

The advantages of GPA projects can come with substantially more market and entitlement risk than GP-compliant projects. GPA projects typically require substantial investment in land development that GP-compliant projects do not. Improvement of raw land entails expenditure for clearing, grading, infrastructure like streets, utilities, and storm drainage. This adds considerable cost and complexity to project planning

[20] County of San Diego Board of Supervisors, Tuesday, August 31, 2021, as part of the Transformative Housing Solutions

long before revenues can be collected, especially where unknown soil and environmental conditions may exist.

And because GPA projects are often located far from established urban areas, they frequently include a wide range of amenities and community benefits on site such as open space, parks, police station, fire station, and community center. Table 18 shows a summary of community benefits provided by recently approved or built GPA projects. All examples provide open space and either a park or recreational area, while the larger projects add facilities and amenities for both public and private use.

Table 18: Community Benefits from Recent GPA Projects

GPA Project	CPA	Units Entitled	Community Benefits
Campus Park	Fallbrook	751	Open Space, Private Parks, Sports Facility, Equestrian Trails, Hiking Trails, Neighborhood Commercial
Meadowood	Fallbrook	844	Open Space, Private Parks, Public Parks, Hiking Trails, Elementary School, Wastewater Treatment
Harmony Grove	San Dieguito	738	Open Space, Private Parks, Public Parks, Hiking Trails, Community Center, Fire Station
Harmony Grove South	San Dieguito	453	Open Space, Public Parks, Hiking Trails
Valiano	San Dieguito	326	Open Space, Public Parks, Private Park, Equestrian Trails, Water Treatment Facility
Aventine	Spring Valley	97	Open Space, Recreational Area
Sweetwater Vistas	Spring Valley	218	Open Space, Public Park
Sweetwater Place	Spring Valley	122	Open Space, Public Park
Otay Ranch 14	Otay	1,266	Open Space, Private Parks, Public Parks, Hiking Trails, Community Center, Fire Station, Library, School

Source: County PDS Specific Plans, AECOM

Furthermore, the entitlement process can take many years, during which time developers typically incur land costs, technical consultant fees, and overhead costs without compensation. The prominence of a GPA project tends to excite strong community resistance, which can further delay (or cancel) project approvals and require costly concessions that undercut project economics. Use of the ballot initiative process to force a public vote on GPA projects, an impediment that typically comes at the end of the entitlement process, adds further uncertainty to project planning and the threat of total project loss at the point when investors are most financially exposed. Finally, the long and unpredictable entitlement period adds considerable market risk.

As a result of these factors, many GPA projects fail due to cancellation, delay, or missed market opportunities. Recent examples include Lilac Hills Ranch and Newland Sierra, which were rejected by the Board of Supervisors; Valiano and Harmony Grove South, which while approved have been delayed by litigation; and long-approved Warner Springs Ranch and Borrego have stagnated after decades of market weakness.

7.3 How Up-zoning Creates Value

GPA projects offer a resource for affordable housing, because up-zoning raw or underutilized land can create land value that may be captured and used to fund affordable units. While up-zoning may also occur as part of a General Plan Update (GPU), the amount of up-zoning and value created in a typical GPA project can be significantly greater than the more incremental up-zoning entailed in a GPU.

An illustration of how up-zoning may create value on land zoned for lower density is shown in Error! Reference source not found.. The example is based on a recent adopted GPA project for which a site originally zoned for rural residential at approximately 1 unit per residential acre (on land designated for residential development; the project's open space is excluded from the density calculation) was rezoned to support approximately 9.7 units per acre.

The first example is the base case, which assumes the land is developed in accordance with the original zoning for large lot single-family homes averaging 3,500 square feet. In the example, the 50-acre project with 35 units generates revenue of approximately $920,000 per unit with a development cost of $660,000 for the vertical improvements and a finished lot cost of $451,000. (Note: cost and revenue assumptions are based on current market rates.) The difference between revenue and project cost is a negative $190,000 per unit, equivalent to a -17% return on cost and indicating an infeasible project.

The second example is the up-zoned scenario, which assumes the site is developed to a density of 9.7 units per acre with 262 units averaging 2,000 square feet generating revenue of $570,000 per unit against a development cost of $403,700 per unit and a finished lot cost of $65,300. The variance between revenue and project cost is $101,000 per unit, equivalent to a 22% return on cost.

As the illustration demonstrates, the GPA up-zoning creates value that substantially increases project returns. With a mandatory inclusionary housing requirement, some of this value can potentially be captured to fund affordable housing.

Table 19: Illustration: Impact of GPA Up-zoning on Development Economics

	Base Case--Original Zoning		GPA Case--Upzoned	
Program				
ResidentialTypes	**Single Family Detached**		**Single Family Detached, Single and Multifamily Attached**	
Total Area	50 acres		50 acres	
Net Residential Lot Area	27 acres		27 acres	
Open Space	20 acres		20 acres	
Permitted Units	35		262	
Lot Area Density (DU/AC)	1.3		9.7	
Sq.Ft./Unit	3,500		2,000	
Residential Unit Development	Total Project	/Unit	Total Project	/Unit
Revenue	**$32,200,000**	**$920,000**	**$149,340,000**	**$570,000**
Development Cost	$21,000,000	$600,000	$96,154,000	$367,000
Return at 10% Cost before Land	$2,100,000	$60,000	$9,615,400	$36,700
Total Residential Unit Cost	**$23,100,000**	**$660,000**	**$105,769,400**	**$403,700**
Land Development	Total Project	/Finished Lot	Total Project	/Finished Lot
Direct Costs[1]	$10,780,000	$308,000	$10,780,000	$41,100
Indirect Costs	$830,000	$23,700	$1,775,000	$6,800
Financing	$1,300,000	$37,100	$1,400,000	$5,300
Developer Fee	$645,500	$18,400	$697,750	$2,700
Preferred Yield on Cost	$2,200,000	$62,900	$2,400,000	$9,200
Total Land Development Cost	**$15,800,000**	**$451,400**	**$17,100,000**	**$65,300**
Yield	Total Project	/Finished Lot	Total Project	/Finished Lot
Revenue	$32,200,000	$920,000	$149,340,000	$570,000
Cost	($38,900,000)	($1,111,400)	($122,869,400)	($469,000)
Residual	**($6,700,000)**	**($191,400)**	**$26,470,600**	**$101,000**
Return on Cost	**-17%**		**22%**	

(1) Land, clearing and grading, infrastructure and utilities, interior streets, hardscape/landscape, retention/detention basins, sew er system, w ater system, storm drainage, dry utilities, finished lots
Source: AECOM

7.4 Types of GPA Projects

There is no prototypical GPA project, as each is tailored to its location, unique land conditions, and market support. Projects range in size, and infrastructure costs can be extremely variable, as each GPA area presents a unique set of conditions for providing roads, utilities, erosion control, and other infrastructure.

A review of historical and recently approved projects, shown in Table 20, reveals that while GPA project sizes range widely, the projects that cluster towards these extremes typically share common characteristics.

- Larger Projects. From the 1980s through 2015, the most common type of GPA was a larger greenfield project based on rural residential or agricultural land up-zoned and master-planned for higher-density residential land use. These projects typically require substantial investment to convert unimproved or lightly improved land for residential construction. Larger projects typically range in size from 100 to 2,500 acres and contain between 125 and 3,000 dwelling units. Examples of recently adopted larger projects in the unincorporated county area include Horse Creek Ridge (Campus Park) and Meadowood. These have average land area of 403 acres, of which 166 acres (41%) is allocated to residential units and 204 acres (51%) is open space. At the original land use designation, the two projects had capacity for 256 units (1.6 du/ac), which the GPA increased to 798 units (4.9 du/ac).
- Smaller Projects: The most common type of GPA project since 2015 has been a smaller infill project. These projects are typically located in more urban areas, enjoy more proximate access to commercial and employment centers, and frequently utilize commercial or industrial land re-zoned for residential use. Smaller GPA projects typically feature medium density housing types like detached condominiums and townhomes. Smaller projects range in size from 10 to over 200 acres and contain between 50 to 220 dwelling units. Recently approved smaller projects in the unincorporated area include include Sweetwater Place, Sweetwater Vistas, Aventine, and Smilax. These have average land area of 22 acres, of which 14 acres (64%) is allocated to residential units and 7 acres (32%) is open space. At the original land use designation, the four projects had average capacity for 3 units (0.6 du/ac), which the GPA increased to 124 units (9.8 du/ac).

Table 20: Recent GPA Project Programs

	Campus Park	Meadowood	Sweetwater Vistas	Sweetwater Place	Aventine	Smilax	Average
Year of Project Opening	2009	2010	2017	2017	2018	2021	
Land Program							
Area (ac)							
Total	416	390	52	20	11	5	149
Residential	138	194	23	17	10	5	64
Amenities *(includes open space)*	258	182	29	3.0	0.3	0.4	79
Other	20	14	0	0	0	0	6
Share of Total							
Residential	33%	50%	44%	85%	97%	92%	67%
Amenities *(includes open space)*	62%	47%	56%	15%	3%	8%	32%
Other	5%	4%	0%	0%	0%	0%	1%
Residential Program							
Units							
Pre-GPA Capacity	258	253	0	1	0	10	87
GPA Capacity	751	844	218	122	92	62	348
GPA Permitted Increase	493	591	218	121	92	52	261
Gross DU/AC							
Pre-GPA	1.9	1.3	0.0	0.1	0.0	2.2	0.9
GPA	5.4	4.4	9.4	7.2	9.0	13.5	8.2
GPA Permitted Increase	3.6	3.0	9.4	7.1	9.0	11.3	7.3
Net DU/AC (net of circuation)							
Pre-GPA	2.1	1.4	0.0	0.1	0.0	2.4	1.0
GPA	6.1	4.8	10.5	8.0	10.0	15.0	9.1
GPA Permitted Increase	4.0	3.4	10.5	7.9	10.0	12.6	8.1
Amenities							
Open Space *(exclusive of parks)*							
Area (ac)	236	172	28	0	0	0.2	72.7
Trails (miles)	10	6	0	0	0	0	2.7
Parks and Trails							
Neighborhood/Public Park (ac)	22	10	0	3	0.3	0	5.9
Picnic Area (ac)	0	0	0	0	0	0	0
Playground (ac)	0	0	0.9	0	0	0.2	0.2
Other	Office (11.5 ac), Town Center with Retail (8.1 ac)	Elementary School (12.7 ac), Wastewater	27.9 ac biological preserve				

The distinction between larger and smaller projects oversimplifies the incredible diversity of GPA projects that have been proposed and built in the unincorporated areas of the County. However, as noted above, public opposition to large, greenfield projects has grown, and increasingly, GPA projects are becoming smaller with an increased emphasis on infill locations where infrastructure costs and environmental concerns are lower.

8. Economic Analysis

This chapter explores the impact of different affordable set-aside scenarios on the development feasibility of a range of housing types typically developed in the unincorporated county area, for both GP-Compliant and GPA projects. The findings from the analysis form the basis for recommendations and program parameters for each program initiative.

8.1 Key Modeling Assumptions

Development feasibility analysis using a static pro forma model provides the technical means for assessing the development economics of a project and for exploring how different assumptions and input factors influence development feasibility. The key assumptions used in the analysis are discussed further below. All other assumptions may be seen in the Base Case pro formas and Land Development pro forma, in the Appendix.[21]

8.1.1 Residential Prototypes

To select a set of representative residential products for analysis that reflect market preferences, AECOM conducted analyses of recently completed residential projects mostly in the County unincorporated area[22], From these, AECOM developed a set of representative for-sale and for-rent residential prototypes. For comparability, AECOM classified the residential prototypes by referring to the equivalent General Plan designations for density. The GP-compliant for-sale prototypes are shown in Table 21, and the GPA for-sale prototypes in Table 22.

Table 21. For-Sale Residential Prototypes: GP-Compliant Projects

	SFD Large Lot 2.9 (sale) Single-Family Detached, Large Lot	**SFD Medium Lot 4.3 (sale)** Single-Family Detached, Medium Lot	**SFD Small Lot 7.3 (sale)** Single-Family Detached, Small Lot	**SFA/SFD Small Lot 10.9 (sale)** Single-Family Detached, Very Small Lot or Attached Condo	**SFA / Townhome 15 (sale)** Attached Condo or Townhome
Equivalent General Plan Designation	Village Residential 2.9 (VR 2.9)	Village Residential 4.3 (VR 4.3)	Village Residential 7.3 (VR 7.3)	Village Residential 10.9 (VR-10.9)	Village Residential 15, 20 (VR 15,20)
DU/AC	2.9	4.3	7.3	10.9	15.0
Average Lot/Unit Size	15,000	10,100	6,000	4,000	2,900
Average Project Size (Units)	29	43	73	109	150
Average Unit Size (Sq.Ft.)	2,800	2,400	2,700	1,900	1,500
Parking Type	Garage	Garage	Garage	Garage	Garage/Tuck
Bedrooms	4, 5	4, 5	3,4	3,4	3

Source: AECOM analysis of recent San Diego County Projects

[21] The Base Case is an all-market rate prototype that does not include affordable set-asides.
[22] While there are proposed developments in GPA projects with densities at 20 or 30 DU/AC and developable GP-Compliant parcels at this density, there has been no recent construction at these densities in the unincorporated regions of the County. For this reason, AECOM used comparable projects in areas immediately adjacent to the unincorporated regions in the jurisdictions of Chula Vista, Escondido, San Marcos, Santee and San Diego.

Table 22. For-Sale Residential Prototypes: GPA Projects

	SFD Large Lot 2.9 (sale) Single-Family Detached, Large Lot	**SFD Medium Lot 4.3 (sale)** Single-Family Detached, Medium Lot	**SFD Small Lot 7.3 (sale)** Single-Family Detached, Small Lot	**SFA/SFD Small Lot 10.9 (sale)** Single-Family Detached, Very Small Lot or Attached Condo	**SFA / Townhome 15 (sale)** Attached Condo or Townhome
Equivalent General Plan Designation	Village Residential 2.9 (VR 2.9)	Village Residential 4.3 (VR 4.3)	Village Residential 7.3 (VR 7.3)	Village Residential 10.9 (VR-10.9)	Village Residential 15 (VR 15)
DU/AC	2.9	4.3	7.3	10.9	15
Average Lot/Unit Size	15,000	10,100	6,000	4,000	2,900
Average Project Size (Units)	29	43	73	109	150
Average Unit Size (Sq.Ft.)	3,500	2,900	2,200	1,900	1,500
Parking Type	Garage	Garage	Garage	Garage	Garage/Tuck
Bedrooms	4, 5	4, 5	3,4	3,4	3
SPA/GPA project where found	Meadowood, Harmony Grove, Pala Mesa Highlands, Sugarbush	Meadowood, Harmony Grove, Pala Mesa Highlands	Meadowood, Harmony Grove, Ocean Breeze	Meadowood, Harmony Grove, Aventine	Harmony Grove South, Sweetwater Vista

Source: AECOM analysis of recent San Diego County Projects

For multi-family rental projects, AECOM conducted a review using CoStar and project websites to identify a set of recent representative projects from 2018-2022, which are shown in Table 23. From these, AECOM derived the set of representative multifamily rental prototypes shown in Table 24. Note that while the garden apartments at 20 dwelling units per acre and flats at 30 units per acre are common throughout the unincorporated County area, the podium product at 45 units per acre is above the maximum density allowed by the County General Plan. AECOM included this prototype in the analysis to consider its potential for future development in the unincorporated area as it could be subject to inclusionary housing policy.

Table 23. Recent San Diego County Multifamily Projects

Address	**City**	**Total**		**1BR**		**2BR**		**3BR**	
		Units	Avg SF	Units	Avg SF	Units	Avg SF	Units	Avg SF
Garden Apt.									
501 W Bobier Dr	Vista	290	944	168	815	110	1,108	12	1,244
1401 N Melrose Dr	Vista	410	985	190	793	200	1,130	20	1,358
1925 Avenida Escaya	Chula Vista	272	961	141	790	111	1,068	20	1,569
2760 Lake Pointe Dr	Spring Valley	88	1,067	14	743	59	1,081	15	1,315
Stacked Flats									
10785 Pomerado Rd.	San Diego	84	1,161	9	897	63	1,160	12	1,366
9865 Eerma Rd.	San Diego	114	895	64	767	50	1,059	0	0
2414 Escondido Blvd.	Escondido	76	962	36	766	34	1,100	6	1,353
2043 Artisan Way	Chula Vista	272	969	149	827	105	1,102	18	1,371
1629 Santa Venetia St.	Chula Vista	300	972	129	731	129	1,097	42	1,330
1660 Metro Ave.	Chula Visa	309	1,022	189	841	111	1,302	9	1,380
300 Town Center Pky.	Santee	172	949	52	700	84	1,010	36	1,166
Stacked Flats on Podium									
6850 Mission Gorge	San Diego	444	986	220	787	158	1,107	66	1,363
700 W Grand Ave	Escondido	126	1,095	63	649	55	1,486	8	1,925
152 N Twin Oaks Valley Rd	San Marcos	118	1,378	0	0	32	1,235	86	1,431
650 N Centre City Pky	Escondido	112	1,012	60	863	52	1,184	0	0
10625 Calle Mar De Mariposa	San Diego	384	1,001	192	835	128	1,132	64	1,239

Source: Costar, project websites, AECOM

Table 24. For-Rent Residential Prototypes: GP-Compliant and GPA Projects

	Garden 20 (Rent) Garden Apt.	Flats 30 (Rent) Stacked Flats	Podium 45 (Rent) Stacked Flats on Podium
Equivalent General Plan Designation	Village Residential 20 (VR 20)	Village Residential 30 (VR 30)	Beyond VR-30 Maximum
DU/AC	20	30	45
Bedrooms	1,2,3	1,2,3	1,2,3
Average Unit Size (Sq.Ft.)	963	1,006	1,094
1BR	790	790	800
2BR	1,100	1,120	1,260
3BR	1,370	1,300	1,480
Stories	2-3	3-4	4-5
Parking Type	Surface	Surface/Tuck	Surface/Structure

Source: AECOM analysis of recently-constructed San Diego County Rental Projects

8.1.2 GPA Land Development Prototype

The economics of GP-Compliant projects can be modeled assuming that the underlying land consists of improved lots or pads connected to critical infrastructure such as roads, utilities, and a sewer or septic tank system. Thus, a residential unit development proforma focusing mainly on vertical improvements is adequate to assess feasibility and the impact of different affordable set-aside scenarios.

GPA projects on the other hand typically require substantial land development before housing construction can commence. Consequently, a land development model complementing residential development pro formas is needed to explore land development economics and opportunities for capturing value stemming from GPA up-zoning. However, as illustrated by Table 20 above, GPA projects are heterogeneous, differing widely by size and underlying land condition, and testing GPA land development economics using a standardized model cannot perfectly reflect the full range of potential applications.

To reflect the range of GPA projects that have occurred and are likely to occur in the unincorporated County area, AECOM formulated a land development model that averages program parameters of the six recent GPAs shown in Table 20. A summary of the resulting land development program is shown in Table 25. (For the full land development proforma, see Table 82 in the Appendix.)

Key assumptions for the land development model include total project area of 150 acres with 67% allocated to residential development (including internal street circulation) and the remainder for open space and other amenities. The model assumes a residential density of 9.7 units per acre, moderate levels of clearing and grading, installation of both dry and wet utilities, and a moderate level investment of hardscape and landscape features. Additional amenities include 4.5 acres of programmed park area, 3 miles of dirt hiking trails, and a 3,000-square-foot clubhouse facility.

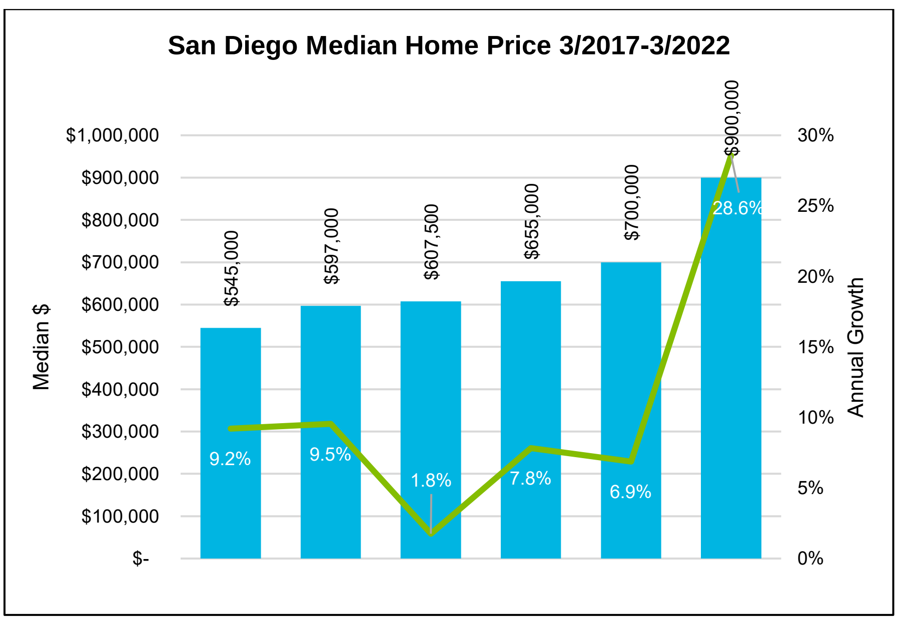
Table 25. GPA Land Development Model Program

Total Area	150 acres
Residential	*67%*
Open Space	*30%*
Other	*3%*
Project Size (Units)	882
Average DU/AC	9.7
Residential Types (sale)	Single family large lot, medium lot, small lot, very small lot,condo/townhome
Residential Types (rent)	Stacked flats and midrise podium
Average Lot Size	4,491 Sq.Ft.
Clearing and Grading	Moderately rolling land, minimal tree removal, local cut and fill
Critical Infrastructure and Utilities	Dry and wet utilities, detention basins, sewer system, water system, storm drain/levee system.
Hardscape/Landscape	Assumed: moderate entry features, interior walls, landscaping
Parks	4.5 acres
Hiking Trails	3 miles
Clubhouse facility	3,000 square feet
Source: AECOM	

8.1.3 A Note on Inflation

At the time research for this study was conducted, the United States housing sector and the national economy were experiencing unprecedented inflation. As shown in Figure 10, median housing prices in San Diego County spiked 28.6% between 2021 and 2022.

Figure 10: San Diego Median Home Price Trends 2017-2022



Source: Redfin

The cause of this inflation has been attributed to several factors including:

- A surge in consumer demand and a lag in supply—both consequences of the COVID-19 pandemic

- Increasing demand for homeownership and larger homes as working from home has grown in popularity
- High energy costs due to disruption caused by the war in Ukraine

In such a fast-moving situation, demand measures (home pricing) and supply measures (construction costs) are volatile and can move asynchronously before finding equilibrium, and a data snapshot taken at the wrong time can misrepresent the supply/demand relationship.

To assure that the revenue and cost assumptions used in this analysis are reliable, AECOM reviewed market data over a multi-year period from 2016 to 2022 before ultimately selecting the 2020-2021 period on which the base the assumptions. The intent of this was to consider a long enough period to smooth over temporary spikes of disequilibrium but also avoid the extreme volatility of the last three-to-six months. While these cost and revenue assumptions do not reflect the very latest numbers, we believe they encompass a stable economic relationship between unincorporated area supply and demand that is predictive and can serve as a foundation for this analysis.

8.1.4 Market Revenue Assumptions

Market pricing for for-sale projects was derived from analysis of home sale transactions in each of the residential product categories. The set included 145 GP-Compliant project and 188 GPA project transactions that took place between 2020 and 2021 within the unincorporated San Diego County area. The assumed pricing resulting from this analysis is shown in Table 26 for GP-Compliant projects and Table 27 for GPA projects. Expanded transaction data for the analysis can be found in the Appendix.

Table 26. GP-Compliant Projects: For-Sale Pricing Assumptions

	SFD Large Lot 2.9 (sale) Single-Family Detached, Large Lot	**SFD Medium Lot 4.3 (sale)** Single-Family Detached, Medium Lot	**SFD Small Lot 7.3 (sale)** Single-Family Detached, Small Lot	**SFA/SFD Small Lot 10.9 (sale)** Single-Family Detached, Very Small Lot or Attached Condo	**SFA / Townhome 15 (sale)** Attached Condo or Townhome
Sales Price/Unit	$952,000	$816,000	$810,000	$589,000	$510,000
Sales Price/Sq.Ft.	$340	$340	$300	$310	$340

Source: AECOM analysis of 145 sales transactions 2020-2021 in San Diego County non-GPA Projects. Note: because of an insufficient number of sales comps for SFA/SFD Small Lot 10.9 in 2021, the analysis based pricing for the category on 2020 comps, which were escalated by 13.5%, reflecting average measured year over year growth for the unincorporated area

Table 27. GPA Projects: For-Sale Pricing Assumptions

	SFD Large Lot (2.9) Single-Family Detached, Large Lot	**SFD Medium Lot (4.3)** Single-Family Detached, Medium Lot	**SFD Small Lot (7.3)** Single-Family Detached, Small Lot	**SFA/SFD Small Lot (10.9)** Single-Family Detached, Very Small Lot or Attached Condo	**SFA Small Lot/ Townhome (15)** Attached Condo or Townhome
Sales Price/Unit	$980,000	$783,000	$748,000	$589,000	$555,000
Sales Price/Sq.Ft.	$280	$270	$340	$310	$370

Source: AECOM analysis of 188 sales transactions 2020-2021 in San Diego County GPA Projects

Market pricing for multifamily rental projects is based on an analysis of asking rents for units from a set of recently constructed projects, which can be found in the Appendix (Table 62, Table 63, and Table 64). The Assumed rents for GP-Compliant projects used in this analysis are shown in Table 28. For GPA projects, for which there are few good rental comps (although more in the development pipeline), AECOM assumed a 5 percent premium over GP-Compliant projects, as shown in Table 29.

Table 28. GP-Compliant Projects: Rental Project Rent Assumptions

	Garden 20 (Rent) Garden Apt.	Flats 30 (Rent) Stacked Flats	Podium 45 (Rent) Stacked Flats on Podium
Average Rent/Unit	$2,740	$2,810	$3,130
1BR	$2,500	$2,370	$2,640
2BR	$2,920	$2,960	$3,280
3BR	$3,450	$3,390	$4,030
Average Rent/Sq.Ft.	$2.84	$2.79	$2.86
1BR	$3.17	$3.00	$3.30
2BR	$2.65	$2.64	$2.60
3BR	$2.52	$2.61	$2.72

Source: AECOM analysis of recently-built San Diego County Rental Projects

Table 29. GPA Projects: Rental Project Rent Assumptions

	Garden 20 (Rent) Garden Apt.	Flats 30 (Rent) Stacked Flats	Podium 45 (Rent) Stacked Flats on Podium
Average Rent/Unit	$2,873	$2,946	$3,286
1BR	$2,630	$2,489	$2,772
2BR	$3,061	$3,105	$3,440
3BR	$3,625	$3,563	$4,227
Average Rent/Sq.Ft.	$2.98	$2.93	$3.00
1BR	$3.33	$3.15	$3.47
2BR	$2.78	$2.77	$2.73
3BR	$2.65	$2.74	$2.86

Source: AECOM analysis of recently-built San Diego County Rental Projects plus a 5% GPA premium

8.1.5 Affordable Price and Rent Assumptions

Affordable sales prices and rents used in the analysis have been estimated based on established practices for determining affordable housing eligibility by income tier, which can be found in California Health and Safety Code Section 50052.5 for owner-occupied housing and Section 50053 for rental housing. In addition, AECOM referenced published sales price and rent schedules provided the U.S. Department of Housing and Urban Development (HUD) and the San Diego County Housing and Community Development Services.

Supportable housing cost is calculated by multiplying household income by a factor that allocates a percentage to housing costs. This factor differs by household income tier. The household income tiers used in the analysis correspond to Area Median Incomes (AMI) by household size in the County. AMI, which is published annually by HUD and the San Diego County Housing and Community Development Services department, is at the median of a region's household income distribution. Most housing policy focuses on households in the ranges of Very Low (<50% AMI), Low (50-80% AMI), and Moderate (80-120%).

The analysis considers AMI tiers for extremely low income households (at 30% AMI), very low income (50% AMI), low income households (80% AMI), and moderate income households (120%) AMI. The calculations for supportable housing cost by income tier are shown in Table 30.

Table 30. Housing Cost Affordability by Income Tier

	Extremely Low 30% AMI	Very Low 50% AMI	Low 80% AMI	Moderate 120% AMI
AMI % for calculating qualifying income[1]	30%	50%	80%	120%
Share of Qualifying Income Towards Housing[1]	30%	30%	30%	35%
Qualifying Income[2,3]				
1-Person Household (Studio)	$27,350	$45,550	$72,900	$89,800
2-Person Household (1BR)	$31,250	$52,050	$83,300	$102,600
3-Person Household (2BR)	$35,150	$58,550	$93,700	$115,500
4-Person Household (3BR)	$39,050	$65,050	$104,100	$128,300
5-Person Household (4BR)	$42,200	$70,300	$112,450	$138,600
Housing Cost/Year				
1-Person Household (Studio)	$8,205	$13,665	$21,870	$31,430
2-Person Household (1BR)	$9,375	$15,615	$24,990	$35,910
3-Person Household (2BR)	$10,545	$17,565	$28,110	$40,425
4-Person Household (3BR)	$11,715	$19,515	$31,230	$44,905
5-Person Household (4BR)	$12,660	$21,090	$33,735	$48,510

(1) Affordability tiers and share of qualifying income from CA Health and Safety Code Section 50052.5.

(2) Area Median Income limits for Extremely Low , Very Low , and Low income tiers: San Diego County (effective 4/18/22). AMI is $106,900. (https://w w w .sandiegocounty.gov/sdhcd/rental-assistance/income-limits-ami/)

(3) Area Median Income limits for Moderate from AECOM by applying 120% of AMI for a 4-person household and discounting (per HUD standard practice) by 90% for a tw o-bedroom household, 80% for a 1 bedroom household, and 70% for a studio.

Estimation of supportable affordable housing costs also requires consideration of other housing-related expenses, such as property taxes, home-owners insurance, and maintenance/HOA Fees for for-sale units, and utilities costs for for-sale and for-rent units.

The utilities allowance for the San Diego Housing Authority is provided annually by HUD and is shown in the Appendix. AECOM has provided costs for property taxes, HOA fees, and homeowner's insurance based on market research and experience with similar projects. These expenses are deducted from estimated housing costs to calculate a supportable monthly payment for a mortgage. A down payment of 5 percent, which is a standard lender requirement for affordable units, is used to calculate the overall supportable housing price for all units. The resulting supportable sales prices and calculations are shown on Table 31. The supportable rent estimates are shown in Table 32.

Table 31. Supportable Sales Price by Affordable Income Tier

Annual	Extremely Low @30% AMI	Very Low @50% AMI	Low @80% AMI	Moderate @120% AMI
Allocated Housing Cost[1]				
1-Person Household (Studio)	$8,205	$13,665	$21,870	$31,430
2-Person Household (1BR)	$9,375	$15,615	$24,990	$35,910
3-Person Household (2BR)	$10,545	$17,565	$28,110	$40,425
4-Person Household (3BR)	$11,715	$19,515	$31,230	$44,905
5-Person Household (4BR)	$12,660	$21,090	$33,735	$48,510
Utilities[2]				
1-Person Household (Studio)	$3,048	$3,048	$3,048	$3,048
2-Person Household (1BR)	$4,008	$4,008	$4,008	$4,008
3-Person Household (2BR)	$5,502	$5,502	$5,502	$5,502
4-Person Household (3BR)	$6,624	$6,624	$6,624	$6,624
5-Person Household (4BR)	$7,080	$7,080	$7,080	$7,080
HOA[3]				
1-Person Household (Studio)	$570	$950	$1,520	$2,280
2-Person Household (1BR)	$660	$1,100	$1,760	$2,640
3-Person Household (2BR)	$750	$1,250	$2,000	$3,000
4-Person Household (3BR)	$830	$1,380	$2,200	$3,300
5-Person Household (4BR)	$900	$1,500	$2,400	$3,600
Home Owners Insurance[4]				
1-Person Household (Studio)	$1,010	$1,010	$1,010	$1,010
2-Person Household (1BR)	$1,150	$1,150	$1,150	$1,150
3-Person Household (2BR)	$1,330	$1,330	$1,330	$1,330
4-Person Household (3BR)	$1,850	$1,850	$1,850	$1,850
5-Person Household (4BR)	$2,000	$2,000	$2,000	$2,000
Property Tax[5]				
1-Person Household (Studio)	$649	$1,572	$2,958	$4,556
2-Person Household (1BR)	$646	$1,699	$3,282	$5,104
3-Person Household (2BR)	$538	$1,722	$3,500	$5,555
4-Person Household (3BR)	$438	$1,754	$3,732	$6,016
5-Person Household (4BR)	$487	$1,908	$4,040	$6,505
Available for Mortgage Payment				
1-Person Household (Studio)	$2,928	$7,085	$13,334	$20,536
2-Person Household (1BR)	$2,911	$7,658	$14,790	$23,008
3-Person Household (2BR)	$2,425	$7,761	$15,778	$25,038
4-Person Household (3BR)	$1,973	$7,907	$16,824	$27,115
5-Person Household (4BR)	$2,193	$8,602	$18,215	$29,325
Supportable Mortgage[6]				
1-Person Household (Studio)	$51,421	$124,435	$234,186	$360,669
2-Person Household (1BR)	$51,133	$134,495	$259,758	$404,099
3-Person Household (2BR)	$42,598	$136,307	$277,103	$439,748
4-Person Household (3BR)	$34,652	$138,864	$295,482	$476,230
5-Person Household (4BR)	$38,512	$151,078	$319,905	$515,034
Down Payment[7]	5%	5%	5%	5%
Supportable Sales Price (rounded)				
1-Person Household (Studio)	**$54,100**	**$131,000**	**$246,500**	**$379,700**
2-Person Household (1BR)	**$53,800**	**$141,600**	**$273,400**	**$425,400**
3-Person Household (2BR)	**$44,800**	**$143,500**	**$291,700**	**$462,900**
4-Person Household (3BR)	**$36,500**	**$146,200**	**$311,000**	**$501,300**
5-Person Household (4BR)	**$40,500**	**$159,000**	**$336,700**	**$542,100**

(1) Area Median Income limits for Extremely Low , Very Low , and Low income tiers: San Diego County (effective 4/18/22). For Moderate from AECOM by applying 120% of AMI for a 4-person household and discounting (per HUD standard practice) by 90% for a tw o-bedroom household, 80% for a 1 bedroom household, and 70% for a studio. AMI is $106,900. (https://w w w .sandiegocounty.gov/sdhcd/rental-assistance/income-limits-ami/)

(2) San Diego Housing Commission (effective 4/1/2022). (https://w w w .sdhc.org/w p-content/uploads/2022/Utility-Allow ance-Chart.pdf)

(3) AECOM estimate assuming developer indexes HOA fees to affordability. Moderate Income based on market-rate comps for San Diego County comparable projects. Low , Very Low , and Extremely Low Income scaled by AMI based on Moderate 120% AMI.

(4) Calculated as 0.19% of market value of the unit (derived from medians for home value and insurance rates, 2021 California)

(5) 1.2% of sales price

(6) 30-year mortgage, 3.95% rate (based on annual average 2013-7/22/2022)

(7) A 5% dow n payment is a typical minimum for affordable for-sale units

Source: AECOM

Table 32. Supportable Monthly Rent by Affordable Income Tier

Monthly	Extremely Low 30% AMI	Very Low @50% AMI	Low @80% AMI	Moderate @120% AMI
Allocated Housing Cost[1]				
1-Person Household (Studio)	$684	$1,139	$1,823	$2,619
2-Person Household (1BR)	$781	$1,301	$2,083	$2,993
3-Person Household (2BR)	$879	$1,464	$2,343	$3,369
4-Person Household (3BR)	$976	$1,626	$2,603	$3,742
5-Person Household (4BR)	$1,055	$1,758	$2,811	$4,043
Utilities[2]				
1-Person Household (Studio)	$254	$254	$254	$254
2-Person Household (1BR)	$334	$334	$334	$334
3-Person Household (2BR)	$459	$459	$459	$459
4-Person Household (3BR)	$552	$552	$552	$552
5-Person Household (4BR)	$590	$590	$590	$590
Available for Rent Payment				
1-Person Household (Studio)	$430	$885	$1,569	$2,365
2-Person Household (1BR)	$447	$967	$1,749	$2,659
3-Person Household (2BR)	$420	$1,005	$1,884	$2,910
4-Person Household (3BR)	$424	$1,074	$2,051	$3,190
5-Person Household (4BR)	$465	$1,168	$2,221	$3,453

(1) Area Median Income limits for Extremely Low , Very Low , and Low income tiers: San Diego County (effective 4/18/22). For Moderate from AECOM by applying 120% of AMI for a 4-person household and discounting (per HUD standard practice) by 90% for a tw o-bedroom household, 80% for a 1 bedroom household, and 70% for a studio. AMI is $106,900. (https://w w w .sandiegocounty.gov/sdhcd/rental-assistance/income-limits-ami/)

(2) San Diego Housing Commission (effective 4/1/2022). (https://w w w .sdhc.org/w p-content/uploads/2022/Utility-Allow ance-Chart.pdf)

8.2 Feasibility Testing

8.2.1 Methodology

AECOM used three screens to assess the feasibility of a mandatory inclusionary housing program in the unincorporated County area: residual land value analysis (RLV) and Return on Cost analysis (ROC) for GP-Compliant projects; and Supportable Finished Lot Value analysis for GPA projects. Each approach is based on static pro forma models, which provide the technical means for assessing project development economics and exploring how different assumptions and input factors influence development feasibility. A static pro forma model measures a development project's economics at a single point in time—at full absorption for for-sale projects and at leasing stabilization for rental projects.[23]

- For the GP-Compliant project analysis, AECOM created pro forma models for each residential product type shown in Table 21 and Table 24 featuring current market sales prices and rents (as shown in Table 26, and Table 29), affordable prices and rents (as shown in Table 31 and Table 32), current development costs, and standard developer return expectations to simulate the development economics faced by private market developers under current market conditions.

- For the GPA analysis, AECOM prepared models for each residential product type (shown in Table 22 and Table 24), featuring GPA-specific sales prices and rents (in Table 27 and Table 29), the same affordable sales

[23] The advantage of a static pro forma model compared with a cashflow pro forma model is its simplicity, which allows for easy comparison of different projects. A cashflow pro forma model also considers the impact of time on project returns and is particularly suited to assessing projects where timing-related risk must be considered or quantified (e.g., for complex projects with long entitlement processes, where absorption or lease-up timing is a critical component of project returns, or where land carry costs may be considerable). However, because timing-related issues are extremely variable and closely tied to the project itself, and because typical returns measures used in cashflow analysis, including IRR (internal rate of return) and NPV (net present value), are extremely sensitive to small variations in inputs, static pro forma models are generally preferred for planning-level analysis.

price and rent assumptions as for the GP-Compliant projects (as shown in Table 31 and Table 32), and current development costs and standard developer return expectations. In addition, to assess the additional value that a GPA project creates through upzoning and land development, AECOM paired the residential product pro forma models with a land development model to estimate the development cost for a finished lot.

Static pro forma models can be configured to estimate different measures of project feasibility, such as residual land value, return on costs, and supportable lot value:

- Residual land value (RLV) analysis estimates the amount an investor or developer should be willing to pay for land given project economics. Residual land value is the amount that remains after total project costs (including direct costs, indirect costs, fees, financing costs, expected project return) are subtracted from project revenues. If the estimated residual land value is consistent with the market value of the land, the project is feasible. Residual land value analysis is used here to assess the feasibility of a mandatory inclusionary housing program for GP-Compliant projects.
- Return on Cost (ROC) analysis estimates profit as a percentage of costs remaining after a project has been leased up or sold out. If the profit margin meets an expected threshold or developer hurdle rate, a project is feasible. Return on cost analysis is used here to assess the feasibility of a mandatory inclusionary housing program for GP-Compliant projects.
- Supportable lot value analysis estimates the amount a homebuilder should be willing to pay for a finished lot in a master-planned or GPA development. Finished lot value is the amount that remains after residential unit construction costs (including direct costs, indirect costs, fees, financing costs, expected project return) are subtracted from project revenues. If the estimated supportable lot value is equal to or higher than the estimated cost of developing the finished lot (including land costs, grading, infrastructure, fees, and preferred return), a project is feasible. Supportable lot value analysis is used here to assess the feasibility of a mandatory inclusionary housing program for GPA projects.

Each product type for both GP-Compliant and GPA projects is analyzed under a Base Case scenario and 29 different affordable housing set-aside scenarios, as shown in Table 33. The Base Case is a feasible all-market-rate project while the set-aside scenarios are intended to explore a wide range of parameters for an inclusionary housing program. The set-aside scenarios differ by income tier (Extremely Low Income, Very Low Income, Low Income, Moderate Income) and by set-aside amount (between 5% and 20% of total units).

To explore the impact of the density bonus on feasibility, 20 set-aside scenarios are also tested assuming application of the maximum density bonus available through the State Density Bonus Law. As described above in 3.2.3, the State Density Bonus Law makes density bonuses and other incentives available by schedule in exchange for a project setting aside a portion of units as affordable. (Notably, GPA projects are not eligible for benefits under the State Density Bonus Law, because upzoning for GPA projects is a fully discretionary process unconstrained by existing General Plan parameters.)

Table 33. Affordable Set-Aside Scenarios Tested

Scenario		Density Bonus	Affordable Set-Aside				
			Extremely Low (@30% AMI)	Very Low (@50% AMI)	Low (@80% AMI)	Moderate (@120% AMI)	Total
1a	5% EL	0%	5%	0%	0%	0%	5%
1b	5% EL, 20.0% Density Bonus	20%	5%	0%	0%	0%	5%
2a	10% EL	0%	10%	0%	0%	0%	10%
2b	10% EL, 32.5% Density Bonus	32.5%	10%	0%	0%	0%	10%
3a	5% VL	0%	0%	5%	0%	0%	5%
3b	5% VL, 20.0% Density Bonus	20%	0%	5%	0%	0%	5%
4a	10% VL	0%	0%	10%	0%	0%	10%
4b	10% VL, 32.5% Density Bonus	32.5%	0%	10%	0%	0%	10%
5a	15% VL	0%	0%	15%	0%	0%	15%
5b	15% VL, 50.0% Density Bonus	50%	0%	15%	0%	0%	15%
6a	10% L	0%	0%	0%	10%	0%	10%
6b	10% L, 20.0% Density Bonus	20%	0%	0%	10%	0%	10%
7a	15% L	0%	0%	0%	15%	0%	15%
7b	15% L, 27.5% Density Bonus	27.5%	0%	0%	15%	0%	15%
8a	20% L	0%	0%	0%	20%	0%	20%
8b	20% L, 35.0% Density Bonus	35%	0%	0%	20%	0%	20%
9a	5% VL, 5% L	0%	0%	5%	5%	0%	10%
9b	5% VL, 5% L, 20.0% Density Bonus	20%	0%	5%	5%	0%	10%
10a	10% VL, 5% L	0%	0%	10%	5%	0%	15%
10b	10% VL, 5% L, 32.5% Density Bonus	32.5%	0%	10%	5%	0%	15%
11a	10% VL, 10% L	0%	0%	10%	10%	0%	20%
11b	10% VL, 10% L, 35.0% Density Bonus	35%	0%	10%	10%	0%	20%
12a	5% VL, 10%L	0%	0%	5%	10%	0%	15%
12b	5% VL, 10%L, 27.5% Density Bonus	27.5%	0%	5%	10%	0%	15%
13a	5% VL, 15%L	0%	0%	5%	15%	0%	20%
13b	5% VL, 15%L, 35.0% Density Bonus	35%	0%	5%	15%	0%	20%
14a	10% M	0%	0%	0%	0%	10%	10%
14b	10% M, 5.0% Density Bonus	5%	0%	0%	0%	10%	10%
15a	15% M	0%	0%	0%	0%	15%	15%
15b	15% M, 10.0% Density Bonus	10%	0%	0%	0%	15%	15%
16a	20% M, 5% L	0%	0%	0%	5%	20%	25%
16b	20% M, 5% L, 15.0% Density Bonus	15%	0%	0%	5%	20%	25%
17a	5% VL, 5% L, 5% M	0%	0%	5%	5%	5%	15%
17b	5% VL, 5% L, 5% M, 20.0% Density Bonu	20%	0%	5%	5%	5%	15%
18a	5% L, 10% M	0%	0%	0%	5%	10%	15%
18b	5% L, 10% M, 10.0% Density Bonus	10%	0%	0%	5%	10%	15%
19a	10% L, 10% M	0%	0%	0%	10%	10%	20%
19b	10% L, 10% M, 20.0% Density Bonus	20%	0%	0%	10%	10%	20%
20a	10% L, 5% VL	0%	0%	5%	10%	0%	15%
20b	10% L, 5% VL, 27.5% Density Bonus	27.5%	0%	5%	10%	0%	15%
21a	5% VL, 5% L, 10%M		0%	5%	5%	10%	20%
22a	5% VL, 10% L, 5%M		0%	5%	10%	5%	20%
23a	10% VL, 5% L, 5%M		0%	10%	5%	5%	20%
24a	7% VL, 7% L, 6%M		0%	7%	7%	6%	20%
25a	8% VL, 6% L, 6%M		0%	8%	6%	6%	20%
26a	9% VL, 6% L, 5%M		0%	9%	6%	5%	20%
27a	11% EL		11%	0%	0%	0%	11%
28a	12% EL		12%	0%	0%	0%	12%
29a	13% EL		13%	0%	0%	0%	13%

Source: AECOM

8.2.2 Standard of Feasibility

In this analysis, to be "feasible," a program should, to the extent possible, meet two standards: a legal standard and an economic standard.

- The **legal standard** stems from court rulings that have upheld the legality of inclusionary housing ordinances as a means of providing affordable housing. The courts have also determined that such programs may not deprive an owner of "all economically beneficial use" of the land. However, because a more precise definition for "all economically beneficial use" has not been established, there is both uncertainty and flexibility in how this standard should be applied.

- The **economic standard** is based on the County's goal of encouraging production of both affordable and market-rate housing, and so an inclusionary housing program should not have a negative impact on overall housing production. An affordable set-aside requirement that is considered economically infeasible by the development and landowner communities will likely result in a decrease in housing production for two reasons: investors may look elsewhere for opportunities that offer higher return potential and less risk, and landowners may be unwilling to accept a lowered land value resulting from the inclusionary requirements and choose to hold rather than sell land. (It should be noted that landowners for proposed GPA projects may be less price-sensitive to a decrease in land value from inclusionary requirements than landowners for by-right projects, because up-zoning through the GPA project entitlement can add considerable land value even after the net impact of inclusionary requirements.)

The fundamental challenge in applying either the legal or economic standard is the fact that every set-aside scenario results in a lower estimated return than the Base Case, as affordable set-aside units are income-restricted and generate less revenue than market-rate units. Therefore, a determination about whether a project is feasible is essentially an evaluation of how to balance the extent to which landowners and developers will subsidize affordable housing development out of return and land value expectations.

The State Density Bonus Law offers some potential remedy for this loss of revenue from affordable set-asides, although application presents certain challenges. To qualify for the bonus, the developer must go through an application process, which while ministerial has been shown to add time and uncertainty to the entitlement process in many jurisdictions. Because the density bonus allows a project to receive exemptions and concessions, it can result in a project that does not fit community context. Finally, there are instances where the bonus does not actually increase project feasibility, such as in markets where consumers prefer lower-density housing or where higher-density housing requires a more expensive approach to construction. These reasons are in part why the density bonus law has been used minimally in San Diego County since adoption in 1979. However, recent updates to the State Density Bonus Law (Schreiber v. City of Los Angeles in 2021 and Bankers Hill 150 v. City of San Diego in 2022) and a correlated increase in density bonus applications suggest that some of these challenges have been addressed.

To reflect these standards of feasibility, AECOM has assessed the set-aside scenarios using three screens for evaluation: a residual land value (RLV) threshold, a return on costs (ROC) threshold, and a supportable finished lot value standard.

1. **Residual Land Value (RLV)**. An established approach to determining economic feasibility, which has been employed in other inclusionary housing studies[24], is to set a feasibility threshold of 30 percent reduction in land value: if a scenario lowers residual land value by less than 30 percent compared to the Base Case (where the base case achieves a typical market return), then it is considered feasible. This approach meets the economic standard of feasibility by assuming landowners will absorb up to a 30 percent loss in value without a change in their willingness to sell. It should be noted that in jurisdictions with inclusionary programs there is historical evidence that transacted land value does eventually shift to accommodate the impact of inclusionary requirements, but this transition can be prolonged as land markets are typically "sticky" and slow to reflect factor changes. This tendency can be exacerbated where there is long-term land ownership and owners are accustomed to waiting out market fluctuations. The 30 percent reduction in land value approach is used to evaluate GP-Compliant projects.
2. **Return on Costs (ROC)**. The legal standard that an inclusionary program should not deprive a developer of "all economically beneficial use" can be considered by using a return on cost approach, whereby the Base Case land value is assumed, and the impacts of each set-aside scenario are measured through return on costs: if ROC is negative, then all economic value has been deprived. Conversely, if ROC is positive, then some

[24] This standard was used in the economic analyses for the City of San Diego, the County of Los Angeles, the County of Sacramento and others.

economic value has been preserved, and the set-aside scenario is potentially feasible. While this approach preserves a reasonable portion of the land-seller's return, it places the onus of subsidizing the set-aside units squarely on the developer. In practice, a developer will only pursue a project if it meets investor expectation for project return, and any decrease from this return will render the project infeasible. Consequently, this ROC approach is best used to screen out clearly non-feasible scenarios where ROC is negative rather than to identify feasible scenarios. The ROC reduction approach is used to evaluate GP-Compliant projects.

3. Supportable Finished Lot Value. The supportable lot value standard is an economic assessment that tests how much of the value created through GPA up-zoning may be captured for provision of inclusionary housing. If the estimated finished lot cost inclusive of a preferred land developer return is less than the value a homebuilder is willing to pay for a finished lot (the supportable finished lot value), the project is feasible. The supportable lot value standard is used here to evaluate GPA projects.

8.3 Analysis

8.3.1 Impact of Affordable Set-Aside on RLV for GP-Compliant Projects

For each of the eight prototype alternatives for GP-Compliant projects, AECOM created a Base Case with which to compare impacts of different affordable set-asides. The Base Case is an all-market-rate project, representing an estimate of developer economics without any set-aside for affordable units. The Base Case assumes a developer return on costs (before the cost of land) of 10 percent, which represents a common investment threshold[25] and basis from which to derive a residual land value (RLV) output. Summaries of the Base Case scenarios are shown on Table 34. Full Base Case proformas are also shown in the Appendix.

Table 34. GP-Compliant Project Base Case Residual Land Value by Residential Type

Prototype	SFD Large Lot 2.9 (sale)	SFD Medium Lot 4.3 (sale)	SFD Small Lot 7.3 (sale)	SFA/SFD Small Lot 10.9 (sale)	SFA / Townhome 15 (sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
Unit Size (Sq.Ft.)	2,800	2,600	2,500	2,400	1,500	963	1,006	1,094
DUAC	2.9	4.3	7.3	10.9	15.0	20	30	45
Prototype Economics								
Value/Unit (after broker, closing fees)	$923,000	$792,000	$786,000	$571,000	$495,000	$504,000	$508,000	$574,000
Dev Cost/Unit Before Profit and Land	$600,000	$519,000	$466,000	$452,000	$425,000	$379,000	$377,000	$440,000
Dev Return at 10% of Cost bf Land	$60,000	$52,000	$47,000	$45,000	$42,000	$38,000	$38,000	$44,000
Dev Cost/Unit Before Land	$660,000	$571,000	$513,000	$497,000	$467,000	$417,000	$415,000	$484,000
RLV/Unit	$263,000	$221,000	$273,000	$74,000	$28,000	$87,000	$93,000	$90,000
RLV/land sf	$18	$22	$46	$19	$10	$40	$65	$94
Source: AECOM								

As indicated, estimated RLV per unit differs widely by product type with values generally (although not entirely) following a spectrum of lower land values for lower-density products and higher values for higher-density products. The major exception to this pattern is for the Townhome prototype, which generates lower land value than might be expected given the density and popularity of the product throughout California. This can be explained by the relatively low market value assigned to for-sale townhomes in the unincorporated area, where two-story detached residential products are highly preferred. If higher-density attached uses become more widely accepted in the unincorporated area, it is likely they will generate the price premiums seen for these prototypes in other jurisdictions.

By comparing the Base Case residual land value with different affordable set-aside scenarios, it is possible to quantify the impact of each on residual land value. As shown in Table 35, the set-aside scenarios for GP-Compliant prototypes reduce residual land value significantly. However, several set-aside scenarios yield a RLV loss that is less than the -30% feasibility standard and are thus potentially feasible.

[25] For some developers and investors, the 10 percent hurdle is aggressive, and for others, it may be conservative as risk and return expectations differ by project and project conditions. For the purpose of this planning-level analysis, which must be standardized to apply to projects throughout the unincorporated area, the 10 percent before land cost hurdle offers a common threshold measure of return and basis from which to derive residual land value.

Table 35. GP-Compliant Projects Change in Residual Land Value by Prototype (No Density Bonus)

Scenario	*(No Density Bonus)*	SFD Large Lot *(Sale)*	SFD Medium Lot *(Sale)*	SFD Small Lot *(Sale)*	SFA/SFD Small Lot *(Sale)*	SFA Small Lot/ *(Sale)*	Garden Apt. *(Rent)*	Stacked Flats *(Rent)*	Stacked Flats on Podium *(Rent)*
1a	5% EL	-12%	-16%	-15%	-33%	-89%	-24%	-24%	-25%
2a	10% EL	-34.7%	-32%	-26%	-73%	-167%	-50%	-44%	-58%
3a	5% VL	-10%	-14%	-13%	-27%	-68%	-18%	-18%	-20%
4a	10% VL	-30%	-27%	-23%	-58%	-128%	-38%	-33%	-46%
5a	15% VL	-39%	-41%	-36%	-85%	-196%	?	-50%	-37%
6a	10% L	-23.4%	-21%	-17%	-37%	-70%	-20%	-17%	-27%
7a	15% L	-30%	-31%	-27%	-53%	-107%	-27%	-25%	-11%
8a	20% L	-46%	-47%	-36%	-73%	-140%	-36%	-34%	-23%
9a	5% VL, 5% L	-18%	-24%	-23%	-43%	-106%	-28%	-28%	-32%
10a	10% VL, 5% L	-37%	-38%	-32%	-75%	-165%	-45%	-41%	-29%
11a	10% VL, 10% L	-53%	-48%	-40%	-95%	-198%	-55%	-49%	-45%
12a	5% VL, 10% L	-32.7%	-34%	-30%	-63%	-138%	-36%	-34%	-19%
13a	5% VL, 15% L	-40%	-45%	-40%	-80%	-176%	-46%	-43%	-31%
14a	10% M	-16%	-13%	-11%	-12%	-3%	1%	2%	-6%
15a	15% M	-20%	-19%	-17%	-17%	-5%	4%	4%	19%
16a	20% M	-38%	-39%	-32%	-40%	-43%	-5%	-5%	5%
17a	5% VL, 5% L, 5% M	-22%	-30%	-29%	-49%	-107%	-25%	-25%	-6%
18a	5% L, 10% M	-23%	-23%	-20%	-28%	-40%	-6%	-6%	10%
19a	10% L, 10% M	-38%	-34%	-27%	-48%	-73%	-16%	-14%	-6%
20a	10% L, 5% VL	-33%	-34%	-30%	-63%	-138%	-36%	-34%	-19%
21a	5% VL, 5% L, 10% M	-33%	-37%	-33%	-55%	-109%	-25%	-25%	-10%
22a	5% VL, 10% L, 5% M	-38%	-41%	-36%	-69%	-140%	-35%	-33%	-22%
23a	10% VL, 5% L, 5% M	-42%	-44%	-38%	-80%	-167%	-45%	-40%	-32%
24a	7% VL, 7% L, 6% M	-45%	-46%	-34%	-77%	-147%	-35%	-33%	-22%
25a	8% VL, 6% L, 6% M	-45%	-46%	-35%	-79%	-146%	-38%	-37%	-28%
26a	9% VL, 6% L, 5% M	-50%	-49%	-38%	-82%	-163%	-44%	-38%	-30%
27a	11% EL	-34%	-40%	-30%	-80%	-189%	-51%	-49%	-32%
28a	12% EL	-34%	-40%	-34%	-86%	-200%	-55%	-54%	-36%
29a	13% EL	-45%	-48%	-34%	-93%	-222%	-62%	-58%	-43%

(1) Highlighted values indicate where the decline in residual land value from the base case is less than the -30%
Source: AECOM

By applying the maximum available density bonus, as shown in Table 36, many more of the tested prototype scenarios fall within the -30% RLV loss threshold, and in two of the 20 density bonus scenarios (1b and 3b), the SFD large lot prototypes even meet or exceed the returns of the Base Case. However, most prototypes in the scenarios (158 out of 160) lose value. What this suggests in general is that for unincorporated area projects, the available density bonuses provided by the State Density Bonus Law do not offer enough value to fully offset the revenues lost to affordable set-asides.

Table 36. GP-Compliant Projects Change in Residual Land Value by Prototype (With Density Bonus)

Scenario	*(with Density Bonus)*	SFD Large Lot *(Sale)*	SFD Medium Lot *(Sale)*	SFD Small Lot *(Sale)*	SFA/SFD Small Lot *(Sale)*	SFA Small Lot/ Townhome *(Sale)*	Garden Apt. *(Rent)*	Stacked Flats *(Rent)*	Stacked Flats on Podium *(Rent)*
1b	5% EL, 20.0% Density Bonus	0%	-5%	-9%	-19%	-56%	-16%	-18%	-19%
2b	10% EL, 32.5% Density Bonus	-13.0%	-13%	-14%	-42%	-100%	-31%	-30%	-41%
3b	5% VL, 20.0% Density Bonus	1%	-3%	-7%	-13%	-39%	-11%	-13%	-15%
4b	10% VL, 32.5% Density Bonus	-10%	-9%	-12%	-31%	-71%	-22%	-21%	-32%
5b	15% VL, 50.0% Density Bonus	-6%	-12%	-16%	-38%	-96%	-27%	-28%	-12%
6b	10% L, 20.0% Density Bonus	-9.7%	-9%	-10%	-21%	-41%	-12%	-12%	-21%
7b	15% L, 7.5% Density Bonus	-11%	-14%	-16%	-30%	-62%	-15%	-16%	-1%
8b	20% L, 35.0% Density Bonus	-19%	-23%	-21%	-40%	-76%	-20%	-21%	-7%
9b	5% VL, 5% L, 20.0% Density Bonus	-5%	-12%	-15%	-27%	-70%	-19%	-21%	-25%
10b	10% VL, 5% L, 32.5% Density Bonus	-15%	-17%	-19%	-44%	-99%	-27%	-27%	-13%
11b	10% VL, 10% L, 35.0% Density Bonus	-24%	-24%	-23%	-57%	-119%	-34%	-31%	-23%
12b	5% VL, 10% L, 27.5% Density Bonus	-13.2%	-17%	-19%	-38%	-86%	-22%	-23%	-7%
13b	5% VL, 15% L, 35.0% Density Bonus	-15%	-21%	-23%	-45%	-102%	-27%	-28%	-13%
14b	10% M, 5.0% Density Bonus	-13%	-10%	-9%	-9%	2%	2%	2%	-6%
15b	15% M, 10.0% Density Bonus	-13%	-14%	-13%	-10%	5%	6%	5%	21%
16b	20% M, 15.0% Density Bonus	-27%	-29%	-25%	-28%	-24%	-1%	-2%	9%
17b	5% VL, 5% L, 5% M, 20.0% Density Bonus	-9%	-17%	-20%	-31%	-72%	-16%	-18%	1%
18b	5% L, 10% M, 10.0% Density Bonus	-15%	-17%	-17%	-21%	-27%	-3%	-4%	13%
19b	10% L, 10% M, 20.0% Density Bonus	-22%	-20%	-19%	-31%	-43%	-9%	-9%	2%
20b	10% L, 5% VL, 27.5% Density Bonus	-13%	-17%	-19%	-38%	-86%	-22%	-23%	-7%

(1) Highlighted values indicate where the decline in residual land value from the base case is less than the -30%
Source: AECOM

While affordable set-asides impact specific prototypes differently, county-wide policies must be generalized for a range of residential uses. To establish a basis for a County-wide policy, AECOM prepared estimates for the mix of future residential uses, shown in Table 37. The estimates for GP-Compliant sale and rent prototype mixes are based on analysis of historical development patterns and opportunity sites identified by the county housing portal.

Table 37. Future Development Prototype Mix, GP-Compliant Projects

	SFD Large Lot 2.9 (sale)	SFD Medium Lot 4.3 (sale)	SFD Small Lot 7.3 (sale)	SFA/SFD Small Lot 10.9 (sale)	SFA / Townhome 15 (sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
GP-Compliant For Sale[1]	60%	10%	10%	10%	10%			
GP-Compliant For Rent[2]						50%	50%	0%

(1) AECOM estimate, based on historical patterns and Housing Portal opportunity sites
(2) AECOM estimate, based on historical patterns, Housing Portal opportunity sites, and development pipeline

Applying the prototype mixes allows a weighted average impact on residual land to be estimated. Of the 29 non-density-bonus set-aside scenarios shown in Table 38, 6 are feasible for GP-Compliant Sale and 12 are feasible for GP-Compliant Rent.

Table 38. Prototypical Project Residual Land Value: Set-Aside Scenarios Variance with Base Case

Scenario		GP-Compliant (Sale)	GP-Compliant (Rent)
1a	5% EL	-22.2%	-24.3%
2a	10% EL	-50.6%	-47.0%
3a	5% VL	-18.2%	-18.4%
4a	10% VL	-41.7%	-35.7%
5a	15% VL	-59.4%	-52.0%
6a	10% L	-28.5%	-18.6%
7a	15% L	-40.1%	-26.1%
8a	20% L	-57.2%	-35.1%
9a	5% VL, 5% L	-30.3%	-28.0%
10a	10% VL, 5% L	-53.4%	-43.2%
11a	10% VL, 10% L	-69.7%	-52.1%
12a	5% VL, 10% L	-46.2%	-34.9%
13a	5% VL, 15% L	-58.3%	-44.5%
14a	10% M	-13.2%	1.3%
15a	15% M	-17.7%	4.1%
16a	20% M	-38.4%	-4.8%
17a	5% VL, 5% L, 5% M	-34.9%	-25.2%
18a	5% L, 10% M	-24.8%	-6.2%
19a	10% L, 10% M	-41.2%	-15.1%
20a	10% L, 5% VL	-46.2%	-34.9%
21a	5% VL, 5% L, 10% M	-43.0%	-24.6%
22a	5% VL, 10% L, 5% M	-51.2%	-34.2%
23a	10% VL, 5% L, 5% M	-58.4%	-42.5%
24a	7% VL, 7% L, 6% M	-57.6%	-34.1%
25a	8% VL, 6% L, 6% M	-57.7%	-37.4%
26a	9% VL, 6% L, 5% M	-63.4%	-41.1%
27a	11% EL	-54.2%	-50.3%
28a	12% EL	-56.3%	-54.2%
29a	13% EL	-66.9%	-59.9%

Highlighted values indicate decline in residual land value of less than the -30%
Source: AECOM

With the available density bonus, as shown in Table 39, almost all the GP-Compliant scenarios become feasible. However, as noted above, pursuit of a density bonus adds entitlement risk and may not be marketable if results in a residential product for which there is little actual market demand.

Table 39. Prototypical Project Residual Land Value (with Density Bonus): Set-Aside Scenarios Variance with Base Case

Scenario		GP-Compliant (Sale)	GP-Compliant (Rent)
1b	5% EL, 20.0% Density Bonus	-8.8%	-16.8%
2b	10% EL, 32.5% Density Bonus	-24.7%	-30.5%
3b	5% VL, 20.0% Density Bonus	-5.4%	-11.9%
4b	10% VL, 32.5% Density Bonus	-18.0%	-21.9%
5b	15% VL, 50.0% Density Bonus	-20.0%	-27.2%
6b	10% L, 20.0% Density Bonus	-14.0%	-12.1%
7b	15% L, 7.5% Density Bonus	-19.1%	-15.6%
8b	20% L, 35.0% Density Bonus	-27.7%	-20.1%
9b	5% VL, 5% L, 20.0% Density Bonus	-15.5%	-19.9%
10b	10% VL, 5% L, 32.5% Density Bonus	-26.7%	-27.0%
11b	10% VL, 10% L, 35.0% Density Bonus	-37.0%	-32.7%
12b	5% VL, 10% L, 27.5% Density Bonus	-23.9%	-22.5%
13b	5% VL, 15% L, 35.0% Density Bonus	-28.4%	-27.1%
14b	10% M, 5.0% Density Bonus	-10.4%	2.2%
15b	15% M, 10.0% Density Bonus	-10.8%	5.8%
16b	20% M, 15.0% Density Bonus	-26.5%	-1.3%
17b	5% VL, 5% L, 5% M, 20.0% Density Bonus	-19.2%	-17.3%
18b	5% L, 10% M, 10.0% Density Bonus	-17.2%	-3.6%
19b	10% L, 10% M, 20.0% Density Bonus	-24.4%	-8.9%
20b	10% L, 5% VL, 27.5% Density Bonus	-10.0%	-2.1%

Highlighted values indicate decline in residual land value of less than the -30%
Source: AECOM

8.3.2 Impact of Affordable Set-Aside on GP-Compliant Project Return on Cost

By assuming a constant Base Case land value, the impact of the set-aside requirements can be compared in terms of return on cost (ROC). Return on cost is measured as net value (total project value at stabilization or sale less total project cost inclusive of land) divided by total project costs. As shown in Table 40, ROC declines significantly from the Base Case in each scenario. Furthermore, of the 58 tests shown, more than half (31) show a negative return on cost, which indicates that total scenario costs are higher than total scenario revenues.

Table 40. Return on Cost Assuming Base Case Land Value (No Density Bonus)

Scenario		GP-Compliant (Sale)	GP-Compliant (Rent)
1a	5% EL	4.3%	4.2%
2a	10% EL	-4.3%	-1.2%
3a	5% VL	5.1%	5.6%
4a	10% VL	-2.2%	1.5%
5a	15% VL	-6.9%	-2.5%
6a	10% L	0.9%	5.6%
7a	15% L	-2.5%	3.8%
8a	20% L	-8.4%	1.6%
9a	5% VL, 5% L	1.5%	3.3%
10a	10% VL, 5% L	-5.7%	-0.3%
11a	10% VL, 10% L	-11.2%	-2.5%
12a	5% VL, 10%L	-3.8%	1.6%
13a	5% VL, 15%L	-7.4%	-0.7%
14a	10% M	4.5%	10.3%
15a	15% M	2.6%	11.0%
16a	20% M	-4.6%	8.8%
17a	5% VL, 5% L, 5% M	-0.4%	3.9%
18a	5%L, 10%M	1.1%	8.5%
19a	10%L, 10% M	-4.4%	6.4%
20a	10% L, 5% VL	-3.8%	1.6%
21a	5% VL, 5% L, 10%M	-3.8%	4.1%
22a	5% VL, 10% L, 5%M	-5.9%	1.8%
23a	10% VL, 5% L, 5%M	-7.8%	-0.2%
24a	7% VL, 7% L, 6%M	-8.2%	1.8%
25a	8% VL, 6% L, 6%M	-8.2%	1.0%
26a	9% VL, 6% L, 5%M	-10.0%	0.2%
27a	11% EL	-5.0%	-2.1%
28a	12% EL	-5.4%	-3.0%
29a	13% EL	-9.0%	-4.4%

Highlighted values indicate a negative return
Source: AECOM

Applying the density bonus, as shown in Table 41, improves ROC substantially, but in only two out of 20 scenarios does the bonus fully offset the loss incurred through the affordable set-asides. Thus, in an environment where land costs are fixed or slow to reflect market inputs, compliance with a mandatory inclusionary housing requirement, even after applying the density bonus, will reduce project return. This could have a negative impact on development in the short term if landowners or developers are unwilling to accept the reduction in value that a mandatory inclusionary housing requirement will entail. Mitigating against this is the fact that most of the development capacity in San Diego County, as noted earlier, is already subject to some form of mandatory inclusionary housing requirement, limiting alternatives for development in jurisdictions without the requirement.

Table 41. Return on Cost Assuming Base Case Land Value (With Density Bonus)

Scenario		GP-Compliant (Sale)	GP-Compliant (Rent)
1a	5% EL	8.6%	5.9%
2a	10% EL	3.6%	2.6%
3a	5% VL	9.3%	7.1%
4a	10% VL	5.2%	4.7%
5a	15% VL	5.4%	3.4%
6a	10% L	5.7%	7.1%
7a	15% L	4.3%	6.2%
8a	20% L	1.1%	5.1%
9a	5% VL, 5% L	6.3%	5.2%
10a	10% VL, 5% L	2.6%	3.4%
11a	10% VL, 10% L	-1.1%	2.1%
12a	5% VL, 10%L	3.3%	4.5%
13a	5% VL, 15%L	1.9%	3.4%
14a	10% M	5.4%	10.5%
15a	15% M	5.0%	11.4%
16a	20% M	-0.6%	9.7%
17a	5% VL, 5% L, 5% M	4.7%	5.8%
18a	5%L, 10%M	3.7%	9.1%
19a	10%L, 10% M	1.2%	7.9%
20a	10% L, 5% VL	3.3%	4.5%
Highlighted values indicate where scenario ROC exceeds the Base Case			
Source: AECOM			

8.3.3 Impact of Affordable Set-Asides on GPA Project Feasibility

Supportable lot value analysis is used to assess the feasibility of a mandatory inclusionary housing program for GPA projects. The analysis estimates the amount a homebuilder should be willing to pay for a finished lot (graded with all major infrastructure in place) in a GPA development. If supportable lot value is greater than finished lot development cost, a project is feasible.

Supportable lot value is calculated by deducting residential unit construction costs (including direct costs, indirect costs, fees, financing costs, and expected project return, which is set at 10% of cost before land) from expected project revenues. AECOM modeled supportable lot value in the Base Case (an all-market-rate project with any affordable set-aside) and for each of the 29 scenarios described in Table 33. As shown in Table 42, in the Base Case, supportable lot value ranges from $71,000 (for a townhome product) to $266,000 (for a single family-detached small-lot home).

Table 42. GPA Project Supportable Finished Lot Value by Residential Type—Base Case

Prototype	SFD Large Lot 2.9 (sale)	SFD Medium Lot 4.3 (sale)	SFD Small Lot 7.3 (sale)	SFA/SFD Small Lot 10.9 (sale)	SFA / Townhome 15 (sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
Unit Size (Sq.Ft.)	3,500	2,900	2,200	1,900	1,500	963	1,006	1,094
DUAC	2.9	4.3	7.3	10.9	15.0	20.0	30.0	45.0
Prototype Economics								
Value/Unit (after broker, closing fees)	$951,000	$760,000	$726,000	$571,000	$538,000	$530,000	$534,000	$603,000
Dev Cost/Unit Before Profit and Land	$659,000	$567,000	$418,000	$367,000	$425,000	$379,000	$377,000	$440,000
Dev Return at 10% of Cost bf Land	$66,000	$57,000	$42,000	$37,000	$42,000	$38,000	$38,000	$44,000
Dev Cost/Unit Before Land	$725,000	$624,000	$460,000	$404,000	$467,000	$417,000	$415,000	$484,000
Finished Lot Value/Unit	$226,000	$136,000	$266,000	$167,000	$71,000	$113,000	$119,000	$119,000
Finished Lot Value/Land Sq.Ft.	$15	$13	$44	$42	$25	$51	$82	$123
Source: AECOM								

As with the GP-compliant analysis, County-wide policies impacting GPA projects must be generalized for a range of residential uses, represented by those shown in Table 42. To establish the basis for County-wide assessment, AECOM prepared an estimate for the mix of future GPA residential uses, as shown in Table 43.

Table 43. Future Development Prototype Mix, GPA Projects

	SFD Large Lot 2.9 (sale)	SFD Medium Lot 4.3 (sale)	SFD Small Lot 7.3 (sale)	SFA/SFD Small Lot 10.9 (sale)	SFA / Townhome 15 (sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
GPA For Sale and For Rent[1]	20.0%	10.0%	25.0%	35.0%	5.0%	3.0%	2.0%	0.0%

(1) AECOM estimate, based on analysis of recent GPA projects

Calculating supportable lot value for each potential set-aside scenario (from Table 42), and weighting the findings by the assumed mix shown in Table 43 results in estimated supportable lot values shown in Table 44.

Table 44. GPA Supportable Lot Value by Set-Aside Scenario

Scenario		Supportable Lot Value
1a	5% EL	$163,000
2a	10% EL	$127,000
3a	5% VL	$168,000
4a	10% VL	$138,000
5a	15% VL	$113,000
6a	10% L	$154,000
7a	15% L	$137,000
8a	20% L	$113,000
9a	5% VL, 5% L	$150,000
10a	10% VL, 5% L	$121,000
11a	10% VL, 10% L	$99,000
12a	5% VL, 10%L	$129,000
13a	5% VL, 15%L	$112,000
14a	10% M	$173,000
15a	15% M	$164,000
16a	20% M	$134,000
17a	5% VL, 5% L, 5% M	$142,000
18a	5%L, 10%M	$155,000
19a	10%L, 10% M	$134,000
20a	10% L, 5% VL	$129,000
21a	5% VL, 5% L, 10%M	$130,000
22a	5% VL, 10% L, 5%M	$120,000
23a	10% VL, 5% L, 5%M	$112,000
24a	7% VL, 7% L, 6%M	$114,000
25a	8% VL, 6% L, 6%M	$113,000
26a	9% VL, 6% L, 5%M	$106,000
27a	11% EL	$121,000
28a	12% EL	$117,000
29a	13% EL	$107,000

Source: AECOM

The land development model generates a finished lot cost estimate of $110,000. (For a full breakdown of the model and its assumptions, see Table 82 in the Appendix.) To determine scenario feasibility, lot cost is compared to supportable lot value. As indicated by Table 45, 26 of the 29 tested scenarios are feasible.

Table 45. GPA Feasibility by Set-Aside Scenario

Scenario		Supportable Lot Value	Supportable Lot Value > Finished Lot Cost ($110,000)
1a	5% EL	$163,000	Yes
2a	10% EL	$127,000	Yes
3a	5% VL	$168,000	Yes
4a	10% VL	$138,000	Yes
5a	15% VL	$113,000	Yes
6a	10% L	$154,000	Yes
7a	15% L	$137,000	Yes
8a	20% L	$113,000	Yes
9a	5% VL, 5% L	$150,000	Yes
10a	10% VL, 5% L	$121,000	Yes
11a	10% VL, 10% L	$99,000	No
12a	5% VL, 10%L	$129,000	Yes
13a	5% VL, 15%L	$112,000	Yes
14a	10% M	$173,000	Yes
15a	15% M	$164,000	Yes
16a	20% M	$134,000	Yes
17a	5% VL, 5% L, 5% M	$142,000	Yes
18a	5%L, 10%M	$155,000	Yes
19a	10%L, 10% M	$134,000	Yes
20a	10% L, 5% VL	$129,000	Yes
21a	5% VL, 5% L, 10%M	$130,000	Yes
22a	5% VL, 10% L, 5%M	$120,000	Yes
23a	10% VL, 5% L, 5%M	$112,000	Yes
24a	7% VL, 7% L, 6%M	$114,000	Yes
25a	8% VL, 6% L, 6%M	$113,000	Yes
26a	9% VL, 6% L, 5%M	$106,000	No
27a	11% EL	$121,000	Yes
28a	12% EL	$117,000	Yes
29a	13% EL	$107,000	No

Source: AECOM

8.3.4 Feasibility Summary

A summary of the feasibility findings for all tested scenarios is shown in Table 46. For GP-Compliant for-sale projects, there are 6 feasible set-aside scenarios that meet both the Residual Land Value and Return on Cost feasibility standards, and for GP-Compliant for-rent, there are 12 feasible scenarios. For GPA projects, 26 of 29 tested scenarios are feasible.

Table 46. Feasibility Summary

Scenario		Meets Residual Land Value Standard[1]		Meets Return on Cost Standard[2]		Meets Supportable Lot Standard[3]	Summary		
		GP-Compliant (Sale)	GP-Compliant (Rent)	GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)	GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	**5% EL**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2a	**10% EL**	No	No	No	No	Yes	No	No	Yes
3a	**5% VL**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4a	**10% VL**	No	No	No	Yes	Yes	No	No	Yes
5a	**15% VL**	No	No	No	No	Yes	No	No	Yes
6a	**10% L**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7a	**15% L**	No	Yes	No	Yes	Yes	No	Yes	Yes
8a	**20% L**	No	No	No	Yes	Yes	No	No	Yes
9a	**5% VL, 5% L**	No	Yes	Yes	Yes	Yes	No	Yes	Yes
10a	**10% VL, 5% L**	No	No	No	No	Yes	No	No	Yes
11a	**10% VL, 10% L**	No	No	No	No	No	No	No	No
12a	**5% VL, 10%L**	No	No	No	Yes	Yes	No	No	Yes
13a	**5% VL, 15%L**	No	No	No	No	Yes	No	No	Yes
14a	**10% M**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15a	**15% M**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16a	**20% M**	No	Yes	No	Yes	Yes	No	Yes	Yes
17a	**5% VL, 5% L, 5% M**	No	Yes	No	Yes	Yes	No	Yes	Yes
18a	**5%L, 10%M**	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
19a	**10%L, 10% M**	No	Yes	No	Yes	Yes	No	Yes	Yes
20a	**10% L, 5% VL**	No	No	No	Yes	Yes	No	No	Yes
21a	**5% VL, 5% L, 10%M**	No	Yes	No	Yes	Yes	No	Yes	Yes
22a	**5% VL, 10% L, 5%M**	No	No	No	Yes	Yes	No	No	Yes
23a	**10% VL, 5% L, 5%M**	No	No	No	No	Yes	No	No	Yes
24a	**7% VL, 7% L, 6%M**	No	No	No	Yes	Yes	No	No	Yes
25a	**8% VL, 6% L, 6%M**	No	No	No	Yes	Yes	No	No	Yes
26a	**9% VL, 6% L, 5%M**	No	No	No	Yes	No	No	No	No
27a	**11% EL**	No	No	No	No	Yes	No	No	Yes
28a	**12% EL**	No	No	No	No	Yes	No	No	Yes
29a	**13% EL**	No	No	No	No	No	No	No	No

(1) Scenarios that return a residual land value with a decline greater than -30% compared to the Base Case
(2) Scenarios that return a greater than 0% Return on Costs
(3) Scenarios where Supportable Lot Value is higher than or equal to Finished Lot Cost
Source: AECOM

The County could choose to adopt each feasible scenario into a mandatory inclusionary program, which would result in many different set-aside options. However, as shown in the literature review, jurisdictions typically take a more streamlined approach with fewer options. Some criteria for program design could include:

- Total "value" of the set-aside, measured as the set-aside scenario's effective subsidy value
- Alignment with affordability needs, as reflected in the housing element or RHNA allocation
- Balance between affordability tiers (e.g., similar quantities of Very Low, Low, and Moderate Income units)
- Ease of implementation for both the County and developer applicants

These criteria are discussed further below.

Set-aside scenario subsidy value. AECOM calculated potential in-lieu fees for each set-aside scenario by quantifying the value variance between an all market-rate project and a project with income-restricted affordable units. (For a full discussion of in-lieu fees and in-lieu fee calculations, see Chapter 9.) Because the fee essentially reflects the value of the affordable housing subsidy on a scenario-by-scenario basis, it can also provide a means for comparing the subsidy value of each scenario.

Table 47 shows the calculated fees for each of the feasible set-aside scenarios by project category.

- For GP-Compliant sale projects, the highest fee and highest subsidy value is for Scenario 18a (5% Low Income + 10% Moderate Income) at $22.08 per each market rate unit square foot, followed closely by 6a (10% Low Income) at $21.37.

- For GP-Compliant rent projects, Scenario 21a (5% Very Low Income + 5% Low Income + 10% Moderate Income) at $24.44 per market rate square foot has the highest subsidy value. Notably, the rates for the next-highest scenarios—Scenario 7a (15% Low Income) at $24.32 and 17a (5% Very Low Income + 5% Low Income + 5% Moderate Income) at $23.50—are so close to Scenario 21a as to be almost effectively interchangeable.

- For GPA projects, Scenario 13a (5% Very Low Income + 15% Low Income) at $43.13 per market rate square foot has the highest subsidy value, followed closely by Scenario 23a (10% Very Low + 5% Low + 5% Moderate) at $42.81 and 25a (8% Very Low Income + 6% Low Income + 6% Moderate Income) at $42.15. From a subsidy value perspective, each of the top-three scenarios are effectively interchangeable.

Table 47. Calculated In-Lieu Fees by Feasible Set-Aside Scenario

Scenario		Estimated in-lieu fee (per market-rate unit sq.ft.)		
		GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	**5% EL**	$12.67	$18.69	$14.06
2a	**10% EL**			$31.32
3a	**5% VL**	$10.74	$14.16	$11.63
4a	**10% VL**			$25.95
5a	**15% VL**			$40.35
6a	**10% L**	$21.37	$15.17	$17.90
7a	**15% L**		$24.32	$27.76
8a	**20% L**			$41.82
9a	**5% VL, 5% L**			$20.64
10a	**10% VL, 5% L**			$36.27
12a	**5% VL, 10%L**			$31.84
13a	**5% VL, 15%L**			$43.13
14a	**10% M**	$12.75	$0.00	$8.58
15a	**15% M**	$18.34	$0.00	$13.21
16a	**20% M**		$6.87	$31.59
17a	**5% VL, 5% L, 5% M**		$23.50	$25.96
18a	**5%L, 10%M**	$22.08	$7.16	$17.93
19a	**10%L, 10% M**		$15.94	$29.75
20a	**10% L, 5% VL**			$31.84
21a	**5% VL, 5% L, 10%M**		$24.44	$32.71
22a	**5% VL, 10% L, 5%M**			$38.13
23a	**10% VL, 5% L, 5%M**			$42.81
24a	**7% VL, 7% L, 6%M**			$41.41
25a	**8% VL, 6% L, 6%M**			$42.15
27a	**11% EL**			$34.97
28a	**12% EL**			$37.79

Darker shading reflects higher fee value
Source: AECOM

Designing a program around the scenarios with the highest subsidy value can help maximize its impacts.

Alignment with County Housing Policy. The Sixth Cycle RHNA allocation for unincorporated San Diego County (as shown in Table 13), prioritizes Very Low Income unit production (27% of total) most highly, followed by Moderate (17%) and Low (15%), with the remainder (40%) at Above Moderate. By this measure, set-aside scenarios that prioritize units at the lower end of the affordability spectrum should be weighted more heavily.

- For GP-Compliant Sale projects, Scenario 6a (10% Low Income) has the highest proportion of units at the lower end of the affordability spectrum from among the high subsidy scenarios.

- For GP-Compliant Rent projects, Scenario 21a (5% Very Low Income + 5% Low Income + 10% Moderate Income) has the highest proportion of units at the lower end of the affordability spectrum.

- For GPA projects, Scenario 23a (10% Very Low + 5% Low + 5% Moderate) has the highest proportion of units at the lower end of the affordability spectrum.

Balance and Ease of Implementation. These criteria can conflict, as a set-aside requirement featuring a balanced mix of affordability tiers may be more complicated to implement than for a single tier. More categories of affordability require additional tenant income qualification for developers to manage. Furthermore, for smaller projects especially, a mix of set-aside requirements can present rounding issues. For example, a 50-unit project with a 10% set-aside results in 5 affordable units (10% x 50), but a 50-unit project with 5% set-aside in one affordability tier and 5% in another requires 2.5 units for each to comply. The applicant can either round up to 3 and 3 (thereby increasing the effective set-aside requirement to 6% and 6%) or pay an in-lieu fee (if provided as an option) equivalent to 0.5 units for each affordability tier.

- For GP-Compliant Sale projects, Scenario 6a (10% Low Income) is the easiest to implement and manage, whereas Scenario 18a (5% Low Income + 10% Moderate Income) is more balanced but possibly harder to implement,
- For GP-Compliant Rent projects, Scenario 7a (15% Low Income) is the easiest to implement and manage, whereas Scenario 21a (5% Very Low Income + 5% Low Income + 10% Moderate Income) is more balanced but possibly harder to implement,
- For GPA projects, Scenario 13a (5% Very Low Income + 15% Low Income) has two tiers and is likely easier to implement and manage than Scenario 23a (10% Very Low + 5% Low + 5% Moderate) and 25a (8% Very Low Income + 6% Low Income + 6% Moderate Income), which more income tiers and more complexity.

9. In-Lieu Fee Analysis

According to an Urban Institute survey, approximately two thirds of all jurisdictions with inclusionary housing policies allow the payment of an in-lieu fee as an alternative compliance option to provision of on-site affordable units. In general, in-lieu fees offer flexibility and predictability to developers and can be used strategically by jurisdictions to further their affordable housing policy goals.

In-lieu fees are usually pooled into a local affordable housing trust fund focused on jurisdiction housing policy priorities. The County's existing Innovative Housing Trust Fund (IHTF), which provides gap financing to developers that create or preserve affordable housing, could be a natural vehicle for collecting and disbursing in-lieu fees.

In-lieu fees offer many potential benefits. For one, in-lieu fees allow the affordable set-aside obligation to be properly scaled for smaller projects. For example, with a 15% set-aside requirement, the developer of a 5-unit project could pay a fee equivalent to 15% rather than having to round up to 20% by providing one unit on site. Additional flexibility may be provided by allowing on-site units to be combined with fractional fee payment. For example, an 8-unit project subject to a 15% set-aside is obligated to provide 1.2 affordable units, which it could do with one on-site unit and a fee scaled to reflect the 0.2 unit remainder.

The local trust fund may finance a wider range of affordable projects than mandated by the inclusionary program, such as for extremely low income units, "missing middle" units, "family" units, or permanent supportive housing. Furthermore, a housing fund may support growth management goals by directing funding to affordable projects in preferred areas such as those with transit resources or reduced fire danger. Finally, in-lieu fees disbursed through a housing trust fund can provide a resource for developers of 100% affordable housing projects, as the fees can provide a resource which may be used to leverage other forms of financing (such as Low Income Housing Tax Credits), thereby producing more affordable units than otherwise would be possible.

Potential disadvantages of in-lieu fees relate to challenges jurisdictions may face in spending fund money effectively and efficiently. A unit produced on-site provides immediate benefits, whereas a fee in the fund may take longer to be spent. Other perceived disadvantages often relate to policy trade-offs. For example, if fees are set to a level lower than the cost of providing units on site as part of a policy goal, it's arguable that applicants who elect to pay the fee will not be paying their fair share. While on-site units in a mixed-income development are typically required to be the same size and quality as market-rate units, offsite units funded by fees cannot typically be held to the same standard. However, if the jurisdiction prioritizes overall unit production, this might be a desirable trade-off. Finally, in-lieu fees may result in less mixed-income development, which again may be a desirable trade-off for the benefits noted above.

A summary of the potential advantages and disadvantages of in-lieu fees as an alternate compliance mechanism is shown in Table 48.

Table 48. Advantages and Disadvantages of In-Lieu Fees as an Inclusionary Program Alternate Compliance Option

Advantages	Disadvantages
• Create mechanism to fund housing units that inclusionary policies do not produce (e.g., units for households with extremely low incomes) or fund other local housing priorities	• May result in fewer on-site units and less mixed-income development
• Increase flexibility for developers, particularly for smaller developments	• Could lead to construction activity that reinforces patterns of segregation
• Provide leverage for other funding sources	• May result in lower quality on- or off-site
• Make development process more predictable	
• Provide important source of funding for nonprofit developers	
• Provide a tool for the jurisdiction for growth management	

Source: AECOM and Urban Institute, *Determining In-Lieu Fees in Inclusionary Zoning Policies*

9.1 Methodology

In-lieu fees are typically calibrated to represent the cost to the developer of providing required units on site. However, there are several different established methods for calculating and applying in-lieu fees, each with different pros and cons. The three most common methods are discussed below.

- Affordability Gap Method: The affordability gap method establishes a fee based on the difference in value between affordable and market rate units, where value is the unit's sale price (for for-sale units) or the capitalized value of its net operating income (for rental units). The affordability gap is the value variance between a market-rate unit and a rent-restricted unit. To establish a fee, the affordability gap is distributed between the market-rate portion of total units.

  For example, if the affordable set-aside requirement is 10% of units at Low Income (i.e., 80% AMI), a 10-unit project would be required to set aside 1 unit as affordable. If the value of a market-rate unit in this scenario is $500,000 and the value of the affordable unit is $230,000, the affordability gap is $270,000, which implies an in-lieu fee of $30,000 per market-rate unit ($270,000 affordability gap divided between 9 market-rate units). At an average unit size of 1,500 square feet, the per-square-foot fee would be $20 per square foot ($30,000 divided by 1,500 square feet).

  As illustrated in the example, the in-lieu fee incorporates the AMI level of required affordability and the amount of required set-aside. Thus, a jurisdiction's in-lieu fee schedule must be calibrated to its adopted standards for minimum compliance.

- Production Cost Method: The production cost method bases the fee on the variance between the cost and the value of providing an affordable unit off-site. This method first establishes the construction costs and potential revenues from an equivalent affordable housing project and derives the fee based on the subsidy needed to make affordable housing feasible.

  For example, if the off-site production cost of an affordable unit is $400,000 and the unit's rent-stabilized value is $230,000, the subsidy to cover the variance is $170,000. This implies an in-lieu fee of $18,889 per market-rate unit for a 10-unit project with a 10% set-aside requirement ($170,000 gap divided between 9 market-rate units). At an average unit size of 1,500 square feet, the per-square-foot fee would be $12.59 per square foot ($18,889 divided by 1,500 square feet). Compared to the affordability gap method, the fee resulting from the production cost method is lower because it excludes the premium associated with the onsite value.

- Index Fee Method: The index fee method establishes a fee based on an index of variables that are tailored specifically to the jurisdiction's housing market and the policy goals of the inclusionary housing program. Potential variables include the location within a sub geography, building type, unit size, density, and level of affordability. The index fee method usually determines the in-lieu fee based on the total square footage of a development project.

  While this method allows for jurisdictions to align affordable housing goals with the inclusionary housing program, it is also the most obscure and potentially distortionary of the three options. The lack of predictability and transparency could discourage the development of both market rate and affordable units.

For the County in-lieu fee analysis, AECOM used the affordability gap method. Unlike the other methods, it is directly derived from the same values used in preparing the inclusionary analysis, which allows the fees to be closely calibrated to the set-aside requirements and represent a directly equivalent cost to the applicant. In addition, the resulting fee schedule provides more predictability and transparency to applicants than a fee calculated on a project-by-project basis like the index fee method.

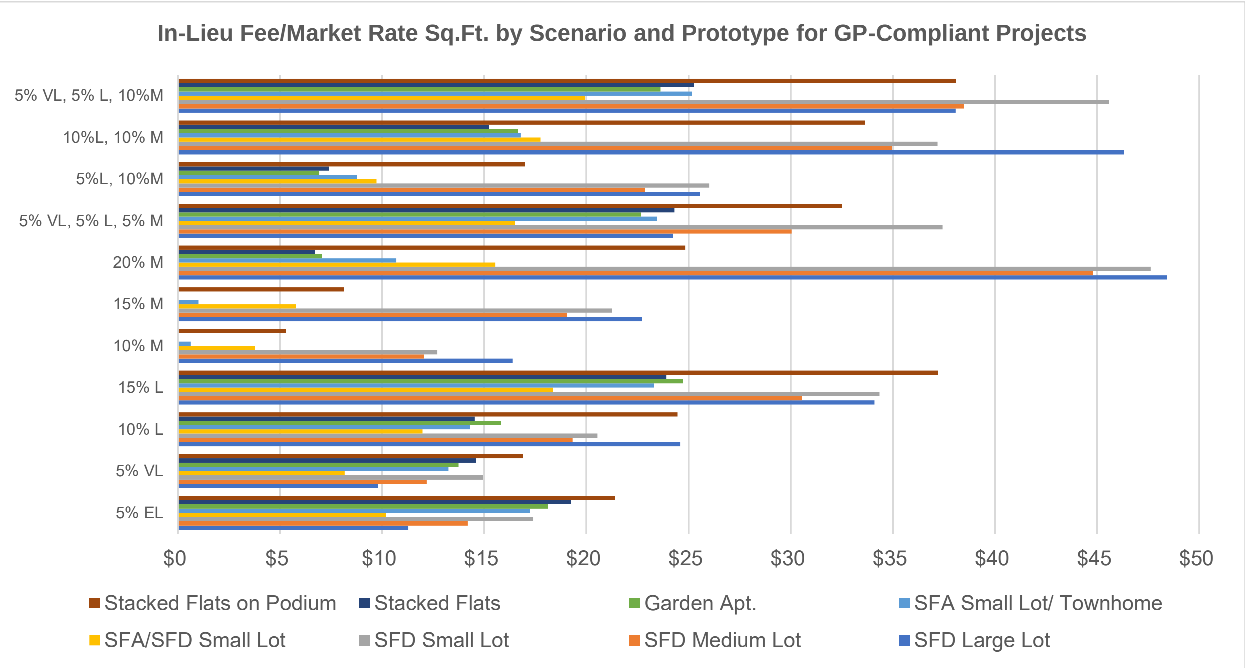
As with the proposed inclusionary set-asides, the in-lieu fee analysis generates recommendations based on assumptions regarding the mix of future residential products, each with its own specific affordability gap. Thus, the proposed in-lieu fee schedule represents a weighted average of these products.

Consequently, for some applicant projects, the scheduled fee may offer a financial advantage over building on-site, while for other projects, the economics of on-site development might be preferable.

9.2 In-Lieu Fee Estimates

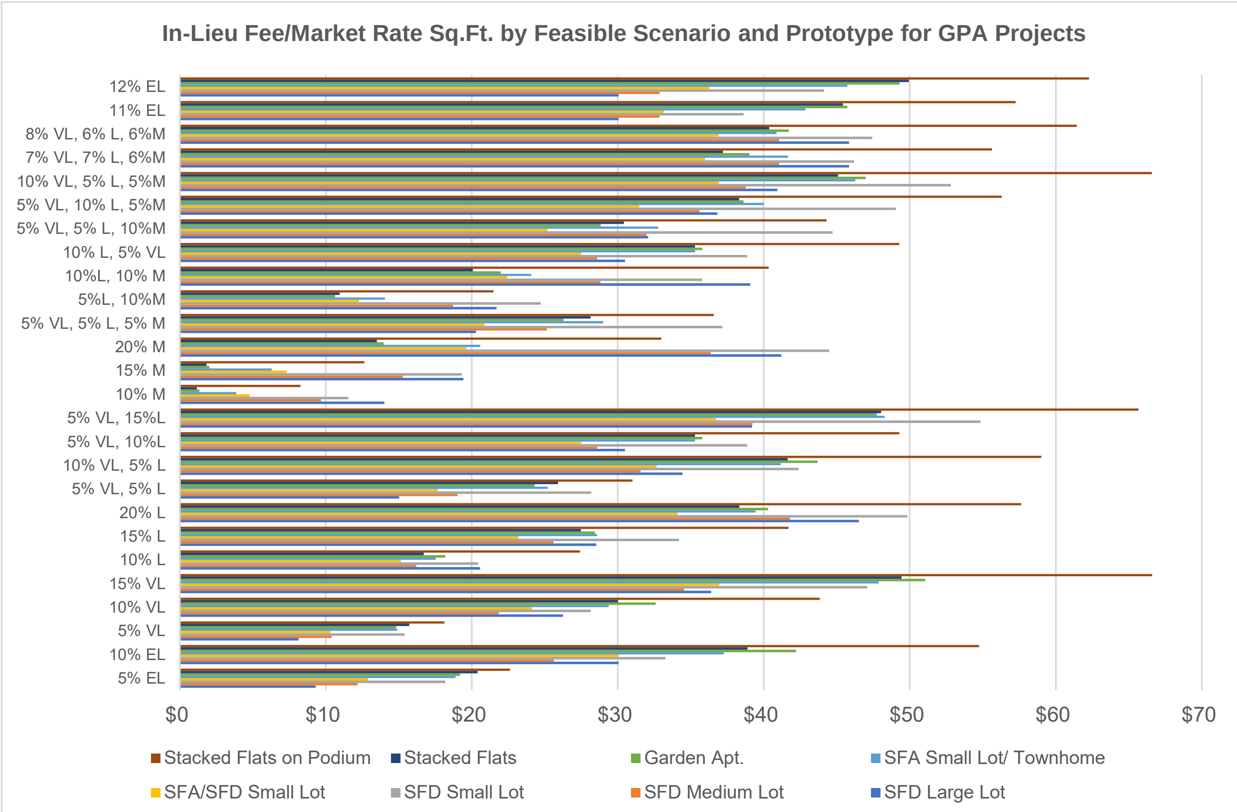
As shown in Figure 11 and Figure 12, affordability gap based in-lieu fee estimates vary greatly by prototype and set-aside scenario.

Figure 11: Derived In-Lieu Fees by Prototype for Feasible Scenarios for GP-Compliant Residential Uses



Source: AECOM

Figure 12: Derived In-Lieu Fees by Prototype for Feasible Scenarios for GPA Residential Uses



Source: AECOM

However, because a County-wide in-lieu fee policy must cover a range and a mix of future residential uses, a weighted average approach must be taken. To do so, AECOM applied the future residential use mixes (as shown in Table 37 and Table 43) to the estimated in-lieu fee estimate for each prototype.

For example, as shown in Table 49, the calculated in-lieu fee for each prototype ranges from $23.20 to $34.18 per square foot. Applying the expected land use mix results in a weighted average fee of $27.76 per square foot.

Table 49. Illustration: Calculation of In-Lieu Fee for GPA 15% Low Income Set-Aside Scenario

GPA Projects: 15% Low Income	SFD Large Lot	SFD Medium Lot	SFD Small Lot	SFA/SFD Small Lot	SFA Small Lot/ Townhome	Garden Apt.	Stacked Flats	All
Fee by Prototype	$28.53	$25.60	$34.18	$23.20	$28.58	$28.42	$27.47	
Future Mix	20.0%	10.0%	25.0%	35.0%	5.0%	3.0%	2.0%	
Wtd.Avg. Fee								**$ 27.76**

Source: AECOM

Estimated in-lieu fees for each potential feasible set-aside scenario are shown in Table 50.

Table 50. In-Lieu Fees by Land Use Category and Set-Aside Scenario

Scenario		Estimated in-lieu fee (per market-rate unit sq.ft.) GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	5% EL	$12.67	$18.69	$14.06
2a	10% EL			$31.32
3a	5% VL	$10.74	$14.16	$11.63
4a	10% VL			$25.95
5a	15% VL			$40.35
6a	10% L	$21.37	$15.17	$17.90
7a	15% L		$24.32	$27.76
8a	20% L			$41.82
9a	5% VL, 5% L			$20.64
10a	10% VL, 5% L			$36.27
12a	5% VL, 10% L			$31.84
13a	5% VL, 15% L			$43.13
14a	10% M	$12.75	no fee[1]	$8.58
15a	15% M	$18.34	no fee[1]	$13.21
16a	20% M		$6.87	$31.59
17a	5% VL, 5% L, 5% M		$23.50	$25.96
18a	5% L, 10% M	$22.08	$7.16	$17.93
19a	10% L, 10% M		$15.94	$29.75
20a	10% L, 5% VL			$31.84
21a	5% VL, 5% L, 10% M		$24.44	$32.71
22a	5% VL, 10% L, 5% M			$38.13
23a	10% VL, 5% L, 5% M			$42.81
24a	7% VL, 7% L, 6% M			$41.41
25a	8% VL, 6% L, 6% M			$42.15
27a	11% EL			$34.97
28a	12% EL			$37.79

(1) No fee because there is no affordability gap between market rate and moderate units
Source: AECOM

While the draft fees calculated in Table 50 generate value equivalent to the affordability gap between market-rate and affordable units, the County could further adjust these to support specific growth management goals. For example, to encourage on-site development of affordable units, the in-lieu fee could be set higher than the affordability gap and make the economics of onsite development more attractive by comparison. Alternatively, to discourage on-site affordable development in—for example—a low VMT area, the County could set the in-lieu fee lower than the affordability gap. A typical approach to modifying fees in this way is to apply a premium factor (e.g., 1.1x) or a discount factor (0.9x).

10. Summary of Findings

10.1 Overview

The County Board directed Staff to prepare the following recommendations:

- An Inclusionary Housing Ordinance with a mandatory set-aside that would be applicable to all housing projects above a certain size threshold.
- Options specifically tailored to capture value tied to significant up-zonings in General Plan Amendment projects.

Staff recommendations should lead to an ordinance that will help implement the County's Housing Element and comply with state law by increasing opportunity for the County to meet its share of the Regional Housing Needs Assessment or RHNA and by promoting mixed-income development projects that foster neighborhood integration. In addition, the ordinance should provide incentives to avoid impacts on market-rate housing production.

AECOM's findings suggest that a mandatory inclusionary housing program would be feasible and could help the County meet its affordable housing production goals.

An inclusionary housing program would apply to three categories of residential development:

- GP-Compliant For Sale
- GP-Compliant For Rent
- GPA combined For Sale and For Rent

10.2 Program Criteria

10.2.1 Compliance Triggers

For GP-Compliant projects (Rent and Sale): compliance is mandatory, and the inclusionary set-aside is pre-determined for projects of 10 units or more. Older projects that have already received discretionary approval and are in phased development are not required to comply.

For GPA projects: compliance is mandatory, and the inclusionary set-aside is pre-determined for projects of any size. Older projects that have already received discretionary approval and are in phased development are not required to comply.

10.2.2 Minimum Affordable Housing Set-Aside Requirements and In-Lieu Fees

Mandatory compliance requires meeting a minimum affordable set-aside for General Plan-Compliant Sale, General Plan-Compliant Rent, and GPA projects. A mandatory set-aside is a minimum requirement that should not preclude a developer from increasing the share of set-aside units or from adding additional affordable income tiers.

The feasibility analysis revealed a range of potential feasible set-aside scenarios, which gives the County flexibility in how it configures the program. Program criteria could prioritize highest subsidy value, lowest affordability levels, balance across affordability levels, or ease of implementation, as illustrated below.

Prioritize Highest Subsidy Value

Category	Total Set-Aside %	Set-Aside by Affordability	In-Lieu Fee (/market-rate unit sq.ft.)
GP-Compliant Sale	15%	5% Low + 10% Moderate	$22.08
GP-Compliant Rent	20%	5% Very Low + 5% Low + 10% Moderate	$24.44
GPA	20%	5% Very Low + 15% Low	$43.13

Prioritize Units at the Lower End of Affordability

Category	Total Set-Aside %	Set-Aside by Affordability	In-Lieu Fee (/market-rate unit sq.ft.)
GP-Compliant Sale	10%	10% Low	$21.37
GP-Compliant Rent	20%	5% Very Low + 5% Low + 10% Moderate	$24.44
GPA	20%	10% Very Low + 5% Low + 5% Moderate	$42.81

Prioritize Balance Between Affordability Tiers

Category	Total Set-Aside %	Set-Aside by Affordability	In-Lieu Fee (/market-rate unit sq.ft.)
GP-Compliant Sale	15%	5% Low + 10% Moderate	$22.08
GP-Compliant Rent	20%	5% Very Low + 5% Low + 10% Moderate	$24.44
GPA	20%	8% Very Low + 6% Low + 6% Moderate	$42.15

Prioritize Ease of Implementation and Management

Category	Total Set-Aside %	Set-Aside by Affordability	In-Lieu Fee (/market-rate unit sq.ft.)
GP-Compliant Sale	10%	5% Low + 10% Moderate	$21.37
GP-Compliant Rent	15%	15% Low	$24.32
GPA	20%	5% Very Low + 15% Low	$43.13

10.2.3 Covenant Periods for Income-Restricted Units

The proposed duration of affordability for all affordable set-aside units should be consistent with the State Density Bonus Law as implemented through the San Diego County Zoning Code, Section 6375. Both for-sale and for-rent units will be kept affordable for 55 years (or longer if required by an associated construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program).

10.2.4 Location and Type of Income-Restricted Units

The proposed location and type of affordable set-aside units should be consistent with the State Density Bonus Law as implemented through the San Diego County Zoning Code, Section 6375. These provisions are designed to assure that the affordable units developed on site are distributed to promote a mixed-income community and are of the same general level of quality as market-rate units within the development. Specifically, the units should:

- Be "reasonably dispersed" throughout the development.
- Contain the same number of bedrooms as market-rate units.
- Reflect the required set-aside proportion within each phase, if the project is phased, and be constructed concurrently with or prior to construction of the market-rate units.
- Have an exterior appearance and quality that is in character with the whole project.

10.2.5 Sub-Areas

For GP-Compliant projects, the inclusionary program should apply to all Community Planning Areas equally, with the exception of those found to have weak residential markets for which an inclusionary program would become infeasible. At the time, the only sub-area identified the market analysis to be excluded would be Subarea 5 containing the Desert, North Mountain, and Mountain Empire CPAs.

For GPA projects, the inclusionary program should apply to all Community Planning Areas without exemption or exception.

10.2.6 Flexible Compliance Alternatives

A summary of potential compliance alternatives is provided below. To avoid unintended consequences, the options must be further calibrated so they are equal in cost and/or provide an equivalent number of acceptable-quality units as required by the base compliance requirement. In addition, the County may wish to define the off-site location requirements to comply with County-wide strategies for promoting compact development near transit and employment centers.

Table 51. Flexible Compliance Alternatives

	Alternative	Implementation Parameters
A	Off-site Development. Allows for flexibility and permits developers multiple options to comply with affordable housing production requirements. Can be defined to encourage off-site development in support of County policies for reducing VMT.	Criteria: • Location within the same CPA as the GPA project; *or* location in transit-rich employment-adjacent areas that conform with County compact development strategies and goals (such as VMT reduction). • Equivalent number of units and bedrooms as required for on-site compliance • Comparable size and residential typology as on-site development • Can leverage affordable housing development strategies and tools such as low income housing tax credits, a joint-venture with a qualified affordable housing developer, and the use of an affordable housing credit bank. • Reflects the required set-aside proportion within each phase, if the project is phased, and be constructed concurrently with or prior to construction of the market rate units. • Can be combined with other compliance alternatives such as in-lieu fees and land donation so long as total units produced are equal to or greater than the number required for on-site development.
B	In-Lieu Fees. Can be set to represent the affordability gap between the value of market-rate and affordable units. Alternately, a fee that	Criteria: • Calibrated to be equivalent to the cost of the target percentage of set-aside so that it represents an equal cost burden to developer.

	ALTERNATIVE	IMPLEMENTATION PARAMETERS
	is lower than the affordability gap will provide an incentive to pay it, while a higher fee may compel onsite development	• Fees adjusted regularly to reflect current cost variance between market-rate and income-restricted units. • Provide an option to meet the requirements by combining numerous compliance options such as in-lieu fees with on-site development and off-site development. • Can be combined with other compliance alternatives such as off-site development and land donation so long as total units produced are equal to or greater than the number required for on-site development. • Calculated based on the affordability gap method.
C	Land Donation. Patterned broadly after the requirements of Government Code Section 65915(g), which describes compliance rules for the State Density Bonus Law for land donations.	Criteria for transferred land: • Developable acreage is sufficient to permit construction of income-restricted units. • Appropriate general plan designation, zoning, and development standards. • Permits and approvals (other than building permits) in place. • At least one acre in size and is or will be served by adequate public facilities and infrastructure. • The land and the affordable units subject to a deed restriction • Transferred to local agency or approved housing developer. • Location consistent with location requirements specified for the off-site development option. • Identified source of funding for the income-restricted units • Affordable housing constructed concurrently with or prior to construction of the market-rate units. • Can be combined with other compliance alternatives such as off-site development and in-lieu fees so long as total units produced are equal to or greater than the number required for on-site development.
D	Acquisition and Rehabilitation. Conversion of offsite units to affordable homes. Could also be used to reserve affordable rental housing that is at risk of being lost to rent spikes in gentrifying neighborhoods.	Criteria: • Off-site preservation and buy-down alternatives typically include a requirement that the developer either make a minimum level of investment in rehabilitation, or otherwise ensure that the property is fully repaired, energy-efficient and capable of providing decent, safe housing for the duration of its affordability period without the need for substantial additional rehabilitation.i • Can be combined with other compliance alternatives such as off-site development and in-lieu fees so long as total units produced are equal to or greater than the number required for on-site development.

11. Appendix

11.1 Backing Data

Table 52: Complete List of GPA Projects

CPA	SPA	Total Inventory	Units Built 2011-2021	Pipeline	Unbuilt Capacity	Development Status	Summary Description
Alpine	Alpine Highlands	121	0	0	0	Built Out	Small Lot Development, Built out
Bonsall	Champagne Gardens	0	0	0	0	Dormant	Mixed use residential and commercial development approved in 1999. Noo development has yet occurred.
Bonsall	Lake Rancho	0	0	0	0	Built Out	Open Space area spills over into Bonsall, but all units built are in Fallbrook
Bonsall	Vista Valley	169	0	0	0	Built Out	Several large lot SFR and more small lot SFR at 4,000-5,000 square foot lots built around a Country Club. Built out
Crest-Dehesa	Singing Hills	362	0	0	0	Built Out	Mix of Large and Small Lot SFR built around a golf course and open space. Built out
Crest-Dehesa	Conrock					Built Out	Non-Residential Development
Desert	Borrego	102	0	0	732	Dormant	Mostly Undeveloped GPA. 100 MFR units were built on a single lot, which has become a hotel. Three other lage lots remain vacant. No development since 1998
Desert	Mesquite Trails	0	0	0	0	Dormant	Proposed resiential development for SFR and mobile lots with community facilities. Proposed in 1976, EIR in 1993 found significant impacts, no development has yet occurred.
Desert	Rams Hill	268	1	2	1,077	Active	Residential, hotel, country club, golf course, entitled for 1,300 units (includes hotel?), proposed in 1980, has 268 built units, with 1 unit built in the past 10 years.
Fallbrook	CampusPark	658	580	104	93	Active	Mostly built out, with 93 more units of capacity, likely small lot and detached conodos. Eventually to add commerical and eudcational uses.
Fallbrook	Campus Park West	0	0	0	283	In Development	Recently Approved expansion of Campus Park to include 283 SFR and detacehd condos
Fallbrook	Lake Rancho	757	0	0	17	Built Out	SFR and mobile homes with community facilities. There conitnues to be turnover with new mobile homes, seen in building permit data, but minimal net new units.
Fallbrook	Meadowood	0	0	193	651	In Development	Ground broken for future 844 homes in 2021, likely to be fully built out based on proximity and historical trajectory
Fallbrook	Pala Mesa	431	51	22	36	Active	Nearly fully built out GPA with active pipeline and recent home construction
Fallbrook	Peppertree Park	218	0	0	0	Built Out	SFR Neighborhood with open space and community center or school. Built out
Fallbrook	Sycamore Ranch	243	1	2	0	Built Out	SFR Neighborood built around a Golf Course/Country Club. Built out, but 3 ADUs built recently.
Jamul-Dulzura	Otay Ranch	0	0	0	2,209	In Development	Major Residential Development with limited commerial uses. 2209 Future units in Otay Ranch, extension of Chula Vista and Otay CPA Otay Ranch Concept.
Lakeside	East County Square	191	0	0	4	Built Out	SFR and commerical uses, including a big-box anchored retail center. Built out
Lakeside	Greenhills Ranch	33	31	0	79	Active	SFR at 2.5 DU/AC and open space, phase 1 is built out and phase 2 will be subject to further amendments. Remaining capacity of 79 in phase 2
Lakeside	High Meadows	23	23	3	224	Active	SFR Development on lots ranging from 1/2 acre to 5 acres. Only a small portion of the 248 total have been built. Active Development
Lakeside	Lake Jennings	409	2	2	0	Built Out	SFR and Mobile Develomepnt. Built out
Lakeside	Los Coches	232	3	1	0	Built Out	SFR Development Built out
Lakeside	Quail Canyon	171	2	0	0	Built Out	SFR Development Built out
Mountain Empire	Jacumba Valley	3	0	0	1,244	Dormant	Solar Power Project, no units can be developed unitl after 2050
North County Metro	Hidden Meadows	827	11	2	255	Active	SFR development including a country club and golf course, upzoned in 1988 to allow for 1083 units, 255 remaining unbuilt capacity. Active Development
North County Metro	Mountain Gate	3	0	0	153	Dormant	Large Lot SFR on active ag land planned, 153 units yield, entitled since 2001. Project has been dormant.
North County Metro	Sugarbush	45	45	0	0	Built Out	Small 45 unit SFR development. Built out
North County Metro	Welk Resort	1,016	76	1	286	Active	Resort, Mobile Homes, Condos, SFR SPA, wild, still some SFR capacity. Active Development
North Mountain	Warner Springs	0	0	0	358	Dormant	Entitled for SFR, no development has occurred, entitled since 1983, 358 units of capactiy. Dormant
Otay	East Otay	16	16	0	3,218	In Development	Large Mixed use, mostly industrial, includes village with 3,128 untis entitled
Otay	Otay Ranch	0	0	0	2,862	In Development	Two villages, 13 and 14, entitile for 2,924. There is also office space, commerical space, parks and recereational facilities in a large planned development.
Ramona	Holly Oaks	90	0	0	0	Built Out	SFR Built out
Ramona	Montecito Ranch	1	0	0	417	In Development	Future Development site for SFR, school, instituion, lots of open space, approved 2010, 417 future units. Greenfield undeveloped
Ramona	Mt Woodson Ranch	196	0	0	0	Built Out	SFR Built out
Ramona	Rancho San Vicente	241	0	0	0	Built Out	SFR Built out
Ramona	Cummings Ranch	0	0	0	125	In Development	Recently approved 125 large lot SFR
San Dieguito	4S Ranch	5,463	0	0	55	Active	Huge, multiple phases, stages and sizes, nearly bulit out, 55 units remaining. Active Development
San Dieguito	Cielo del Norte	2	0	0	122	Active	Entitled but mostly unbuillt, 2 units built with 122 remaining. Active Development.
San Dieguito	El Apajo	48	3	0	0	Built Out	SFR 47 units built. Built out
San Dieguito	Fairbanks Ranch	649	14	5	0	Built Out	Very Large one of the original SFR GPA projects, Very high-end, large lot homes. Built out
San Dieguito	HarmonyGrove	699	597	92	39	Active	Building and almost built out, pending the Harmony Grove South approval, 39 units at current capacity. Still Active Development
San Dieguito	HarmonyGrove South	0	0	0	453	In Development	Recently Approved Project to add 453 units of SFR (small and large) and MFR (low density) along with community facilities
San Dieguito	Rancho Cielo	235	109	10	93	Active	SFR mostly built out, perhaps another phase or perserved land, 93 units left
San Dieguito	Rancho Santa Fe	102	0	0	0	Built Out	SFR Built out
San Dieguito	Santa Fe Creek	39	6	0	5	Active	SFR. Nearly built out with 5 more units of remaining capcity. Active Development
San Dieguito	Santa Fe Valley	991	243	97	101	Active	Large multi-phase GPA project is mostly built out but perhaps 123 more units across different subareas. Active Development
San Dieguito	Valiano	0	0	0	326	In Development	Recently Approved Project to add 326 SFR at varying densities
Spring Valley	Sweetwater Place	0	0	0	122	In Development	Receenlty approved 122 small lot SFR on infill vacant space
Spring Valley	Sweetwater Vista	0	0	15	203	In Development	Receenlty approved 218 small lot SFR or detached condos on infill commerical space
Valle De Oro	Rancho San Diego	4,957	2	1	0	Built Out	Large, Legacy GPAs, mostly SFR but also quite a lot of MFR and Commerical, mixed use development with multiple lot sizes and building types, Built out
Valle De Oro	Skyline Church	0	0	0	0	Built Out	Non-residential GPA
Valley Center	Champagne Gardens	1	0	0	0	Dormant	Complications with Entitlements and EIR, but no units and stalled development. Dormant
Valley Center	Live Oak Ranch	1	0	0	148	Dormant	Entitled for 148 units, unclear status with EIR. Dormant
Valley Center	Orchard Run	0	0	0	300	Active	SFR development, stalled for many years, construction has begun, 300 units to be completed
Valley Center	Woods Valley Ranch	287	16	0	5	Active	SFR almost completely built out, 5 units remainig
Total		**20,300**	**1,832**	**552**	**16,295**		

Table 53. Recent GPA Residential Sales Transactions at 2.9 (Approximately) Dwelling Units Per Acre Density

Village Residential 2.9 (V-R 2.9)	SFR Large Lot							
Address	**SPA**	**Sale Date**	**Lot Sq.Ft.**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/Home Sq.Ft.**
13538 Walsh Way	Orcahrd Run	3/30/2022	10,900	2,384	4	$941,614	$86	$395
27654 Evergreen Way	Orcahrd Run	10/28/2021	8,712	2,061	4	$760,000	$87	$369
3021 Jicarilla Dr	Pala Mesa	8/30/2021	8,159	2,429	3	$790,000	$97	$325
2931 Via De Todos Santos	Pala Mesa	7/13/2021	10,292	2,429	3	$787,000	$76	$324
3045 Via De Todos Santos	Pala Mesa	6/1/2021	8,329	2,386	3	$714,335	$86	$299
16288 Sunny Summit Dr	Santa Fe Valley	11/24/2020	9,496	4,283	5	$1,484,299	$156	$347
16231 Sunny Summit Dr	Santa Fe Valley	11/13/2020	9,496	4,283	5	$1,565,000	$165	$365
16352 Sunny Summit Dr	Santa Fe Valley	11/5/2020	9,496	4,565	5	$1,649,750	$174	$361
3056 Jicarilla Dr	Pala Mesa	8/14/2020	10,243	3,207	5	$714,800	$70	$223
22111 Long Trot Dr, Escondido	Whittingham	7/31/2020	12,197	3,743	4	$857,000	$70	$229
22171 Long Trot Dr, Escondido	Whittingham	6/29/2020	12,632	3,743	4	$840,000	$66	$224
2935 Side Saddle Ln	Harmony Grove	6/5/2020	12,697	3,829	4	$938,473	$74	$245
22147 Long Trot Dr	Harmony Grove	5/8/2020	12,697	3,829	4	$944,900	$74	$247
22147 Long Trot Dr, Escondido	Whittingham	5/7/2020	12,632	3,829	4	$930,000	$74	$243
2851 Livery Way, Escondido	Harmony Grove	4/21/2020	15,725	4,349	5	$923,821	$59	$212
4704 Panache Dr, Fallbrook	ala Mesa Highlands	2/19/2020	10,890	3,100	4	$673,000	$62	$217
3209 ViadeTodosSantos, Fallbrook	ala Mesa Highlands	12/18/2019	9,445	3,199	4	$649,000	$69	$203
35728 Bay Morgan Ln, Fallbrook	Horse Creek	9/16/2019	11,038	2,654	3	$565,650	$51	$213
21860 Gallop Way, Escondido	Whittingham	6/24/2019	13,068	4,025	5	$942,000	$72	$234
1824 Lemonadeberry Ln, Vista	Sugarbush	3/28/2019	10,890	3,304	3	$830,000	$76	$251
35805 Shetland Hls, Fallbrook	Horse Creek	1/31/2019	12,876	3,840	5	$686,601	$53	$179
35811 Shetland Hills East, Fallbrook	Horse Creek	12/31/2018	10,127	3,373	4	$655,595	$65	$194
309 Ventasso Way, Fallbrook	Horse Creek	11/3/2018	10,903	2,905	4	$659,900	$61	$227
1818 Lemonadebery Ln, Vista	Sugarbush	10/3/2017	14,375	3,771	4	$957,491	$67	$254
Average all			**11,138**	**3,397**	**4**	**$894,176**	**$83**	**$266**
Median all			**10,895**	**3,558**	**4**	**$835,000**	**$73**	**$244**
Maximum all			**15,725**	**4,565**	**5**	**$1,649,750**	**$174**	**$395**
Minimum all			**8,159**	**2,061**	**3**	**$565,650**	**$51**	**$179**
Average 2020-21			**10,913**	**3,471**	**4**	**$971,492**	**$93**	**$282**
Median 2020-21			**10,292**	**3,743**	**4**	**$857,000**	**$74**	**$247**
Maximum 2020-21			**15,725**	**4,565**	**5**	**$1,649,750**	**$174**	**$369**
Minimum 2020-21			**8,159**	**2,061**	**3**	**$673,000**	**$59**	**$212**
Source: Zillow, Redfin, AECOM								

Table 54. Recent GPA Project Residential Sales Transactions at 4.3 (Approximately) Dwelling Units Per Acre Density

Village Residential 4.3 (V-R 4.3)	SFR Med Lot							
Address	**SPA**	**Sale Date**	**Lot Sq.Ft.**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/Home Sq.Ft.**
35438 Asturian Way	Horse Creek	4/29/2022	5,022	2,022	3	$779,000	$155	$385
35725 Esperia Way	Horse Creek	4/14/2022	6,397	2,656	4	$879,000	$137	$331
2828 Demler Dr	Harmony Grove	3/8/2022	6,728	3,027	5	$1,450,000	$216	$479
560 Ventasso Way	Horse Creek	3/3/2022	5,891	2,486	4	$860,000	$146	$346
2914 Via De Todos Santos	Pala Mesa	1/10/2022	6,272	2,386	3	$889,900	$142	$373
208 Pantaneiro Pl	Horse Creek	11/9/2021	6,788	2,486	4	$760,000	$112	$306
2932 Stable Pl	Harmony Grove	11/5/2021	6,485	3,465	5	$1,400,000	$216	$404
35857 Esperia Way	Horse Creek	11/2/2021	7,860	2,486	4	$775,000	$99	$312
2940 Stable Pl	Harmony Grove	10/29/2021	7,794	3,314	4	$1,125,000	$144	$339
4720 Panache Dr	Pala Mesa	9/30/2021	7,217	3,402	4	$880,000	$122	$259
352 Misaki Way	Horse Creek	9/27/2021	5,196	1,799	3	$675,000	$130	$375
212 Pantaneiro Pl	Horse Creek	7/8/2021	6,019	2,656	4	$755,000	$125	$284
3041 Via De Todos Santos	Pala Mesa	6/16/2021	7,556	3,199	4	$835,908	$111	$261
3142 Jicarilla Dr	Pala Mesa	5/24/2021	7,118	2,386	3	$762,093	$107	$319
236 Pantaneiro Pl	Horse Creek	4/7/2021	6,612	2,285	3	$735,000	$111	$322
35840 Blue Breton Dr	Horse Creek	3/26/2021	5,512	3,373	5	$896,679	$163	$266
3052 Jicarilla	Pala Mesa	3/9/2021	6,304	3,103	6	$815,000	$129	$263
2924 Stable Pl	Harmony Grove	3/4/2021	6,905	2,955	4	$1,053,000	$152	$356
2915 Via De Todos Santos	Pala Mesa	2/22/2021	6,516	2,429	3	$804,000	$123	$331
2948 Gait Way	Harmony Grove	10/27/2020	6,928	2,952	5	$801,250	$116	$271
520 Ventaso Way	Horse Creek	9/2/2020	5,433	2,285	3	$587,320	$108	$257
358 Misaki Way	Horse Creek	8/28/2020	5,235	2,213	4	$555,990	$106	$251
3098 Starry Night, Escondido	Harmony Grove	8/20/2020	8,081	3,640	6	$875,000	$108	$240
3064 Heirloom Pl, Escondido	Harmony Grove	8/18/2020	6,481	3,465	6	$935,000	$144	$270
35854 Bay Sable Ln	Horse Creek	7/29/2020	8,000	3,719	4	$755,990	$94	$203
35704 Bay Morgan Ln, Fallbrook	Horse Creek	7/26/2020	6,098	3,240	4	$697,500	$114	$215
35431 Austurian Way	Horse Creek	7/20/2020	5,774	2,213	4	$578,200	$100	$261
35817 Bay Sable Ln, Fallbrook	Horse Creek	6/30/2020	6,984	3,719	4	$695,816	$100	$187
429 Ventaso Way, Fallbrook	Horse Creek	6/25/2020	7,325	2,285	3	$570,360	$78	$250
2944 Stable Pl	Harmony Grove	6/24/2020	6,928	2,952	4	$772,900	$112	$262
35450 Asturian Way	Horse Creek	6/23/2020	5,057	1,799	3	$516,990	$102	$287
504 Ventaso Way	Horse Creek	6/2/2020	5,926	2,285	3	$584,055	$99	$256
35859 Bay Sable Ln, Fallbrook	Horse Creek	5/12/2020	7,037	3,840	5	$681,999	$97	$178
227 Ventasso Way, Fallbrook	Horse Creek	5/7/2020	6,686	2,437	4	$560,000	$84	$230
2953 Stary Night Dr, Escondido	Harmony Grove	3/30/2020	6,691	3,640	5	$843,668	$126	$232
2953 Starry Night Dr, Escondido	Harmony Grove	3/29/2020	6,690	3,640	5	$844,000	$126	$232
2914 Fledging Dr, Escondido	Harmony Grove	3/27/2020	6,534	3,640	5	$840,000	$129	$231
2914 Fledgling Dr, Escondido	Harmony Grove	3/27/2020	6,859	3,640	6	$840,000	$122	$231
35794 Bay Morgan Ln, Fallbrook	Horse Creek	3/26/2020	6,098	3,240	4	$715,000	$117	$221
35497 Asturian Way, Fallbrook	Horse Creek	3/20/2020	6,502	1,799	3	$522,790	$80	$291
2861 Quilters Dr, Escondido	Harmony Grove	3/13/2020	6,691	3,640	5	$798,375	$119	$219
2937 Stary Night Dr, Escondido	Harmony Grove	3/6/2020	6,265	2,980	4	$804,114	$128	$270
2825 Quilters Dr, Escondido	Harmony Grove	2/28/2020	6,689	3,027	4	$741,203	$111	$245
322 Calabrese St, Fallbrook	Horse Creek	2/14/2020	7,084	2,486	4	$539,990	$76	$217
2827 Demler Dr, Escondido	Harmony Grove	1/24/2020	6,265	2,980	4	$695,900	$111	$234
35909 Shetland Hls, Fallbrook	Horse Creek	11/12/2019	7,212	3,842	4	$671,011	$93	$175
2922 Fledgling Dr, Escondido	Harmony Grove	11/5/2019	6,354	3,182	5	$749,000	$118	$235
3056 Starry Night Dr, Escondido	Harmony Grove	10/29/2019	6,342	3,027	5	$790,000	$125	$261
21856 Deer Grass Dr, Escondido	Harmony Grove	10/18/2019	6,669	3,640	5	$839,500	$126	$231
35722 Bay Morgan Ln, Fallbrook	Horse Creek	9/26/2019	6,578	3,240	4	$600,460	$91	$185
35679 Garrano Ln, Fallbrook	Horse Creek	9/16/2019	6,420	3,240	4	$593,500	$92	$183
369 Ventasso Way, Fallbrook	Horse Creek	9/16/2019	6,941	2,967	4	$609,990	$88	$206
35734 Bay Morgan Ln, Fallbrook	Horse Creek	9/3/2019	8,712	3,240	4	$680,000	$78	$210
3044 Starry Night Dr, Escondido	Harmony Grove	8/27/2019	6,316	3,182	4	$736,000	$117	$231
35758 Asturian Way, Fallbrook	Horse Creek	8/5/2019	6,733	2,221	4	$519,000	$77	$234
2905 Starry Night Dr. Escondido	Harmony Grove	7/30/2019	7,405	3,640	5	$960,000	$130	$264
35828 Shetland Hls, Fallbrook	Horse Creek	7/29/2019	6,431	3,719	4	$651,611	$101	$175
35834 Shetland Hls, Fallbrook	Horse Creek	7/3/2019	6,950	3,200	4	$624,176	$90	$195
420 Galician Ct, Fallbrook	Horse Creek	6/27/2019	7,125	3,006	4	$552,990	$78	$184
424 Galician Ct, Fallbrook	Horse Creek	6/20/2019	7,367	2,654	3	$529,990	$72	$200
2913 Starry Nigth Dr, Escondido	Harmony Grove	5/29/2019	6,970	3,182	4	$920,000	$132	$289
3077 Starry Night Dr, Escondido	Harmony Grove	5/3/2019	6,529	3,701	5	$849,000	$130	$229
321 Ventasso Way, Fallbrook	Horse Creek	3/23/2019	6,587	2,755	4	$596,743	$91	$217
2946 Fledgling Dr, Escondido	Harmony Grove	3/18/2019	6,016	3,640	5	$725,000	$121	$199
35675 Garrano Ln, Fallbrook	Horse Creek	11/19/2018	6,550	2,654	3	$569,259	$87	$214
35614 Garrano Ln, Fallbrook	Horse Creek	11/13/2018	7,102	2,285	4	$562,000	$79	$246
232 Ventasso Way, Fallbrook	Horse Creek	11/3/2018	7,305	2,755	4	$589,640	$81	$214
416 Galician Ct, Fallbrook	Horse Creek	6/28/2018	7,405	3,240	4	$650,000	$88	$201
35735 Garrano Ln, Fallbrook	Horse Creek	4/30/2018	5,227	3,006	4	$664,755	$127	$221
Average all			**6,634**	**2,969**	**4**	**$ 749,516**	**$114**	**$257**
Median all			**6,669**	**3,027**	**4**	**$ 741,203**	**$112**	**$245**
Maximum all			**8,712**	**3,842**	**6**	**$ 1,450,000**	**$216**	**$479**
Minimum all			**5,022**	**1,799**	**3**	**$ 516,990**	**$72**	**$175**
Average 2020-21			**6,606**	**2,927**	**4**	**$ 765,627**	**$116**	**$266**
Median 2020-21			**6,688**	**2,980**	**4**	**$ 761,047**	**$112**	**$260**
Maximum 2020-21			**8,081**	**3,840**	**6**	**$ 1,400,000**	**$216**	**$404**
Minimum 2020-21			**5,057**	**1,799**	**3**	**$ 516,990**	**$76**	**$178**

Source: Zillow, Redfin, AECOM

Table 55. Recent GPA Project Residential Sales Transactions at 7.3 (Approximately) Dwelling Units Per Acre Density

Village Residential 7.3 (V-R 7.3)	SFR Small Lot							
Address	**SPA**	**Sale Date**	**Lot Sq.Ft.**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/Home Sq.Ft.**
2690 Overlook Point Dr, Escondido	Harmony Grove	8/31/2020	3,510	2,075	4	$664,000	$189	$320
21519 Trail Ridge Dr, Escondido	Harmony Grove	8/25/2020	4,363	2,626	4	$751,000	$172	$286
35403 Austurian Way	Horse Creek	8/20/2020	4,627	2,022	3	$558,381	$121	$276
2729 O verlook Pt., Escondido	Harmony Grove	8/7/2020	4,590	2,136	4	$790,000	$172	$370
21504 Harmony Village Dr	Harmony Grove	7/31/2020	3,824	2,204	3	$715,000	$187	$324
21438 Trail Ridge Dr, Escondido	Harmony Grove	7/30/2020	3,699	2,185	5	$699,000	$189	$320
2738 Overlook Point Dr, Escondido	Harmony Grove	6/25/2020	4,113	2,136	4	$667,900	$162	$313
2847 Fishers Pl, Escondido	Harmony Grove	6/12/2020	3,959	2,783	5	$735,000	$186	$264
2822 Fishers Pl, Escondido	Harmony Grove	5/28/2020	4,387	2,185	4	$685,000	$156	$314
21558 Trail Ridge Dr, Escondido	Harmony Grove	4/17/2020	4,012	2,626	4	$685,000	$171	$261
2694 Overlook Point Dr, Escondido	Harmony Grove	4/10/2020	3,544	1,920	3	$620,000	$175	$323
2717 Overlook Point Dr, Escondido	Harmony Grove	3/19/2020	3,296	1,922	3	$609,000	$185	$317
21451 Trail Ridge Dr, Escondido	Harmony Grove	3/18/2020	3,699	2,278	4	$669,900	$181	$294
2685 Overlook Point Dr, Escondido	Harmony Grove	2/28/2020	3,561	1,920	3	$615,501	$173	$321
21638 Saddle Bred Ln, Escondido	Harmony Grove	2/24/2020	3,057	2,018	4	$620,000	$203	$307
2838 Fishers Pl, Escondido	Harmony Grove	2/24/2020	3,959	2,519	4	$657,000	$166	$261
35510 Austurian Way, Fallbrook	Horse Creek	2/19/2020	4,553	2,213	4	$548,925	$121	$248
2826 Quilters Dr, Escondido	Harmony Grove	1/17/2020	3,431	1,686	3	$590,000	$172	$350
271 Dun Blazer Way, Fallbrook	Horse Creek	1/13/2020	4,000	1,753	3	$435,000	$109	$248
276 Oberlander Way, Fallbrook	Horse Creek	12/24/2019	3,300	1,579	3	$445,000	$135	$282
21409 Trail Ridge Dr, Escondido	Harmony Grove	11/15/2019	4,387	2,783	4	$625,000	$142	$225
2653 Overlook Point Dr, Escondido	Harmony Grove	11/7/2019	3,265	1,920	3	$600,000	$184	$313
35564 Austurian Way, Fallbrook	Horse Creek	10/7/2019	4,370	2,213	4	$548,050	$125	$248
210 Oberlander Way, Fallbrook	Horse Creek	10/3/2019	3,333	1,579	3	$431,970	$130	$274
2605 Overlook Point Dr, Escondido	Harmony Grove	7/8/2019	3,694	1,922	3	$634,900	$172	$330
317 Campolina Ct, Fallbrook	Horse Creek	6/28/2019	4,440	2,022	3	$509,990	$115	$252
21502 Trail Ridge Dr, Escondido	Harmony Grove	6/24/2019	4,704	3,112	4	$794,000	$169	$255
21582 Trail Ridge Dr, Escondido	Harmony Grove	5/13/2019	3,919	2,519	4	$670,000	$171	$266
21514 Trail Ridge Dr, Escondido	Harmony Grove	4/26/2019	3,703	2,510	4	$660,000	$178	$263
2648 Overlook Point Dr, Escondido	Harmony Grove	4/8/2019	3,482	1,920	3	$605,000	$174	$315
21511 Trail Ridge Dr, Escondido	Harmony Grove	3/21/2019	3,703	2,757	4	$683,185	$184	$248
21474 Trail Ridge Dr, Escondido	Harmony Grove	2/28/2019	3,998	2,278	3	$675,000	$169	$296
21462 Trail Ridge Dr, Escondido	Harmony Grove	1/30/2019	3,703	2,757	4	$665,900	$180	$242
35646 Austurian Way, Fallbrook	Horse Creek	12/14/2018	4,257	2,445	4	$565,495	$133	$231
21639 Trail Blazer Ln, Escondido	Harmony Grove	10/19/2018	3,218	1,873	3	$595,000	$185	$318
21469 Trail Ridge Dr, Escondido	Harmony Grove	10/3/2018	3,703	2,278	3	$674,188	$182	$296
2855 Fishers Pl, Escondido	Harmony Grove	10/1/2018	4,533	2,185	4	$665,000	$147	$304
21607 Trail Blazer Ln, Escondido	Harmony Grove	9/28/2018	3,296	1,686	3	$570,000	$173	$338
Average all			**3,873**	**2,199**	**4**	**$629,823**	**$164**	**$290**
Median all			**3,764**	**2,185**	**4**	**$645,950**	**$172**	**$295**
Maximum all			**4,704**	**3,112**	**5**	**$794,000**	**$203**	**$370**
Minimum all			**3,057**	**1,579**	**3**	**$431,970**	**$109**	**$225**
Average 2020			**3,904**	**2,169**	**4**	**$648,190**	**$168**	**$301**
Median 2020			**3,959**	**2,136**	**4**	**$664,000**	**$172**	**$313**
Maximum 2020			**4,627**	**2,783**	**5**	**$790,000**	**$203**	**$370**
Minimum 2020			**3,057**	**1,686**	**3**	**$435,000**	**$109**	**$248**

Table 56. Recent GPA Project Residential Sales Transactions at 10.9 (Approximately) Dwelling Units Per Acre Density

Village Residential 10.9 (V-R 10.9)	Detached Condos							
Address	**SPA**	**Sale Date**	**Lot Sq.Ft.**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/Home Sq.Ft.**
35349 White Camarillo Ln	Horse Creek	12/6/2021	NA	1,579	3	$620,000	NA	$393
216 Windsor Grey Way	Horse Creek	12/2/2021	NA	1,579	3	$605,000	NA	$383
239 Dun Blazer Way	Horse Creek	11/2/2021	NA	2,037	4	$645,000	NA	$317
227 Dun Blazer Way	Horse Creek	10/15/2021	NA	2,037	4	$650,000	NA	$319
264 Oberlander Way	Horse Creek	9/24/2021	NA	1,579	3	$585,000	NA	$370
276 Oberlander Way	Horse Creek	8/17/2021	NA	1,579	3	$560,000	NA	$355
305 Dun Blazer Way	Horse Creek	7/30/2021	NA	2,037	4	$630,000	NA	$309
202 Dun Blazer Way	Horse Creek	7/13/2021	NA	1,753	3	$575,000	NA	$328
35414 Brown Galloway Ln	Horse Creek	7/7/2021	NA	1,568	3	$600,000	NA	$383
35341 White Camarillo Ln	Horse Creek	5/26/2021	NA	1,579	3	$550,000	NA	$348
35318 Brown Galloway Ln	Horse Creek	5/21/2021	NA	1,753	3	$565,000	NA	$322
260 Dun Blazer Way	Horse Creek	4/20/2021	NA	1,911	4	$579,000	NA	$303
35279 Persano Pl	Horse Creek	4/20/2021	NA	1,568	3	$550,000	NA	$351
333 Dun Blazer Way	Horse Creek	3/9/2021	NA	1,753	3	$550,000	NA	$314
231 Dun Blazer Way	Horse Creek	2/22/2021	NA	1,753	3	$505,000	NA	$288
35272 Persano Pl	Horse Creek	2/22/2021	NA	1,568	3	$520,000	NA	$332
277 Oberlander Way	Horse Creek	1/19/2021	NA	1,911	4	$535,000	NA	$280
205 Windsor Grey Way	Horse Creek	12/11/2020	NA	2,156	4	$555,000	NA	$257
35119 Persano Pl	Horse Creek	12/11/2020	NA	1,753	3	$525,000	NA	$299
330 Dun Blazer Way	Horse Creek	12/9/2020	NA	2,156	4	$550,000	NA	$255
21541 Trail Blazer Ln	Harmony Grove	9/30/2020	2,550	2,362	3	$697,000	$273	$295
35438 Brown Galloway Ln	Horse Creek	9/9/2020	NA	1,568	3	$485,000	NA	$309
21508 Harmony Village Dr	Harmony Grove	7/30/2020	2,550	2,359	3	$715,000	$280	$303
35350 White Camarillo Ln	Horse Creek	7/28/2020	2,400	1,579	3	$478,885	$200	$303
35462 Brown Galloway Ln	Horse Creek	7/6/2020	NA	2,037	4	$515,000	NA	$253
346 Dun Blazer Way	Horse Creek	7/1/2020	NA	1,579	3	$470,000	NA	$298
35366 White Camarillo Ln, Fallbrook	Horse Creek	6/30/2020	2,400	1,579	3	$476,360	$198	$302
21559 Trail Blazer Ln, Escondido	Harmony Grove	6/29/2020	2,721	1,686	3	$605,000	$222	$359
2746 Overlook Point Dr, Escondido	Harmony Grove	6/22/2020	2,943	1,922	4	$620,000	$211	$323
35109 Persano Pl	Horse Creek	6/11/2020	NA	2,037	4	$510,000	NA	$250
234 Windsor Grey Way	Horse Creek	6/9/2020	NA	2,156	4	$523,000	NA	$243
21570 Harmony Village Dr	Harmony Grove	6/5/2020	2,992	2,204	3	$681,000	$228	$309
21577 Trail Blazer Ln, Escondido	Harmony Grove	6/2/2020	2,719	2,018	4	$622,000	$229	$308
21572 Saddle Bred Ln, Escondido	Harmony Grove	5/28/2020	2,552	1,873	3	$599,500	$235	$320
21558 Harmony Village Dr	Harmony Grove	5/22/2020	2,891	2,359	3	$677,500	$234	$287
21457 Riding Trail Dr, Escondido	Harmony Grove	3/12/2020	2,614	1,686	3	$550,000	$210	$326
21635 Trail Blazer Ln, Escondido	Harmony Grove	1/29/2020	2,575	2,018	4	$605,000	$235	$300
35454 Brown Galloway Ln, Fallbrook	Horse Creek	11/29/2019	1,985	1,568	3	$389,955	$196	$249
21626 Saddle Bred Ln, Escondido	Harmony Grove	7/12/2019	2,550	2,018	4	$574,000	$225	$284
35339 Kinsky Way, Fallbrook	Horse Creek	6/28/2019	2,600	2,156	4	$483,990	$186	$224
35310 Kinsky Way, Fallbrook	Horse Creek	6/24/2019	2,600	1,579	3	$449,360	$173	$285
35304 Kinsky Way, Fallbrook	Horse Creek	4/26/2019	2,600	2,156	4	$488,990	$188	$227
21627 Trail Blazer Ln, Escondido	Harmony Grove	4/15/2019	2,575	2,018	4	$605,000	$235	$300
35442 Brown Galloway Ln, Fallbrook	Horse Creek	4/1/2019	2,153	2,037	4	$450,000	$209	$221
Average all			**2,577**	**1,867**	**3**	**$561,944**	**$219**	**$304**
Median all			**2,575**	**1,892**	**3**	**$557,500**	**$222**	**$303**
Maximum all			**2,992**	**2,362**	**4**	**$715,000**	**$280**	**$393**
Minimum all			**1,985**	**1,568**	**3**	**$389,955**	**$173**	**$221**
Average 2020-21			**2,659**	**1,855**	**3**	**$575,250**	**$230**	**$313**
Median 2020-21			**2,595**	**1,753**	**3**	**$565,000**	**$228**	**$309**
Maximum 2020-21			**2,992**	**2,362**	**4**	**$715,000**	**$280**	**$393**
Minimum 2020-21			**2,400**	**1,568**	**3**	**$470,000**	**$198**	**$243**
Source: Zillow, Redfin, AECOM								

Table 57. Recent GP-Compliant Project Residential Sales Transactions, Single Family Large Lot (<VR 2 Appoximately)

SFD <2.9											
Address	CPA	Area	Sale Date	Lot Sq.Ft.	Lot AC	DU/AC	Home Sq.Ft.	BDRM	Home Price	Price/Lot Sq.Ft.	Price/ Unit Sq.Ft.
570 N Alpine Trail Rd	Alpine	Central	5/25/2021	150,717	3.46	0.3	2,715	4	$925,000	$6	$341
2360 KEVIN Ct	Alpine	Central	10/1/2020	138,778	3.19	0.3	2,436	4	$879,000	$6	$361
2972 Firebrand Dr	Alpine	Central	5/28/2021	107,157	2.46	0.4	3,188	3	$1,175,000	$11	$369
2312 Sheri Pl	Alpine	Central	10/8/2020	86,248	1.98	0.5	3,893	6	$1,296,000	$15	$333
687 Sky Mesa Rd	Alpine	Central	11/6/2020	84,942	1.95	0.5	3,240	4	$1,375,000	$16	$424
2384 Sheri Pl	Alpine	Central	11/10/2020	73,616	1.69	0.6	2,725	4	$960,000	$13	$352
14117 PROCTOR VALLEY Rd	Jamul	Central	8/7/2020	47,916	1.10	0.9	3,000	4	$910,000	$19	$303
1540 Suncrest Vista Ln	Alpine	Central	6/12/2020	35,719	0.82	1.2	2,897	4	$820,000	$23	$283
2552 ELTINGE Dr	Alpine	Central	6/23/2020	33,105	0.76	1.3	3,502	4	$1,100,000	$33	$314
25916 Matlin Rd	Ramona	Central	10/29/2021	23,413	0.54	1.9	2,108	4	$812,000	$35	$385
9453 JANET Ln	Lakeside	Central	3/30/2020	16,553	0.38	2.6	1,643	3	$600,000	$36	$365
9221 Rickie Rd	Lakeside	Central	1/29/2021	16,383	0.38	2.7	2,600	4	$729,000	$44	$280
856 Pine Cone Dr	Julian	Mountain	5/23/2021	41,382	0.95	1.1	1,558	3	$522,000	$13	$335
5777 Rancho Del Caballo	Bonsall	North	7/10/2020	42,253	0.97	1.0	3,018	4	$830,000	$20	$275
31437 Palos Verdes Dr	Valley Center	North	9/25/2020	39,639	0.91	1.1	1,682	3	$650,000	$16	$386
5805 Via Del Caballero	Bonsall	North	5/8/2020	37,897	0.87	1.1	2,962	4	$855,000	$23	$289
5675 Rancho Del Caballo	Bonsall	North	7/16/2021	33,541	0.77	1.3	3,018	4	$1,050,000	$31	$348
14139 Winged Foot Cir	Valley Center	North	3/3/2021	31,799	0.73	1.4	4,227	5	$1,025,000	$32	$242
3130 Live Oak Park Rd	Fallbrook	North	4/10/2020	31,363	0.72	1.4	2,332	3	$725,000	$23	$311
1557 Camino De Nog Way	Fallbrook	North	8/28/2020	30,927	0.71	1.4	2,189	4	$620,000	$20	$283
1412 Devin Dr	Fallbrook	North	6/15/2020	28,314	0.65	1.5	2,365	4	$714,900	$25	$302
5811 Via Del Caballero	Bonsall	North	9/23/2020	27,007	0.62	1.6	3,420	4	$982,000	$36	$287
1402 Devin Dr	Fallbrook	North	7/31/2020	26,136	0.60	1.7	2,365	4	$714,999	$27	$302
5706 Rancho Del Caballo	Bonsall	North	1/30/2020	23,958	0.55	1.8	4,012	4	$1,052,500	$44	$262
21679 Deer Grass Dr	San Dieguito	North	3/4/2021	23,522	0.54	1.9	3,778	5	$1,210,000	$51	$320
5707 Rancho Del Caballo	Bonsall	North	6/28/2021	22,215	0.51	2.0	3,420	4	$1,099,900	$50	$322
5662 E Rancho Del Caballo	Bonsall	North	8/3/2021	21,780	0.50	2.0	3,420	4	$1,184,000	$54	$346
3115 Pine Ln	Spring Valley	South	1/28/2020	25,468	0.58	1.7	1,886	3	$619,000	$24	$328
Average				**46,491**	**1.07**	**1.3**	**2,843**	**4**	**$908,404**	**$27**	**$323**
Median				**32,452**	**0.74**	**1.3**	**2,930**	**4**	**$894,500**	**$24**	**$321**
Maximum				**150,717**	**3.46**	**2.7**	**4,227**	**6**	**$1,375,000**	**$54**	**$424**
Minimum				**16,383**	**0.38**	**0.3**	**1,558**	**3**	**$522,000**	**$6**	**$242**
Source: Zillow, Redfin, AECOM											

Table 58. Recent GP-Compliant Residential Sales Transactions, Single Family Small Lot (VR 2.9 to VR 4.3 Approximately)

SFD (2.9-4.3 DU/AC)											
Address	CPA	Area	Sale Date	Lot Sq.Ft.	Lot AC	DU/AC	Home Sq.Ft.	BDRM	Home Price	Price/Lot Sq.Ft.	Price/ Unit Sq.Ft.
15325 Adams Dr	Pala Pauma	Mountain	2/26/2020	14,345	0.33	3.0	1,800	3	$515,000	$36	$286
224 Tom Mcguinness Jr Cir	Fallbrook	North	11/16/2021	13,503	0.31	3.2	3,285	4	$937,500	$69	$285
2031 James Gaynor St	Fallbrook	North	7/21/2020	13,204	0.30	3.3	2,623	3	$680,000	$51	$259
34647 Pima Trl	Julian	Mountain	6/11/2021	12,562	0.29	3.5	1,400	2	$620,000	$49	$443
31557 Calle De Las Rosas	Bonsall	North	5/7/2021	11,214	0.26	3.9	3,239	5	$860,500	$77	$266
25108 Poverty Rdg	Central Mountain	Mountain	4/1/2021	10,637	0.24	4.1	1,107	3	$468,000	$44	$423
31504 Calle De Las Rosas	Bonsall	North	5/4/2021	10,593	0.24	4.1	2,748	4	$1,040,000	$98	$378
2915 Pheasant Dr	Julian	Mountain	7/24/2020	10,286	0.24	4.2	1,300	2	$479,000	$47	$368
3056 Jicarilla Dr	Fallbrook	North	8/14/2020	10,243	0.24	4.3	3,207	5	$714,800	$70	$223
9204 Old Farmhouse Rd Lot 15	Lakeside	Central	10/6/2020	10,000	0.23	4.4	2,837	3	$759,900	$76	$268
9216 Old Farmhouse Rd Lot 13	Lakeside	Central	8/26/2020	10,000	0.23	4.4	2,837	3	$750,000	$75	$264
9222 Old Farmhouse Rd Lot 12	Lakeside	Central	7/16/2020	10,000	0.23	4.4	2,700	4	$729,900	$73	$270
5328 Avenida De Los Pinos	Bonsall	North	7/13/2021	9,931	0.23	4.4	2,649	4	$970,000	$98	$366
31574 Calle De Las Rosas	Bonsall	North	3/30/2021	9,923	0.23	4.4	2,029	3	$921,900	$93	$454
Average				**11,174**	**0.26**	**4.0**	**2,412**	**3**	**$746,179**	**$68**	**$325**
Median				**10,440**	**0.24**	**4.2**	**2,675**	**3**	**$739,950**	**$71**	**$286**
Maximum				**14,345**	**0.33**	**4.4**	**3,285**	**5**	**$1,040,000**	**$98**	**$454**
Minimum				**9,923**	**0.23**	**3.0**	**1,107**	**2**	**$468,000**	**$36**	**$223**
Source: Zillow, Redfin, AECOM											

Table 59. Recent GP-Compliant Project Residential Sales Transactions, Single Family Small Lot (VR-7.3 Approximately)

SFD (7.3 DU/AC)											
Address	**CPA**	**Area**	**Sale Date**	**Lot Sq.Ft.**	**Lot AC**	**DU/AC**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/ Unit Sq.Ft.**
35757 Bay Morgan Ln	Fallbrook	North	3/13/2020	8,729	0.20	5.0	3,240	4	$601,960	$69	$186
31618 Calle De Las Estrellas	Bonsall	North	7/17/2020	8,716	0.20	5.0	2,029	3	$631,900	$72	$311
31610 Calle De Las Estrellas	Bonsall	North	6/19/2020	8,104	0.19	5.4	2,748	4	$649,900	$80	$236
10058 Rock Meadow Rd	Lakeside	Central	3/10/2021	8,044	0.18	5.4	3,482	4	$955,000	$119	$274
35854 Bay Sable Ln	Fallbrook	North	7/29/2020	8,000	0.18	5.4	3,719	4	$755,990	$94	$203
35853 Bay Sable Ln	Fallbrook	North	6/25/2020	8,000	0.18	5.4	3,719	4	$729,990	$91	$196
202 3rd St.	Julian	Mountain	11/18/2021	7,810	0.18	5.6	1,896	4	$350,000	$45	$185
435 Ventaso St	Fallbrook	North	2/28/2020	7,551	0.17	5.8	2,656	4	$579,990	$77	$218
11058 Pleasant Meadows Pl	Lakeside	Central	10/9/2020	7,438	0.17	5.9	3,192	4	$860,000	$116	$269
31642 Calle De Las Estrellas	Bonsall	North	1/15/2020	7,423	0.17	5.9	3,382	5	$732,470	$99	$217
429 Ventaso Way	Fallbrook	North	6/25/2020	7,325	0.17	5.9	2,285	3	$570,360	$78	$250
322 Calabrese St	Fallbrook	North	2/14/2020	7,084	0.16	6.1	2,486	4	$539,990	$76	$217
35859 Bay Sable Ln	Fallbrook	North	5/12/2020	7,037	0.16	6.2	3,840	5	$681,999	$97	$178
31658 Calle De Las Estrellas	Bonsall	North	4/10/2020	7,012	0.16	6.2	2,029	3	$632,951	$90	$312
35817 Bay Sable Ln	Fallbrook	North	6/30/2020	6,984	0.16	6.2	3,719	4	$695,816	$100	$187
10073 RANCHITOS Pl	Lakeside	Central	10/1/2021	6,969	0.16	6.3	3,352	4	$950,000	$136	$283
31657 Calle De Las Estrellas	Bonsall	North	12/13/2021	6921	0.16	6.3	2,649	4	$1,049,000	$152	$396
31592 Calle De Las Estrellas	Bonsall	North	9/11/2020	6,879	0.16	6.3	2,029	3	$639,920	$93	$315
1620 Paraiso Ave	Spring Valley	South	1/29/2020	6,848	0.16	6.4	2,243	4	$580,000	$85	$259
31564 Calle De Las Rosas	Bonsall	North	3/26/2021	6845	0.16	6.4	2,748	4	$939,900	$137	$342
10001 Ranchitos Pl	Lakeside	Central	4/3/2020	6,817	0.16	6.4	2,875	4	$787,000	$115	$274
1626 Paraiso Ave	Spring Valley	South	6/22/2021	6,711	0.15	6.5	2,312	5	$750,000	$112	$324
10043 Rock Meadow Rd	Lakeside	Central	9/23/2021	6,676	0.15	6.5	3,192	4	$850,000	$127	$266
9872 Apple St	Spring Valley	South	7/29/2020	6,515	0.15	6.7	2,950	4	$649,000	$100	$220
35497 Asturian Way	Fallbrook	North	3/20/2020	6,502	0.15	6.7	1,799	3	$522,790	$80	$291
1033 Coronado Ave	Spring Valley	South	8/11/2020	6,484	0.15	6.7	2,842	4	$680,000	$105	$239
1025 Coronado Ave	Spring Valley	South	8/6/2020	6,402	0.15	6.8	2,708	4	$644,000	$101	$238
35493 Austurian Way	Fallbrook	North	3/13/2020	6,384	0.15	6.8	2,022	3	$522,510	$82	$258
327 Calabrese St	Fallbrook	North	1/30/2020	6,355	0.15	6.9	2,656	4	$579,990	$91	$218
1644 Paraiso Ave	Spring Valley	South	10/27/2020	6,352	0.15	6.9	2,255	5	$650,000	$102	$288
399 Ventasso Way	Fallbrook	North	8/10/2020	6,321	0.15	6.9	2,656	4	$583,900	$92	$220
35517 Castilian Ct	Fallbrook	North	7/2/2020	6,201	0.14	7.0	2,445	4	$582,500	$94	$238
212 Pantaneiro Pl	Fallbrook	North	6/25/2020	6,014	0.14	7.2	2,656	4	$622,505	$104	$234
504 Ventaso Way	Fallbrook	North	6/2/2020	5,926	0.14	7.4	2,285	3	$584,055	$99	$256
35828 Bay Sable Ln	Fallbrook	North	5/28/2020	5,925	0.14	7.4	3,205	4	$662,616	$112	$207
35431 Austurian Way	Fallbrook	North	7/20/2020	5,774	0.13	7.5	2,213	4	$578,200	$100	$261
24940 CA-94	Mountain Empire	Back Country	9/2/2021	5,350	0.12	8.1	1,426	3	$454,000	$85	$318
35109 Highway 79 #72	Mountain Empire	Back Country	3/16/2021	4,796	0.11	9.1	1,400	3	$365,000	$76	$261
Average				**6,874**	**0.16**	**6.4**	**2,667**	**4**	**$663,032**	**$97**	**$254**
Median				**6,847**	**0.16**	**6.4**	**2,656**	**4**	**$641,960**	**$96**	**$253**
Maximum				**8,729**	**0.20**	**9.1**	**3,840**	**5**	**$1,049,000**	**$152**	**$396**
Minimum				**4,796**	**0.11**	**5.0**	**1,400**	**3**	**$350,000**	**$45**	**$178**
Source: Zillow, Redfin, AECOM											

Table 60. Recent GP-Compliant Project Residential Sales Transactions, Detached Condominium (VR-10.9)

Condo (10.9 DU/AC)											
Address	**CPA**	**Area**	**Sale Date**	**Lot Sq.Ft.**	**Lot AC**	**DU/AC**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/ Unit Sq.Ft.**
4650 Dulin Rd #81	Fallbrook	North	1/20/2021	4,356	0.10	10.0	1,307	3	$360,000	$83	$275
35860 Bay Sable Ln	Fallbrook	North	10/7/2020	5,151	0.12	8.5	3,840	5	$768,379	$149	$200
520 Ventaso Way	Fallbrook	North	9/2/2020	5,433	0.12	8.0	2,285	3	$587,320	$108	$257
358 Misaki Way	Fallbrook	North	8/28/2020	5,235	0.12	8.3	2,213	4	$555,990	$106	$251
35403 Austurian Way	Fallbrook	North	8/20/2020	4,627	0.11	9.4	2,022	3	$558,381	$121	$276
35350 White Camarillo Ln	Fallbrook	North	7/28/2020	2,400	0.06	18.2	1,579	3	$478,885	$200	$303
35366 White Camarillo Ln	Fallbrook	North	6/30/2020	2,400	0.06	18.2	1,579	3	$476,360	$198	$302
35450 Asturian Way	Fallbrook	North	6/23/2020	5,057	0.12	8.6	1,799	3	$516,990	$102	$287
35474 Austurian Way	Fallbrook	North	5/20/2020	5,065	0.12	8.6	2,445	4	$603,375	$119	$247
35866 Bay Sable Ln	Fallbrook	North	4/24/2020	5,071	0.12	8.6	3,205	4	$656,274	$129	$205
333 Calabrese St	Fallbrook	North	4/17/2020	5,424	0.12	8.0	2,486	4	$570,960	$105	$230
35270 Persano Pl	Fallbrook	North	3/31/2020	1,972	0.05	22.1	1,753	3	$456,490	$231	$260
422 Ventaso St	Fallbrook	North	3/10/2020	5,089	0.12	8.6	2,656	4	$579,970	$114	$218
35545 Austurian Way	Fallbrook	North	2/28/2020	4,706	0.11	9.3	2,213	4	$523,990	$111	$237
35510 Austurian Way	Fallbrook	North	2/19/2020	4,553	0.10	9.6	2,213	4	$548,925	$121	$248
8712 Silver Moon Dr	Lakeside	Central	8/31/2020	NA	NA	NA	1,465	3	$490,000		$334
13216 N Peak Vista Dr	Lakeside	Central	7/13/2020	NA	NA	NA	1,592	3	$492,000		$309
13215 Full Moon Ct	Lakeside	Central	7/10/2020	NA	NA	NA	1,748	3	$519,000		$297
8609 Skylight Way	Lakeside	Central	6/30/2020	NA	NA	NA	1,592	3	$500,000		$314
13206 Midnight Star Way	Lakeside	Central	5/28/2020	NA	NA	NA	1,465	3	$475,000		$324
425 Nickel Creek Dr	Ramona	Central	5/21/2020	NA	NA	NA	1,559	3	$439,000		$282
1330 Shoshone Falls Dr	Ramona	Central	4/24/2020	NA	NA	NA	1,044	2	$332,000		$318
8618 Skylight Way	Lakeside	Central	4/22/2020	NA	NA	NA	1,748	3	$518,000		$296
8631 Orchard Bloom Way	Lakeside	Central	2/24/2020	NA	NA	NA	1,465	3	$472,000		$322
13227 Spring Mountain Rd	Lakeside	Central	2/18/2020	NA	NA	NA	1,748	4	$520,000		$297
8726 Sage Shadow Dr	Lakeside	Central	2/14/2020	NA	NA	NA	1,592	3	$483,000		$303
Average							**1,947**	**3**	**$518,550**		**$277**
Median							**1,748**	**3**	**$517,495**		**$285**
Maximum							**3,840**	**5**	**$768,379**		**$334**
Minimum							**1,044**	**2**	**$332,000**		**$200**
Source: Zillow, Redfin, AECOM											

Table 61. Recent GP-Compliant Project Residential Sales Transactions, Townhome (VR-15 Approximately)

Townhome (15 DU/AC)											
Address	**CPA**	**Area**	**Sale Date**	**Lot Sq. Ft. [1]**	**Lot AC**	**DU/AC**	**Home Sq.Ft.**	**BDRM**	**Home Price**	**Price/Lot Sq.Ft.**	**Price/ Unit Sq.Ft.**
1610 Waterlily Way	North County Metro	North	9/30/2021	2,904	0.07	15.0	1,079	2	$540,000	$248	$500
5444 Starlight Pl	Bonsall	North	9/17/2021	2,904	0.07	15.0	2,043	4	$684,150	$315	$335
720 Trunorth Cir	North County Metro	North	8/11/2021	2,904	0.07	15.0	1,800	3	$635,000	$292	$353
1653 Waterlily Way	North County Metro	North	7/27/2021	2,904	0.07	15.0	1,091	2	$530,000	$244	$486
1630 Waterlily Way	North County Metro	North	7/27/2021	2,904	0.07	15.0	1,782	3	$550,000	$253	$309
734 Trunorth Cir	North County Metro	North	4/21/2021	2,904	0.07	15.0	1,918	4	$605,000	$278	$315
782 Trunorth Cir	North County Metro	North	3/24/2021	2,904	0.07	15.0	1,800	3	$565,000	$260	$314
746 Trunorth Cir	North County Metro	North	2/26/2021	2,904	0.07	15.0	1,800	3	$570,000	$262	$317
736 Trunorth Cir	North County Metro	North	2/24/2021	2,904	0.07	15.0	1,690	3	$535,000	$246	$317
776 Trunorth Cir	North County Metro	North	1/29/2021	2,904	0.07	15.0	1,800	3	$545,000	$251	$303
786 Trunorth Cir	North County Metro	North	12/17/2020	2,904	0.07	15.0	1,690	3	$525,000	$241	$311
784 Trunorth Cir	North County Metro	North	11/4/2020	2,904	0.07	15.0	1,918	4	$539,999	$248	$282
790 Trunorth Cir	North County Metro	North	10/26/2020	2,904	0.07	15.0	1,918	4	$540,000	$248	$282
754 Trunorth Cir	North County Metro	North	10/22/2020	2,904	0.07	15.0	1,800	3	$535,000	$246	$297
766 Trunorth Cir	North County Metro	North	10/22/2020	2,904	0.07	15.0	1,690	3	$511,000	$235	$302
1624 Waterlily Way	North County Metro	North	10/16/2020	2,904	0.07	15.0	1,125	2	$475,000	$218	$422
1661 Waterlily Way	North County Metro	North	8/28/2020	2,904	0.07	15.0	1,125	2	$469,000	$216	$417
1662 Waterlily Way	North County Metro	North	7/22/2020	2,904	0.07	15.0	1,125	2	$457,700	$210	$407
759 Trunorth Cir	North County Metro	North	7/16/2020	2,904	0.07	15.0	1,690	3	$480,100	$221	$284
435 Nickel Creek Dr	Ramona	Central	12/27/2021	2,904	0.07	15.0	1,044	2	$474,000	$218	$454
1315 Meandering Way	Ramona	Central	10/29/2021	2,904	0.07	15.0	1,559	3	$575,000	$264	$369
1354 Shoshone Falls Dr	Ramona	Central	8/12/2021	2,904	0.07	15.0	1,559	3	$539,000	$248	$346
1321 Meandering Way	Ramona	Central	5/28/2021	2,904	0.07	15.0	1,559	3	$527,500	$243	$338
1343 Meandering Way	Ramona	Central	4/28/2021	2,904	0.07	15.0	1,540	3	$480,000	$221	$312
1362 Shoshone Falls Dr	Ramona	Central	4/5/2021	2,904	0.07	15.0	1,540	3	$475,000	$218	$308
421 Nickel Creek Dr	Ramona	Central	1/26/2021	2,904	0.07	15.0	1,044	2	$426,000	$196	$408
1364 Shoshone Falls Dr	Ramona	Central	1/15/2021	2,904	0.07	15.0	1,044	2	$412,000	$189	$395
445 Nickel Crk	Ramona	Central	11/6/2020	2,904	0.07	15.0	1,044	2	$389,500	$179	$373
1341 Meandering Way	Ramona	Central	10/19/2020	2,904	0.07	15.0	1,559	3	$455,000	$209	$292
1325 Meandering Way	Ramona	Central	9/10/2020	2,904	0.07	15.0	1,044	2	$383,990	$177	$368
13217 Midnight Star Way	Lakeside	Central	8/17/2020	2,904	0.07	15.0	1,592	3	$487,000	$224	$306
13228 Midnight Star Way	Lakeside	Central	7/31/2020	2,904	0.07	15.0	1,748	3	$520,000	$239	$297
13232 N Peak Vista Dr	Lakeside	Central	7/20/2020	2,904	0.07	15.0	1,592	3	$488,900	$225	$307
13221 Midnight Star Way	Lakeside	Central	6/26/2020	2,904	0.07	15.0	1,465	3	$465,000	$214	$317
443 Nickel Creek Dr	Ramona	Central	6/23/2020	2,904	0.07	15.0	1,540	3	$423,000	$194	$275
13212 Midnight Star Way	Lakeside	Central	5/5/2020	2,904	0.07	15.0	1,748	3	$515,000	$237	$295
719 Anastasia Ct #4	Valle De Oro		7/12/2021	2,904	0.07	15.0	1521	3	$523,361	$241	$344
1352 Shoshone Falls Dr	Ramona	Central	4/13/2020	2,904	0.07	15.0	1,540	3	$415,000	$191	$269
8613 Sage Shadow Dr	Lakeside	Central	2/18/2020	2,904	0.07	15.0	1,465	3	$470,000	$216	$321
Average							**1,529**	**3**	**$506,056**	**$233**	**$340**
Median							**1,559**	**3**	**$515,000**	**$237**	**$317**
Maximum							**2,043**	**4**	**$684,150**	**$315**	**$500**
Minimum							**1,044**	**2**	**$383,990**	**$177**	**$269**

(1) Units are located on multifamily shared parcel. Lot sizes correspond to approximate footprint based on land use density
Source: Zillow, Redfin, AECOM

Table 62. Rents at Recent GP-Compliant Multifamily Projects at 20 (Approximately) Dwelling Units Per Acre Density

Project	Room Type	Units	% Project	Avg SF	Asking Rent/Unit	Asking Rent/SF
Rental Prototype Garden Apt. (VR 20-24)						
501 W Bobier Dr	1BR	168	58%	815	$2,868	$3.52
Vista	2BR	110	38%	1,108	$3,299	$2.98
	3BR	12	4%	1,244	$3,753	$3.02
		290	100%	944	$3,068	$3.25
1401 N Melrose Dr	1BR	190	46%	793	$2,712	$3.42
Vista	2BR	200	49%	1,130	$3,012	$2.67
	3BR	20	5%	1,358	$3,489	$2.57
		410	100%	985	$2,896	$2.94
1925 Avenida Escaya	1BR	141	52%	790	$2,399	$3.04
Chula Vista	2BR	111	41%	1,068	$3,116	$2.92
	3BR	20	7%	1,569	$3,934	$2.51
		272	100%	960	$2,805	$2.92
2760 Lake Pointe Dr	1BR	14	16%	743	$1,970	$2.65
Spring Valley	2BR	59	67%	1,081	$2,190	$2.03
	3BR	15	17%	1,315	$2,629	$2.00
		88		1,067	$2,230	$2.09
Average	**1BR**	**513**	**48%**	**785**	**$2,487**	**$3.17**
	2BR	**480**	**45%**	**1,097**	**$2,904**	**$2.65**
	3BR	**67**	**6%**	**1,372**	**$3,451**	**$2.52**
		1,060	**100%**	**963**	**$2,737**	**$2.84**

Source: Company websites, CoStar, AECOM

Table 63. Rents at Recent GP-Compliant Multifamily Projects at 30 (Approximately) Dwelling Units Per Acre Density

Rental Prototype Apartment. (VR 30)						
Project	**Room Type**	**Units**	**% Project**	**Avg SF**	**Asking Rent/Unit**	**Asking Rent/SF**
10785 Pomerado Rd.	1BR	9	11%	897	$2,578	$2.87
San Diego	2BR	63	75%	1,160	$3,174	$2.74
	3BR	12	14%	1,366	$3,735	$2.73
		84		1161	$3,190	$2.75
9865 Eerma Rd.	1BR	64	56%	767	$2,675	$3.49
San Diego	2BR	50	44%	1,059	$3,155	$2.99
		114		1161	$2,886	$3.23
2414 Escondido Blvd.	1BR	36	47%	766	$2,403	$3.13
Escondido	2BR	34	45%	1,100	$2,803	$2.52
	3BR	6	8%	1,353	$3,204	$2.37
		76		1161	$2,645	$2.73
2043 Artisan Way	1BR	149	55%	827	$2,639	$3.19
Chula Vista	2BR	105	39%	1,102	$3,095	$2.81
	3BR	18	7%	1,371	$3,800	$2.77
		272		970	$2,893	$2.98
1629 Santa Venetia St.	1BR	129	43%	731	$2,511	$3.09
Chula Vista	2BR	129	43%	1,097	$3,291	$3.02
	3BR	42	14%	1,330	$3,514	$2.40
		300		972	$3,022	$2.87
1660 Metro Ave.	1BR	189	61%	841	$2,041	$2.43
Chula Visa	2BR	111	36%	1,302	$2,974	$2.28
	3BR	9	3%	1,380	$3,990	$2.89
		309		1022	$2,541	$2.38
300 Town Center Pky.	1BR	52	30%	700	$1,745	$2.49
Santee	2BR	84	49%	1,010	$2,165	$2.14
	3BR	36	21%	1,166	$2,648	$2.27
		172		949	$2,139	$2.25
Average	**1BR**	**628**	**44%**	**790**	**$2,370**	**$3.00**
	2BR	**576**	**40%**	**1,119**	**$2,951**	**$2.64**
	3BR	**237**	**16%**	**1,304**	**$3,397**	**$2.61**
		1,441		**1,006**	**$2,771**	**$2.79**
Source: Company websites, CoStar, AECOM						

Table 64. Rents at Recent GP-Compliant Multifamily Projects at 45 (Approximately) Dwelling Units Per Acre Density

Podium (Rent)	Stacked Flats on Podium					
Project	**Room Type**	**Units**	**% Project**	**Avg SF**	**Asking Rent/Unit**	**Asking Rent/SF**
6850 Mission Gorge	1BR	220	50%	787	$2,847	$3.62
San Diego	2BR	158	36%	1,107	$3,377	$3.05
	3BR	66	15%	1,363	$4,212	$3.09
		444	100%	986	$3,239	$3.28
700 W Grand Ave	1BR	63	50%	717	$2,685	$3.74
Escondido	2BR	55	44%	1,642	$3,106	$1.89
	3BR	8	6%	1,945	$3,607	$1.85
		126	100%	1,096	$2,927	$2.67
152 N Twin Oaks Valle	1BR	0	0%	0	$0	
San Marcos	2BR	32	27%	1,235	$3,482	$2.82
	3BR	86	73%	1,426	$4,224	$2.96
		118	100%	1,377	$4,023	$2.92
650 N Centre City Pky	1BR	59	53%	862	$2,225	$2.58
Escondido	2BR	53	47%	1,182	$2,926	$2.48
	3BR	0	0%	0	$0	
		112	100%	1,012	$2,557	$2.53
10625 Calle Mar De Ma	1BR	192	50%	830	$2,792	$3.36
San Diego	2BR	128	33%	1,132	$3,494	$3.09
	3BR	64	17%	1,203	$4,100	$3.41
		384	100%	1,001	$3,244	$3.24
Average	**1BR**	**534**	**45%**	**639**	**$2,110**	**$3.30**
	2BR	**426**	**36%**	**1,260**	**$3,277**	**$2.60**
	3BR	**224**	**19%**	**1,187**	**$3,229**	**$2.72**
		1,184	**100%**	**966**	**$2,741**	**$2.84**

Source: Costar, project websites, AECOM

Table 65: Utilities Allowance for Affordable Ownership Units

	Bedrooms				
	1	2	3	4	5
Heating[1]	$5	$7	$8	$10	$12
Cooking[1]	$3	$4	$5	$6	$7
Other Electric	$24	$30	$37	$47	$54
Air Conditioning	$1	$1	$2	$2	$2
Water Heating[1]	$11	$14	$17	$22	$25
Water	$80	$103	$126	$160	$183
Sewar	$25	$32	$39	$50	$57
Trash Collection	$36	$36	$36	$36	$36
Range/Microwave	$10	$10	$10	$10	$10
Refrigerator	$10	$10	$10	$10	$10
Total/Month	**$205**	**$247**	**$290**	**$353**	**$396**
Total/Year	**$2,464**	**$2,960**	**$3,476**	**$4,240**	**$4,748**

(1) Cost an average of natural gas, bottled gas, and electric sources

Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019

Table 66: Base Case Pro Forma: GP-Compliant SFD 2.9

Village Residential 2.9 (VR 2.9)	Single-Family Detached, Large	GP-Complian	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	10.0					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.19	0.19			
DU/AC		2.90	2.90			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	0%	0	0	0		
4BR	100%	29	0	29		
Total		29	0	29		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	0	0	0	0	0	
4BR	29	0	0	0	0	
Total	29	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	2,800/unit	81,200	0	81,200		
Total	2,800/unit	81,200	0	81,200		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	2,800/unit	81,200	0	81,200		
Total	2,800	81,200	0	81,200		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	0			
4BR	3.0/unit	2.5/unit	87			
Type			87			
Surface	100%	87				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1.00/land Sq.Ft.			$15,000/unit	$435,000	
Onsite improvements	$5.00/land Sq.Ft.			$75,000/unit	$2,175,000	
Building[2]	$90/vertical Sq.Ft.			$252,000/unit	$7,308,000	
Parking[3]						
Surface	$2,500/space				$217,500	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25% direct costs				$2,533,875	
Total Direct Costs			$156/sf	$436,875/unit		**$12,669,375**

Indirect Costs[4]						
A&E	7.0% direct costs				$886,856	
Permits and Fees	$22/GBA Sq.Ft.			$61,600/unit	$1,786,400	
Legal, Insurance, Warranty	3.0% direct costs				$380,081	
Marketing	$2,000/unit				$58,000	
G&A	1.0% indirect costs				$31,113	
Developer Fee	4.5% direct costs				$570,122	
Soft Cost Contingency	5.0% indirect costs				$185,629	
Total Indirect Costs			$48/sf	$134,421/unit		**$3,898,201**
Financing[5]						
Fees					$198,811	
Construction Period Interest					$621,284	
Total Financing						**$820,095**
Total Costs Before Developer Return and Land						**$17,387,671**
Developer Return on Cost[6]	10.0% cost before land				$1,738,767	
Total Costs Before Land			$236/sf	$659,532/unit		**$19,126,439**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$	$36,500	$146,200	$311,000	$501,300	
4BR	$952,000	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$	$	$	$	$	
4BR	$27,608,000	$	$	$	$	
Total	$27,608,000	$	$	$	$	**$27,608,000**
Cost of Sale						
Commissions	3%					($828,240)
Total Cost of Sale						**($828,240)**
Net Revenue				$923,440/unit		**$26,779,760**
RETURN MEASURES						
Village Residential 2.9 (VR 2.9)	**Single-Family Detached, Large Lot**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$330/GBA sf	$923,440/unit	$26,779,760
Total Development Cost Before Land and Assumed Return				$214/GBA sf	$599,575/unit	$17,387,671
Developer profit at 10% of cost before land				$21/GBA sf	$59,957/unit	$1,738,767
Total Development Cost Before Land				$236/GBA sf	$659,532/unit	$19,126,439
Residual Land Value (Net Square Foot)				$17.59/land sf	$263,908/unit	$7,653,321
Residual Land Value (Gross Square Foot) at net/gross of 65%				$11.44/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$26,779,760
Net Revenue/Unit					29 units	$923,440
Net Revenue/GBA Sq.Ft.					2,800 sf/unit	$330
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,800 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					29 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,800 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 67. Base Case Pro Forma: GP-Compliant SFD (VR 4.3)

Village Residential 4.3 (VR 4.3)	Single-Family Detached, Medium	GP-Compliar	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	9.97					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.26	0.26			
DU/AC		4.31	4.31			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	43	0	43		
4BR	0%	0	0	0		
Total		43	0	43		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	43	0	0	0	0	
4BR	0	0	0	0	0	
Total	43	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,600/unit	111,800	0	111,800		
4BR	/unit	0	0	0		
Total	2,600/unit	111,800	0	111,800		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,600/unit	111,800	0	111,800		
4BR	/unit	0	0	0		
Total	2,600	111,800	0	111,800		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	86			
4BR	3.0/unit	2.5/unit	0			
Type			86			
Surface	100%	86				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$10,100/unit	$434,300	
Onsite improvements	$5/land Sq.Ft.			$50,500/unit	$2,171,500	
Building[2]	$90/vertical Sq.Ft.			$234,000/unit	$10,062,000	
Parking[3]						
Surface	$2,500/space				$215,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$3,220,700	
Total Direct Costs			$144/sf	$374,500/unit		**$16,103,500**

Indirect Costs[4]						
A&E	7.0% direct costs				$1,127,245	
Permits and Fees	$22/GBA Sq.Ft.			$57,200/unit	$2,459,600	
Legal, Insurance, Warranty	3.0% direct costs				$483,105	
Marketing	$2,000/unit				$86,000	
G&A	1.0% indirect costs				$41,560	
Developer Fee	4.5% direct costs				$724,658	
Soft Cost Contingency	5.0% indirect costs				$246,108	
Total Indirect Costs			$46/sf	$120,192/unit		**$5,168,275**
Financing[5]						
Fees					$255,261	
Construction Period Interest					$797,692	
Total Financing						**$1,052,953**
Total Costs Before Developer Return and Land						**$22,324,728**
Developer Return on Cost[6]	10.0% cost before land				$2,232,473	
Total Costs Before Land			$220/sf	$571,098/unit		**$24,557,201**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$816,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$35,088,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$35,088,000	$	$	$	$	**$35,088,000**
Cost of Sale						
Commissions	3%					($1,052,640)
Total Cost of Sale						**($1,052,640)**
Net Revenue						**$34,035,360**
RETURN MEASURES						
Village Residential 4.3 (VR 4.3)	**Single-Family Detached, Medium Lot**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$304/GBA sf	$791,520/unit	$34,035,360
Total Development Cost Before Land and Assumed Return				$200/GBA sf	$519,180/unit	$22,324,728
Developer profit at 10% of cost before land				$20/GBA sf	$51,918/unit	$2,232,473
Total Development Cost Before Land				$220/GBA sf	$571,098/unit	$24,557,201
Residual Land Value (Net Square Foot)				$21.82/land sf	$220,422/unit	$9,478,159
Residual Land Value (Gross Square Foot) at net/gross of 65%				$14.19/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$34,035,360
Net Revenue/Unit					43 units	$791,520
Net Revenue/GBA Sq.Ft.					2,600 sf/unit	$304
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,600 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					43 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,600 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 68: Base Case Pro Forma: GP-Compliant SFD 7.3

Village Residential 7.3 (VR 7.3)	Single-Family Detached, Small Lot	GP-Complian	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	10.06					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.42	0.42			
DU/AC		7.26	7.26			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	73	0	73		
4BR	0%	0	0	0		
Total		73	0	73		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	73	0	0	0	0	
4BR	0	0	0	0	0	
Total	73	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,500/unit	182,500	0	182,500		
4BR	/unit	0	0	0		
Total	2,500/unit	182,500	0	182,500		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,500/unit	182,500	0	182,500		
4BR	/unit	0	0	0		
Total	2,500	182,500	0	182,500		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	146			
4BR	3.0/unit	2.5/unit	0			
Type			146			
Surface	100%	146				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$6,000/unit	$438,000	
Onsite improvements	$5/land Sq.Ft.			$30,000/unit	$2,190,000	
Building[2]	$90/vertical Sq.Ft.			$225,000/unit	$16,425,000	
Parking[3]						
Surface	$2,500/space				$365,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$4,854,500	
Total Direct Costs			$133/sf	$332,500/unit		**$24,272,500**

Indirect Costs[4]						
A&E	7.0% direct costs				$1,699,075	
Permits and Fees	$22/GBA Sq.Ft.			$55,000/unit	$4,015,000	
Legal, Insurance, Warranty	3.0% direct costs				$728,175	
Marketing	$2,000/unit				$146,000	
G&A	1.0% indirect costs				$65,883	
Developer Fee	4.5% direct costs				$1,092,263	
Soft Cost Contingency	5.0% indirect costs				$387,320	
Total Indirect Costs			$45/sf	$111,421/unit		**$8,133,715**
Financing[5]						
Fees					$388,875	
Construction Period Interest					$1,215,233	
Total Financing						**$1,604,108**
Total Costs Before Developer Return and Land						**$34,010,322**
Developer Return on Cost[6]	10.0% cost before land				$3,401,032	
Total Costs Before Land			$205/sf	$512,484/unit		**$37,411,355**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$810,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$59,130,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$59,130,000	$	$	$	$	**$59,130,000**
Cost of Sale						
Commissions	3%					($1,773,900)
Total Cost of Sale						**($1,773,900)**
Net Revenue						**$57,356,100**
RETURN MEASURES						
Village Residential 7.3 (VR 7.3)	**Single-Family Detached, Small Lot**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$314/GBA sf	$785,700/unit	$57,356,100
Total Development Cost Before Land and Assumed Return				$186/GBA sf	$465,895/unit	$34,010,322
Developer profit at 10% of cost before land				$19/GBA sf	$46,589/unit	$3,401,032
Total Development Cost Before Land				$205/GBA sf	$512,484/unit	$37,411,355
Residual Land Value (Net Square Foot)				$46/land sf	$273,216/unit	$19,944,745
Residual Land Value (Gross Square Foot) at net/gross of 65%				$30/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$57,356,100
Net Revenue/Unit					73 units	$785,700
Net Revenue/GBA Sq.Ft.					2,500 sf/unit	$314
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,500 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					73 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,500 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 69: Base Case Pro Forma: GP-Compliant Condo 10.9

Village Residential 10.9 (VR-10.9)	**Single-Family Detached, Very Small Lot or Attached Condo**	**GP-Compliar**	Scenario: **Base Case**			
PROGRAM						
General						
Site (net developable ac)	10.01					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.63	0.63			
DU/AC		10.89	10.89			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	109	0	109		
4BR	0%	0	0	0		
Total		109	0	109		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	109	0	0	0	0	
4BR	0	0	0	0	0	
Total	109	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,526/unit	275,368	0	275,368		
4BR	/unit	0	0	0		
Total	2,526/unit	275,368	0	275,368		
Net Building Area (Sq.Ft.)	95% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,400/unit	261,600	0	261,600		
4BR	/unit	0	0	0		
Total	2,400	261,600	0	261,600		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	218			
4BR	3.0/unit	2.5/unit	0			
Type			218			
Surface	100%	218				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$4,000/unit	$436,000	
Onsite improvements	$5/land Sq.Ft.			$20,000/unit	$2,180,000	
Building[2]	$90/vertical Sq.Ft.			$227,368/unit	$24,783,158	
Parking[3]						
Surface	$2,500/space				$545,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$6,986,039	
Total Direct Costs			$127/sf	$320,461/unit		**$34,930,197**

Indirect Costs[4]						
A&E	7.0% direct costs				$2,445,114	
Permits and Fees	$22/GBA Sq.Ft.			$55,579/unit	$6,058,105	
Legal, Insurance, Warranty	3.0% direct costs				$1,047,906	
Marketing	$2,000/unit				$218,000	
G&A	1.0% indirect costs				$97,691	
Developer Fee	4.5% direct costs				$1,571,859	
Soft Cost Contingency	5.0% indirect costs				$571,934	
Total Indirect Costs			$44/sf	$110,189/unit		**$12,010,609**
Financing[5]						
Fees					$563,290	
Construction Period Interest					$1,760,280	
Total Financing						**$2,323,570**
Total Costs Before Developer Return and Land						**$49,264,376**
Developer Return on Cost[6]	10.0% cost before land				$4,926,438	
Total Costs Before Land			$197/sf	$497,163/unit		**$54,190,814**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$589,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$64,201,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$64,201,000	$	$	$	$	**$64,201,000**
Cost of Sale						
Commissions	3%					($1,926,030)
Total Cost of Sale						**($1,926,030)**
Net Revenue						**$62,274,970**
RETURN MEASURES						
Village Residential 10.9 (VR-10.9)	**Single-Family Detached, Very Small Lot or Attached Condo**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$226/GBA sf	$571,330/unit	$62,274,970
Total Development Cost Before Land and Assumed Return				$179/GBA sf	$451,967/unit	$49,264,376
Developer profit at 10% of cost before land				$18/GBA sf	$45,197/unit	$4,926,438
Total Development Cost Before Land				$197/GBA sf	$497,163/unit	$54,190,814
Residual Land Value (Net Square Foot)				$19/land sf	$74,167/unit	$8,084,156
Residual Land Value (Gross Square Foot) at net/gross of 65%				$12/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$62,274,970
Net Revenue/Unit					109 units	$571,330
Net Revenue/GBA Sq.Ft.					2,526 sf/unit	$226
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,526 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					109 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,526 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 70: Base Case Pro Forma: GP-Compliant TH-15

Village Residential 15, 20 (VR 15,20)	Attached Condo or Townhome	GP-Complia	Scenario: **Base Case**			
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.52	0.52			
DU/AC		15.00	15.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	150	0	150		
4BR	0%	0	0	0		
Total		150	0	150		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	150	0	0	0	0	
4BR	0	0	0	0	0	
Total	150	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,500/unit	225,000	0	225,000		
4BR	/unit	0	0	0		
Total	1,500/unit	225,000	0	225,000		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,500/unit	225,000	0	225,000		
4BR	/unit	0	0	0		
Total	1,500	225,000	0	225,000		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	300			
4BR	3.0/unit	2.5/unit	0			
Type			300			
Surface	100%	300				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$2,904/unit	$435,600	
Onsite improvements	$5/land Sq.Ft.			$14,520/unit	$2,178,000	
Building[2]	$155/vertical Sq.Ft.			$232,500/unit	$34,875,000	
Parking[3]						
Surface	$2,500/space				$750,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$9,559,650	
Total Direct Costs			$212/sf	$318,655/unit		**$47,798,250**

Indirect Costs[4]						
A&E	7.0% direct costs				$3,345,878	
Permits and Fees	$22/GBA Sq.Ft.			$33,000/unit	$4,950,000	
Legal, Insurance, Warranty	3.0% direct costs				$1,433,948	
Marketing	$2,000/unit				$300,000	
G&A	1.0% indirect costs				$100,298	
Developer Fee	4.5% direct costs				$2,150,921	
Soft Cost Contingency	5.0% indirect costs				$614,052	
Total Indirect Costs			$57/sf	$85,967/unit		**$12,895,097**
Financing[5]						
Fees					$728,320	
Construction Period Interest					$2,276,001	
Total Financing						**$3,004,321**
Total Costs Before Developer Return and Land						**$63,697,667**
Developer Return on Cost[6]	10.0% cost before land				$6,369,767	
Total Costs Before Land			$311/sf	$467,116/unit		**$70,067,434**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$510,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$76,500,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$76,500,000	$	$	$	$	**$76,500,000**
Cost of Sale						
Commissions	3%					($2,295,000)
Total Cost of Sale						**($2,295,000)**
Net Revenue						**$74,205,000**
RETURN MEASURES						
Village Residential 15, 20 (VR 15,2	**Attached Condo or Townhome**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$330/GBA sf	$494,700/unit	$74,205,000
Total Development Cost Before Land and Assumed Return				$283/GBA sf	$424,651/unit	$63,697,667
Developer profit at 10% of cost before land				$28/GBA sf	$42,465/unit	$6,369,767
Total Development Cost Before Land				$311/GBA sf	$467,116/unit	$70,067,434
Residual Land Value (Net Square Foot)				$9/land sf	$27,584/unit	$4,137,566
Residual Land Value (Gross Square Foot) at net/gross of 65%				$6/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$74,205,000
Net Revenue/Unit					150 units	$494,700
Net Revenue/GBA Sq.Ft.					1,500 sf/unit	$330
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,500 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					150 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,500 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 71: Base Case Pro Forma: GP-Compliant Garden 20

Garden 20 (Rent)	Village Residential 20 (VR 20)	GP-Compliar	Scenario:	Base Case		
PROGRAM						
General						
Site (developable ac)	13.3					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.56	0.56			
DU/AC		20.00	20.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	48%	128	0	128		
2BR	45%	120	0	120		
3BR	6%	17	0	17		
4BR	0%	0	0	0		
Total		265	0	265		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	128	0	0	0	0	
2BR	120	0	0	0	0	
3BR	17	0	0	0	0	
4BR	0	0	0	0	0	
Total	265	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	988/unit	126,400	0	126,400		
2BR	1,375/unit	165,000	0	165,000		
3BR	1,713/unit	29,113	0	29,113		
4BR	/unit	0	0	0		
Total	1,209/unit	320,513	0	320,513		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	790/unit	101,120	0	101,120		
2BR	1,100/unit	132,000	0	132,000		
3BR	1,370/unit	23,290	0	23,290		
4BR	/unit	0	0	0		
Total	968	256,410	0	256,410		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	256			
2BR	2.0/unit	2.0/unit	240			
3BR	2.0/unit	2.0/unit	34			
4BR	3.0/unit	2.5/unit	0			
Type			530			
Surface	100%	530				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$2,178/unit	$577,170	
Onsite improvements	$5/land Sq.Ft.			$10,890/unit	$2,885,850	
Building[2]	$175/vertical Sq.Ft.			$211,659/unit	$56,089,688	
Parking[3]						
Surface	$2,500/space				$1,325,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$15,219,427	
Total Direct Costs			$237/sf	$287,159/unit		**$76,097,134**

Indirect Costs[4]						
A&E	7.0% direct costs				$5,326,799	
Permits and Fees	$22/GBA Sq.Ft.			$26,609/unit	$7,051,275	
Legal, Insurance, Warrany	3.0% direct costs				$2,282,914	
Marketing	$2,000/unit				$530,000	
G&A	1.0% indirect costs				$151,910	
Developer Fee	4.5% direct costs				$3,424,371	
Soft Cost Contingency	5.0% indirect costs				$938,363	
Total Indirect Costs			$61/sf	$74,361/unit		**$19,705,633**
Financing[5]						
Fees					$1,149,633	
Construction Period Interest					$3,592,604	
Total Financing						**$4,742,237**
Total Costs Before Developer Return and Land						**$100,545,004**
Developer Return on Cost[6]	10.0% cost before land				$10,054,500	
Total Costs Before Land			$345/sf	$417,357/unit		**$110,599,505**
REVENUE						
Potential Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$430	$885	$1,569	$2,365	
1BR	$2,500	$447	$967	$1,749	$2,659	
2BR	$2,920	$420	$1,005	$1,884	$2,910	
3BR	$3,450	$424	$1,074	$2,051	$3,190	
4BR	$	$465	$1,168	$2,221	$3,453	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$3,840,000	$	$	$	$	
2BR	$4,204,800	$	$	$	$	
3BR	$703,800	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$8,748,600	$	$	$	$	**$8,748,600**
(less) vacancy	5%					($437,430)
(less) Operating Expenses	30%					($2,624,580)
Capitalized value of NOI	4%					**$137,790,450**
Commissions	3%					($4,133,714)
Total Cost of Sale						($4,133,714)
Net Revenue						**$133,656,737**
RETURN MEASURES						
Garden 20 (Rent)	**Village Residential 20 (VR 20)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$417/GBA sf	$504,365/unit	$133,656,737
Total Development Cost Before Land and Assumed Return				$314/GBA sf	$379,415/unit	$100,545,004
Developer profit at 10% of cost before land				$31/GBA sf	$37,942/unit	$10,054,500
Total Development Cost Before Land				$345/GBA sf	$417,357/unit	$110,599,505
Residual Land Value (Net Square Foot)				$40/land sf	$87,008/unit	$23,057,232
Residual Land Value (Gross Square Foot) at net/gross of 65%				$26/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$133,656,737
Net Revenue/Unit					265 units	$504,365
Net Revenue/GBA Sq.Ft.					1,209 sf/unit	$417
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,209 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					265 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,209 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 72: Base Case Pro Forma: GP-Compliant Flats 30

Podium 45 (Rent)	Beyond VR-30 Maximum	GP-Complia	Scenario:	Base Case		
PROGRAM						
General						
Site (net developable ac)	5.3					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		1.16	1.16			
DU/AC		45.04	45.04			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	45%	107	0	107		
2BR	36%	85	0	85		
3BR	19%	45	0	45		
4BR	0%	0	0	0		
Total		237	0	237		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	107	0	0	0	0	
2BR	85	0	0	0	0	
3BR	45	0	0	0	0	
4BR	0	0	0	0	0	
Total	237	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	824/unit	88,118	0	88,118		
2BR	1,294/unit	110,000	0	110,000		
3BR	1,529/unit	68,824	0	68,824		
4BR	/unit	0	0	0		
Total	1,126/unit	266,941	0	266,941		
Net Building Area (Sq.Ft.)	85% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	700	74,900	0	74,900		
2BR	1,100	93,500	0	93,500		
3BR	1,300	58,500	0	58,500		
4BR	/unit	0	0	0		
Total	957	226,900	0	226,900		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	214			
2BR	2.0/unit	2.0/unit	170			
3BR	2.0/unit	2.0/unit	90			
4BR	3.0/unit	2.5/unit	0			
Type			474			
Surface	0%	0				
First floor podium	100%	474				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$967/unit	$229,222	
Onsite improvements	$5/land Sq.Ft.			$4,836/unit	$1,146,112	
Building[2]	$175/vertical Sq.Ft.			$197,108/unit	$46,714,706	
Parking[3]						
Surface	$2,500/space				$0	
First floor podium	$34,000/space				$16,116,000	
Contractor Fee w/contingency	25.0% direct costs				$16,051,510	
Total Direct Costs			$301/sf	$338,639/unit		**$80,257,550**

DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$1,451/unit	$298,905	
Onsite improvements	$5/land Sq.Ft.			$7,255/unit	$1,494,523	
Building[2]	$175/vertical Sq.Ft.			$219,961/unit	$45,311,875	
Parking[3]						
Surface	$2,500/space				$1,030,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$12,033,826	
Total Direct Costs			$232/sf	$292,083/unit		**$60,169,128**
Indirect Costs[4]						
A&E	7.0% direct costs				$4,211,839	
Permits and Fees	$22/GBA Sq.Ft.			$27,652/unit	$5,696,350	
Legal, Insurance, Warrany	3.0% direct costs				$1,805,074	
Marketing	$2,000/unit				$412,000	
G&A	1.0% indirect costs				$121,253	
Developer Fee	4.5% direct costs				$2,707,611	
Soft Cost Contingency	5.0% indirect costs				$747,706	
Total Indirect Costs			$61/sf	$76,222/unit		**$15,701,833**
Financing[5]						
Fees					$910,452	
Construction Period Interest					$2,845,161	
Total Financing						**$3,755,613**
Total Costs Before Developer Return and Land						**$79,626,573**
Developer Return on Cost[6]	10.0% cost before land				$7,962,657	
Total Costs Before Land			$338/sf	$425,190/unit		**$87,589,230**
REVENUE						
Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$431	$856	$1,492	$2,124	
1BR	$2,370	$481	$966	$1,693	$2,416	
2BR	$2,960	$529	$1,074	$1,893	$2,706	
3BR	$3,390	$555	$1,162	$2,072	$2,975	
4BR	$	$587	$1,241	$2,224	$3,199	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$2,559,600	$	$	$	$	
2BR	$2,912,640	$	$	$	$	
3BR	$1,383,120	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$6,855,360	$	$	$	$	**$6,855,360**
(less) vacancy	5%					($342,768)
(less) Operating Expenses	30%					($2,056,608)
Capitalized value of NOI	4%					**$107,971,920**
Commissions	3%					($3,239,158)
Total Cost of Sale						($3,239,158)
Net Revenue						**$104,732,762**
RETURN MEASURES						
Flats 30 (Rent)	**Village Residential 30 (VR 30)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$404/GBA sf	$508,411/unit	$104,732,762
Total Development Cost Before Land and Assumed Return				$308/GBA sf	$386,537/unit	$79,626,573
Developer profit at 10% of cost before land				$31/GBA sf	$38,654/unit	$7,962,657
Total Development Cost Before Land				$338/GBA sf	$425,190/unit	$87,589,230
Residual Land Value (Net Square Foot)				$57/land sf	$83,221/unit	$17,143,532
Residual Land Value (Gross Square Foot) at net/gross of 65%				$37/land sf		

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on AECOM experience with other projects
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 73: Base Case Pro Forma: GP-Compliant Podium 45

Podium 45 (Rent)	Beyond VR-30 Maximum	GP-Complia	Scenario: **Base Case**			
PROGRAM						
General						
Site (net developable ac)	5.3					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		1.16	1.16			
DU/AC		45.04	45.04			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	45%	107	0	107		
2BR	36%	85	0	85		
3BR	19%	45	0	45		
4BR	0%	0	0	0		
Total		237	0	237		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	107	0	0	0	0	
2BR	85	0	0	0	0	
3BR	45	0	0	0	0	
4BR	0	0	0	0	0	
Total	237	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	824/unit	88,118	0	88,118		
2BR	1,294/unit	110,000	0	110,000		
3BR	1,529/unit	68,824	0	68,824		
4BR	/unit	0	0	0		
Total	1,126/unit	266,941	0	266,941		
Net Building Area (Sq.Ft.)	85% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	700	74,900	0	74,900		
2BR	1,100	93,500	0	93,500		
3BR	1,300	58,500	0	58,500		
4BR	/unit	0	0	0		
Total	957	226,900	0	226,900		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	214			
2BR	2.0/unit	2.0/unit	170			
3BR	2.0/unit	2.0/unit	90			
4BR	3.0/unit	2.5/unit	0			
Type			474			
Surface	0%	0				
First floor podium	100%	474				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$967/unit	$229,222	
Onsite improvements	$5/land Sq.Ft.			$4,836/unit	$1,146,112	
Building[2]	$175/vertical Sq.Ft.			$197,108/unit	$46,714,706	
Parking[3]						
Surface	$2,500/space				$0	
First floor podium	$34,000/space				$16,116,000	
Contractor Fee w/contingency	25.0% direct costs				$16,051,510	
Total Direct Costs			$301/sf	$338,639/unit		**$80,257,550**

Indirect Costs[4]						
A&E	7.0% direct costs				$5,618,029	
Permits and Fees	$22/GBA Sq.Ft.			$24,779/unit	$5,872,706	
Legal, Insurance, Warranty	3.0% direct costs				$2,407,727	
Marketing	$2,000/unit				$474,000	
G&A	1.0% indirect costs				$143,725	
Developer Fee	4.5% direct costs				$3,611,590	
Soft Cost Contingency	5.0% indirect costs				$906,389	
Total Indirect Costs			$71/sf	$80,313/unit		**$19,034,164**
Financing[5]						
Fees					$1,191,501	
Construction Period Interest					$3,723,439	
Total Financing						**$4,914,940**
Total Costs Before Developer Return and Land						**$104,206,654**
Developer Return on Cost[6]	10.0% cost before land				$10,420,665	
Total Costs Before Land			$429/sf	$483,660/unit		**$114,627,320**
REVENUE						
Potential Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$430	$885	$1,569	$2,365	
1BR	$2,640	$447	$967	$1,749	$2,659	
2BR	$3,280	$420	$1,005	$1,884	$2,910	
3BR	$4,030	$424	$1,074	$2,051	$3,190	
4BR	$	$465	$1,168	$2,221	$3,453	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$3,389,760	$	$	$	$	
2BR	$3,345,600	$	$	$	$	
3BR	$2,176,200	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$8,911,560	$	$	$	$	**$8,911,560**
(less) vacancy	5%					($445,578)
(less) Operating Expenses	30%					($2,673,468)
Capitalized value of NOI	4%					**$140,357,070**
Commissions	3%					($4,210,712)
Total Cost of Sale						($4,210,712)
Net Revenue						**$136,146,358**
RETURN MEASURES						
Podium 45 (Rent)	**Beyond VR-30 Maximum**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$510/GBA sf	$574,457/unit	$136,146,358
Total Development Cost Before Land and Assumed Return				$390/GBA sf	$439,691/unit	$104,206,654
Developer profit at 10% of cost before land				$39/GBA sf	$43,969/unit	$10,420,665
Total Development Cost Before Land				$429/GBA sf	$483,660/unit	$114,627,320
Residual Land Value (Net Square Foot)				$94/land sf	$90,798/unit	$21,519,038
Residual Land Value (Gross Square Foot) at net/gross of 65%				$61/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$136,146,358
Net Revenue/Unit					237 units	$574,457
Net Revenue/GBA Sq.Ft.					1,126 sf/unit	$510
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,126 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					237 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,126 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 74: Base Case Pro Forma: GPA SFD 2.9

SFD Large Lot 2.9 (sale)	Village Residential 2.9 (VR 2.9)	GPA	Scenario:	Base Case		
PROGRAM						
General						
Site (net developable ac)	10.0					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.23	0.23			
DU/AC		2.90	2.90			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	0%	0	0	0		
4BR	100%	29	0	29		
Total		29	0	29		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	0	0	0	0	0	
4BR	29	0	0	0	0	
Total	29	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	3,500/unit	101,500	0	101,500		
Total	3,500/unit	101,500	0	101,500		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	3,500/unit	101,500	0	101,500		
Total	3,500	101,500	0	101,500		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	0			
4BR	3.0/unit	2.5/unit	87			
Type			87			
Surface	100%	87				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1.00/land Sq.Ft.			$15,000/unit	$435,000	
Onsite improvements	$5.00/land Sq.Ft.			$75,000/unit	$2,175,000	
Building[2]	$80/vertical Sq.Ft.			$280,000/unit	$8,120,000	
Parking[3]						
Surface	$2,500/space				$217,500	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$2,736,875	
Total Direct Costs			$135/sf	$471,875/unit		**$13,684,375**

Indirect Costs[4]						
A&E	7.0% direct costs				$957,906	
Permits and Fees	$22/GBA Sq.Ft.			$77,000/unit	$2,233,000	
Legal, Insurance, Warranty	3.0% direct costs				$410,531	
Marketing	$2,000/unit				$58,000	
G&A	1.0% indirect costs				$36,594	
Developer Fee	4.5% direct costs				$615,797	
Soft Cost Contingency	5.0% indirect costs				$215,591	
Total Indirect Costs			$45/sf	$156,118/unit		**$4,527,420**
Financing[5]						
Fees					$218,542	
Construction Period Interest					$682,942	
Total Financing						**$901,484**
Total Costs Before Developer Return and Land						**$19,113,279**
Developer Return on Cost[6]	10.0% cost before land				$1,911,328	
Total Costs Before Land			$207/sf	$724,986/unit		**$21,024,607**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$	$36,500	$146,200	$311,000	$501,300	
4BR	$980,000	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$	$	$	$	$	
4BR	$28,420,000	$	$	$	$	
Total	$28,420,000	$	$	$	$	**$28,420,000**
Cost of Sale						
Commissions	3%					($852,600)
Total Cost of Sale						**($852,600)**
Net Revenue				$950,600/unit		**$27,567,400**
RETURN MEASURES						
SFD Large Lot 2.9 (sale)	**Village Residential 2.9 (VR 2.9)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$272/GBA sf	$950,600/unit	$27,567,400
Total Development Cost Before Land and Assumed Return				$188/GBA sf	$659,079/unit	$19,113,279
Developer profit at % of cost before land				$19/GBA sf	$65,908/unit	$1,911,328
Total Development Cost Before Land				$207/GBA sf	$724,986/unit	$21,024,607
Residual Land Value (Net Square Foot)				$15.04/land sf	$225,614/unit	$6,542,793
Residual Land Value (Gross Square Foot) at net/gross of %				$9.78/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$27,567,400
Net Revenue/Unit					29 units	$950,600
Net Revenue/GBA Sq.Ft.					3,500 sf/unit	$272
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					3,500 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					29 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					3,500 sf/unit	#DIV/0!

(1) Extremely Low at % AMI, Very Low at % AMI, Low at % AMI, Moderate at % AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on AECOM experience w ith other projects
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects

Source: AECOM

Table 75: Base Case Pro Forma: GPA SFD 4.3

SFD Medium Lot 4.3 (sale)	Village Residential 4.3 (VR 4.3)	GPA	Scenario:	Base Case		
PROGRAM						
General						
Site (net developable ac)	9.97					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.29	0.29			
DU/AC		4.31	4.31			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	43	0	43		
4BR	0%	0	0	0		
Total		43	0	43		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	43	0	0	0	0	
4BR	0	0	0	0	0	
Total	43	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,900/unit	124,700	0	124,700		
4BR	/unit	0	0	0		
Total	2,900/unit	124,700	0	124,700		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,900/unit	124,700	0	124,700		
4BR	/unit	0	0	0		
Total	2,900	124,700	0	124,700		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	86			
4BR	3.0/unit	2.5/unit	0			
Type			86			
Surface	100%	86				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$10,100/unit	$434,300	
Onsite improvements	$5/land Sq.Ft.			$50,500/unit	$2,171,500	
Building[2]	$90/vertical Sq.Ft.			$261,000/unit	$11,223,000	
Parking[3]						
Surface	$2,500/space				$215,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$3,510,950	
Total Direct Costs			$141/sf	$408,250/unit		**$17,554,750**

Indirect Costs[4]						
A&E	7.0% direct costs				$1,228,833	
Permits and Fees	$22/GBA Sq.Ft.			$63,800/unit	$2,743,400	
Legal, Insurance, Warranty	3.0% direct costs				$526,643	
Marketing	$2,000/unit				$86,000	
G&A	1.0% indirect costs				$45,849	
Developer Fee	4.5% direct costs				$789,964	
Soft Cost Contingency	5.0% indirect costs				$271,034	
Total Indirect Costs			$46/sf	$132,366/unit		**$5,691,722**
Financing[5]						
Fees					$278,958	
Construction Period Interest					$871,743	
Total Financing						**$1,150,700**
Total Costs Before Developer Return and Land						**$24,397,172**
Developer Return on Cost[6]	10.0% cost before land				$2,439,717	
Total Costs Before Land			$215/sf	$624,114/unit		**$26,836,889**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$783,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$33,669,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$33,669,000	$	$	$	$	**$33,669,000**
Cost of Sale						
Commissions	3%					($1,010,070)
Total Cost of Sale						**($1,010,070)**
Net Revenue						**$32,658,930**
RETURN MEASURES						
SFD Medium Lot 4.3 (sale)	**Village Residential 4.3 (VR 4.3)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$262/GBA sf	$759,510/unit	$32,658,930
Total Development Cost Before Land and Assumed Return				$196/GBA sf	$567,376/unit	$24,397,172
Developer profit at 10% of cost before land				$20/GBA sf	$56,738/unit	$2,439,717
Total Development Cost Before Land				$215/GBA sf	$624,114/unit	$26,836,889
Residual Land Value (Net Square Foot)				$13.41/land sf	$135,396/unit	$5,822,041
Residual Land Value (Gross Square Foot) at net/gross of 65%				$8.71/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$32,658,930
Net Revenue/Unit					43 units	$759,510
Net Revenue/GBA Sq.Ft.					2,900 sf/unit	$262
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,900 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					43 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,900 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 76: Base Case Pro Forma: GPA SFD 7.3

SFD Small Lot 7.3 (sale)	Village Residential 7.3 (VR 7.3)	GPA	Scenario:	Base Case		
PROGRAM						
General						
Site (net developable ac)	10.06					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.37	0.37			
DU/AC		7.26	7.26			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	73	0	73		
4BR	0%	0	0	0		
Total		73	0	73		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	73	0	0	0	0	
4BR	0	0	0	0	0	
Total	73	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,200/unit	160,600	0	160,600		
4BR	/unit	0	0	0		
Total	2,200/unit	160,600	0	160,600		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,200/unit	160,600	0	160,600		
4BR	/unit	0	0	0		
Total	2,200	160,600	0	160,600		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	146			
4BR	3.0/unit	2.5/unit	0			
Type			146			
Surface	100%	146				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$6,000/unit	$438,000	
Onsite improvements	$5/land Sq.Ft.			$30,000/unit	$2,190,000	
Building[2]	$90/vertical Sq.Ft.			$198,000/unit	$14,454,000	
Parking[3]						
Surface	$2,500/space				$365,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$4,361,750	
Total Direct Costs			$136/sf	$298,750/unit		**$21,808,750**

DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$6,000/unit	$438,000	
Onsite improvements	$5/land Sq.Ft.			$30,000/unit	$2,190,000	
Building[2]	$90/vertical Sq.Ft.			$198,000/unit	$14,454,000	
Parking[3]						
Surface	$2,500/space				$365,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$4,361,750	
Total Direct Costs			$136/sf	$298,750/unit		**$21,808,750**
Indirect Costs[4]						
A&E	7.0% direct costs				$1,526,613	
Permits and Fees	$22/GBA Sq.Ft.			$48,400/unit	$3,533,200	
Legal, Insurance, Warrany	3.0% direct costs				$654,263	
Marketing	$2,000/unit				$146,000	
G&A	1.0% indirect costs				$58,601	
Developer Fee	4.5% direct costs				$981,394	
Soft Cost Contingency	5.0% indirect costs				$345,003	
Total Indirect Costs			$45/sf	$99,248/unit		**$7,245,073**
Financing[5]						
Fees					$348,646	
Construction Period Interest					$1,089,518	
Total Financing						**$1,438,164**
Total Costs Before Developer Return and Land						**$30,491,987**
Developer Return on Cost[6]	10.0% cost before land				$3,049,199	
Total Costs Before Land			$209/sf	$459,468/unit		**$33,541,186**
REVENUE						
Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$25,700	$104,000	$221,300	$337,600	
1BR	$	$34,900	$124,300	$258,300	$391,600	
2BR	$	$43,800	$144,200	$295,100	$444,900	
3BR	$748,000	$48,600	$160,300	$328,000	$494,400	
4BR	$	$54,400	$174,900	$356,200	$535,800	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$54,604,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$54,604,000	$	$	$	$	**$54,604,000**
Cost of Sale						
Commissions	3%					($1,638,120)
Total Cost of Sale						**($1,638,120)**
Net Revenue						**$52,965,880**
RETURN MEASURES						
SFD Small Lot 7.3 (sale)	**Village Residential 7.3 (VR 7.3)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$330/GBA sf	$725,560/unit	$52,965,880
Total Development Cost Before Land and Assumed Return				$190/GBA sf	$417,698/unit	$30,491,987
Developer profit at 10% of cost before land				$19/GBA sf	$41,770/unit	$3,049,199
Total Development Cost Before Land				$209/GBA sf	$459,468/unit	$33,541,186
Residual Land Value (Net Square Foot)				$44/land sf	$266,092/unit	$19,424,694
Residual Land Value (Gross Square Foot) at net/gross of 65%				$29/land sf		

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on AECOM experience with other projects
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 77: Base Case Pro Forma: GPA SFD 10.9

SFA/SFD Small Lot 10.9 (sale)	Village Residential 10.9 (VR-10.9)	GPA	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	10.01					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.50	0.50			
DU/AC		10.89	10.89			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	109	0	109		
4BR	0%	0	0	0		
Total		109	0	109		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	109	0	0	0	0	
4BR	0	0	0	0	0	
Total	109	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,000/unit	218,000	0	218,000		
4BR	/unit	0	0	0		
Total	2,000/unit	218,000	0	218,000		
Net Building Area (Sq.Ft.)	95% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,900/unit	207,100	0	207,100		
4BR	/unit	0	0	0		
Total	1,900	207,100	0	207,100		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	218			
4BR	3.0/unit	2.5/unit	0			
Type			218			
Surface	100%	218				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$4,000/unit	$436,000	
Onsite improvements	$5/land Sq.Ft.			$20,000/unit	$2,180,000	
Building[2]	$90/vertical Sq.Ft.			$180,000/unit	$19,620,000	
Parking[3]						
Surface	$2,500/space				$545,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$5,695,250	
Total Direct Costs			$131/sf	$261,250/unit		**$28,476,250**

Indirect Costs[4]						
A&E	7.0% direct costs				$1,993,338	
Permits and Fees	$22/GBA Sq.Ft.			$44,000/unit	$4,796,000	
Legal, Insurance, Warranty	3.0% direct costs				$854,288	
Marketing	$2,000/unit				$218,000	
G&A	1.0% indirect costs				$78,616	
Developer Fee	4.5% direct costs				$1,281,431	
Soft Cost Contingency	5.0% indirect costs				$461,084	
Total Indirect Costs			$44/sf	$88,833/unit		**$9,682,756**
Financing[5]						
Fees					$457,908	
Construction Period Interest					$1,430,963	
Total Financing						**$1,888,871**
Total Costs Before Developer Return and Land						**$40,047,877**
Developer Return on Cost[6]	10.0% cost before land				$4,004,788	
Total Costs Before Land			$202/sf	$404,153/unit		**$44,052,665**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$589,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$64,201,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$64,201,000	$	$	$	$	**$64,201,000**
Cost of Sale						
Commissions	3%					($1,926,030)
Total Cost of Sale						**($1,926,030)**
Net Revenue						**$62,274,970**
RETURN MEASURES						
SFA/SFD Small Lot 10.9 (sale)	**Village Residential 10.9 (VR-10.9)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$286/GBA sf	$571,330/unit	$62,274,970
Total Development Cost Before Land and Assumed Return				$184/GBA sf	$367,412/unit	$40,047,877
Developer profit at 10% of cost before land				$18/GBA sf	$36,741/unit	$4,004,788
Total Development Cost Before Land				$202/GBA sf	$404,153/unit	$44,052,665
Residual Land Value (Net Square Foot)				$42/land sf	$167,177/unit	$18,222,305
Residual Land Value (Gross Square Foot) at net/gross of 65%				$27/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$62,274,970
Net Revenue/Unit					109 units	$571,330
Net Revenue/GBA Sq.Ft.					2,000 sf/unit	$286
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					2,000 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					109 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					2,000 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 78: Base Case Pro Forma: GPA TH-15

SFA / Townhome 15 (sale)	Village Residential 15 (VR 15)	GPA	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	9.99					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.52	0.52			
DU/AC		15.02	15.02			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	150	0	150		
4BR	0%	0	0	0		
Total		150	0	150		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	150	0	0	0	0	
4BR	0	0	0	0	0	
Total	150	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,500/unit	225,000	0	225,000		
4BR	/unit	0	0	0		
Total	1,500/unit	225,000	0	225,000		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,500/unit	225,000	0	225,000		
4BR	/unit	0	0	0		
Total	1,500	225,000	0	225,000		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	300			
4BR	3.0/unit	2.5/unit	0			
Type			300			
Surface	100%	300				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$2,900/unit	$435,000	
Onsite improvements	$5/land Sq.Ft.			$14,500/unit	$2,175,000	
Building[2]	$155/vertical Sq.Ft.			$232,500/unit	$34,875,000	
Parking[3]						
Surface	$2,500/space				$750,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$9,558,750	
Total Direct Costs			$212/sf	$318,625/unit		**$47,793,750**

Indirect Costs[4]						
A&E	7.0% direct costs				$3,345,563	
Permits and Fees	$22/GBA Sq.Ft.			$33,000/unit	$4,950,000	
Legal, Insurance, Warranty	3.0% direct costs				$1,433,813	
Marketing	$2,000/unit				$300,000	
G&A	1.0% indirect costs				$100,294	
Developer Fee	4.5% direct costs				$2,150,719	
Soft Cost Contingency	5.0% indirect costs				$614,019	
Total Indirect Costs			$57/sf	$85,963/unit		**$12,894,407**
Financing[5]						
Fees					$728,258	
Construction Period Interest					$2,275,806	
Total Financing						**$3,004,064**
Total Costs Before Developer Return and Land						**$63,692,221**
Developer Return on Cost[6]	10.0% cost before land				$6,369,222	
Total Costs Before Land			$311/sf	$467,076/unit		**$70,061,443**
REVENUE						
Potential Revenue/Unit	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$54,100	$131,000	$246,500	$379,700	
1BR	$	$53,800	$141,600	$273,500	$425,300	
2BR	$	$44,800	$143,500	$291,700	$462,900	
3BR	$555,000	$36,500	$146,200	$311,000	$501,300	
4BR	$	$40,600	$159,000	$336,700	$542,100	
Revenue	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$	$	$	$	$	
2BR	$	$	$	$	$	
3BR	$83,250,000	$	$	$	$	
4BR	$	$	$	$	$	
Total	$83,250,000	$	$	$	$	**$83,250,000**
Cost of Sale						
Commissions	3%					($2,497,500)
Total Cost of Sale						**($2,497,500)**
Net Revenue						**$80,752,500**
RETURN MEASURES						
SFA / Townhome 15 (sale)	**Village Residential 15 (VR 15)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$359/GBA sf	$538,350/unit	$80,752,500
Total Development Cost Before Land and Assumed Return				$283/GBA sf	$424,615/unit	$63,692,221
Developer profit at 10% of cost before land				$28/GBA sf	$42,461/unit	$6,369,222
Total Development Cost Before Land				$311/GBA sf	$467,076/unit	$70,061,443
Residual Land Value (Net Square Foot)				$25/land sf	$71,274/unit	$10,691,057
Residual Land Value (Gross Square Foot) at net/gross of 65%				$16/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$80,752,500
Net Revenue/Unit					150 units	$538,350
Net Revenue/GBA Sq.Ft.					1,500 sf/unit	$359
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,500 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					150 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,500 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects

Source: AECOM

Table 79: Base Case Pro Forma: GPA Garden 20

Garden 20 (Rent)	Village Residential 20 (VR 20)	GPA	Scenario: **Base Case**			
PROGRAM						
General						
Site (developable ac)	13.3					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.56	0.56			
DU/AC		20.00	20.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	48%	128	0	128		
2BR	45%	120	0	120		
3BR	6%	17	0	17		
4BR	0%	0	0	0		
Total		265	0	265		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	128	0	0	0	0	
2BR	120	0	0	0	0	
3BR	17	0	0	0	0	
4BR	0	0	0	0	0	
Total	265	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	988/unit	126,400	0	126,400		
2BR	1,375/unit	165,000	0	165,000		
3BR	1,713/unit	29,113	0	29,113		
4BR	/unit	0	0	0		
Total	1,209/unit	320,513	0	320,513		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	790/unit	101,120	0	101,120		
2BR	1,100/unit	132,000	0	132,000		
3BR	1,370/unit	23,290	0	23,290		
4BR	/unit	0	0	0		
Total	968/unit	256,410	0	256,410		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	256			
2BR	2.0/unit	2.0/unit	240			
3BR	2.0/unit	2.0/unit	34			
4BR	3.0/unit	2.5/unit	0			
Type			530			
Surface	100%	530				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$2,178/unit	$577,170	
Onsite improvements	$5/land Sq.Ft.			$10,890/unit	$2,885,850	
Building[2]	$175/vertical Sq.Ft.			$211,659/unit	$56,089,688	
Parking[3]						
Surface	$2,500/space				$1,325,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$15,219,427	
Total Direct Costs			$237/sf	$287,159/unit		**$76,097,134**

Indirect Costs[4]						
A&E	7.0% direct costs				$5,326,799	
Permits and Fees	$22/GBA Sq.Ft.			$26,609/unit	$7,051,275	
Legal, Insurance, Warrany	3.0% direct costs				$2,282,914	
Marketing	$2,000/unit				$530,000	
G&A	1.0% indirect costs				$151,910	
Developer Fee	4.5% direct costs				$3,424,371	
Soft Cost Contingency	5.0% indirect costs				$938,363	
Total Indirect Costs			$61/sf	$74,361/unit		**$19,705,633**
Financing[5]						
Fees					$1,149,633	
Construction Period Interest					$3,592,604	
Total Financing						**$4,742,237**
Total Costs Before Developer Return and Land						**$100,545,004**
Developer Return on Cost[6]	10.0% cost before land				$10,054,500	
Total Costs Before Land			$345/sf	$417,357/unit		**$110,599,505**
REVENUE						
Potential Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$430	$885	$1,569	$2,365	
1BR	$2,630	$447	$967	$1,749	$2,659	
2BR	$3,061	$420	$1,005	$1,884	$2,910	
3BR	$3,625	$424	$1,074	$2,051	$3,190	
4BR	$	$465	$1,168	$2,221	$3,453	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$4,038,935	$	$	$	$	
2BR	$4,407,480	$	$	$	$	
3BR	$739,504	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$9,185,919	$	$	$	$	**$9,185,919**
(less) vacancy	5%					($459,296)
(less) Operating Expenses	30%					($2,755,776)
Capitalized value of NOI	4%					**$144,678,226**
Commissions	3%					($4,340,347)
Total Cost of Sale						($4,340,347)
Net Revenue						**$140,337,879**
RETURN MEASURES						
Garden 20 (Rent)	**Village Residential 20 (VR 20)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$438/GBA sf	$529,577/unit	$140,337,879
Total Development Cost Before Land and Assumed Return				$314/GBA sf	$379,415/unit	$100,545,004
Developer profit at 10% of cost before land				$31/GBA sf	$37,942/unit	$10,054,500
Total Development Cost Before Land				$345/GBA sf	$417,357/unit	$110,599,505
Residual Land Value (Net Square Foot)				$52/land sf	$112,220/unit	$29,738,375
Residual Land Value (Gross Square Foot) at net/gross of 65%				$33/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$140,337,879
Net Revenue/Unit					265 units	$529,577
Net Revenue/GBA Sq.Ft.					1,209 sf/unit	$438
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,209 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					265 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,209 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience with similar projects
Source: AECOM

Table 80: Base Case Pro Forma: GPA Flats 30

Flats 30 (Rent)	Village Residential 30 (VR 30)	GPA	Scenario:	Base Case		
PROGRAM						
General						
Site (net developable ac)	6.9					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.87	0.87			
DU/AC		30.02	30.02			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	44%	90	0	90		
2BR	40%	82	0	82		
3BR	16%	34	0	34		
4BR	0%	0	0	0		
Total		206	0	206		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	90	0	0	0	0	
2BR	82	0	0	0	0	
3BR	34	0	0	0	0	
4BR	0	0	0	0	0	
Total	206	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	988/unit	88,875	0	88,875		
2BR	1,400/unit	114,800	0	114,800		
3BR	1,625/unit	55,250	0	55,250		
4BR	/unit	0	0	0		
Total	1,257/unit	258,925	0	258,925		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	790/unit	71,100	0	71,100		
2BR	1,120/unit	91,840	0	91,840		
3BR	1,300/unit	44,200	0	44,200		
4BR	/unit	0	0	0		
Total	1,006/unit	207,140	0	207,140		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	180			
2BR	2.0/unit	2.0/unit	164			
3BR	2.0/unit	2.0/unit	68			
4BR	3.0/unit	2.5/unit	0			
Type			412			
Surface	100%	412				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$1,451/unit	$298,905	
Onsite improvements	$5/land Sq.Ft.			$7,255/unit	$1,494,523	
Building[2]	$170/vertical Sq.Ft.			$213,676/unit	$44,017,250	
Parking[3]						
Surface	$2,500/space				$1,030,000	
First floor podium	$34,000/space				$0	
Contractor Fee w/contingency	25.0% direct costs				$11,710,169	
Total Direct Costs			$226/sf	$284,227/unit		**$58,550,847**

Indirect Costs[4]						
A&E	7.0% direct costs				$4,098,559	
Permits and Fees	$22/GBA Sq.Ft.			$27,652/unit	$5,696,350	
Legal, Insurance, Warranty	3.0% direct costs				$1,756,525	
Marketing	$2,000/unit				$412,000	
G&A	1.0% indirect costs				$119,634	
Developer Fee	4.5% direct costs				$2,634,788	
Soft Cost Contingency	5.0% indirect costs				$735,893	
Total Indirect Costs			$60/sf	$75,018/unit		**$15,453,750**
Financing[5]						
Fees					$888,055	
Construction Period Interest					$2,775,172	
Total Financing						**$3,663,228**
Total Costs Before Developer Return and Land						**$77,667,824**
Developer Return on Cost[6]	10.0% cost before land				$7,766,782	
Total Costs Before Land			$330/sf	$414,731/unit		**$85,434,607**
REVENUE						
Potential Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$430	$885	$1,569	$2,365	
1BR	$2,489	$447	$967	$1,749	$2,659	
2BR	$3,105	$420	$1,005	$1,884	$2,910	
3BR	$3,563	$424	$1,074	$2,051	$3,190	
4BR	$	$465	$1,168	$2,221	$3,453	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$2,687,580	$	$	$	$	
2BR	$3,054,966	$	$	$	$	
3BR	$1,453,561	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$7,196,107	$	$	$	$	**$7,196,107**
(less) vacancy	5%					($359,805)
(less) Operating Expenses	30%					($2,158,832)
Capitalized value of NOI	4%					**$113,338,685**
Commissions	3%					($3,400,161)
Total Cost of Sale						($3,400,161)
Net Revenue						**$109,938,524**
RETURN MEASURES						
Flats 30 (Rent)	**Village Residential 30 (VR 30)**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$425/GBA sf	$533,682/unit	$109,938,524
Total Development Cost Before Land and Assumed Return				$300/GBA sf	$377,028/unit	$77,667,824
Developer profit at 10% of cost before land				$30/GBA sf	$37,703/unit	$7,766,782
Total Development Cost Before Land				$330/GBA sf	$414,731/unit	$85,434,607
Residual Land Value (Net Square Foot)				$82/land sf	$118,951/unit	$24,503,917
Residual Land Value (Gross Square Foot) at net/gross of 65%				$53/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$109,938,524
Net Revenue/Unit					206 units	$533,682
Net Revenue/GBA Sq.Ft.					1,257 sf/unit	$425
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,257 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					206 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,257 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects
Source: AECOM

Table 81: Base Case Pro Forma: GPA Podium 45

Podium 45 (Rent)	Beyond VR-30 Maximum	GPA	Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	5.3					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		1.16	1.16			
DU/AC		45.04	45.04			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	45%	107	0	107		
2BR	36%	85	0	85		
3BR	19%	45	0	45		
4BR	0%	0	0	0		
Total		237	0	237		
Unit Allocation by Affordability[1]	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	0	0	0	0	0	
1BR	107	0	0	0	0	
2BR	85	0	0	0	0	
3BR	45	0	0	0	0	
4BR	0	0	0	0	0	
Total	237	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	824/unit	88,118	0	88,118		
2BR	1,294/unit	110,000	0	110,000		
3BR	1,529/unit	68,824	0	68,824		
4BR	/unit	0	0	0		
Total	1,126/unit	266,941	0	266,941		
Net Building Area (Sq.Ft.)	85% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	700/unit	74,900	0	74,900		
2BR	1,100/unit	93,500	0	93,500		
3BR	1,300/unit	58,500	0	58,500		
4BR	/unit	0	0	0		
Total	957/unit	226,900	0	226,900		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	214			
2BR	2.0/unit	2.0/unit	170			
3BR	2.0/unit	2.0/unit	90			
4BR	3.0/unit	2.5/unit	0			
Type			474			
Surface	0%	0				
First floor podium	100%	474				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	$1/land Sq.Ft.			$967/unit	$229,222	
Onsite improvements	$5/land Sq.Ft.			$4,836/unit	$1,146,112	
Building[2]	$175/vertical Sq.Ft.			$197,108/unit	$46,714,706	
Parking[3]						
Surface	$2,500/space				$0	
First floor podium	$34,000/space				$16,116,000	
Contractor Fee w/contingency	25.0% direct costs				$16,051,510	
Total Direct Costs			$301/sf	$338,639/unit		**$80,257,550**

Indirect Costs[4]						
A&E	7.0% direct costs				$5,618,029	
Permits and Fees	$22/GBA Sq.Ft.			$24,779/unit	$5,872,706	
Legal, Insurance, Warranty	3.0% direct costs				$2,407,727	
Marketing	$2,000/unit				$474,000	
G&A	1.0% indirect costs				$143,725	
Developer Fee	4.5% direct costs				$3,611,590	
Soft Cost Contingency	5.0% indirect costs				$906,389	
Total Indirect Costs			$71/sf	$80,313/unit		**$19,034,164**
Financing[5]						
Fees					$1,191,501	
Construction Period Interest					$3,723,439	
Total Financing						**$4,914,940**
Total Costs Before Developer Return and Land						**$104,206,654**
Developer Return on Cost[6]	10.0% cost before land				$10,420,665	
Total Costs Before Land			$429/sf	$483,660/unit		**$114,627,320**
REVENUE						
Potential Rent/Unit/Month	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$430	$885	$1,569	$2,365	
1BR	$2,772	$447	$967	$1,749	$2,659	
2BR	$3,440	$420	$1,005	$1,884	$2,910	
3BR	$4,227	$424	$1,074	$2,051	$3,190	
4BR	$	$465	$1,168	$2,221	$3,453	
Revenue/Year	Market	Extreme. Low	Very Low	Low	Moderate	
Studio	$	$	$	$	$	
1BR	$3,559,248	$	$	$	$	
2BR	$3,508,596	$	$	$	$	
3BR	$2,282,515	$	$	$	$	
4BR	$	$	$	$	$	
Total Gross Revenue	$9,350,359	$	$	$	$	**$9,350,359**
(less) vacancy	5%					($467,518)
(less) Operating Expenses	30%					($2,805,108)
Capitalized value of NOI	4%					**$147,268,157**
Commissions	3%					($4,418,045)
Total Cost of Sale						($4,418,045)
Net Revenue						**$142,850,113**
RETURN MEASURES						
Podium 45 (Rent)	**Beyond VR-30 Maximum**					
Scenario						
Affordable Set-Aside	Market	Extreme. Low	Very Low	Low	Moderate	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				$535/GBA sf	$602,743/unit	$142,850,113
Total Development Cost Before Land and Assumed Return				$390/GBA sf	$439,691/unit	$104,206,654
Developer profit at 10% of cost before land				$39/GBA sf	$43,969/unit	$10,420,665
Total Development Cost Before Land				$429/GBA sf	$483,660/unit	$114,627,320
Residual Land Value (Net Square Foot)				$123/land sf	$119,084/unit	$28,222,793
Residual Land Value (Gross Square Foot) at net/gross of 65%				$80/land sf		
Affordability Gap In-Lieu Fee Calculation						
Market-Rate Units						
Net Revenue after commissions, closing, warranty						$142,850,113
Net Revenue/Unit					237 units	$602,743
Net Revenue/GBA Sq.Ft.					1,126 sf/unit	$535
Affordable Units						
Net Revenue after commissions, closing, warranty						$0
Net Revenue/Unit					units	#DIV/0!
Net Revenue/GBA Sq.Ft.					1,126 sf/unit	#DIV/0!
Affordability Gap						
Net Revenue Gap/Unit						#DIV/0!
Total Scenario Affordability Gap					units	#DIV/0!
Affordability Gap to be covered by each market-rate (non-bonus) unit					237 units	#DIV/0!
Implied In-lieu fee/sq.ft. for Market-Rate Units (applied only to base units)					1,126 sf/unit	#DIV/0!

(1) Extremely Low at 30% AMI, Very Low at 50% AMI, Low at 80% AMI, Moderate at 120% AMI
(2) Vertical cost assumptions from RS Means 2022
(3) Parking cost assumptions based on RS Means 2022
(4) Indirect cost assumption based on standard ratios and AECOM experience w ith other projects
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance,100% avg. absorption balance
(6) Developer profit assumption from AECOM experience w ith similar projects

Source: AECOM

Table 82: GPA Land Development Model

GPA Land Development Prototype	
Program	**Item**
Area	150 acres
Residential Area	101 acres
Neighborhood Circulation	10 acres
Net Residential Lot Area	91 acres
Open Space	45 acres
Parks	4.5 acres
Hiking Trails	3 miles
Residential	
Units	882
Lot Area Density (DU/AC)	9.7
Housing Mix	SFD, SFA, Multifamily
Clubhouse Facility	3,000 sq.ft.

Land Development Model					**Project**	**Finished Lot**
Land						
Purchase Price	$0.92	/Sq.Ft.			$6,011,280	
Due Diligence	2.5%	purchase price			$150,282	
Closing Costs	2%	purchase price			$120,226	
Total Land					$6,281,788	$7,122
Direct Costs						
Clearing and Grading[1]	$1.25	/Sq.Ft. Built Area			$5,744,475	
Critical Infrastructure and Utilities[2]	$1.50	/Sq.Ft. Built Area			$6,893,370	
Interior Streets[3]	$4,900,000	/Linear Mile			$22,918,636	
Hardscape/Landscape[4]	$10	/Sq.Ft. Landscaped Area (10% of total)			$6,534,000	
Amenities						
Parks[5]	$2,500,000	/AC			$11,250,000	
Hiking Trails[6]	$100,000	/Linear Mile			$300,000	$340
Rec Center[7]	$180	/Sq.Ft.			$540,000	
Contingency	10%	direct costs			$5,418,048	
Total Direct Costs					$59,598,530	$67,572
Indirect Costs						
Consultants[8]	5%	hard costs			$2,979,926	
Permits and Fees[9]	$3,700	/unit			$3,263,400	
Property Taxes	1.1%	average value	48 months	35% avg. bal.	$1,110,704	
Contingency	5%	indirect costs			$312,166	
Total Indirect Costs					$7,666,197	$8,692
Land Acquisition/Development Financing						
Fees	75% LTC	2% fee			$1,103,198	
Construction Period Interest	8% int. rate	48 months	35% avg. bal.		$6,177,907	
Total Financing					$7,281,105	
Developer Fee	5%	costs			$4,041,381	
Preferred Yield on Cost	15%	total costs			$12,124,143	$13,746
TOTAL PROJECT COSTS					**$96,993,143**	
Finished Lot Value						$109,970

(1) Source: Benchmark study and AECOM cost estimators; assumes moderately rolling land.
(2) Source: Benchmark study and AECOM cost estimators; includes retention/detention basins, sewer system, water system, storm drainage, dry utilities.
(3) Source: Department of Transportation (2014), AECOM cost estimators; assumes 2-lane collectors
(4) Source: Benchmark study and AECOM cost estimators
(5) Source: AECOM cost estimators
(6) Source: AECOM cost estimators
(7) Source: RS Means
(8) Source: Benchmark study and AECOM cost estimators
(9) Source: Benchmark study

Table 83: SDBL Set-Aside and Density Bonus Schedule

Set-Aside Percentage[1,2]	Very Low Income Density Bonus	Low Income Density Bonus	Moderate Income Density Bonus[3]	Land Donation Density Bonus	Senior[4]	Foster Youth/ Disabled Vets/ Homeless	College Students
5%	20%	-	-	-	20%	-	-
6%	22.50%	-	-	-	20%	-	-
7%	25%	-	-	-	20%	-	-
8%	27.50%	-	-	-	20%	-	-
9%	30%	-	-	-	20%	-	-
10%	32.50%	20%	5%	15%	20%	20%	-
11%	35%	21.5%	6%	16%	20%	20%	-
12%	38.8%	23%	7%	17%	20%	20%	-
13%	42.5%	24.5%	8%	18%	20%	20%	-
14%	46.25%	26%	9%	19%	20%	20%	-
15%	50%	27.5%	10%	20%	20%	20%	-
16%	50%	29%	11%	21%	20%	20%	-
17%	50%	30.50%	12%	22%	20%	20%	-
18%	50%	32%	13%	23%	20%	20%	-
19%	50%	33.50%	14%	24%	20%	20%	-
20%	50%	35%	15%	25%	20%	20%	35%
21%	50%	38.8%	16%	26%	20%	20%	35%
22%	50%	42.5%	17%	27%	20%	20%	35%
23%	50%	46.25%	18%	28%	20%	20%	35%
24%	50%	50%	19%	29%	20%	20%	35%
25%	50%	50%	20%	30%	20%	20%	35%
26%	50%	50%	21%	31%	20%	20%	35%
27%	50%	50%	22%	32%	20%	20%	35%
28%	50%	50%	23%	33%	20%	20%	35%
29%	50%	50%	24%	34%	20%	20%	35%
30%	50%	50%	25%	35%	20%	20%	35%
31%	50%	50%	26%	35%	20%	20%	35%
32%	50%	50%	27%	35%	20%	20%	35%
33%	50%	50%	28%	35%	20%	20%	35%
34%	50%	50%	29%	35%	20%	20%	35%
35%	50%	50%	30%	35%	20%	20%	35%
36%	50%	50%	31%	35%	20%	20%	35%
37%	50%	50%	32%	35%	20%	20%	35%
38%	50%	50%	33%	35%	20%	20%	35%
39%	50%	50%	34%	35%	20%	20%	35%
40%	50%	50%	35%	35%	20%	20%	35%
41%	50%	50%	38.8%	35%	20%	20%	35%
42%	50%	50%	42.5%	35%	20%	20%	35%
43%	50%	50%	46.25%	35%	20%	20%	35%
44%	50%	50%	50%	35%	20%	20%	35%
100%[5]	80%	80%	80%	35%	20%	20%	35%

(1) All density bonus calculations resulting in fractions are rounded up to the next w hole number.
(2) Affordable unit percentage is calculated excluding units added by a density bonus.
(3) Moderate income density bonus applies to for sale units, not to rental units.
(4) No affordable units are required for senior units.
(5) Applies w hen 100% of the total units (other than manager's units) are restricted to very low , low er and moderate income (maximum 20% moderate)
Source: CA State Law : CHAPTER 4.3. Density Bonuses and Other Incentives [65915 - 65918]

Table 84: SDBL Incentives and Concessions

No. of Incentives/ Concessions	Qualifying Set-Aside Percentages		
	Very Low Income	Low Income	Moderate Income
1	5%	10%	10%
2	10%	20%	20%
3	15%	30%	30%
4[1]	100% Low/Very Low/Moderate (20% Moderate allowed)		

(1) If project is located within 1/2 mile of a major transit stop, as defined by Section 2155 of the Public Resources Code, the applicant shall also receive a height increase of three stories or 33 feet.

Source: CA State Law: CHAPTER 4.3. Density Bonuses and Other Incentives [65915 - 65918]

11.2 Glossary of Terms

Accessory Dwelling Unit (ADU): A portion of a main building or a detached subordinate building located on the same lot as a main building which is devoted exclusively to an accessory use. These residential types have grown increasingly popular because of their relative affordability to construct, which allows for the provision of both affordable housing and supplementary income to the owners. California has passed several state laws to remove barriers to ADU construction, including AB 68 that allows for ADUs on all single family zoned lots as long as certain local zoning requirements are met.

Average Median Income (AMI): The mid-point value in the total distribution of all income levels in an area. AMI is a measure prepared by the U.S. Department of Housing and Urban Development (HUD) for use in gauging household eligibility for affordable housing.

California Environmental Quality Act (CEQA): A statute that requires public agencies and local governments to evaluate and disclose the environmental impacts of development projects or other major land use decisions and to limit or avoid those impacts to the extent feasible.

Community Planning Area (CPA): The area directly addressed by a county General Plan. A county's planning area typically encompasses county limits and potentially annexable land within its sphere of influence. San Diego County has 24 CPAs that serve as the political subdivisions of the unincorporated areas, each with a community plan and planning group to guide local outreach efforts and implement regulations.

Development Feasibility Analysis: A process for determining the viability of a proposed initiative or development and evaluating the proposed project development to determine if it is financially feasible within the estimated cost and will be profitable.

Dwelling Unit per Acre (DU/AC): A standard measure of residential density calculated as the total number of dwelling units divided by gross (or net) acres of the lot.

General Plan Amendment (GPA): A discretionary action by a jurisdiction for modification, deletion, or addition to the wording, text or substance or any map or diagram of the general plan, specific plan, community plan or zoning ordinance.

General Plan Compliant (GP-Compliant): Following or consistent with the requirements of the general plan.

Greenfield: Development on undeveloped parcels not surrounded by existing development or on large parcels surrounding partially developed areas or undeveloped areas.

Homeowners Association (HOA): A community association organized within a development and operating under-recorded land agreements in which individual owners share common interests and responsibilities for open space, landscaping, facilities, or other shared assets.

Housing and Urban Development (HUD): The United States Department of Housing and Urban Development (HUD) is one of the executive departments of the U.S. federal government and administers federal housing and urban development laws.

Inclusionary Housing: Affordable housing created or preserved with the development and/or redevelopment of a parcel where provisions of approved development agreements or orders implement and promote affordable housing goals, objectives and policies contained in the general plan and zoning ordinance by requiring set-asides for affordable housing units.

Infill: Project development on land that is largely vacant or underdeveloped within areas that are already largely developed.

Internal Rate of Return (IRR): A metric used in financial analysis to measure the profitability of an investment that takes into account the time value of money.

Linkage Fee: A fee charged by a local government on housing developments to raise funds to help pay for the additional needs of the community that result from the additional development. The fee provides a link in the production of market-rate real estate to the production of affordable housing.

Naturally Occurring Affordable Housing (NOAH): Residential rental properties that are not covenanted as affordable but are nonetheless rented or sold at rates equivalent or nearly equivalent to covenanted affordable housing. NOAH usually consists of older legacy building stock.

Planned Unit Development (PUD): A description of a proposed unified development, consisting at a minimum of a map and adopted ordinance setting forth the regulations governing, and the location and phasing of all proposed uses and improvements to be included in the development.

Residual Land Value (RLV): Used in Residual Land Value Analysis, RLV is the amount that remains after estimated project costs (excepting land costs) are deducted from estimated project revenue. RLV is the amount the developer should be willing to pay for the project's underlying land.

Regional Housing Needs Assessment (RHNA): Mandated by State Housing Law as part of the periodic process of updating local housing elements of the General Plan. RHNA quantifies the need for housing within each jurisdiction during specified planning periods.

San Diego Association of Governments (SANDAG): An association of local San Diego County governments that serves as the forum for regional decision-making for the San Diego region. SANDAG is governed by a Board of Directors composed of mayors, councilmembers, and county supervisors from each of the region's 19 local governments.

State Density Bonus Law (SDBL): A State mandate that requires a legally binding agreement between a developer and the County to ensure that the requirements of affordable housing requirements are satisfied. The agreement, among other things, shall establish: the number of target units, their size, location, terms, and conditions of affordability, and production schedule.

Specific Plan Area (SPA): Parcels of land identified within a specific plan land use map with a clearly identified land use title and having established regulatory controls.

Static Pro Forma Model: A tool used in financial feasibility analysis that models the costs and potential returns of a real estate development project at a single point in time.

Vehicle Miles Travelled (VMT): The amount of travel for all vehicles in a geographic region over a given period; VMT is calculated as the sum of the number of miles traveled by each vehicle. Starting in 2020 under SB 743, California state law has required jurisdictions to use VMT to evaluate the transportation-related environmental impacts of any given project and develop reduction and mitigation measures to address these impacts. New development will be evaluated on VMT generation, which is calculated by estimating the average number of miles future residents will travel daily.

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Attachment C – SUMMARY OF SET-ASIDE OPTIONS

Table 1: Range of Feasible Scenarios for General Plan Compliant for Sale		
Scenario from Economic Analysis	**Example of a calculation for a project of 30 units**	**In-Lieu Fee (per sq.ft.)**
5% Extremely Low (1a)	28 market-rate and 2 extremely low	$12.67
5% Very-Low (3a)	28 market-rate and 2 very-low	$10.74
10% Low (6a)	26 market-rate and 4 very-low	$21.37
10% Moderate (14a)	26 market-rate and 4 moderate=income	$12.75
15% Moderate (15a)	24 market-rate and 6 moderate=income	$18.34
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income	$22.08

Table 2: Range of Feasible Scenarios for General Plan Compliant for Rent		
Scenario from Economic Analysis	**Example of a calculation for a project of 30 units**	**In-Lieu Fee (per sq.ft.)**
5% Extremely Low (1a)	28 market-rate and 2 extremely low	$18.69
5% Very-Low (3a)	28 market-rate and 2 very-low	$14.16
10% Low (6a)	26 market-rate and 4 low-income	$15.17
15% Low (7a)	24 market-rate and 6 low-income	$24.32
20% Moderate (16a)	22 market-rate and 8 moderate-income	$6.87
5% Very-Low + 5% Low + 5% Moderate (17a)	24 market-rate, 2 very-low, 2 low-income, and 2 moderate-income	$23.50
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income	$7.16
10% Low + 10% Moderate (19a)	22 market-rate, 4 low-income, and 4 moderate-income	$15.94
5% Very-Low + 5% Low + 10% Moderate (21a)	22 market-rate, 2 very-low, 2 low-income, and 4 moderate-income	$24.44

Table 3: Range of Feasible Scenarios for General Plan Amendment		
Scenario from Economic Analysis	**Example of a calculation for a project of 30 units**	**In-Lieu Fee (per sq.ft.)**
5% Extremely Low (1a)	28 market-rate and 2 extremely low	$14.06
10% Extremely Low (2a)	26 market-rate and 4 extremely low	$31.32
5% Very-Low (3a)	28 market-rate and 2 very-low	$11.63
10% Very-Low (4a)	26 market-rate and 4 very-low	$25.95
15% Very-Low (5a)	24 market-rate and 6 very-low	$40.35
10% Low (6a)	26 market-rate and 4 low-income	$17.90
15% Low (7a)	24 market-rate and 6 low-income	$27.76
20% Low (8a)	22 market-rate and 8 low-income	$41.82
5% Very-Low + 5% Low (9a)	26 market-rate, 2 very-low, and 2 low-income	$20.64
10% Very-Low + 5% Low (10a)	24 market-rate, 4 very-low, and 2 low-income	$36.27
5% Very-Low + 10% Low (12a)	24 market-rate, 2 very-low, and 4 low-income	$31.84
5% Very-Low + 15% Low (13a)	22 market-rate, 2 very-low, and 6 low-income	$43.13
10% Moderate (14a)	26 market-rate and 4 moderate-income	$8.58
15% Moderate (15a)	24 market-rate and 6 moderate-income	$13.21
20% Moderate (16a)	22 market-rate and 8 moderate-income	$31.59
5% Very-Low + 5% Low + 5% Moderate (17a)	24 market-rate, 2 very-low, 2 low-income, and 2 moderate-income	$25.96
5% Low + 10% Moderate (18a)	24 market-rate, 2 low-income, and 4 moderate-income	$17.93
10% Low + 10% Moderate (19a)	22 market-rate, 4 low-income, and 4 moderate-income	$29.75
10% Very-Low + 5% Low (20a)	24 market-rate, 4 very-low income, and 2 low-income	$31.84
5% Very-Low + 5% Low + 10% Moderate (21a)	22 market-rate, 2 very-low, 2 low-income, and 4 moderate-income	$32.71
5% Very-Low + 10% Low + 5% Moderate (22a)	22 market-rate, 2 very-low, 4 low-income, and 2 moderate-income	$38.13
10% Very-Low + 5% Low + 5% Moderate (23a)	22 market-rate, 4 very-low, 2 low-income, and 2 moderate-income	$42.81
7% Very-Low + 7% Low + 6% Moderate (24a)	22 market-rate, 3 very-low, 3 low-income, and 2 moderate-income	$41.41
8% Very-Low + 6% Low + 6% Moderate (25a)	23 market-rate, 3 very-low, 2 low-income, and 2 moderate-income	$42.15
11% Extremely Low (27a)	26 market-rate and 4 extremely low	$34.97
12% Extremely Low (28a)	25 market-rate and 5 extremely low	$37.79

Key Definitions:

In-lieu Fee:
The in-lieu fee schedule is derived from the set-aside scenarios to represent the cost the developer would incur to provide the required affordable units on site. The fee is applied by multiplying a project's total market-rate square feet by a fee rate.

Income Limits for Affordable Housing Eligibility:
Every year, the State Department of Housing and Community Development (HCD) issues the income limits that apply to affordable housing programs (available here). The income limits for affordable housing eligibility are based on the Area Median Income (AMI). San Diego County's AMI in 2022 was $106,900.

Table 5: 2022 Affordable Housing Income Limits for a Family of Four

Income Category	Area Median Income (AMI)	Income Limits
Extremely Low Income	0-30% of the AMI	$39,050
Very-Low Income	30-50% of the AMI	$65,050
Low Income	50-80% of the AMI	$104,100
Moderate Income	80-120% of the AMI	$128,300

Attachment D – BEST PRACTICES SUMMARY TABLE

Table 1: Inclusionary Housing Best Practice Summary

	Establish ed or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Complianc e: Fee	Alternative Compliance: Other	Incentives
Carlsbad	Adopted: 2000 Updated: 2020	All residential development projects that result in the construction of new units	Citywide	15% for lower-income	55 years	Alternate site must better serve the goals of the ordinance and Housing Element Project must provide the required set-aside	Only development of less than 7 units qualifies for an in-lieu fee	Contribution to a special needs housing (shelter, transitional housing, etc.) Acquisition and rehabilitation of affordable housing units Conversion of existing market-rate to affordable housing ADUs (no more than 15 units per project)	Offsets may be provided to projects that include a preferable product type or affordability in excess of what required
Chula Vista	Adopted: 2012 Updated: 2015	All residential development of 50 units or more	Set-aside requirement may be waived in low/ moderate income areas	5% for lower-income and 5% for moderate-income	30 years	Not allowed within areas of low and moderate-income concentration	In-lieu fee available for all projects	Rehabilitation of units Transfer of affordable housing credits to another developer Contribution to a special needs housing (shelter, transitional housing, etc.) Must be outside areas with low/moderate income concentration.	Developer can request incentives and concessions

	Establish ed or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Complianc e: Fee	Alternative Compliance: Other	Incentives
Coronado		Residential development s with 2 or more units	Citywide	20% of units to lower income rental	Determined by director	Allows offsite	In-lieu fee is available for all projects $7,000 per market-rate dwelling unit	N/A	N/A
Del Mar	May 20, 2013	Conversion of an existing dwelling to a condominiu m Subdivision to create new lots Creation of new condominiu ms	Citywide	Conversion of 3+ rental units into condos: 2/3 (67%) of total # of converted units 1 of every 10 new SFR lot	55 years	Allows offsite	Duplex: $23,508/ unit New constructio n of SFR: option to pay in-lieu Housing Mitigation Fee for the lot that would be reserved for affordable housing ($23,508/ unit)	In-lieu fee Offsite development	N/A

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Encinitas	Oct 13, 2021	Residential project of 7 or more: provide affordable housing Residential project up to 6: Pay in-lieu fee or provide affordable ADU	Citywide	Ownership & Rental: 20% low or 15% very low	Perpetuity	Must demonstrate non-feasibility or that development is better served off-site	Amount periodically established based on affordability gap analysis	Developer may instead provide required number of units as ADUs Preservation or conversion of existing affordable units at risk of loss Land dedication Obtaining other developers' excess credits Alternative proposals not listed	Density bonuses City Assistance in the sale or rental Financial assistance if developer provides more affordable housing or lower-income than required

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Oceanside	Adopted 1991	Residential project of 3 or more units	Citywide	For Sale: 10% low or moderate income For Rent: 10% low-income	55 years	Must demonstrate that on-site development is not feasible. Units may be provided as rental sites within other areas of the city excluding low-income census tracts	Available to projects must conform to the base density allowance for the applicable zone. Projects that exceed the base density allowance for the applicable zone and involve ten (10) or more units at base density, units achieved above the base density allowance shall be subject to a fee in-lieu of reservation	Joint venture off-site: must demonstrate non-feasibility of compliance and therefore can be allowed to provide off-site reserved units for multiple applicants	N/A

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Poway	Feb. 6, 2018	New residential development	Citywide	15% very-low if rental 15% to low-income households, or 20% to moderate-income if ownership.	New rental residential: at least 55 years New ownership residential: at least 45 years	Allowed	In-lieu fee available	N/A	Density bonus and concessions Federal and State subsidies; City will provide assistance City to exercise discretionary power to facilitate economic feasibility

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
San Diego	8/10/22	Regular Housing Project outside coastal zone: 10 or more units Regular Housing Project within coastal zone: 5 or more units Condominium Conversion: 2 or more units	Excludes North City Future Urbanizing Area	Rental: Requires 10% of the of the units to lower income (60% of the AMI). For Sale: Option 1: 10% of the units to median income households; or Options 2: 15% of the units to moderate income households.	55 years	Must be same CPA or within 1 mile, or Provide additional 5% affordable housing	July 1, 2020 June 30, 2021: $15.18/square foot July 1, 2021 – June 30, 2022: $17.64/square foot July 1, 2022 – June 30, 2023: $20.09/square foot July 1, 2023 – June 30, 2024: $22.55/square foot July 1, 2024: $25.00/square foot	Rehabilitation of existing units Land dedication	Density Bonus incentives if project meets Density Bonus threshold Affordable units exempt from development impact fee Variance

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
San Marcos	10/17/18	All residential projects of one or more units, including rental units, condominium or cooperative conversions, for-sale market-rate dwelling units, and development plan approvals for previously approved residential projects	Citywide	For-sale single family units: any project of one or more units is required to pay an in-lieu fee Rental units: For projects more than 6 units, 15% must be reserved for target households Projects of 6 or less units required to pay an in-lieu fee. Condominiums and Cooperative conversions: any project required to reserve 15% for target households or pay an in-lieu fee	55 years	May be provided as “for sale” or rental unit at another site within the city (City Council will determine location) Additional units beyond the required construction can be used as a credit for another applicant	In-lieu fee established periodically by City Council	N/A	City may waive or modify development standards to streamline application process. Applicants may receive additional credits for specific unit types

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Solana Beach		Residential: 5 or more dwelling units or five or more lots for sale for residential purposes	Citywide	Residential: 15% of all units or lots for sale to very low or low income	99 years	Construct an affordable housing development on another property within the city. Preserve existing affordable units at risk of loss. Convert market-rate units to affordable units. Acquire and place deed restrictions upon existing housing units within the city constricted without building permits for very-low or low-income households	As an alternative to the construction of affordable units on-site, a developer may propose to pay affordable housing impact fees adopted by city council resolution to mitigate the residential project's impact on the need for affordable housing in the city	A developer of a for-sale residential project may propose to provide rental affordable units rather than for-sale affordable units	City council at its sole discretion may discount city fees, expedite the application process, or provide other assistance when it finds that provision of such assistance is needed to meet housing needs identified in the housing element which otherwise would not be met through the implementation of this chapter

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Santa Barbara	July 23, 2019	Development of five or more net new primary housing units; and/or Subdivisions that would permit the eventual development of five or more net new primary housing units.	City-wide program projects	Program projects with 10 or more units must provide at least 10% of the units onsite at rental rates. Program projects with 5-9 units must either build an affordable unit or pay in-lieu fee.	N/A	N/A	$25/sq ft in-lieu fee for program projects with 5-9 units that do not build an affordable unit	Construction of Onsite Residential Second Units (RSU) for Workforce Household Income Category Inclusionary Housing Requirements	Density bonus allows for additional units over the otherwise maximum allowable density authorized in the base zone district. The county shall consider a request to modify the zoning requirements specified in the applicable zone that will facilitate the bonus density incentive. In addition, the common and/or public open space requirement may be reduced in some instances.

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
San Luis Obispo County	Adopted in 1999, amended in 2004 and document from 2008	Development projects consisting of 5 or more lots/dwelling units. Commercial development projects consisting of 2,500 sq/ft floor area or larger	Citywide Divided into two categories: in city limits & in expansion area	All: must include at least one affordable unit regardless of set aside. Residential (city limits): 3% low or 5% moderate income Residential (Expansion Area): 5% low and 10% moderate-income Commercial (city limits): 2 affordable units per acre Commercial (expansion area): Build 2 affordable units per acre	30 years	An irrevocable offer to dedicate real property equal or greater in value to the in-lieu fee which would otherwise be required may be offered to the city, or to a housing provider designated by the city, instead of providing the required number of affordable dwellings or paying in-lieu fees	Commercial and Residential: 5% of building valuation Residential in Expansion area: 15% of building valuation	Property dedication	Any city development incentives upon discretion of the city

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
City of San Luis Obispo	August 16, 2022	All non-exempt residential development projects shall include inclusionary units as required	City-wide	Residential Requirements for ownership Dwelling Units: 5% for low-income households and 5% for moderate-income households Residential Requirements for Rental Dwelling Units: 3% for very low-income households and 3% for low-income households		N/A	In-lieu fees shall be calculated using the new, habitable square footage, as defined by California Building Code, included within residential development project. All in-lieu fees collected shall be deposited into the Affordable Housing Fund	N/A	N/A

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Pismo Beach	Updated 2021	Residential projects consisting of more than 4 lots / new dwelling units New commercial projects consisting of at least 5000 sq ft of gross floor area Residential & commercial building additions that increase the number of existing dwelling units by at least 5 units, or result in an increase in gross floor area of at least 5000 sq ft in commercial project			Prior to the issuance of a certificate of occupancy for the 1st unit in a building the first building in a complex to be constructed/ remodeled final map approval building permit issuance (for projects for which a certificate of occupancy is not issued)	May make an irrevocable offer to dedicate existing dwelling units located within 3 miles of the project (within city limits) or real property (within city limits) equal to / greater in value than applicable in-lieu fee	For 5 or more residential units, provide fees equal to or more than 5% of building permit value -for commercial building (at least 5000 sqft), provide fees equal to or more than 2% of building permit value dedicate # of lots equal to 10% of land to city for future development of low/ moderate income housing	For each 10 residential units provide 1 affordable unit For each 10 residential units, dedicate 1 used dwelling or real property equal to or more than the applicable in-lieu fee for each 5000 sq ft of commercial area, provide 1 affordable unit for each 5000 sq ft of commercial building, provide 1 used dwelling / real property equal to the value of/more than applicable fee	density bonus if project consists of 5+ rental units, 20% total units are for lower income households, 10% are for very low income households, 50% are for senior citizens

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
Los Angeles County	December 2020	All residential development of 5 or less units	Varies per subareas	Rental projects with less than 15 units: 5% very-low, 7% low, or 10% moderate Rental projects with 15 units or more: 10% very-low, 15% low, or 20% moderate For-sale housing: range from 5%-20% of unit count depending on project size and submarket area at 135 AMI	Rental: perpetuity Sale: Agreement	Only within high, highest, and moderate resource areas Within 1/4 mile of principal project Within 2 miles from proposed project within an area of displacement. Development as part of a community land trust			density bonus 1 incentive and 1 waiver or reduction of a development standard

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
[City of Vista]()	April, 2022	20 or more residential dwelling units	R-M Residential zone M-U Mixed Use Zone	9% (4% moderate, 5% low)	55 years	N/A	Fee to be decided at a later date (not currently in the zoning ordinance as of 1/10/23)	N/A	None
[City of San Jose]()	Est. Jan 2010, Updated 2021	10 or more units	Citywide	For Sale, 15% Moderate For Rent, 5% Moderate, 5% Low, and 5% Very Low OR 10% Extremely Low	55 years	Rehabilitation of units Purchase and sale of inclusionary housing credits Land Dedication In Lieu fee	For sale: The difference between the average affordable and market rate unit For rent: Up to $23 per square foot by 2025	Affordable housing credits	No additional incentives

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
[City of San Francisco]()	July 18, 2017	10 or more units Different requirements for projects of 25 or more units	Citywide	For 10 – 24 units: 12% Very Low (rent) or 12% Low (sale) For 25+ units: For rent: 10% very low, 4% low, 4% mod For sale: 10% low, 5% moderate, 5% above moderate (	55 years	Land Dedication In Lieu Fee	$199.50 per square foot For less than 25 units: 20% gross floor area For >25 unit For Rent: 30% gross floor area For Sale: 33% gross floor area	N/A	N/A

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
City of Oakland	July 2016	All housing projects	All areas of the city. Different fee zones.	5% VL OR 10% Low OR 10% Moderate	55 Years	Fee Waiver (In-Lieu)	$9,700 - $27,900 depending on the area and housing type	N/A	N/A
City of Sacramento	Est. 2000 Updated 2015	All housing projects except mobile homes and ADUs	Citywide with certain incentive zones	10% low	30 years	Housing Impact Fee (In Lieu)	SFR and duplex Less than 20 DU/Acre: $3.49/sq ft MFR less than 40 DU/Acre: $3.49/sq ft Unit in Housing incentive zone: $1.51/sq ft Otherwise: $0 / sq ft	N/A	N/A

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
City of West Sacramento	2009	All projects	All residential projects	For Rent: 5% VL and 5% Low For Sale 10% Low	55 Years (For Rent) 45 Years (For Sale)	Rehabilitation of units Off site development Preservation of At-risk units	$7,551 per affordable unit	N/A	Reduced Parking Requirements Expedited Permitting Waiver of or modification of certain development standards Technical assistance Financial incentives

	Established or updated	Base Requirement	Geographic Application	Minimum Set-aside	Afford. Period	Alternative Compliance: Offsite	Alternative Compliance: Fee	Alternative Compliance: Other	Incentives
City of Davis	Est. 1990	5 or more units	All areas	For rent, affordable = Low and Very Low For Sale, Affordable = Moderate For SFR on lots greater than 5,000 sq ft: 25% affordable For SFR on lots less than 5,000 sq ft, 15% affordable For SFR attached: 10% affordable For Condos: 5% affordable	Permanent	Land Dedication Rehabilitation of Units In Lieu Fees	$75,000 per affordable unit	N/A	N/A

Table 2: Alternative Compliance Summary Table

Jurisdiction	In Lieu Fee or Mitigation Fee	Offsite Development	Rehabilitation or Preservation of Units	Conversion of Market Rate to Affordable	Affordable Housing Credits	Land Donation	ADUs	Other
City of Carlsbad	x		x	x			x	x
City of Chula Vista	x		x		x			
City of Coronado	x	x						
City of Del Mar	x	x						
City of Encinitas	x	x	x		x	x	x	
City of Oceanside	x	x						
City of Poway	x	x						
City of San Diego	x	x	x			x		
City of San Marcos	x				x			
City of Solana Beach	x		x	x				
City of Santa Barbara	x							x
San Luis Obispo County	x					x		
City of San Luis Obispo	x							
City of Pismo Beach	x	x						
Los Angeles County								x
City of Vista	x							
City of San Jose	x		x		x	x		
City of San Francisco	x					x		
City of Oakland	x							
City of Sacramento	x							
City of West Sacramento	x	x	x					
City of Davis	x		x			x		
Total	21	8	8	2	4	6	2	3
Percent	95%	36%	36%	9%	18%	27%	9%	14%

Attachment F – PUBLIC COMMENTS

Easland, Camila

From: Long Range Planning, PDS
Sent: Monday, January 23, 2023 8:35 AM
To: Easland, Camila; Larson, Ben
Subject: FW: [External] San Diego County Inclusionary Housing Ordinance

---

From: Del Lisk <dlisk@cox.net>
Sent: Friday, January 20, 2023 7:58 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] San Diego County Inclusionary Housing Ordinance

Ghdu#frpplwwhh/#
#
L#dp#surylglqj#hhgedfn#uhodwhg#wr#wkh San Diego County Inclusionary Housing Ordinance. Certainly we all want all contributing citizens of the county to have suitable housing but it’s a balancing act. County responses shouldn’t create an undue burden on taxpayers. I also feel strongly that whatever housing is provided should include at least one space per living dwelling. Current housing projects that provision far less that 1 parking space per unit do not reduce use of motor vehicles. Nor does it drive more to use mass transit. As the data shows, mass transit is on the decline despite these policies. What happens instead is these occupants simply park their vehicles further into the residential communities, creating parking issues for visitor and community members.

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 12:32 PM
To: Long Range Planning, PDS; Larson, Ben
Subject: RE: [External] this email

Hi Gary

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: Gary Noe <garynoe6@gmail.com>
Sent: Sunday, January 22, 2023 7:31 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] this email

You should make gray water systems mandatory in any and all new developments, including, but not limited to, Apartments, Condominiums, Single family residences, ADUs, et al. There is NO excuse for not doing so! Thank you

Gary L. Noe, AutoCAD drafter, retired

Easland, Camila

From: Long Range Planning, PDS
Sent: Monday, January 23, 2023 8:36 AM
To: Larson, Ben; Easland, Camila
Subject: FW: [External] To the Helpers in Housing

From: Ariella Darlington <ariellajd@gmail.com>
Sent: Saturday, January 21, 2023 7:18 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] To the Helpers in Housing

I am so happy to hear about the proposal for increasing housing opportunities for low and middle income people.

I'd like to express my 100% support for this. More and more single parents families and children are on the brink of homelessness. I know, because I've been one of them.

Having housing instability for the past 5 years has prevented me from working, and establishing a healthy environment and routines to develop the habits and take steps towards self-sufficiency for my daughter and I.

So many children are at risk. And it's better for us to provide the support to people that helps them live in the community and not in jail.

It's a win-win-win.

Providing support to Homeless children and Single Head of households with young child(ren) would be a group that could definitely benefit from this proposal. I know, because that's me!

I love to see community leaders supporting this project. I give my vote a yay!

Ariella Darlington
Ph (619) 994-3664

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 1:51 PM
To: Larson, Ben; charles@charlesstephens.com
Subject: RE: [External] Proposed Inclusionary Housing Project

Hello,

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: charles@charlesstephens.com <charles@charlesstephens.com>
Sent: Monday, January 23, 2023 10:53 AM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] Proposed Inclusionary Housing Project

Hi Camila,

I am offering feedback on the 3 options of the proposed plan. I am a real estate broker and property manager.
Here is my take on it.

If you insist the affordable housing be included on any project of more than one unit you are going kill the ADU market. Construction is too expensive to also hobble yourself financially to build an ADU only to have its income limited. Therefore, I would suggest adopting options 2 or 3. But here's my bigger concern, "in lieu fees" is just a give away to developers and the city knows it. Unless the fee is sufficient to actually build out an entire unit, it's a false flag. Developers will ALWAYS pay the fee and politicians know it, so it's a quiet "wink wink" back door way to let them off the hook.
The ONLY way we are going to get real affordable housing is to insist developers build them along with everything else and work it into their profit margin. It's that or publicly funding them.
San Diego has given away the store to development for far too long and it's unfair now to put it on the backs on individual homeowners and mom and pop landlords.

One other note of concern is that all of these updated community plans do not seem to take into account wildfire or even water management.
If doesn't do anyone any good to add 10,000 residents to community and then let them burn and San Diego is doing a poor job of addressing this in conjunction with their current "no holds barred" style of adding housing.

Thank you for your time,
Charles

Charles Stephens
858-682-5561

SAY Real Estate
Broker/Owner
DRE#02005049

P.O. Box 8909
La Jolla CA 92038

Easland, Camila

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Friday, February 10, 2023 4:03 PM
To: Easland, Camila
Cc: Madrid, Michael
Subject: Re: [External]

Camila,

Thank you and the whole County team for your time and continued outreach. What I hope the County (at least staff) is hearing is an industry that WANTS to build more housing and has ideas and ways to ensure that affordable housing is provided in a meaningful way. Several of those ideas were shared today, and I suspect you'll hear many more over the coming weeks. Things like

- making sure ADU's don't have to actually be the same size as primary units (I think the County limits ADU's to 1,200 SF),
- allowing projects to meet 100% of their affordable obligation using ADUs which both increases affordability for buyers and increases the number of rentable ADU's,
- encouraging off-site affordable housing that makes funding 100% affordable housing project easier (this is what Bob Cummings was talking about),
- slowly phasing in these requirements to give builders a chance to sort through how these added costs are going to affect economic performance,
- coming up with more reasonable thresholds for expedited processing (maybe projects that exceed the minimum affordable housing set aside by 50%),
- firm schedules for expedited projects, instead of the vague concept for expediting that only turns out "expedited" because other projects get slowed down even further
- by-right processing for sites that have already been on the 4th and 5th HEU and having redeveloped
- expanded use of CEQA exemptions, 15183 reviews, and Addendums for GP-consistent projects
- by-right subdivision process for GP-compliant projects that meet zoning requirements, including updated zoning to allow smaller lot subdivisions in Residential SF zoned rather than the minimum 6,000 SF lots.

I also think that it's very dangerous to assume that the increase in costs will just come out of the land - that somehow property owners are just going to accept lower values. Even now in a market that has a lot of uncertainty, the pricing is still very high on the land side.

Anyway, thank you again and looking forward to sharing more with the County. We know staff has a really difficult job with trying to thread the needle of the Board's direction, what communities want, and the underlying market realities. The dialogue and discussion is really important and I hope the BIA will continue to be engaged and listened to.

Sean

On Fri, Feb 10, 2023 at 3:34 PM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:

> Hi Sean,

Thank you so much for your feedback on the ADU component of the Inclusionary Housing Ordinance (today and back in November). As we mentioned, we will be doing refinements to the ordinance to address all of the feedback we are receiving before we present the ordinance to the Board.

Thank you again!

Best regards,

Camila

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Wednesday, November 2, 2022 2:39 PM
To: Easland, Camila <Camila.Easland@sdcounty.ca.gov>
Cc: Madrid, Michael <Michael.Madrid@sdcounty.ca.gov>
Subject: Re: [External]

Camila,

I took a look at both Encinitas and Carlsbad's Inclusionary Ordinances with respect to ADU's. As you noted on our call, Encinitas does provide that only 50% of any requirement for affordable housing [for projects greater than 10 units] can be achieved with ADU's, and limits the number of ADU's to 5 (i.e., project's over 100 units don't get to use ADU's for more than 5 of their affordable units). That's really difficult for the City because it's giving up the benefit of being able to rely on ADU's to meet a portion of its RHNA obligation.

Carlsbad provides for a little more flexibility by allowing up to 15 ADU's to satisfy inclusionary housing requirements. In Carlsbad, this only applies to projects of greater than 200 units. This type of restriction (i.e. requiring a minimum number of units to qualify to use ADU's) also restricts flexibility and limits the City's ability to rely on ADU's. What if a project is only able to build 195 units - it wouldn't be able to provide 15 units of affordable ADU's because it wasn't achieving 200 units?

The County is very different from both Encinitas and Carlsbad. The County has far more large lot/low density development where ADU's are the most feasible ways of providing affordable housing which would minimize community opposition, especially in more rural communities. The County may take advantage of this by providing flexibility for property owners who are taking on affordable housing requirements to achieve that in the best way possible. That's what is most likely to help the County achieve the anticipated 1,800 ADU's identified in the

HEU. Everything I've seen from the County continues to support the development of ADU's so placing restrictions on their production by not counting them seems counter-productive. I think project proponents would be more in favor of building ADU's on day 1 as opposed to homeowners retroactively going back to build ADU's.

I'll reach out to the BIA and see if they have any examples of jurisdictions with other allowances for ADUs.

Thanks so much,

Sean

On Wed, Nov 2, 2022 at 6:56 AM Sean Kilkenny <skilkenny@nolencommunities.com> wrote:

> Camila,
>
> Great, thank you so very much for the response and follow up with Planning Staff. I searched the forms and applications page but didn't come across anything that would indicate a County-specific SB330 application/preliminary application, so would appreciate any feedback you receive.
>
> Thanks and have a great day!
>
> Sean
>
> On Tue, Nov 1, 2022 at 10:40 PM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:
>
>> Hi Sean,
>>
>> It was a pleasure to meet with you to discuss the County's inclusionary housing program that is underway. I look forward to receiving your feedback and ideas for this project.
>>
>> Regarding the SB-330 application, I have contacted staff in Project Planning so they can follow up with you on the application materials and information that you would need to provide as part of this process.

Please let me know if you have additional questions.

Thank you!

Best regards,

Camila Easland

Pronouns: she/her/hers

Land Use / Environmental Planner, Long Range Planning

Planning & Development Services

5510 Overland Ave., Suite 310, San Diego, CA, 92123

camila.easland@sdcounty.ca.gov

(619) 323-7362

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Monday, October 31, 2022 5:13 PM
To: Easland, Camila <Camila.Easland@sdcounty.ca.gov>; Madrid, Michael <Michael.Madrid@sdcounty.ca.gov>
Subject: [External]

Camila and Michael,

Thank you for your time this morning to help walk me through the current status of the County's Inclusionary Ordinance. It was very helpful to get an overview of the current status, the Board direction, and the issues that are being worked through. It is a major undertaking and I'm sure you're getting lots of feedback. With that in mind, I'll do my best to limit any suggestions or examples to those which I know well and which I feel are most likely to be helpful in the context of the County.

One question that I did have was related to SB330. Does the County have its own web-based application or does the County rely on the state's generic application? I wasn't able to find anything through an admittedly quick Google search. In the interest of keeping my fingers crossed to glean some benefit from SB330, we're planning to prepare the application and file it with our project.

Thank you so much.

Cheers,

--

Sean F. Kilkenny

Partner

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Easland, Camila

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Thursday, March 2, 2023 3:06 PM
To: Easland, Camila
Cc: Madrid, Michael; Larson, Ben
Subject: Re: [External] Re: County of San Diego_Inclusionary Housing Public Meeting

Haha, it was accidental! But thank you for humoring me, and I mean that very kindly. I am sure you're getting a lot of feedback that's in lots of different directions.

I do support adoption of an Inclusionary Program, my hope is that it's done in a way that is flexibly/isn't overly prescriptive and allows for both phasing in of the requirement (i.e. the set aside %) and alternative compliance on a case-by-case basis. As I clarified last night (I hope), I think it should apply to all projects as long as there is an in-lieu option so smaller projects would be able to pay.

With so many uncertainties at the County, most notably what a VMT fee will look like, and what kind of requirements are likely to come out of the CAP and/or Decarbonization (100% energy off-set onsite? Net Zero GHG emissions? EV chargers in all garages/commercial spaces? who knows), it's really difficult to understand what kind of costs projects can support. It's for reasons like that which I believe the County would be best served by comprehensively addressing VMT, Inclusionary, RHNA, Zoning Ordinance updates, the Sustainable Land Use Framework, the Development Feasibility Analysis, Community Benefits, and Regional Decarbonization as part of the CAP. Then we can have a more complete picture of how these will all work together.

For instance, if the CAP incorporates the Sustainable Land Use Framework/Development Feasibility Analysis and the multi-modal improvements or land uses to improve connectivity in existing communities and establishes the framework and provides a pathway for ministerial review of GPA-compliant projects in Village or Infill areas without having to pay VMT fees, provides for additional flexibility in zoning, and has reasonable checklist requirements, etc., then the associated inclusionary requirement is going to be much more feasible than if a project has to pay VMT impact fees, is required to completely off-set any GHG emissions through costly measures, and still has to go through a project-specific entitlement process.

Anyway, thank you again.

Sean

On Thu, Mar 2, 2023 at 2:29 PM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:

> Hi Sean,
>
> No problem. You made a great point. We should keep all documents in a consistent order to avoid confusion. I will keep that in mind as we continue to review the options and draft documents.
>
> Thank you!

Best regards,

Camila Easland

Pronouns: she/her/hers

Land Use / Environmental Planner, Long Range Planning

Planning & Development Services

5510 Overland Ave., Suite 310, San Diego, CA, 92123

camila.easland@sdcounty.ca.gov

(619) 323-7362

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Thursday, March 2, 2023 2:26 PM
To: Easland, Camila <Camila.Easland@sdcounty.ca.gov>
Cc: Madrid, Michael <Michael.Madrid@sdcounty.ca.gov>; Larson, Ben <Ben.Larson@sdcounty.ca.gov>
Subject: Re: [External] Re: County of San Diego_Inclusionary Housing Public Meeting

Sorry, that came across poorly. Thank you for the clarification Camila. I am still weary because the AECOM report appears to recomend the 10% Low or 5% Low and 10% Moderate for G-Compliant For-Sale, and that is listed before the For Rent recommendations, so my brain just got these upside down as they are presented in the opposite order elsewhere.

Sean

On Thu, Mar 2, 2023 at 2:17 PM Sean Kilkenny <skilkenny@nolencommunities.com> wrote:

Well I'm an idiot. Thanks for pointing that out!

Sean

On Thu, Mar 2, 2023 at 2:16 PM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:

Hi Sean,

Thank you for your email.

I just wanted to point out that you are looking at the feasible options for GP compliant for rent in the guide document, but comparing it with the feasible options that are for GP compliant for sale in the study.

SET-ASIDE REQUIREMENT (Section 6341.c of the Draft Ordinance) The Board may select one of the feasible scenarios from the Economic Analysis	
General Plan Compliant Project - Rent	Range between 20% M and 5% VL+ 5% L +10% M
General Plan Compliant Project - Sale	Range between 5% VL and 5% L +10% M
General Plan Amendment	Range between 10% M and 5% VL+ 15% L

Table 50. In-Lieu Fees by Land Use Category and Set-Aside Scenario

Scenario		GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
		Estimated in-lieu fee (per market-rate unit sq.ft.)		
1a	5% EL	$12.67	$18.69	$14.06
2a	10% EL			$31.32
3a	5% VL	$10.74	$14.16	$11.63
4a	10% VL			$25.95
5a	15% VL			$40.35
6a	10% L	$21.37	$15.17	$17.90
7a	15% L		$24.32	$27.76
8a	20% L			$41.82
9a	5% VL, 5% L			$20.64
10a	10% VL, 5% L			$36.27
12a	5% VL, 10%L			$31.84
13a	5% VL, 15%L			$43.13
14a	10% M	$12.75	no fee[1]	$8.58
15a	15% M	$18.34	no fee[1]	$13.21
16a	20% M		$6.87	$31.59
17a	5% VL, 5% L, 5% M		$23.50	$25.96
18a	5%L, 10%M	$22.08	$7.16	$17.93
19a	10%L, 10% M		$15.94	$29.75
20a	10% L, 5% VL			$31.84
21a	5% VL, 5% L, 10%M		$24.44	$32.71
22a	5% VL, 10% L, 5%M			$38.13
23a	10% VL, 5% L, 5%M			$42.81
24a	7% VL, 7% L, 6%M			$41.41
25a	8% VL, 6% L, 6%M			$42.15
27a	11% EL			$34.97
28a	12% EL			$37.79

(1) No fee because there is no affordability gap betw een market rate and moderate units
Source: AECOM

Please let me know if this provides more clarity. You can also call me if you want to confirm this information.

Thank you!

Best regards,

Camila Easland

Pronouns: she/her/hers

Land Use / Environmental Planner, Long Range Planning

Planning & Development Services

5510 Overland Ave., Suite 310, San Diego, CA, 92123

camila.easland@sdcounty.ca.gov

(619) 323-7362

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Thursday, March 2, 2023 11:27 AM
To: Easland, Camila <Camila.Easland@sdcounty.ca.gov>
Cc: Madrid, Michael <Michael.Madrid@sdcounty.ca.gov>; Larson, Ben <Ben.Larson@sdcounty.ca.gov>
Subject: [External] Re: County of San Diego_Inclusionary Housing Public Meeting

Sorry, not to belabor this point, but in re-reviewing the AECOM report and the Draft Ordinance this morning after the presentation last night, the Report states that "6 of the 29 set-aside scenarios met standards of feasibility for GP-Compliant for-sale" projects (which is how I read Table 46, below).

Table 46. Feasibility Summary

	Scenario	Meets Residual Land Value Standard[1] GP-Compliant (Sale)	Meets Residual Land Value Standard[1] GP-Compliant (Rent)	Meets Return on Cost Standard[2] GP-Compliant (Sale)	Meets Return on Cost Standard[2] GP-Compliant (Rent)	Meets Supportable Lot Standard[3] GPA (Sale and Rent)	Summary GP-Compliant (Sale)	Summary GP-Compliant (Rent)	Summary GPA (Sale and Rent)
1a	5% EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2a	10% EL	No	No	No	No	Yes	No	No	Yes
3a	5% VL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4a	10% VL	No	No	No	Yes	Yes	No	No	Yes
5a	15% VL	No	No	No	No	Yes	No	No	Yes
6a	10% L	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7a	15% L	No	Yes	No	Yes	Yes	No	Yes	Yes
8a	20% L	No	No	No	Yes	Yes	No	No	Yes
9a	5% VL, 5% L	No	Yes	Yes	Yes	Yes	No	Yes	Yes
10a	10% VL, 5% L	No	No	No	No	Yes	No	No	Yes
11a	10% VL, 10% L	No	No	No	No	No	No	No	No
12a	5% VL, 10%L	No	No	No	Yes	Yes	No	No	Yes
13a	5% VL, 15%L	No	No	No	No	Yes	No	No	Yes
14a	10% M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15a	15% M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16a	20% M	No	Yes	No	Yes	Yes	No	Yes	Yes
17a	5% VL, 5% L, 5% M	No	Yes	No	Yes	Yes	No	Yes	Yes
18a	5%L, 10%M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
19a	10%L, 10% M	No	Yes	No	Yes	Yes	No	Yes	Yes
20a	10% L, 5% VL	No	No	No	Yes	Yes	No	No	Yes
21a	5% VL, 5% L, 10%M	No	Yes	No	Yes	Yes	No	Yes	Yes
22a	5% VL, 10% L, 5%M	No	No	No	Yes	Yes	No	No	Yes
23a	10% VL, 5% L, 5%M	No	No	No	No	Yes	No	No	Yes
24a	7% VL, 7% L, 6%M	No	No	No	Yes	Yes	No	No	Yes
25a	8% VL, 6% L, 6%M	No	No	No	Yes	Yes	No	No	Yes
26a	9% VL, 6% L, 5%M	No	No	No	Yes	No	No	No	No
27a	11% EL	No	No	No	No	Yes	No	No	Yes
28a	12% EL	No	No	No	No	Yes	No	No	Yes
29a	13% EL	No	No	No	No	No	No	No	No

(1) Scenarios that return a residual land value with a decline greater than -30% compared to the Base Case
(2) Scenarios that return a greater than 0% Return on Costs
(3) Scenarios where Supportable Lot Value is higher than or equal to Finished Lot Cost
Source: AECOM

However, the AECOM report on page 9 only presents the 10% Low Income or 5% Low and 10% Moderate. Then when I look at the Draft Ordinance, the Ordinance reads "Range between 20% moderate income and 5% very-low income + 5% low-income + 10% moderate-income; please refer to table 50 of the Economic Analysis" Preliminary, the AECOM analysis does not seem to support 20% moderate working - see both Table 46 and 50. In further looking at Table 50, it shows the same results as Table 46 show - that 6 different Options work including 5% for Extremely Low and Very Low, as well as 10% for Low. Is the intent that staff is recommending something to the Board based on how the language is drafted/presented?

Table 50. In-Lieu Fees by Land Use Category and Set-Aside Scenario

Scenario		Estimated in-lieu fee (per market-rate unit sq.ft.) GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	5% EL	$12.67	$18.69	$14.06
2a	10% EL			$31.32
3a	5% VL	$10.74	$14.16	$11.63
4a	10% VL			$25.95
5a	15% VL			$40.35
6a	10% L	$21.37	$15.17	$17.90
7a	15% L		$24.32	$27.76
8a	20% L			$41.82
9a	5% VL, 5% L			$20.64
10a	10% VL, 5% L			$36.27
12a	5% VL, 10%L			$31.84
13a	5% VL, 15%L			$43.13
14a	10% M	$12.75	no fee[1]	$8.58
15a	15% M	$18.34	no fee[1]	$13.21
16a	20% M		$6.87	$31.59
17a	5% VL, 5% L, 5% M		$23.50	$25.96
18a	5%L, 10%M	$22.08	$7.16	$17.93
19a	10%L, 10% M		$15.94	$29.75
20a	10% L, 5% VL			$31.84
21a	5% VL, 5% L, 10%M		$24.44	$32.71
22a	5% VL, 10% L, 5%M			$38.13
23a	10% VL, 5% L, 5%M			$42.81
24a	7% VL, 7% L, 6%M			$41.41
25a	8% VL, 6% L, 6%M			$42.15
27a	11% EL			$34.97
28a	12% EL			$37.79

(1) No fee because there is no affordability gap between market rate and moderate units
Source: AECOM

Thank you,

Sean

On Wed, Mar 1, 2023 at 7:48 PM Sean Kilkenny <skilkenny@nolencommunities.com> wrote:

Thank you for the presentation and workshop tonight. As a follow up to my question in the chat, I just want to clarify something that I overlooked originally but then noticed tonight.

When you look at Table 1 in the Draft Ordinance (clipped below), it "reads" like For-Sale projects have to provide 20% affordable while For-Rent projects would range from 5% to 15%. My confusion is that for GP compliant for-sale projects, the "range" is 20% Moderate and "5%VL +5%L + 10%M" which sums to 20% - so it reads like For-Sale has a 20% obligation. Comparatively, the GP Compliant For-Rent projects range from 5%VL and 5%L+10%M which. So it reads like there is a range of 5% to 15%. That is different from what the analysis and results actually seem to show but it could be very confusing for anyone just trying to get a high-level summary.

General Plan Compliant Project – Rent	Range between 20% M and 5% VL+ 5% L +10% M
General Plan Compliant Project – Sale	Range between 5% VL and 5% L +10% M
General Plan Amendment	Range between 10% M and 5% VL+ 15% L

I also wanted to repeat the question regarding what new incentives are proposed that the County doesn't already offer through existing Density Bonus or Policy A-68 for projects providing affordable housing on-site? I commend the County on allowing a greater number of incentives than are required by state law, but that has already been adopted and isn't a new incentive for providing deed-restricted affordable housing in compliance with the IHO. Similarly, Board Policy A-68 already provides "It is the policy of the Board of Supervisors that: The County shall expedite the processing of permits and other clearances required by the County prior to construction or rehabilitation of a housing development to be occupied in whole or in part by lower income persons." So expedited affordable project's is already a policy of the Board and something that any project can ask for - regardless of compliance with the IHO.

Finally, the last question regarding the number of BOS hearings. Given that there is a range of options, it seems like it would perhaps be in the public's interest if the options were presented to the Board at one hearing where the Board was able to consider those options, ask questions, discuss/consider the merits, and then direct staff to refine the program into a final Ordinance for adoption.

Respectfully,

Sean Kilkenny

On Mon, Feb 27, 2023 at 3:14 PM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:

> Hello,
>
> I hope that you are having a great week.
>
> This email is to remind you that on **Wednesday (3/1) at 6 PM,** the County will hold a virtual public meeting to discuss the development of the Inclusionary Housing program. You can use this link to register for this meeting: https://us06web.zoom.us/j/86885723040
>
> During this meeting, staff will present a summary of the Draft Ordinance that is currently available for public review on the project's website. In addition, we will review the feedback we have received on options for where the ordinance would apply, the percentage of affordable units that should be provided, potential alternative

compliance options for when units on site cannot be provided, and additional incentives to help offset the costs of providing affordable housing units as part of the project.

An e-blast was sent out on February 16, 2023, to invite you to this meeting. If you did not receive this e-blast, please make sure you sign up for updates on this project through our website so you can continue to be informed of all of the project's milestones: https://www.sandiegocounty.gov/content/sdc/pds/advance/housingstudy.html

We will also post a recording of the meeting to the project's website, so you can review the recording after the meeting and send us your additional feedback.

Thank you for your time, and we look forward to your participation in this meeting.

Best regards,

Camila Easland

Pronouns: she/her/hers

Land Use / Environmental Planner, Long Range Planning

Planning & Development Services

5510 Overland Ave., Suite 310, San Diego, CA, 92123

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Easland, Camila

From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Friday, March 3, 2023 10:17 AM
To: Easland, Camila
Subject: Re: [External] Inclusionary Schedule

Great, thank you Camila. So 3/24 for a workshop on the Inclusionary Ordinance, I'll put it on my calendar!

On Fri, Mar 3, 2023 at 10:15 AM Easland, Camila <Camila.Easland@sdcounty.ca.gov> wrote:

Hi Sean,

I can't give you all the dates since they are all tentative. We are going to the Planning commission on 3/24. This meeting will be held as a workshop style. We will return to the planning commission later to receive a recommendation.

Thank you!

Best regards,
Camila

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From: Sean Kilkenny <skilkenny@nolencommunities.com>
Sent: Friday, March 3, 2023 7:52:26 AM
To: Easland, Camila <Camila.Easland@sdcounty.ca.gov>
Subject: [External] Inclusionary Schedule

Hi Camila,

In the slide presentation, the schedule for this Inclusionary Ordinance is basically Q1/Q2 of 2023. Does the County have tentative dates identified for PC and BOS? I understand the next PC Hearing was scheduled for 3/24 but that is no longer shown on the PC Website. Is staff considering bringing the Ordinance to the next PC Hearing? Typically for development projects, there is at least a 56 day period between the close of public review/comment period and a PC hearing, with another 52 days between PC and the BOS to provide time for staff report/presentations, responses to public feedback and comments, any additional environmental review (such as I-119 for County Counsel), etc. Totally understand and appreciate that this is not a private development project but there could be commensurate interest and level of comments received.

Just trying to understand what the thinking is on schedule.

Thank you,

Sean F. Kilkenny
Partner

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March 6, 2023

County of San Diego
1600 Pacific Highway
San Diego, CA 92101

Re: Climate Action Campaign recommendations for the County Inclusionary Housing Ordinance

Dear Long Range Planning Division of the County Planning & Development Services Department,

Climate Action Campaign (CAC) is a non-profit organization, based in San Diego and Orange County, with a simple mission: stop the climate crisis through effective and equitable policy action.

The climate and housing crises are inextricably linked. We simply cannot solve the climate crisis without simultaneously solving the housing crisis. Building dense, affordable infill housing near transit, jobs, and green open spaces is key to slashing GHG emissions from the transportation sector and improving the quality of life for those living in the unincorporated area.

Increasing rents and home prices continue to push low and middle income households farther from major urban centers. Inequitable, dangerous, unsustainable, and expensive sprawling areas cannot be the only places families can afford to live. Working class communities should not be forced to make long daily commutes from high fire areas. The County must prioritize the development of housing in VMT efficient areas as defined by the adopted Transportation Study Guide (TSG) and in alignment with the intent of SB 743.

The County's Regional Housing Needs Allocation (RHNA) for the 2021-2029 planning period is 6,700 new dwelling units. However, as of April 2022, the County has only permitted 1,425 and constructed 1,061 new dwelling units. More specifically, the County permitted 46 and constructed 14 extremely low and very low income units, permitted 318 and constructed 78 low income units, and permitted 398 and constructed 191 moderate income units, but permitted 663 and constructed 778 above moderate income units. These numbers clearly signify the need for more very low, low income, and moderate income dwelling units to be developed.

For these reasons, below are our recommendations for the County Inclusionary Housing Ordinance (IHO):

Minimum Project Size For Ordinance Compliance:
We recommend that the County apply the ordinance to Option 1:
- General Plan Compliant Project: Apply the ordinance to projects proposing 5 or more units.
- General Plan Amendment Project: Apply the ordinance to projects proposing 1 or more units.

Set Aside Requirements:
To ensure that the IHO is prioritizing the development of dwelling units for all-income categories, we recommend the following set aside requirements for General Plan (GP) Compliant Projects - For Sale, General Plan Compliant Projects - For Rent, and General Plan Amendment Projects:
- General Plan Compliant – Sale: 5% Low + 10% Moderate: 24 market-rate, 2 low-income, and 4 moderate-income units
- General Plan Compliant – Rent: 5% Very-Low + 5% Low + 10% Moderate: 22 market-rate, 2 very-low, 2 low-income, and 4 moderate-income units
- General Plan Amendment: 10% Very-Low + 5% Low + 5% Moderate: 22 market-rate, 4 very-low, 2 low-income, and 2 moderate-income units

Alternative Compliance:
County action that increases land value through upzoning, density bonuses, and plan updates should be recaptured and used for public benefits. In this instance, increases in land value caused by a GP Amendment should be recaptured through developing affordable housing. Therefore, **we recommend that alternative compliances only apply to the GP Compliant projects. GP Amendment projects must be required to provide IHO requisite affordable housing units.**

We support the following alternative compliance options for GP Compliant projects:
- **In-Lieu Fees.** We recommend that the in-lieu fee be restricted to projects 10 units or smaller. The fee must also be equivalent to the true full cost of producing on-site affordable housing units to ensure that the fee can be used to produce additional affordable housing units.
- **Rehabilitation of units.** In order to solve the housing crisis, the County must preserve and produce affordable housing. The rehabilitation of units can be a great tool to increase the County's existing affordable housing stock by turning existing market rate housing into deed restricted affordable housing units. The affordability of rehabilitated units must be of equivalent value to the IHO set-aside requirement. We recommend that this alternative compliance be restricted to projects 10 units or smaller and only apply to existing units located in VMT efficient areas and/or in a High Resource Area, within transit priority areas (TPAs).
- **ADUs:** The development of ADUs can help produce affordable housing in single-family neighborhoods and High Resource Areas, which traditionally have not been accessible

to lower-income families. We recommend that ADUs only be allowed as an alternative compliance for projects 10 units or smaller. The ADUs must also be deed restricted for a minimum of 65 years at 50% area median income (AMI) or lower.

However, we are **opposed** to the offsite development and land dedication alternative compliance options. To create economically diverse, mix-income, and inclusive communities, dedicated affordable housing units must be in the same development as market-rate units. Providing an option for affordable housing development to be off site could result in the concentration of poverty. This does not comply with the County's obligation to affirmatively further fair housing, which requires jurisdictions to adopt policies that take meaningful actions to combat discrimination, overcome patterns of segregation, and foster inclusive communities free from barriers that restrict access to living in certain areas.

Incentives:
We support the following incentive options within the IHO:
- Option 1: Expedited review for projects that provide all units as affordable housing, at 80% AMI or lower, for lower-income households
- Option 2: Expedited review for projects that provide an additional 50% of required affordable housing at 80% AMI or lower.

We also recommend that the County include these incentive options for projects subject to the IHO:
- For projects in VMT efficient areas, within TPAs, no parking requirements should be mandated.
- Apart from public safety, there should be no maximum building structure height for projects in VMT efficient areas, within TPAs, regardless of existing zoning.

Conclusion:
Thank you for the opportunity to weigh in on the development of this critically important document. We urge the County to consider these recommendations and use the IHO as a strategy to help combat the climate and housing crises, mitigate the symptoms of racial and economic segregation, and provide more access to opportunities for all in the unincorporated area.

Sincerely,
Madison Coleman
Madison Coleman

Policy Advocate
Climate Action Campaign

LEAGUE OF WOMEN VOTERS®
OF SAN DIEGO
7710 Balboa Avenue, Suite 224D
San Diego, California 92111

LEAGUE OF WOMEN VOTERS®
OF NORTH COUNTY SAN DIEGO
P.O. Box 131272
Carlsbad, California 92013

March 2, 2023

Ms. Camila Easland
Planning and Development Services
County of San Diego
5510 Overland Ave
San Diego, CA 92123

RE: PDS.LongRangePlanning@sdcounty.ca.gov

On behalf of the League of Women Voters of North County San Diego and the League of Women Voters of San Diego, we are writing to provide input on the County's Draft Inclusionary Housing Ordinance.

The League of Women Voters is a nonpartisan, grassroots organization dedicated to empowering voters and defending democracy through education and advocacy. Our Leagues jointly undertook a thorough study of housing issues and County housing policies, and in 2021 we adopted a ***San Diego Regional Housing Action Policy***. Goal 1 of that policy is to support action and policies to **create a sufficient affordable housing supply** and livable communities for all income levels, distributed throughout the region.

After study of the County's Inclusionary Housing Draft Ordinance, we offer this feedback:

Table 1: Inclusionary Housing Ordinance

- **Project size (Section 6341.b)**
  Require **all** residential units to be subject to the Inclusionary Ordinance or pay an in-lieu fee (affordable housing) fee.

- **Set-Aside Requirement (Section 6341.c)**
  General Plan Compliant – Rent: Range between 5% VL + 5% L + 10% M
  General Plan Compliant – Sale: Range between 5% L + 10% M
  General Plan Amendment – Require 20% affordable to 65% of AMI

- **Alternative Compliance (Section 6341.d)**
  Accept all methods listed, with additional comments:
  In-Lieu Fee – Fee should be sufficient to reflect the actual cost of producing on-site units. **ADU** – Assumes effective affordable restrictions and enforcement mechanisms in place.

- **In-Lieu Fee Criteria (Section 6341.d)**
  Should be restricted to projects smaller than 10 units.

- **Off-Site Development (Section 6341.d)**
  Require that the project provide an additional **10%** lower-income housing (0-80% AMI) as a condition for developing off-site.

- **Location Criteria (Section 6341.d)**
  No units should be built in very-high and high fire hazard zones.
  Must be located within 5-mile distance of the development.

- **Incentives (Section 6341.e)**
  Expedited review for a project that provides all units (100%) as affordable (up to 80% AMI) Expedited review for a project that provides 50% more affordable housing than required. Subsidize construction for additional affordable units than required in a project.

Thank you for considering our input on this critical issue. We believe creating a sufficient and affordable housing supply for all income levels can profoundly affect the public's well-being and the region's quality of life.

Respectfully submitted,

Rosette Garcia

Rosette Garcia
President, League of Women Voters of North County San Diego

Kim Knox

Kim Knox
President, League of Women Voters of San Diego

Easland, Camila

From: Long Range Planning, PDS
Sent: Tuesday, March 7, 2023 6:14 PM
To: Easland, Camila; Larson, Ben
Subject: FW: Inclusionary Housing Study and Ordinance Development

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From: Joe Oftelie <JOftelie@warmingtongroup.com>
Sent: Tuesday, March 7, 2023 6:01 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] Inclusionary Housing Study and Ordinance Development

Hello Camila,

I would like to submit a comment regarding the Inclusionary Housing Study and Ordinance Development. The current draft requires projects that are in process to have a "deemed complete" status in order to be exempt from this proposed Ordinance. I would like to propose that any project that has submitted an application for a development prior to the ordinance effective date be exempted.

We have a project that was submitted for a pre-application in the summer of 2022, a full application in November of 2022 and just received our first set of comments last week nearly 4 months later. I don't feel that it is fair to projects that are in process to be burdened with this ordinance that have been through multiple rounds of review and then for the rules to change mid-stream.

It is possible that our proposed project will be deemed complete prior to the effective date of this proposed ordinance, but the language regarding a deemed complete application is not fair to those in the middle of the entitlement approval process and should be modified for fairness.

I would also submit that if application reviews were being completed in accordance with the Permit Streamlining Act within 30 days, this might not be as relevant, but 4 months for a first review and unknown timing for subsequent reviews leaves an applicant with little confidence to get their application deemed complete in time to avoid a rule change as significant as this ordinance is proposing.

Thank you,

Joe Oftelie | President
Warmington Residential | Southern California Division

3090 Pullman Street | Costa Mesa, CA 92626
c: 562.826.3483
HomesByWarmington.com

Tuesday, March 7 ,2023

Ms. Camila Easland
Land Use / Environmental Planner, Long Range Planning
San Diego County Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
Via email: Camila.Easland@sdcounty.ca.gov

RE: Comments on the County of San Diego Draft Inclusionary Housing Ordinance

Dear Ms. Easland:

Thank you for the opportunity to review the County's Draft Inclusionary Housing Ordinance ("Draft Program"), including the Inclusionary Housing Study for the County of San Diego – Final Report ("Economic Analysis"), and the CEQA Addendum. I appreciate your team's dedication to developing the Options in the Draft Program, and hope these comments generate additional opportunities to collaborate on the most efficient and environmentally conscious ways of providing housing in San Diego County.

My views on affordable housing have been shaped by 16 years working in the development and real estate consulting industries, primarily processing entitlements. I'm a partner of Nolen Communities, an Encinitas based developer that has several projects, including Fox Point Farms. Fox Point Farms will provide 40, Very-Low income deed restricted units within a 250-unit "agrihood" community. The project exceeds the 10% low-income set-aside requirement in Encinitas in both number and qualifying income level.

The Economic Analysis correctly notes the housing crisis is due to a chronic undersupply of housing at all income levels.[1] This constrained supply has resulted in higher home values and rents, which have priced out too many families in San Diego County, and across California. The Economic Analysis is the underpinning to identifying a set-aside amount and alternative compliance options, including a potential in-lieu fee. Detailed comments on the Economic Analysis are provided in Attachment A and incorporated herein by reference. The critical findings and take-aways from the Economic Analysis are summarized below.

1. *The adoption of an Inclusionary Housing Ordinance will reduce residual land values* – which is to say the value of land owned by County residents today – *by as much as 30%.*

"This approach meets the economic standard of feasibility by *assuming landowners will absorb up to a 30 percent loss in value..." (AECOM, pg. 62)*

2. *An Inclusionary Ordinance clearly reduces the feasibility of housing developments because it provides that private development and property owners are directly subsidizing affordable housing,* which may frustrate the County's ability to achieve its RHNA requirement(s).

"whether a project is feasible is essentially an evaluation of how to balance *the extent to which landowners and developers will subsidize affordable housing development out of return and land value expectations." (AECOM, pg. 62)*

[1] AECOM, pg. 8 "[t]he lack of housing affordability mainly to housing production that has fallen behind population growth and regional housing production goals."

3. *Implementation of even the maximum-available Density Bonus isn't enough to overcome the extra costs of the Inclusionary Housing requirements,* rendering one of the best tools for providing housing, Density Bonus, ineffective.

"...in general...*the available density bonuses provided by the State Density Bonus Law do not offer enough value to fully offset the revenues lost to affordable set asides." (AECOM, pg. 64)*

4. The Inclusionary Ordinance does not provide any new or enhanced incentives to improve project feasibility, rather, the County is currently preparing several efforts which could further frustrate housing affordability including development of a VMT Impact Fee, mandatory compliance with a CAP Checklist, the Sustainable Land Use Framework, Community Benefits Agreements, Land Value Recapture, and the Regional Decarbonization Framework. How will the County generate affordable housing without commensurate incentives to offset these new development costs?

The Goal for the Draft Program should enable the County to meet its RHNA obligation with actual deed-restricted units at each of the specified affordability levels, instead of taking credit for market-rate homes selling at RHNA densities. In fact, the Economic Analysis says that the program should support efforts to achieve the County's RHNA obligations.[2] However, the County is already ahead of schedule for providing Low, Moderate and Above-Moderate income housing according to the 2021 General Plan Annual Report. (See 2021 GPAR Table B, Regional Housing Needs Allocation Progress - Attachment B).

A secondary goal of the Draft Program should be that these units try to accomplish County priorities including being focused in Village areas, Infill Areas, and VMT efficient areas. This would achieve other county goals around sustainability, environmental justice and public safety. **The County should consider a comprehensive planning process that combines the Climate Action Plan (CAP), VMT Analysis, Inclusionary Ordinance, Sustainable Land Use Framework, Development Feasibility Analysis, Regional Decarbonization Framework, Community Benefits and Zoning Ordinance Update(s). Such an approach may provide programmatic coverage and a ministerial process for certain projects, which would make Inclusionary Housing more feasible.**

If the County intends to mandate the Draft Program without going through a comprehensive planning process, it is important to provide maximum flexibility, as expressed by the interviewees in Table 16, and phase in requirements as the Best Practices summary identifies. The County should also consider other programs that would more broadly support the production of housing across the housing ladder.

Lastly, comments on the Draft Addendum are provided as Attachment C and incorporated herein.

Thank you for the opportunity to comment on the Draft Program. I look forward to working with the County to best implement a comprehensive approach to increasing housing supply in San Diego County.

Respectfully Submitted,

Sean Kilkenny

Sean Kilkenny

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[2] "The inclusionary housing program should be designed to address the RHNA allocations and create more dwelling units at lower levels of household income." (AECOM, page 40)
"Staff recommendations should lead to an ordinance that will help implement the County's Housing Element and comply with state law by increasing opportunity for the County to meet its share of … RHNA" (AECOM, page 79)

Attachment A - Comments on AECOM Economic Analysis

The following comments and observations are specific to the AECOM Economic Analysis. Preliminarily, it is understood that broad assumptions are required when trying to characterize the entire County into a handful of digestible scenarios. The reality of trying to make a project pencil is much more complex. Every project is unique, and seldom fits neatly into the generalized scenarios the Economic Analysis necessarily considered. It is because of the unique nature of each development proposal that maximum flexibility and a phasing-in of program requirements are critical. This approach is consistent with both General Best Practices ("Flexible Compliance Options" and "Phasing", page 16) and responses from interviewees in the building industry (Section 6.2, pg. 42 et. seq.).

Section 1.1 Overview

It is widely acknowledged that ***"[t]he lack of housing affordability is attributable mainly to housing production that has fallen behind population growth and regional housing production goals." (AECOM, pg. 8)*** The issue is a supply-side issue – not enough homes are being built.

To address the supply side issue, the County should *encourage housing production by providing streamlined or ministerial pathways to approval* which shorten delivery times, reduce risk, and clarify both developer and community expectations.

Instead, the County is contemplating adding the following costs to new development, with no commensurate incentives or programs designed to encourage or facilitate housing production:

- Inclusionary Housing Fee – Costs up to or exceeding $50,000/unit
- VMT Impact Fee – Costs are unknown, but could approach $19,000/unit
- Climate Action Plan (CAP) Checklist requirements, including potential for Net Zero
- Community Benefit Agreements – Costs are unknown.
- Land Value Recapture – Costs are unknown.
- Sustainable Land Use Framework – Costs are unknown.
- Regional Decarbonization Framework – Costs are unknown.

It is noted here, and repeated throughout, that one of the most effective tools for generating housing, *Density Bonus, is shown to not provide enough benefit to outweigh the costs of the Inclusionary Ordinance*. The County must look at additional mechanisms to support the production of housing, including a ministerial review process, fee reductions, and specified exemptions as noted further below.

While the Fiscal Report provides two scenarios that it solely determined "provided the highest subsidy value" (page 9), this should not be the sole measuring stick for which set-aside option(s) to adopt. Because this is the introduction of a new Program, the County should consider starting with the lowest barrier to entry, and make adjustments based on performance/production of housing after annual reviews of progress towards achieving the County's share of the Regional Housing Needs Allocation (RHNA).

Regardless of which option(s) are selected, it is recommended the County phase in the program, consistent with best practices identified on page 22 ("Newer inclusionary housing programs including San Luis Obispo and the City of San Diego incrementally ***phase-in set-asides over five years***").

Section 1.4, Analytical Considerations

Vehicle Miles Travelled (VMT). The Economic Analysis admits that the potential for a VMT Impact Fee to be adopted could "… impact the financial feasibility of an inclusionary housing program by adding additional costs to development or changing the expected value of land within and outside of these areas." (AECOM pg. 10) This is a warning that any Inclusionary Housing requirement adopted without consideration for a VMT fee could result in development becoming further infeasible.

> **Recommended Approach**: The County may consider postponing adopting an Inclusionary Housing requirement until the VMT Impact Program is completed, and the results are considered together. Otherwise, the cumulative effect of these projects could reasonably be expected to either stop new housing construction in the unincorporated area, or push development out of San Diego County.
>
> **Question**. Has the County considered the price elasticity of housing vs. locational preference and the potential for the Inclusionary Housing Ordinance and VMT Impact Fee to price families or home builders out of San Diego and therefore increase VMT and associated GHG emissions for out-of-county commutes?

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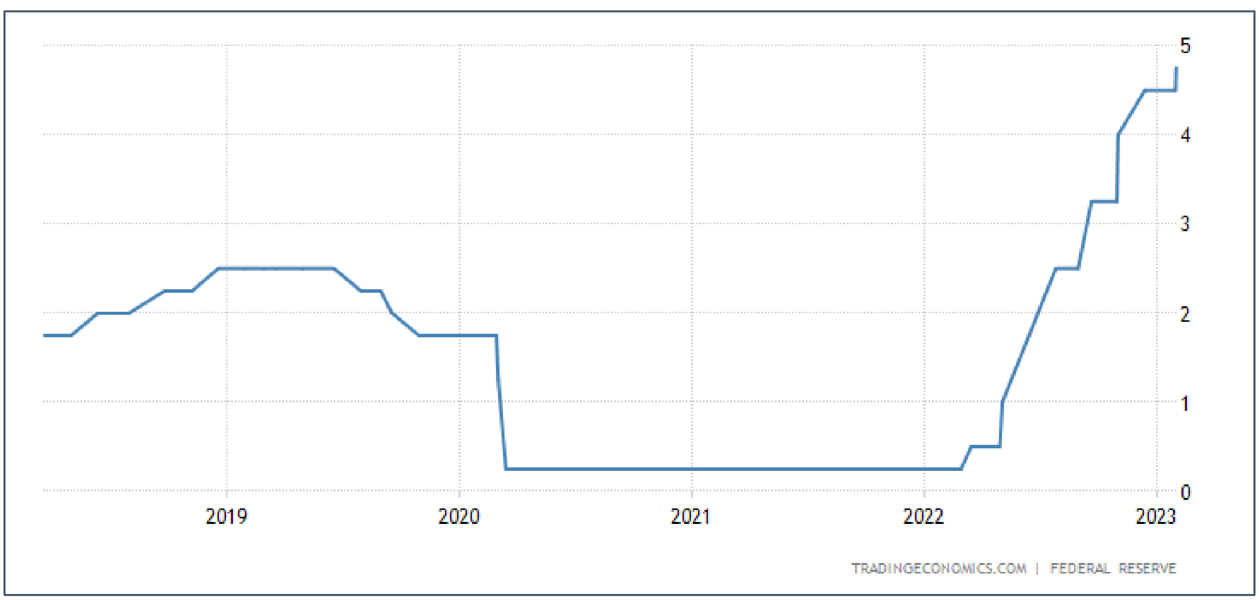
* It is noted that some stakeholders may argue a future VMT Impact Fee is not likely to apply to homes in VMT-efficient areas, Village or Village Infill areas, and since most growth should be directed into these areas, the impacts of both VMT and Inclusionary fees may be dampened. While this may be true, until the analyses are complete, it's preliminary to draw this conclusion. Further, if the Climate Action Plan contemplated this scenario, including increased housing production in these VMT-efficient, Village and Village Infill areas, programmatic CEQA coverage could facilitate housing production in these areas.

Inflation. It is understood the Fiscal Report necessarily controlled for more recent inflationary periods which saw dramatic spikes in housing values and housing costs. The selected 2020-2021 time period was also unusual in that interest rates were at historic lows as shown in the graph below showing the Federal Funds Rate, which was at historic lowest rates from 2020-2021.



> **Question.** How has this been accounted for considering that interest rates are likely to normalize closer to 4% - 5% - along its historic average, and not the manipulated low rates of the time period immediately following the start of the COVID-19 pandemic. How would these higher rates affect the Economic Analysis, if at all?

Section 3.2.2 General Best Principals

<u>Provide Incentives and Offsets.</u> ***The current proposal does not offer any new or expanded incentives or offsets to housing projects***. The County has already adopted Section 6350 of the Zoning Ordinance (see Attachment 1) which is the local implementation of State Density Bonus Law that provides for projects to seek incentives and waivers. The County is applauded for providing more incentives than required under State Density Bonus Law, but that benefit is already afforded under current County Zoning.

> **Question**: How many Density Bonus Projects have been approved by, or are currently in process with, the County? How many affordable units have these projects included?

In addition, Board Policy A-68, Affordable Housing Expedited Review Process (see Attachment 2) is an existing Board Policy, renewed in December 2022. The purpose of Policy A-68 is "***To secure significant reductions in the time required to exercise the regulatory function with regard to housing developments to be occupied by lower income persons.***" The Policy of the Board is to "***expedite the processing of permits and other clearances required by the County prior to construction or rehabilitation of a housing development to be occupied in whole or in part by lower income persons***."

> **Question**: How many Projects have used Board Policy A-68? How have those project's schedules compared to standard County processing timeframes?

There is no additional benefit or offset proposed under the Draft Program, such as a ministerial review process. This is inconsistent with best practices to not offer some commensurate benefits when adopting an Inclusionary Housing Ordinance.

> **Recommended Approach:** Providing for CEQA exemptions and/or ministerial processes for projects implementing on-site affordable housing would be a significant benefit and may encourage on-site affordable housing. <u>The County should consider the Inclusionary Housing Ordinance with the VMT Impact Fee under the Climate Action Plan Smart Growth Alternative Supplement EIR.</u> Such an analysis should also incorporate the Sustainable Land Use Framework, Development Feasibility Analysis, Community Benefits, and Regional Decarbonization Plan, and accommodate the complete RHNA obligation through deed-restricted affordable units. The results would provide for programmatic CEQA and Land Use and Zoning coverage to eliminate discretionary review(s) for projects which are consistent with the CAP, developed in VMT Efficient, Village or Village Infill areas, and provide affordable housing on-site. Such a program should reduce processing times and provide greater certainty in the development approval process.

Section 3.2.4.6 Incentives and Offsets

As stated above, Density Bonus, relaxed development standards, and expedited processing are already allowed by the County; thus, these are not features or incentives of the Inclusionary Housing Ordinance. Please see above and refer to Attachments 1 and 2.

<u>Fee Reductions.</u> This would be an additional benefit that could be advanced under an Inclusionary Ordinance. Such fees that could be waived would be those collected by the County rather than separate districts. These fees would include the (pending) VMT fee, Park Land Dedication Ordinance (PLDO) fee, Drainage fee, and Fire fee (especially for projects that are not in Fire Hazard Severity Zones).

Alternatively, a program that would exempt qualifying projects that provide on-site affordable housing from conformance with the (pending) CAP Checklist would be an incentive to provide on-site affordable housing, and may create the opportunity to generate local offsets for project's which voluntary elect to comply with the CAP Checklist even if providing on-site affordable housing.

> **Recommended Approach:** The County should consider that projects which implement affordable housing on-site would be exempt from payment of the VMT Impact Fee, PLDO Fee, Drainage Fee, and Fire Fee and/or such projects would be exempt from implementing the CAP Checklist.

Section 3.3.5 Alternative Compliance Options

<u>Accessory Dwelling Units</u>. The RHNA anticipates constructing 1,800 ADU's as part the County's share of the regional housing needs. As evidenced in Tables 9 and 10, ADU's have become a supported typology in the County, making up 25% of "Pipeline" units. ADU's are compatible with the largely single-family dominated County, and provide a "two-fer" because they both improve attainability (for the purchaser of the primary residence) and provide affordability (for the renter of the ADU). However, ***the Draft Program seeks to limit the number of ADUs for new project to a maximum of 5, or half of a project's inclusionary requirement (whichever is less)***. This is punitive of single-family development projects which make up the majority of the County's undeveloped lands.

> **Recommended Approach**: The Ordinance should be revised to follow the example of the City of Carlsbad, at a minimum, if not provide greater flexibility to use ADUs.

Section 3.3.7 Density Bonuses and the State Density Bonus Law

Any program should ensure that no additional discretionary processes are triggered if a project chooses to participate in the Density Bonus program. This would be consistent with the County's own Zoning Ordinance, Section 7410(c)3, which states "The granting of a Density Bonus/Affordable Housing Permit shall not be interpreted, in and of itself, to require a general plan amendment, coastal plan amendment, development permit, development permit, zoning amendment, or other discretionary approval."

<u>Table 7: Inclusionary Programs for GPA Projects at Peer Jurisdictions</u>.

It is noted that of the ten (10) jurisdictions reviewed, exactly half (5) of those have Affordable Set-Aside Requirements for GPA Projects that are different from those for GP-Compliant projects, and half (5) do not. Further, two of those jurisdictions which have a higher requirement are Voluntary programs, so ***only 3 of 8 Mandatory programs require a higher percentage of affordable set-aside***. Thus, the statement that "it may be concluded that GPA projects at peer jurisdictions are expected to provide a higher inclusionary set-aside than GP-compliant projects" (AECOM pg. 28) is not supported by the evidence provided. That being said, GPA projects are likely more capable of supporting a larger share of set-aside, especially if that greater amount is underwritten into the initial project pro-forma, rather than being enforced mid-project development.

Section 5.4.2, Residential Development Pipeline

According to Table 10, there are zero (0) apartment units in the pipeline at the County.

> **Question.** While outside the scope of the Inclusionary Ordinance, and when combined with the fact that only 4% of the units built in the last 12 years were apartments, <u>how does the County expect to meet GHG-reduction goals and infill housing typologies when increasing development costs (through the Inclusionary Ordinance, VMT Impact Fee and other ongoing efforts) on a project typology that is not being constructed</u>?
>
> **Recommended Approach**: The CAP should include appropriate apartment densities and provide the programmatic coverage for higher-density projects, in combination with additional incentives noted above such as ministerial project processing, fee reductions, and certain exemptions, to increase the feasibility of apartments.

Section 5.5 Affordable Housing Demand

The Economic Analysis states "[t]he inclusionary housing program should be designed to address the RHNA allocations and create more dwelling units at lower levels of household income." (AECOM pg. 40) However, according to the County's 2021 General Plan Annual Report, and as summarized below, the County is at least on track, if not ahead, of meeting the RHNA obligations for Low-Income and Moderate Income units for the latest (6th) Cycle for the period from 2021 to 2029.

	Building Permits Issued				
	Year		Total		
Income Level	2020	2021	To Date	RHNA	% Complete
Very Low	12	46	58	1,834	3.2%
Low	27	318	345	992	34.8%
Moderate	169	398	567	1,165	48.7%
Above Moderate	193	663	856	2,709	31.6%

> **Recommended Approach**: Because the County is on track to meet RHNA allocations for Low and Moderate income units, the Inclusionary Ordinance should focus on the feasible scenarios for providing Very-Low Income housing.

Section 5.7 Summary and Conclusions

It is noted that ADU's represent one of the largest numbers of pending units in the County's pipeline. This indicates a market acceptance of this typology. See previous comments recommending the Draft Program be revised to allow a greater percentage or number of a project's Inclusionary requirement be eligible to be met with ADUs.

6.2 Interviews with Land Use Professionals

Table 16: Interviewees - Has the County followed up with individual respondents now that the Draft Program has been released to assess feedback, and get any updates on their more recent experiences with other jurisdictions or more recent market realities?

Table 17: Focus Groups – To achieve a consensus, all members of the three focus groups, as well as the general public, should be engaged together in a setting that provides for brainstorming, rather than in separate conversations. The summary of responses suggests there is overlap in desired outcomes, but agreement on the underlying mechanics is what will ultimately determine the success of the Program.

Section 7.3 How Up-zoning Creates Value

Table 19, Illustration: Impact of GPA Up-zoning on Development Economics

- Does the return on cost factor in the length of time to secure a GPA, and the increased costs associated with processing such projects? The analysis states on the preceding page that “the entitlement process can take many years, during which time developers typically incur land costs, technical consultant fees, and overhead costs without compensation.” (AECOM, pg. 47) These projects can take over 10 years+ from start to finish.
- Where are impact fees captured in this example? If they are part of the Direct Costs, they are underestimated as fees alone can run into the $40,000+ range. If part of the Indirect Costs, they are likewise underestimated.
- Preferred Yield/Return – the Economic Analysis elsewhere notes that yields are greater for GPA projects. Is this correctly reflected in the numbers in Table 19? It’s not entirely clear.

Further, there is intrinsic value in creating more housing for the sake of building housing that the Land Value Recapture model does not recognize. In the example, the benefit is the addition of 262 homes that otherwise would not be constructed, and 262 more families in San Diego being housed. At the same Inclusionary Requirement (assumed at 10% for comparison), the “Base Case” provides Zero units because it is infeasible to build (even before any Inclusionary Requirement) while the GPA Case provides 26 or 27 units of affordable housing – almost equal to the number of “base” units.

Section 8.1.1 Residential Prototypes,

Table 21, For-Sale Residential Prototypes: GP-Compliant Projects

The prototype for homes in the SFD Small Lot 7.3 (sale) are nearly the same size as those in the SFD Large Lot 2.9 prototype (2,700SF vs. 2,800SF). It appears this is because the Zoning Ordinance requires 6,000SF lots in the RS zone. The implication is that a project cannot achieve its permitted General Plan density unless it processes additional discretionary permits (i.e., PUD, Rezone, etc.). This inconsistency is potentially illegal because the Zoning Ordinance precludes implementation of the General Plan. Thus, developers are paying for the 7.3 du/acre unit count (higher residual) but having to build more square footage to cover those costs of not getting the expected yield.

Recommended Approach. The County should ***update the Zoning Ordinance to address inconsistencies between the General Plan and Zoning Ordinance***. Because this would not result in more units, it could be done with a simple clean up action (i.e., CEQA Exemption or Addendum) that would reduce minimum lot sizes in the RV 7.3 Land Use to something like 3,000SF.

Section 8.1.2 GPA Land Development Prototype

The introductory paragraph suggests that GP-compliant projects can be modeled assuming the underlying land is essentially finished lots ("...GP-Compliant projects can be modeled assuming that the underlying land consists of improved lots or pads" AECOM pg. 53). This is an inaccurate assumption – the overwhelming majoring of undeveloped land is not improved pads or lots. While GP-compliant projects might tend to be in areas that are more fully developed and therefore, likely to be connected to infrastructure, significant costs for site development, including clearing, grading, grubbing, and off-site improvements are still reasonably foreseeable. This is an over-simplification, and horizontal development costs must be factored into any Economic Analysis, even if at relatively nominal levels.

Recommended Approach. It is recommended that ***the County update the Economic Analysis to account for more realistic site development and land development costs*** to confirm the resulting values accurately capture actual development costs.

Section 8.1.3 A Note on Inflation

(first bullet) The lag in supply is not tied to COVID-19. Housing and construction workers were largely deemed "essential" at the beginning of the pandemic and allowed to continue working. Rather, the "lag in supply" is a decades-long phenomenon that has resulted in the chronic undersupply of housing across San Diego, the state of California, and even nationally. This should be corrected or clarified.

Section 8.1.4 Market Rate Assumptions

- Has the statistical significance of locationality been considered? Is the data representative of the entire County, or does the data skew towards portions (zip codes) of the County with higher or lower sales prices per SF compared to the County as a whole?
- What is the assumptions of GPA projects getting "a 5% premium over GP-compliant projects" (pg. 55) based on? Is this because GPA projects often offer greater amenities than GP-compliant projects because they tend to be larger and therefore include features like new public and private parks, schools, fire stations, etc.? Are these increased costs part of the "Land Value Recapture" equation? Does the 5% increase also consider the greater risks, additional entitlement costs, longer schedule, and other trade-offs that GPA projects encounter?

Section 8.2.2 Standard of Feasibility

The Fiscal Report states (pg. 62) "...the fact [is] that ***<u>every set-aside scenario results in a lower estimated return than the Base Case</u>***, as affordable set-aside units are income-restricted and generate less revenue than market-rate units. Therefore, a determination about ***whether a project is feasible is essentially an evaluation of how to balance the extent to which landowners and developers will subsidize affordable housing development out of return and land value expectations***."

It is worth simplifying this sentence – which distills the underlying balance required of an Inclusionary Ordinance – an Inclusionary Ordinance reduces project returns because it requires private landowners and developers to subsidize affordable housing.

The Fiscal Report acknowledges the **Density Bonus process adds time and uncertainty to projects**, [“the developer must go through an application process, which while ministerial has been ***shown to add time and uncertainty to the entitlement process in many jurisdictions,***” (pg. 62)] and that Density Bonus does not actually increase project feasibility in areas “where consumers prefer lower-density housing or where higher-density housing requires a more expensive approach to construction.” (pg. 62) This, combined with the fact that Density Bonus was tested and determined not to outweigh the costs of implementing the Inclusionary Housing Ordinance suggests ***that Density Bonus will not be a feasible tool in the near term for projects in the County***.

> **Question** - Without Density Bonus, it will be difficult to achieve the County’s RHNA obligations for at least the Very Low-Income affordability level. What, if any, revisions or changes to the local Density Bonus ordinance or other incentives are the County considering to ensure compliance with RHNA, especially at the Very Low Income level? Should the County, as part of the current Zoning Ordinance Update, provide for additional Density Bonus incentives or additional benefits?

Residual Land Value.

The Economic Analysis is predicated on the assumption that landowners will accept a 30% reduction in their land value without a change in their willingness to sell, “This approach meets the economic standard of feasibility by **assuming landowners will absorb up to a 30 percent loss in value**...” (pg. 62). The Report states there is historical evidence to support that “transacted land value does eventually shift to accommodate the impact of inclusionary requirements”. Yet, the analysis notes the market adjustment “can be prolonged as land markets are typically ‘sticky’ and slow to reflect factor changes...” (pg. 62)

> **Question** – How long does this adjustment take? If the downward pressure on residual values is over a number of years, the Inclusionary Housing requirements should also be phased in on a similar schedule so that the market is in equilibrium.
>
> **Question –** What is the source of the historical evidence cited on page 62 to suggest that residual values eventually accommodate the impact of inclusionary requirements? Have the effects on land values in the City of San Diego since the City adopted its Inclusionary Requirement been analyzed as a local source for comparative purposes?

8.3.1 Impact of Affordable Set-Aside on RLV for GP-Compliant Projects

- Is the 10% return annualized, or gross? It’s important to understand that *even GP-compliant projects can take 3-5 years from the beginning of entitlements until units are built and sold*. The 10% threshold, if a gross return, ends up being 2%-3.5% annualized over that time period.

Table 34, GP-Compliant Project Base Case Residual Land Value by Residential Type.

- It is noted that the RLV/land SF for the 7.3 prototype is twice as high as for the 4.3 prototype (and almost 2.5 times higher than the 10.9 prototype). Is there an explanation for this? Could it be due to the larger unit sizes identified in Table 21? Does the County intend for these denser Village

Residential uses to generate such large units. See prior comments on this inconsistency between the General Plan and Zoning Ordinance.

The Fiscal Report states that "***the set-aside scenarios for GP-Compliant prototypes reduce residual land value significantly.***" (Page 63) Does the County believe that the general public understands the value of their property, by and large, could be significantly (up to 30%) reduced due to this Program? Is the County prepared to direct the assessor to re-assess land values to benefit residents on property taxes?

The Fiscal Report states that "for unincorporated area projects, **the available density bonuses provided by the State Density Bonus Law do not offer enough value to fully offset the revenues lost to affordable set-asides.**" The County is admitting that the Inclusionary Housing Ordinance would be more punitive than what Density Bonus would otherwise "make up", rendering one of the most effective tools for providing housing ineffective.

> **Repeated Question:** Without Density Bonus, it will be difficult to achieve the County's RHNA obligations. What, if any, revisions or changes to the local Density Bonus Ordinance or other incentives is the County considering to comply with RHNA, especially at the Very Low Income level? Should the County, as part of the current Zoning Ordinance Update, provide for additional Density Bonus incentives or additional benefits?

Table 37 Future Development Prototype Mix, GP-Compliant Projects

- If there are no Podium-style projects anticipated, should this typology be considered? If it is removed from the analysis, how do the results change the For-Rent analyses?

The Economic Analysis concludes that "***pursuit of a density bonus adds entitlement risk and may not be marketable if results in a residential product for which there is little actual market demand***" (pg. 65) This statement is one reason why programmatic CEQA coverage, and a ministerial approval process, would be a potential benefit and incentivize on-site affordable housing. There is too much risk for the demand/upside of pursuing Density Bonus currently, and it's only going to get more difficult with the increased costs of the Inclusionary Housing Ordinance (and eventual VMT Impact Fee) because those costs are more than the benefit of Density Bonus.

Section 8.3.2 Impact of Affordable Set-Aside of GP-compliant Project Return on Cost

The Economic Analysis states that *"... [Return on Costs] declines significantly from the Base Case in each scenario*. Furthermore, of the 58 tests shown, more than half (31) show a negative return on cost, which indicates that total scenario costs are higher than total scenario revenues." (pg. 66 The Economic Analysis supports the position that the Inclusionary Ordinance has a negative impact on projects, which reduces the feasibility of a project and may preclude construction entirely.

> **Repeated Question:** If the County's analysis documents that implementation of the Inclusionary Ordinance is likely to reduce development potential, does this risk the County's ability to comply with its RHNA obligation, at least for Very-Low Income levels?

The Economic Analysis concludes that "**compliance with a mandatory inclusionary housing requirement, even after applying the density bonus, will reduce project return**. This could have a negative impact on development in the short term if landowners or developers are unwilling to accept the reduction in value that a mandatory inclusionary housing requirement will entail." (pg. 67)

Repeat Question. How does this comport with the County's argument that the Inclusionary Housing Ordinance should help the County achieve it's RHNA obligation?

Recommended Approach: The County should prioritize completion of the Climate Action Plan, including Land Use Element amendments (i.e., General Plan Update), to provide appropriate apartment densities which would afford programmatic coverage for higher-density projects to meet RHNA obligations. This Update should be done in combination with the VMT Mitigation Program and also include Regional Decarbonization, the Sustainable Land Use Framework, Development Feasibility Analysis, and an Update to the Zoning Ordinance to implement policies of the Housing Element. Finally, the Inclusionary Ordinance should be updated with additional incentives such as those noted above like ministerial project processing, fee reductions, and certain exemptions.

8.3.3 Impact of Affordable Set-Asides on GPA Project Feasibility

The Fiscal Report documents a finish lot value of $110,000 (pg. 69) and determines the feasibility of complying with a set-aside for GPA-projects based on whether they would result in lot values that were greater than this total after application of the Inclusionary Ordinance. The lot value is based on the analysis in Table 82. The following comments are offered on the inputs to Table 82:

- Land – There are two notable questions with the land value in this analysis, which is assumed at $40,000/acre.
    - If the assumption is that such a low value ($40,000/acre) is because this is for green-field/open space land, then the land development costs are likely under-estimated. There are probably greater direct costs, including off-site direct costs, to be included. Under this scenario, there would also have to be much greater preferred yield due to the risks of such a project being approved, and the length of time processing such a project would take (estimated conservatively at 5-7 years). The Economic Analysis previously identified a 22% increase for GPA-projects (See Table 19) - this should be the value assumed herein for internal consistency.
        - Doing so increases costs by approximately $5,65800, or about **$6,415 per lot**.
    - This low value conflicts with the values of GPA projects for 7.3 and 10.9 typologies in Tables 76 and 77. Tables 76 and 77 suggest a land value of $27 to $29/SF, which is an average of $28. The 9.7 du/ac in the example falls in between the 7.3 and 10.9 du/ac, which Tables 76 and 77 consider. Should the model be adjusted to approximately $28/SF to be consistent with the analysis in Tables 76 and 77?
        - Doing so would increase the Purchase Price to $183m ($28/SF * 43,560SF/ac * 150 ac). This is unrealistic, but is consistent with the other analysis for projects at this density. How are these squared?
- Permits and Fees – The average in Tables 76 and 77 was $46,200 ($44,000 and $48,400). This would increase the total cost by $37,485,000.
    - Doing so would be an increase of **$42,500 per lot** (from $3,7500 to $46,200).
- Rec Center – This total is significantly under-bid. It would likely be at least $3 million dollars once the FFE are considered and enhanced design and architecture are accounted for.

- When adding these totals together, the increase of just these line items is $43,143,000.00, which would increase the Developer Fee as well. However, even without factoring in higher Developer Fees, the Finished Lot Value would increase almost $49,000 to approximately **$158,885.00**.
    - This would make all but the following not supported in Table 45:
        - 5% EL, 5% VL, 10% M, 15% M, and maybe 10% and 5%L + 10%M

  Recommended Approach: Table 82 should be revised to more accurately reflect the costs associated with GPA projects, including either the residual land value or direct lot costs, permits and fees, and rec center costs, and the feasibility of GPA-projects in Table 45 should be re-evaluated.

General Comment

While it is understood that the Economic Analysis must control for specific variables, the assumption that land values will be accepted by existing property owners is too simplistic of a perspective for such a complex and significant portion of any project's costs.

Conclusion

Once the above considerations are accounted for, additional comments on the final in-lieu fee and Summary of Findings will be provided. As the analysis currently rests, the most realistic options appear to be the 5% VL and 10%M options for "For Sale" as well as the 5%L + 10%M for "For Rent" projects.

Table B - Regional Housing Needs Allocation progress

Jurisdiction	San Diego County - Unincorporated	
Reporting Year	2021	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	04/15/2021 - 04/15/2029

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
(CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.

Please contact HCD if your data is different than the material supplied here

Table B
Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability

		1		2									3	4
Income Level		**RHNA Allocation by Income Level**	**Units Permitted in the Projection Period (6/30/20 - 12/31/20)**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total Units to Date (all years)**	**Total Remaining RHNA by Income Level**
Very Low	Deed Restricted	1,834		-	-	-	-	-	-	-	-	-	58	1,776
	Non-Deed Restricted		12	46	-	-	-	-	-	-	-	-		
Low	Deed Restricted	992		-	-	-	-	-	-	-	-	-	345	647
	Non-Deed Restricted		27	318	-	-	-	-	-	-	-	-		
Moderate	Deed Restricted	1,165		-	-	-	-	-	-	-	-	-	567	598
	Non-Deed Restricted		169	398	-	-	-	-	-	-	-	-		
Above Moderate		2,709	193	663	-	-	-	-	-	-	-	-	856	1,853
Total RHNA		**6,700**												
Total Units			**401**	**1,425**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,826**	**4,874**

Note: units serving extremely low-income households are included in the very low-income permitted units totals and must be reported as very low-income units.

Please note: For the last year of the 5th cycle, Table B will only include units that were permitted during the portion of the year that was in the 5th cycle. For the first year of the 6th cycle, Table B will include units that were permitted since the start of the planning period.

Please note: The APR form can only display data for one planning period. To view progress for a different planning period, you may login to HCD's online APR system, or contact HCD staff at apr@hcd.ca.gov.

Attachment C: Comments on the CEQA Addendum

The following comments are provided on the "CEQA Guidelines Section 15164 Addendum to the Previously Adopted Program Environmental Impact Report for the County of San Diego General Plan Update (Environmental Review Number 02-ZA-001; Sch. 2002111067) for Purposes of Consideration of the Inclusionary Housing Ordinance, PDS 2020-POD-007", prepared by the County of San Diego and dated February 9, 2023 ("Draft Addendum").

The following comments are provided to request clarification with respect to the following topics:

1. Project Description
2. Conflicts with Adopted Land Use Plans, Policies and Regulations
3. Reduction in Property Taxes and the Provision of Public Services
4. Cumulative Impacts

The following comments request the County revise the Addendum analysis, as appropriate. It is not intended to suggest that the preparation of an Addendum is insufficient for analyzing the Project's impacts under CEQA. However, the information and clarifications requested below are important public disclosures to ensure meaningful review and understanding of the County's proposed actions.

A. The lack of a stable Project Description renders the CEQA analysis uncertain.

The proposed project is the adoption of an Affordable Inclusionary Housing Program (Draft Program). The Draft Program is presented in Table 1: Inclusionary Housing Ordinance Sections with Programmatic Options. From a CEQA perspective, it is concerning that any Project includes multiple "Options". Table 1 provides for a "Range" of set-aside totals and affordable levels, as recreated below.

SET-ASIDE REQUIREMENT (Section 6341.c of the Draft Ordinance) The Board may select one of the feasible scenarios from the Economic Analysis	
General Plan Compliant Project – Rent	Range between 20% M and 5% VL+ 5% L +10% M
General Plan Compliant Project – Sale	Range between 5% VL and 5% L +10% M
General Plan Amendment	Range between 10% M and 5% VL+ 15% L

Initially, it is unclear if Table 1 offers only two "Options" for each of the three scenarios (Rent, Sale, and GPA). While the header includes a reference to "the feasible scenarios from the Economic Analysis", it only presents two choices. For the general public, it may cause confusion as to what is actually being evaluated. As presented in Table 1 of the Addendum, it appears the choices are:

- For-Rent Project – Either 20% Moderate Income or 5% Very Low + 5% Low + 10% Moderate
- For-Sale Projects – Either 5% Very Low or 5% Low and 10% Moderate
- General Plan Amendment Projects – Either 10% Moderate or 5% Very Low and 15% Low

The Economic Analysis determined that a wide variety of Options were available for each scenario. Specifically, as shown in Table 46, these options include six "feasible" GP-Compliant (Sale) scenarios, 12 "feasible" GP-Compliant (Rent) scenarios, and 26 "feasible" GPA (Sale and Rent) scenarios, with affordability levels ranging from 5% Extremely Low to 12% Extremely Low, 5% Very Low to 15% Very Low, 10% Low to 20% Low, 10% Moderate to 20% Moderate, and various combinations thereof.

Mathematically, the variety of options available for the Board of Supervisors to choose is expressed as 6 choose 12 choose 26. **This results in a total of 1,872 different combinations of "Projects"**.

This variability, both in the number of potential "projects" and the potential impacts on development potential (as calculated by the potential In-Lieu fee amount in Table 47) leads to an unstable Project Description. As described in *Washoe Meadows Community v. Department of Parks & Recreation* (2017) 17 Cal.App.5th 277 ("*Washoe Meadows"*) the "description of a broad range of possible projects, rather than a preferred or actual project, presents the public with a moving target..."

The test under *Washoe Meadows* is whether "the presentation of a small number of closely related alternatives would not present an undue burden on members of the public wishing to participate in the CEQA process," or whether the difference in the alternatives is considered "vast".

Table 46. Feasibility Summary

Scenario		Meets Residual Land Value Standard[1]		Meets Return on Cost Standard[2]		Meets Supportable Lot Standard[3]	Summary		
		GP-Compliant (Sale)	GP-Compliant (Rent)	GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)	GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	5% EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2a	10% EL	No	No	No	No	Yes	No	No	Yes
3a	5% VL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4a	10% VL	No	No	No	Yes	Yes	No	No	Yes
5a	15% VL	No	No	No	No	Yes	No	No	Yes
6a	10% L	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7a	15% L	No	Yes	No	Yes	Yes	No	Yes	Yes
8a	20% L	No	No	No	Yes	Yes	No	No	Yes
9a	5% VL, 5% L	No	Yes	Yes	Yes	Yes	No	Yes	Yes
10a	10% VL, 5% L	No	No	No	No	Yes	No	No	Yes
11a	10% VL, 10% L	No	No	No	No	No	No	No	No
12a	5% VL, 10%L	No	No	No	Yes	Yes	No	No	Yes
13a	5% VL, 15%L	No	No	No	No	Yes	No	No	Yes
14a	10% M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15a	15% M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16a	20% M	No	Yes	No	Yes	Yes	No	Yes	Yes
17a	5% VL, 5% L, 5% M	No	Yes	No	Yes	Yes	No	Yes	Yes
18a	5%L, 10%M	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
19a	10%L, 10% M	No	Yes	No	Yes	Yes	No	Yes	Yes
20a	10% L, 5% VL	No	No	No	Yes	Yes	No	No	Yes
21a	5% VL, 5% L, 10%M	No	Yes	No	Yes	Yes	No	Yes	Yes
22a	5% VL, 10% L, 5%M	No	No	No	Yes	Yes	No	No	Yes
23a	10% VL, 5% L, 5%M	No	No	No	No	Yes	No	No	Yes
24a	7% VL, 7% L, 6%M	No	No	No	Yes	Yes	No	No	Yes
25a	8% VL, 6% L, 6%M	No	No	No	Yes	Yes	No	No	Yes
26a	9% VL, 6% L, 5%M	No	No	No	Yes	No	No	No	No
27a	11% EL	No	No	No	No	Yes	No	No	Yes
28a	12% EL	No	No	No	No	Yes	No	No	Yes
29a	13% EL	No	No	No	No	No	No	No	No

(1) Scenarios that return a residual land value with a decline greater than -30% compared to the Base Case
(2) Scenarios that return a greater than 0% Return on Costs
(3) Scenarios where Supportable Lot Value is higher than or equal to Finished Lot Cost
Source: AECOM

As shown in Table 47 of the Economic Analysis, the "costs" of these can range from \$10.74 to \$22.08 per square foot for GP-Compliant (Sale) projects, \$0.00 to \$24.44 per square foot for GP-Compliant (Rent) projects and \$8.58 to \$43.13 per square foot for GPA projects. These differences may be considered "vast" to developers and builders when making a decision of whether to pursue a project.

Without a specific recommendation, a stable "Project", the potentially "vast" differences in these totals preclude the public from meaningful input. The Addendum should be revised to provide for a specific recommendation for affordability levels and set-aside amounts.

Further, the actual costs may also be admittedly much larger. The Economic Analysis is predicated on the assumption that residual land values will fall by 30% without changing a seller's willingness to sell ["...assuming landowners will absorb up to a 30 percent loss in value without a change in their willingness to sell." (Pg. 62)]. While the Economic Analysis states that there is historical evidence to support the eventual reduction in land value, no such evidence is provided. Rather, the Economic Analysis admits that "this transition can be prolonged as land markets are typically 'sticky' and slow to reflect factor changes."

If sellers are unwilling to accept reductions of up to 30%, the residual costs of land would increase, which would increase the costs presented in Table 47 and may result in changes to which Options are considered "feasible" or the costs of these Options.

To avoid this reasonably foreseeable outcome, the Addendum should be revised to include a Project Design Feature that the Draft Program be phased-in, which would both be consistent with Best Practices, and would ensure the costs anticipated by the Economic Analysis account for "sticky" residual land values.

Table 47. Calculated In-Lieu Fees by Feasible Set-Aside Scenario

Scenario		Estimated in-lieu fee (per market-rate unit sq.ft.)		
		GP-Compliant (Sale)	GP-Compliant (Rent)	GPA (Sale and Rent)
1a	5% EL	$12.67	$18.69	$14.06
2a	10% EL			$31.32
3a	5% VL	$10.74	$14.16	$11.63
4a	10% VL			$25.95
5a	15% VL			$40.35
6a	10% L	$21.37	$15.17	$17.90
7a	15% L		$24.32	$27.76
8a	20% L			$41.82
9a	5% VL, 5% L			$20.64
10a	10% VL, 5% L			$36.27
12a	5% VL, 10%L			$31.84
13a	5% VL, 15%L			$43.13
14a	10% M	$12.75	$0.00	$8.58
15a	15% M	$18.34	$0.00	$13.21
16a	20% M		$6.87	$31.59
17a	5% VL, 5% L, 5% M		$23.50	$25.98
18a	5%L, 10%M	$22.08	$7.16	$17.93
19a	10%L, 10% M		$15.94	$29.75
20a	10% L, 5% VL			$31.84
21a	5% VL, 5% L, 10%M		$24.44	$32.71
22a	5% VL, 10% L, 5%M			$38.13
23a	10% VL, 5% L, 5%M			$42.81
24a	7% VL, 7% L, 6%M			$41.41
25a	8% VL, 6% L, 6%M			$42.15
27a	11% EL			$34.97
28a	12% EL			$37.79

Darker shading reflects higher fee value
Source: AECOM

B. The lack of analysis of reasonably foreseeable potential impacts from implementation of the Project should be corrected based on substantial evidence.

The Addendum states "Implementation of potential actions would require further review and analysis..." and that "[a]nalysis of potential impacts of potential actions associated with the implementation of the Affordable Inclusionary Housing Program are outside of the scope of the Program and thus, are not required for purposes of this addendum." (pg. 3 of 33) While adopting the Draft Program itself would not have a direct physical effect on the environment, the implications of the Program are reasonably foreseeable based on the evidence included in the Economic Analysis. As detailed herein, implementation of the Draft Program is likely to have the following potential effects which could be reasonably foreseen to result in physical changes to the environment or other impacts under CEQA.

1. Conflicts with Adopted Land Use Plans, Policies and Regulations

The Economic Analysis concludes that the Draft Program would render implementation of the State Density Bonus Law, as adopted by the County in Zoning Ordinance Section 6350 et. seq. ineffective because "...in general...***the available density bonuses provided by the State Density Bonus Law do not offer enough value to fully offset the revenues lost to affordable set asides."*** *(pg. 64)*

Frustrating the effectiveness of Density Bonus is not a physical impact to the environment. However, if the Draft Program, as presented and analyzed in the Economic Analysis, would preclude the use of Density Bonus because "compliance with a mandatory inclusionary housing requirement, even after applying the density bonus, will reduce project return" then the Project's consistency with the adopted General Plan Housing Element must be further evaluated.

Specifically, Housing Element Policy 3.3, which states:

> **H-3.3 Density Bonus as a Tool to Develop Affordable Housing**. <u>Provide a local density bonus program to encourage the development of housing affordable to lower-income households and special needs households</u>.

The County should analyze how the Draft Program complies with this Policy when the Economic Analysis concludes that the Draft Program will frustrate the effectiveness of the Density Bonus Program. The Housing Element, as part of the General Plan, does help avoid or mitigate potential environmental effects by providing the mechanisms to ensure housing at various affordability levels, thereby attempting to ensure sufficient housing supply in San Diego County which ensures communities are not divided, growth is appropriately planned for, and out-of-County commute trips and associated VMT, AQ, GHG, Energy and Noise impacts are minimized.

Similarly, the Economic Analysis determined that, under the Draft Program "every set-aside scenario results in a lower estimated return than the Base Case" because "set-aside units are income-restricted and generate less revenue than market-rate units." By reducing project returns, the Draft Program reduces the feasibility of providing housing, including housing to Environmental Justice communities. Similar to the Housing Element, the Environmental Justice Element of the General Plan has been adopted to avoid and mitigate potential environmental effects, including air quality and health risks impacts. Therefore, the Addendum should be revised to evaluate the Program's consistency with the Environmental Justice Element.

Specifically, the Environmental Justice Element Goal EJ-7 and Policy EJ-7.1:

> **GOAL EJ-7**
> **Affordability Measures.** <u>Ensure all residents have access to affordable housing options to reduce the prevalence of cost-burdened households</u>, particularly for owners and renters in EJ Communities.
>
> **Policies**
> **EJ-7.1 Prioritize Affordable Development.** <u>Support and prioritize the development of affordable housing in and around EJ Communities for different income levels and located in proximity to community amenities</u>. Consider the development of nontraditional housing types.

Finally, the Addendum states that the changes proposed by the Draft Program are intended "to ensure affordable housing units are developed in proportion with the overall increase in new housing units to meet the California Department of Housing and Community Developments RHNA requirements for unincorporated areas of San Diego County" (pg. 2) and "to meet the California Department of Housing and Community Developments (HCD) regional housing needs allocation (RHNA) for unincorporated areas of San Diego County." (pg. 10)

In combination with the above statements from the Economic Analysis, the Addendum should consider the Project's compliance with the RHNA and how the County will achieve its allocation of the RHNA if Density Bonus may not be effective following implementation of the Draft Program, and if the program costs reduce the feasibility of development if sellers are unwilling to accept reduced land values.

The intent of these suggested analyses would be to confirm the findings presented in the Addendum.

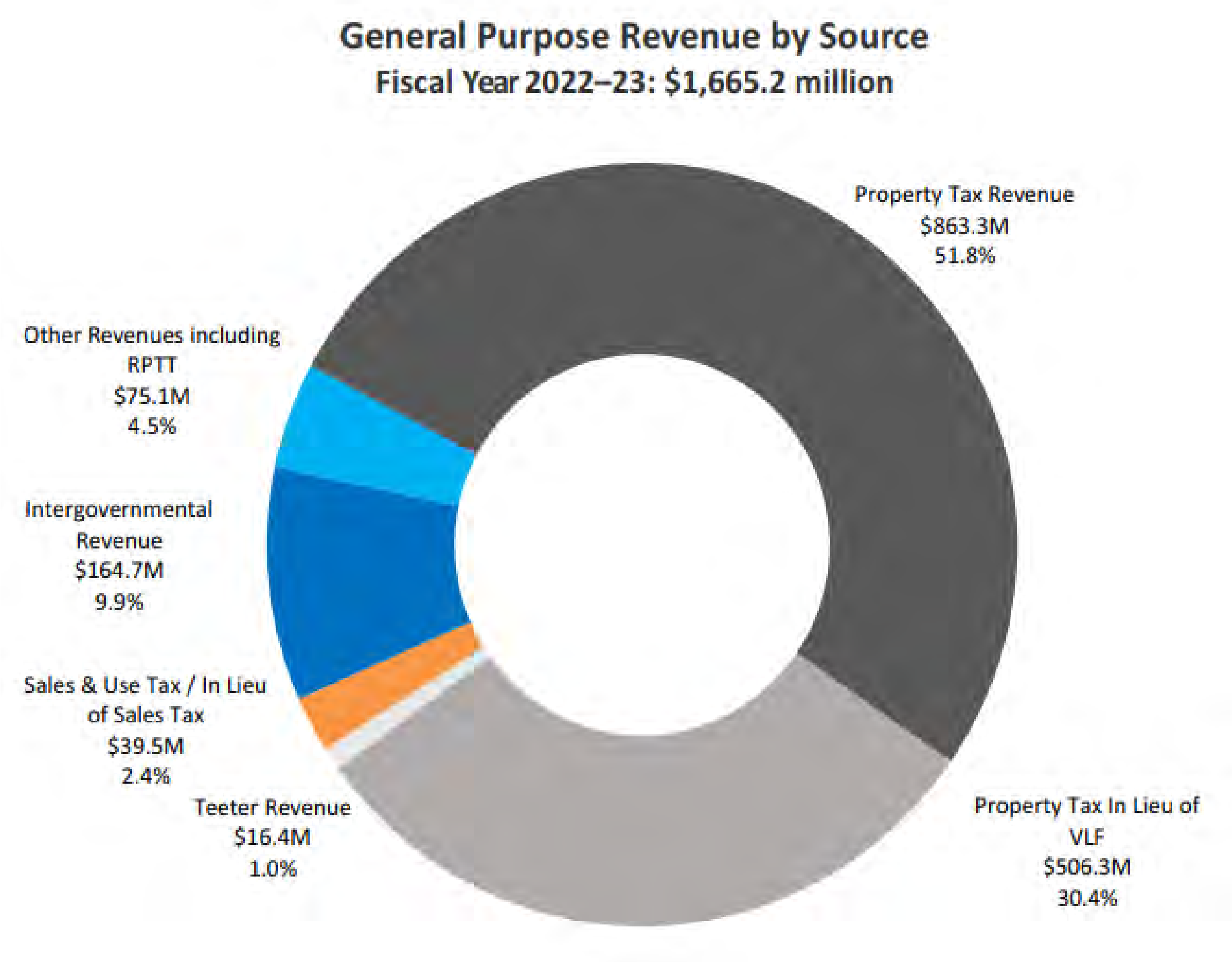
2. Reduction in Property Taxes and the Provision of Public Services

As previously noted, the Inclusionary Ordinance is predicated on the assumption that underlying property owners are willing to accept up to a 30% reduction in land value. The Economic Analysis states there is historical evidence to support this decline in property values when an Inclusionary Ordinance is adopted.

Reductions in property taxes are not an impact under CEQA. However, property taxes account for over 50% of the County's General Purposes Revenues, as shown by the figure below, extracted from page 129 of the Adopted Operational Plan Fiscal Years 2022-23 and 2023-24. While the County collects property taxes County-wide, and the Inclusionary Ordinance would only apply to properties in the unincorporated County, it is unclear the extent to which a 30% reduction in property taxes from unincorporated parcels would affect the County's operational budget.

Where this has the potential to result in impacts under CEQA is when considering the potential for the County to adequately protect residents from wildland fires. The Safety Element of the General Plan states that "Funding Fire Services: <u>Existing funding for fire services is limited and variable</u>. Full-time funding for fire services is crucial for assuring long-term commitment of adequate coverage." If funding fire protection is largely from the General Revenues, does the potential for a 30% reduction in property taxes from unincorporated parcels pose significant risk of loss, injury or death involving wildland fires?

The Addendum should be updated to confirm the County can maintain adequate services if property tax revenues from unincorporated parcels are reduced by 30%, or confirm that funding for fire protection is not directly tied to property taxes.



3. Cumulative Impacts

The Economic Analysis determined that development at each of the various scenarios are considered feasible; however, these costs do not consider the cumulative effects of known, pending projects and programs currently under development by the County.

Notably, the Vehicle Miles Traveled (VMT) Fee is a known, pending project. The Economic Analysis admits "*VMT measures could impact the financial feasibility of an inclusionary housing program by adding additional costs to development or changing the expected value of land within and outside of these areas*." (pg. 10) Thus, the costs and feasibility of the Draft Program are already in question, which undermines the stability of the Project Description.

The Addendum should be revised to consider the potential for cumulative impacts of adopting both the Inclusionary Housing and VMT fees. While the final VMT fee is not currently known, the County recently provided an update which suggested that the fee amount could be between $10,000 and $19,000 per vehicle-mile traveled. Therefore, an average of $14,500 would be the best available information.

Again, the intent would be to confirm the analysis in the Addendum is adequate.

Attachment 1: County Zoning Ordinance Section 6350

6350

DENSITY BONUS PROGRAM

6350 TITLE AND PURPOSE.

The provisions of Sections 6350 through 6399, inclusive, shall be known as the Density Bonus Program/Affordable Housing Program. The purpose of these provisions is to implement the state requirements at Government Code Section 65915 et seq. and the policies and programs in the Housing Element of the San Diego County General Plan. As required by Government Code Section 65915 et seq., these provisions offer density bonuses and incentives or concessions for the development of housing that qualifies under Section 6355. The Density Bonus/Affordable Housing Permit Procedures, commencing at Zoning Ordinance Section 7400, shall apply to all density bonus/affordable housing projects except for housing under the County Affordable Senior Housing Program, which shall comply with the procedures found at Zoning Ordinance Section 6360 a.2.

In order to be eligible for a density bonus and other incentives or concessions, a proposed project shall comply with the following provisions of the Density Bonus/Affordable Housing Program and all other applicable local, state, and federal requirements.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6355 ELIGIBILITY FOR AFFORDABLE HOUSING/DENSITY BONUS PROGRAM AND PERMIT.

a. Income and Age Requirements. A housing development proposed to qualify for shall be designed and constructed so that it includes at least one of the following:

c

1. At least five percent of the total number of base units are reserved as affordable for very low income households.

2. At least ten percent of the total number of base units are reserved as affordable for lower income households.

3. The project is a senior citizen housing development or is a mobilehome park that limits residency based on age requirements for housing for older persons pursuant to Civil Code Sections 798.76 or 799.5. No affordable units are required to receive a density bonus. Market rate age restricted units are not eligible for an incentive, waiver, or concession.

4. Ten percent of the total dwelling units in a common interest development, as defined in Civil Code Section 1351, for persons and families in a moderate income household provided that all units in the development are offered to the public for purchase.

5. At least ten percent of the total dwelling units in the development are reserved as affordable at a very low income level to transitional foster youth as defined in Section 66025 of the California Education Code, disabled veterans as defined in Section 18541 if the California Government Code, or homeless persons as described in the California McKinley Vento Homeless Assistance Act.

6. Under the County Affordable Senior Housing Program, one hundred percent of the units are reserved at an affordable rent, as defined in Health and Safety Code Section 50053, to very low, low, or moderate income senior citizens.

b. Land Donation. An applicant for a tentative subdivision map, parcel map, or other residential development, who donates at least one acre of land to the County for very low income housing and has the appropriate General Plan designation, zoning, permits and approvals, and access to public facilities, shall be eligible for a density bonus.

c. Condominium Conversion Projects. An applicant who proposes to convert apartments to a condominium project, provides at least 33 percent of the total base units for moderate income households or at least 15 percent for lower income households, and meets the requirements of Government Code Section 65915.5 shall be eligible for a density bonus.

d. Child Care Facilities. A housing development that meets one of the eligibility requirements of subsections a.1. through a.4. and includes a child care facility located on the site of, as part of, or adjacent to, the development shall be eligible for a density bonus as defined in Government Code Section 65915(h).

e. Senior Citizen Housing. To meet the eligibility requirements of subsection a.3., a Senior Citizen Housing Development must have at least 35 dwelling units, exclusive of the bonus units.

f. Ineligible Projects -- Required Replacement of Affordable Units.

1. An applicant shall be ineligible for a density bonus or any other incentives or concessions under this section if: a) the development is proposed on any property that includes any existing affordable rental dwelling units occupied by lower or very low income households; b) if such affordable dwelling units have been vacated or demolished in the five-year period preceding the application; and c) such affordable dwelling units have been subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of lower or very low income. However, an applicant may establish eligibility if the proposed housing development replaces those units, and either of the following applies:

    i. The proposed housing development, inclusive of the units replaced pursuant to this subsection (f)(2), contains affordable units at the percentages set forth in subsection a.

    ii. Each unit in the development, exclusive of a manager's unit or units, is affordable to, and occupied by, either a lower or very low income household.

2. The number and type of required replacement units shall be determined as follows:

6355

i. For a development containing any occupied dwelling units, the development must contain at least the same number of replacement dwelling units, of equivalent size and bedrooms, and must be made affordable to and occupied by persons and families in the same or a lower income category as the occupied dwelling units. For unoccupied dwelling units in the development, the replacement dwelling units shall be made affordable to and occupied by persons and families in the same or lower income category as the last household in occupancy. If the income category of the last household is unknown, it is presumed, unless proven otherwise, that the dwelling units were occupied by lower income rente households in the same proportion of lower income renter households to all renter households within the County of San Diego, as determined by the most recently available data from the United States Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy database, and replacement dwelling units shall be provided in that same percentage.

ii. If all of the dwelling units are vacant or have been demolished within the five years preceding the application, the development must contain at least the same number of replacement dwelling units, of equivalent size and bedrooms, as existed at the highpoint of those units in the five year period preceding the application, and must be made affordable to and occupied by persons and families in the same or a lower income category as those in occupancy at that same time. If the income categories are unknown for the highpoint, it is presumed, unless proven otherwise, that the dwelling units were occupied by very low income and low income renter households in the same proportion of very low income and low income renter households to all renter households within the County of San Diego, as determined by the most recently available data from the United States Department of Housing and Urban Development's Comprehensive Housing Affordability Strategy database, and replacement dwelling units shall be provided in that same percentage.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6360 DENSITY BONUS.

a. Density Bonus Allowance. A development that complies with the eligibility requirements of Section 6355 shall be entitled to a density bonus as follows:

1. Density Bonus Table. The total number of base units, exclusive of the additional bonus units, shall be the basis for determining the percentage of affordable units. The total number of base units shall be calculated in accordance with Section 6360 b and be consistent with the maximum allowable residential density under the Zoning Ordinance and the Land Use Element of the General Plan. The density bonus shall be calculated based on the Density Bonus Table.

6360

DENSITY BONUS TABLE

Income Category	Reserved Units	Bonus		
Household Income Category of Affordable Units	Minimum % of Base Units that must be Reserved to qualify for Bonus	Bonus Allowed		
		Minimum Bonus (% of Base Units)	Additional bonus for each 1% increase in reserved units	Maximum Bonus (% of Base Units)
Very Low Income	5%	20%	2.5%	35%
Low Income	10%	20%	1.5%	35%
Moderate Income (Ownership Units Only)	10%	5%	1%	35%
Age Restricted Senior Citizen Housing Development	100%	20%	--	20%
Transitional Foster Youth, Disabled Veterans, Homeless	10%	20%	--	20%
Land Donation for Very Low Income Housing	10% of Market-Rate Units	15%	1%	35%
Common Interest Development	10%	5%	1%	35%
Condominium Conversion				
Lower Income	15%	25%	--	25%
Moderate Income	33%	25%	--	25%
Child Care Facility	Must qualify under Section 6355 a.1. – a.4.	Additional residential space equal to or greater than the square footage of the child care facility or one additional incentive		
County Affordable Senior Housing Program (Rental Units Only)				
Very Low Income	100%	50% to a maximum of 45 units/acre*		
Low Income	100%	45% to a maximum of 45 units/acre*		
Moderate Income	100%	40% to a maximum of 45 units/acre*		
Commercial Development with Affordable Housing	Pursuant to Government Code 65915.7	Pursuant to Section 6365		

* The density cap of 45 units per acre is calculated based on the net lot area.

2. County Affordable Senior Housing Program.

i. An Administrative Permit authorizing a density bonus for an affordable rental senior housing project may be approved in accordance with the Administrative Permit Procedure commencing at Section 7050 if the project meets the requirements of Section 6355 a.5. and this section and if it is found that the location, size, and design of the proposed use will not adversely affect or be materially detrimental to the San Diego County General Plan, adjacent uses, residents, buildings, structures, or natural resources, with consideration given to:

a) The type and density of the housing development would not have a harmful adverse effect on surrounding neighborhood character.

b) The site is physically suitable for the density of development proposed.

c) There is demonstrated capacity and service of sewer, water, schools (as may be required), fire, police protection and utilities available to the housing development.

d) The housing development and surrounding areas have adequate access to accommodate the generation of traffic.

e) The site has reasonable proximity and access to special support services (e.g., retail and convenience uses, public transit, emergency medical facilities, etc.) as may be required by the type and density of development proposed.

ii. The County Affordable Senior Housing Program shall be available only to a housing development of five or more dwelling units, exclusive of the bonus units. The residents shall be persons 62 years of age or older or 55 years of age or older in a senior citizen housing development consisting of at least 35 dwelling units, exclusive of the bonus units.

iii. The housing development must be located in an area with a General Plan density of at least 10.9 units per acre.

iv. Density bonus calculations shall be made as specified in Section 6360 b.

v. Bonus units must be reserved and rented to senior citizens at the same level of affordability as the proposed development.

vi. The maximum density, including the bonus units, cannot exceed 45 units per acre based on the net lot area.

vii. The applicant will be required to enter into a density bonus housing agreement with the County's Department of Housing and Community Development. The agreement shall be subject to and comply with the density bonus housing agreement provisions set forth in Section 7430.

viii. A housing development located in a specific plan area shall not be allowed a density bonus which causes the overall maximum density of the specific plan to be exceeded.

ix. Parking requirements shall be met as specified in Section 6370.

x. Requested incentives are subject to the provisions of Zoning Ordinance Section 6365, except that the applicant shall not be required to submit a financial documents under Section 7410 b.2. An applicant for a project under the County Affordable Senior Housing Program shall receive up to four incentives, unless disapproved with written findings in accordance with Section 7420 a.

3. Land Donation For Very Low Income Units. When an applicant for a tentative subdivision map, parcel map, or other residential development approval donates land to the County for very low income housing and meets the requirements of Government Code Section 65915(g), the applicant shall be entitled to a 15 percent minimum increase above the otherwise maximum allowable residential density.

   i. The donated land must have all permits and approvals necessary for the development of very low income housing units equal to at least 10 percent of the market rate units within the proposed development.

   ii. If the proposed development also includes units reserved for affordable housing, the density bonus from the donated land shall be in addition to the density bonus permitted for the provision of housing reserved for very low, low, moderate, or senior households up to a maximum combined density increase of 35 percent.

4. Condominium Conversion Projects. A condominium conversion project which meets the requirements of Government Code Section 65915.5 shall receive either a density bonus of 25 percent or incentives of equivalent financial value unless the development previously received density bonus or other incentives, in which case it is ineligible for the Density Bonus Program/Affordable Housing Program.

5. Child Care Facilities. A housing development with a child care facility that meets the eligibility requirements of Section 6355 d. shall be entitled to one of the following subject to the requirements of Government Code Section 65915(h):

   iii. An additional density bonus that is an amount of square feet of residential space that is equal to or greater than the amount of square feet in the child care facility. Any additional amount of residential space that exceeds the amount of square feet in the child care facility must be approved by the approving authority. The additional square feet of residential space may be used for additional residential units that must meet the average square footage size of the other residential units in the development.

iv. An additional incentive that contributes significantly to the economic feasibility of the construction of the child care facility.

b. Density Bonus Calculations.

1. Base Units. The number of base units shall not exceed the maximum allowable residential density as permitted by the County's Zoning Ordinance and General Plan.

i. The net lot area of the project site shall be the basis on which the number of base units is determined.

ii. The density bonus percentage shall be calculated using the total number of base housing units and shall not include the density bonus units.

iii. When calculating the maximum number of base dwelling units permitted on a project site any fraction of a base dwelling unit shall be rounded up to the nearest whole number of dwelling units.

iv. The maximum number of dwelling units permitted within the exterior boundary lines of any subdivision or a single lot, shall be reduced to an achievable number of dwelling units when such reduction is needed to comply with all applicable land use requirements. The resulting density shall be the Maximum Allowable Residential Density.

2. Density Bonus Units. When calculating the number of density bonus units to be granted to an applicant under Government Code section 65915, a fraction of a density bonus unit shall be rounded up to the nearest whole number.

3. Split Zones. If the housing development site is located in two or more zones, the number of dwelling units permitted in the development is the sum of the dwelling units permitted in each of the zones. Within the development, the permitted number of dwelling units may be distributed without regard to the zone boundaries.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6365 INCENTIVES.

a. Types of Incentives. An applicant eligible for an Affordable Housing Permit pursuant to Section 6355 may qualify for one or more of the following incentives whether or not a density bonus is requested:

1. A reduction or deviation in site development standards or a modification of zoning code requirements or architectural design requirements that exceed the minimum building standards approved by the California Building Standards Commission as provided in Part 2.5 (commencing with Section 18901) of Division 13 of the Health and Safety Code. These may include, but not are not limited to, a reduction in setback and square footage requirements, increased building heights, or a reduction in the ratio of vehicular parking spaces that would otherwise be required. These reductions or deviations shall result in identifiable and actual cost reductions, to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

2. Approval of mixed-use zoning in conjunction with the housing project if commercial, office, industrial, or other land uses will reduce the cost of the housing development and if the commercial, office, industrial, or other land uses are compatible with the housing project and the existing or planned development in the area where the proposed housing project will be located.

3. Other regulatory incentives proposed by the applicant or the County that will result in identifiable, actual cost reductions to provide for affordable housing costs as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

b. Proof of Cost Reduction. Proof of identifiable, actual cost reduction associated to reduce the cost of the housing development to provide for affordable housing costs may be required of the applicant pursuant to Section 7410.

c. Permitted Number. The applicant shall receive the following number of incentives, unless disapproved in accordance with written findings as described in Section 7420 a:

INCENTIVES SUMMARY

Income Category of Reserved Units	**% of Reserved Units**		
Very Low Income	5%	10%	15%
Low Income	10%	20%	30%
Moderate Income (Ownership Units Only)	10%	20%	30%
County Affordable Senior Housing Program (Rental Units Only)	--	--	100%
Maximum Number of Incentives	2	3	4

d Incentives for Commercial Development. Pursuant to Government Code Section 65915.7, an applicant for a commercial development that has entered into an agreement with an applicant for a residential development that provides at least 15 percent of the dwelling units as affordable to very low income households or at least 30 percent of the dwelling units as affordable to low income households shall be entitled to an incentive in accordance with Government Code Section 65915.7(b) provided that the agreement is approved by the Planning & Development Services Director and the commercial development will contribute to affordable housing in one of the following ways:

1. Directly constructing the affordable dwelling units on the commercial site or a site that is within the jurisdiction of the County, in close proximity to public amenities including schools and employment centers, and located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code.

2. Donating a portion of the commercial site or another site that meets the criteria in Section 6365 c.1. for development of the affordable dwelling units; or

3. Financially contributing to the development of the affordable dwelling units.

e. Nothing in this section requires the County to provide direct financial incentives for the housing development, including but not limited to, the provision of publicly owned land or the waiver of fees or dedication requirements.

This section does not supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code).

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6367 WAIVER OF DEVELOPMENT STANDARDS

a. An applicant may submit a proposal for the waiver or reduction of development standards that will have the effect of physically precluding the construction of a housing development at the densities or with the incentives permitted by the Density Bonus Program/Affordable Housing Program.

b. Development standards that may be waived or reduced under this section include site or construction conditions that apply to a residential development pursuant to any ordinance, general plan element, specific plan, charter, or other local condition, law, policy, resolution, or regulation, including, but not limited to the following:

i. A height limitation.

ii. A setback requirement.

iii. A floor area ratio.

iv. An onsite open-space requirement.

v. A parking ratio that applies to a residential development.

c. A proposal for the waiver or reduction of development standards that will have the effect of physically precluding the construction of a development at the densities or with the incentives permitted by the Density Bonus/Affordable Housing Regulations shall be approved unless the approval authority makes a written finding to deny the proposal, based upon substantial evidence, as specified in Section 7420 b.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6370 PARKING REQUIREMENTS.

a. Applicability. The following parking requirements apply to eligible developments in accordance with Section 6355. Affordable housing projects that also meet the requirements of Government Code 65913.4 and are processed through ministerial review consistent with Section 7400 are subject to the parking requirements of Government Code 65913.4(d) rather than those in this section. Any additional parking modifications will be considered an incentive pursuant to Section 6365.

b. Number Of Parking Spaces Required.

The following maximum vehicular parking ratios apply for a project that meets the eligibility requirements of Section 6355, inclusive of parking for the disabled and guest parking.

PARKING REQUIREMENTS

Number of Bedrooms	Number of on-site parking spaces needed
0 – 1	1
2 – 3	2
4+	2.5

c. Lower parking ratios also apply to the following projects:

1. 0.5 space per bedroom for rental or for sale projects with at least 11% very low income or 20% lower income units, and within one-half mile of unobstructed access to a major transit stop as defined in subdivision (b) of Section 21155 of the Public Resources Code. Unobstructed access means if a resident is able to access the major transit stop without encountering natural or constructed impediments.

2. 0.5 space per unit for rental projects that are 100% affordable to lower income households (exclusive of a manager's unit), and within one-half mile of unobstructed access to a major transit stop as defined in subdivision (b) of Section 21155 of the Public Resources Code.

6370

3. 0.5 space per unit for age-restricted rental senior projects that are 100% affordable to lower income households, and have paratransit service or are within one-half mile of accessible fixed bus route service operating at least eight times per day.

4. 0.3 space per unit for special needs housing development as defined in Section 51312 of the Health and Safety Code, and have paratransit service or are within one-half mile of accessible fixed bus route service operating at least eight times per day.

d. If the total number of parking spaces required for a development is other than a whole number, the number shall be rounded up to the next whole number.

e. This Density Bonus Program/Affordable Housing Program does not preclude the County from reducing or eliminating a parking requirement for development projects of any type in any location.

f. Location of Parking. For purposes of this density bonus program, a development may provide on-site parking through tandem parking or uncovered parking, but not through on-street parking.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

6375 AFFORDABLE UNITS AND REPLACEMENT UNITS.

a. Duration of Affordability.

1. An applicant for new affordable housing shall agree to, and the County shall ensure, the continued affordability of all very low and low-income rental units that qualified the applicant for the award of the density bonus or incentives or other concessions for 55 years or a longer period of time if required by the construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program.

2. Replacement units shall be subject to a recorded affordability restriction for 55 years or longer.

b. Unit Affordability Requirements.

1. Rental Units. Rents for the lower income and moderate income reserved units shall be set at an affordable rent as defined in Health and Safety Code Section 50053.

2. Owner-occupied Units. Owner-occupied affordable units and replacement units shall be available at an affordable housing cost as defined in Health and Safety Code Section 50052.5.

c. Occupancy and Resale of Moderate Income Common Interest Development Units.

1. An applicant shall agree to, and the County shall ensure, that the initial occupant of moderate income units that are directly related to the receipt of the density bonus in a common interest development, as defined in Civil Code Section 1351, are persons and families of moderate income, as defined in Health and Safety Code Section 50093, and that the units are offered at an affordable housing cost, as defined in Health and Safety Code Section 50052.5.

2. The County shall enforce an equity sharing agreement as specified in California Government Code Section 65915(c)(2)

d. Location and Type of Reserved Units.

1. Location/Dispersal of Units. Affordable units shall be reasonably dispersed throughout the development where feasible and shall contain on average the same number of bedrooms as the market rate units.

2. Phasing. If a project is to be phased, the reserved units shall be phased in the same proportion as the market rate units or phased in another sequence acceptable to the County. The affordable units shall be constructed concurrently with or prior to construction of the market rate units.

3. Exterior Appearance. The exterior appearance and quality of the reserved units shall generally be similar to the market rate units, with exterior materials and improvements similar to and architecturally compatible with the market rate units in the development.

(Added by Ord. No. 10068 (N.S.) adopted 8-4-10)
(Amended by Ord. No.10592 (N.S.) adopted 2-27-19)

Attachment 2: Board Policy A-68

COUNTY OF SAN DIEGO, CALIFORNIA BOARD OF SUPERVISORS POLICY		
Subject	**Policy Number**	**Page**
Affordable Housing Expedited Review Process	A-68	1 of 3

Purpose

To secure significant reductions in the time required to exercise the regulatory function with regard to housing developments to be occupied by lower income persons.

Background

Lower income housing, as identified in the County's Housing Element of the General Plan and as defined by the State Department of Housing and Community Development, includes three income groups based on the County Area Median Income (AMI): extremely low-income (up to 30 percent AMI), very low-income (31 to 50 percent AMI) and low-income (51 to 80 percent AMI). In order to produce such housing in the shortest possible time and to reduce development costs to the greatest extent, it is desirable to expedite permit processing.

The California Housing Finance Agency (CalHFA) encourages procedures which will expedite the processing of zoning changes, use permits, building permits, environmental clearance, and any other type of permit, approval or clearance required by the County prior to construction or rehabilitation of a housing development financed by CalHFA.

The following policy and procedure are adopted to meet these objectives.

Policy

It is the policy of the Board of Supervisors that: The County shall expedite the processing of permits and other clearances required by the County prior to construction or rehabilitation of a housing development to be occupied in whole or in part by lower income persons.

Procedure

1. An applicant seeking an expedited permit process for construction or rehabilitation of an affordable housing development or a housing development financed by CalHFA shall submit a written request to the Department of Housing and Community Development (HCD). The request shall include all of the following:

   a. Documentation that some or all of the units will be rented or sold to lower income persons. This may be a contract with HCD or another affordable housing financing agency such as the California Tax Credit Allocation Committee (CTCAC), a commitment form provided by HCD and signed by the applicant, or some other legally enforceable instrument;

   b. A summary of funding requirements associated with the timing of the permit process (if any); and,

   c. A proposed timeline and summary of all critical dates associated with project approval and funding (if applicable).

2. HCD shall review requests to determine if a proposed development will provide housing for lower income persons as defined above. HCD will convey its determination to the applicant and the Department of Planning & Development Services (PDS).

3. After receiving a determination from HCD that a proposed development will provide housing for lower income persons, a PDS project manager shall be assigned to the project.

4. The PDS project manager shall evaluate the requested expedited permit process timeline and determine if the request is achievable. The PDS project manager shall prepare and authorize a project review schedule that incorporates reasonable expedited permit processing requests. The approved project review schedule shall identify the obligations of the applicant and the PDS staff assigned to the project. The approved project review schedule shall reference applicable federal, state, and local requirements associated with permit process.

5. The PDS project manager will distribute an expedited project review schedule to the applicant.

6. Whenever the review time indicated in the expedited project review schedule is exceeded, the PDS project manager will contact the appropriate party. Subsequently, within the means and within the reasonable use of discretion by PDS, the PDS project manager will:

   a. Facilitate feasible corrective measures; and,

   b. If necessary, authorize a revised expedited project review schedule.

Sunset Date
This policy will be reviewed for continuance by December 3, <u>2029</u>.

Previous Board Action
5-17-77 (52)
6-12-79 (17)
10-30-84 (90)
10-18-88 (48)
12-8-98 (53)
3-12-2002 (10)
04-07-09 (7)
09-25-12 (11)

12-15-15 (21)
12-13-22 (30)

CAO Reference

1. Housing and Community Development
2. Planning & Development Services

SIERRA CLUB
SAN DIEGO CHAPTER

8304 Clairemont Mesa Blvd., Ste 101 • San Diego, CA. 92111
TEL: 858-569-6005 • FAX: 858-569-0968
http://sandiego.sierraclub.org

March 7, 2023

Dear Ms Easland:

Subject: Sierra Club San Diego Comments on Draft County Inclusionary Housing Ordinance

Sierra Club San Diego commends the County for addressing the difficult and important issue of inclusionary housing. It is our belief that your plan is on the right track and we offer the following comments to amplify and modify your plan, not to critique it or replace it.

Before addressing the specific points in a potential inclusionary housing ordinance Sierra Club San Diego would like to state several principles about housing in general that should impact any potential inclusionary housing plan.

Sierra Club San Diego opposes any large development (i.e. more that 5 units) in the high and very high fire hazard severity zones, or outside of the infill areas adopted by the county.

Sierra Club San Diego generally opposes General Plan Amendments that would add housing in new areas. The appropriate way to make such changes would be through a new General Plan process that would solicit feedback from all stakeholders not to make ad hoc changes to the general plan. Such amendments undermine the integrity of the general plan and the general plan process.

Sierra Club strongly believes all new housing, particularly inclusionary housing, should be located near public transportation, shopping infrastructure, and employment hubs.

The following are our positions on the programatic options for the County's Draft Inclusionary Housing Ordinance.

Inclusionary Housing Ordinance Sections with Programmatic Options

- **Minimum Project Size for Ordinance Applicability (Project Size)**

    Require all residential units to be subject to the Inclusionary Ordinance, which includes option to pay an in-lieu fee for smaller projects that don't result in requirement for a full unit.

This is a modification to Option 1, which for General Plan (GP) Compliant Projects proposes applying the ordinance to projects proposing 5 or more units, and for GP Amendment Projects proposes applying the ordinance to projects proposing 1 or more units.

- **Set-Aside Requirement (minimum number of affordable housing units required and affordability level of those units)**

  General Plan Compliant – Rent: 5% VL + 5% L + 10% M (5% L should be affordable to households making 65% AMI and 10%M should be affordable to households making 100% AMI)

  General Plan Compliant – Sale: 5% L + 10% M (5% L should be affordable to households making 80% AMI and 10% M should be affordable to households making 110% AMI)

  General Plan Amendment – Require 20% affordable units at 65% of AMI. (This is the requirement that has been in place in the North City (Future Urbanizing Area) of the City of San Diego for 20+ years. No in lieu fee option should be allowed; the units should be included in the project. If alternative compliance is required, propose language included in the City of San Diego Municipal Code allowing "A dedication of developable land of equivalent value. See page 18 of Chapter 14: General Regulations of the Municipal Code for details of this Inclusionary Housing requirement: https://docs.sandiego.gov/municode/MuniCodeChapter14/Ch14Art03Division04.pdf §143.0450 Supplemental Planned Development Permit

  Regulations for Residential Rural Cluster Development with Increased Density (d) (1) - (4).

- **Alternative Compliance**

  Only two alternative compliance options should be included in the Inclusionary Housing Ordinance:
  - In-Lieu Fee – Such a fee should be sufficient to reflect the true cost of producing on-site units and should be restricted to projects smaller than 10 units.
  - Land Dedication - Dedicated land should be of equivalent value to the set-aside requirement.

  The ordinance **should not include** the following alternative compliance options: Off-site Development, Accessory Dwelling Units, or Rehabilitation of Units.

- **Location Criteria (for land donations)**
  - Must be outside high and very high fire hazard severity zones.
  - Must be located within a 1-mile distance of the proposed project/amendment.

- **Incentives**
  - Expedited review for project that provides all units (100%) as affordable (up to 80% AMI)
  - Expedited review for project that provides 50% more affordable housing than required.

Thank you for your consideration of these important items.

Sincerely,

Susan Baldwin, AICP
Sierra Club San Diego Executive Committee

Dr. Peter Andersen, Vice-Chairperson
Sierra Club San Diego Conservation Committee

cc: Nora Vargas, Chair, District 1, District1community@sdcounty.ca.gov
Terra Lawson-Remer, Vice-Chair, District 3, terra.lawsonremer@sdcounty.ca.gov
Joel Anderson, District 2, joel.anderson@sdcounty.ca.gov
Nathan Fletcher, District 4, Nathan.fletcher@sdcounty.ca.gov
Jim Desmond, District 5, jim.desmond@sdcounty.ca.gov

Easland, Camila

From: Long Range Planning, PDS
Sent: Tuesday, March 7, 2023 6:13 PM
To: Easland, Camila; Larson, Ben
Subject: FW: [External] Inclusionary Housing Ordinance

From: Susan Jackson <susanjackson5052@gmail.com>
Sent: Tuesday, March 7, 2023 4:25 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] Inclusionary Housing Ordinance

To: Camila Easland-PDS Long Range Planning
Re: Inclusionary Housing Ordinance

If an Inclusionary Housing Ordinance is adopted, I would request that policy include a waiver for existing "pipeline projects" which have invested or spent substantial funds on planning, design, engineering, processing or have applications that have been deemed complete. Those pipeline projects should be grandfathered or exempt from having to re-design or incur any additional fees from said policy.

Sincerely Submitted,

Susan Jackson

San Diego Regional Chamber

402 West Broadway, Suite 1000
San Diego, CA 92101-3585
p: 619.544.1300
www.sdchamber.org

March 7, 2023

Camila Easland
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310
San Diego, CA, 92123
PDS.LongRangePlanning@sdcounty.ca.gov

Subject: Comment Letter on Inclusionary Housing Draft Ordinance Development

Dear Camila Easland,

On behalf of the San Diego Regional Chamber of Commerce (Chamber), please accept this comment letter concerning the development of the County's draft inclusionary housing ordinance. From market rate and affordable builders, healthcare systems, to nonprofit organizations, we represent many industries who are committed to being part of the solution to address our region's housing crisis.

With over 2,500 member businesses representing approximately 300,000 jobs, we appreciate the opportunity to participate in County discussions focused on building the housing necessary for our local workforce and their families. Thank you for your continued focus on housing affordability and for your commitment to identifying the challenges to creating more homes.

There are several reasons as to why our region is in a housing crisis, with the lack of supply compared to demand as the top issue. According to the County's 2021 General Plan Annual Progress Report, 1,425 dwelling units were permitted and 1,061 of those constructed, compared to 380 constructed in 2020 and 399 constructed in 2019. While these numbers fare better than previous years, we have still not kept up with demand nor the County's Regional Housing Needs Assessment (RHNA) goals.

Over the past few years, there have been several County policies that have impacted development and the feasibility and financial impacts are still yet to be assessed. Because we are in a housing crisis, we believe the County should conduct an economic evaluation of said policies to determine if they are increasing the cost to build housing before advancing an inclusionary housing ordinance, which may have unintended consequences. Included in these policies are the evaluation and implementation of the County's Climate Action Plan, and the need for the County to focus on reviewing how the impacts of vehicle miles travelled (VMT) and their progress in developing a VMT mitigation program would affect a builder's ability to create more homes in the unincorporated region.

While we are mindful of the Board's direction to move forward, we ask that you consider the following comments regarding the draft ordinance:

Project Applicability: We appreciate the County for including exempt project language in the text of the ordinance that refers to what is defined as a "deemed complete" application.

Set-Aside Requirements: We ask the County to consider set-aside requirements that do not exceed 10 to 15 percent. A total requirement of more than 10 to 15 percent would deem many project types infeasible.

Alternative Compliance, Incentives, Off-site Development: We appreciate County staff for taking into consideration the potential alternative compliance, incentives, and off-site development options listed in the draft ordinance so far. A robust list of options would allow for an inclusionary housing ordinance to be effective in the unincorporated County. We are also encouraged to hear of staff's recommendation that a blending of off-site development, in-lieu fee, or alternative compliance is an option. Further, an inclusionary housing ordinance should align with streamlining the regulatory process and reducing the cost of building a home in the County. Lastly, we emphasize staff's recommendation of projects subject to the ordinance also be eligible to receive incentives through the County's Density Bonus Program, as well as also being counted toward satisfying the inclusionary housing requirements of this ordinance.

Program Implementation: We ask the County to consider a reasonable implementation timeline of an inclusionary housing ordinance and refer to the City of San Diego's five-year phase-in of their program. Incrementally implementing such a program helps the land development environment adjust to these changes.

There is no larger threat to our talent attraction, retention, and our local economy, than today's housing crisis. As mentioned in previous policy discussions, the Chamber believes that housing policy that results in more deed-restricted and market rate homes in a cost-effective manner should be the County's priority. We appreciate the opportunity to comment and look forward to participating in future discussions. Should you have any questions, please do not hesitate to contact Angeli Hoyos, Public Affairs Manager, at ahoyos@sdchamber.org.

Sincerely,

Jerry Sanders
President & CEO
San Diego Regional Chamber of Commerce

SheppardMullin

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March 7, 2023

File Number: 88SM-370451

VIA EMAIL ONLY

Camila Easland
County of San Diego
Planning and Development Services
Long Range Planning
Email: PDS.LongRangePlanning@sdcounty.ca.gov

Re: **Comments to County of San Diego Inclusionary Housing Draft Ordinance**

Dear Ms. Easland,

Thank you for the opportunity to comment on the County of San Diego's proposed Inclusionary Housing Draft Ordinance. Our comments are submitted based both on our homebuilding clients' experience in incorporating inclusionary housing units in their market rate development projects and our experience working with other jurisdictions to craft balanced inclusionary ordinances that boost both market rate and affordable housing supplies. Most recently, we worked with the City of San Diego on its highly successful Inclusionary Affordable Housing Regulations.

We appreciate County staff's efforts to fully investigate potential program options and evaluate the various options for meeting its goal of producing sufficient affordable units to meet the County's RHNA allocations. Keeping this goal in mind, our comments focus on the practical application of inclusionary regulations, highlighting some specific areas where the proposal may have the unintended consequence of reducing housing production, rather than achieving the County's housing goals.

Foremost among these are the need for flexibility in how projects contribute to meeting the County's inclusionary goals, and certainty in the requirements that apply to housing development in the County. As highlighted in a recent UC Berkeley Terner Center for Housing Innovation study on the costs of affordable housing production[1], "California will not solve its housing crisis unless policymakers develop a robust pro-housing policy agenda, one that includes streamlining development permits and reforming zoning so that all cities are building their fair share of both affordable and market-rate housing." Moreover, with an estimated cost of providing one subsidized affordable exceeding $700,000 (in 2020 dollars) according to the study, *there is a specific need to reduce the costs and complexity of building affordable units.*

[1] https://ternercenter.berkeley.edu/wp-content/uploads/2020/08/LIHTC_Construction_Costs_2020.pdf

Our specific comments, roughly following the County's "Guide for Public Feedback" are as follows:

1. <u>PRELIMINARY COMMENT: PURPOSE OF INCLUSIONARY HOUSING ORDINANCE (Section 6341.a TITLE AND PURPOSE)</u>

Please delete "affordable and inclusionary." In light of the housing policy goals expressed by the State and County, this program should be "interpreted and implemented in a manner to afford the fullest possible weight to the interest of and the approval and provision of *total* housing." This is consistent with the State Density Bonus Law, Government Code section 65915, which states "(r) This chapter shall be interpreted liberally in favor of producing the maximum number of *total housing* units." (Emphasis added.)

2. <u>MINIMUM PROJECT SIZE FOR ORDINANCE APPLICABILITY (Section 6341.b APPLICABILITY)</u>

(1)(i) Application of an on-site inclusionary requirement to projects consisting of less than 10 units (as proposed for General Plan Amendment projects) is either mechanically impossible under the proposed program or functionally requires projects below a given size to include a much greater proportion of affordable units as compared to larger projects, because the inclusionary requirements round up from 0.5 to the next whole unit. For example, a 2-unit project subject to a 10% inclusionary requirement could not be required to include any units because 10% is less than 0.5 units. On the other hand, using a 10% inclusionary requirement as applied to a 5 unit project would require it to functionally exceed the 10% inclusionary requirement (10% of 5 is 0.5, or 1 unit; 1 unit is 20% of 5 units but only 10% of 10 units.) Thus a smaller project would be proportionately overburdened as compared to larger projects.

Accordingly, any on-site requirement should apply only to projects above the unit count that would proportionately bear the same percentage of affordable units as larger projects and should not apply to projects under that threshold. To apply a 10% on-site inclusionary requirement, for example, inclusionary requirements should apply to projects proposing at least 10 units, **<u>Option 3</u>**. However, as noted by industry interviewees as cited in the Inclusionary Housing Economic Study, this minimum size would make development very challenging to finance, as even a 50-unit threshold could barely absorb the loss from including on-site affordable units.

(1)(i) Please clarify the intent that the requirement would be applicable to mixed-use development projects *that include a minimum residential component* and GPA projects that seek to increase the maximum *residential* density. As drafted the current language is unclear.

(1)(ii) <u>Exempt Projects</u>:

(a) Please incorporate (such as by a map incorporated into the proposed Ordinance) the definition of "Sub-Area 5". Although we understand the definition refers to the Subareas identified in the Inclusionary Housing Economic Study, the concern is that, once codified, this will be difficult to locate.

(b) Please add an exemption for age-restricted senior housing, or alternatively, provide that age-restricted senior housing units qualify as inclusionary units. This is consistent with the

State Density Bonus Law, which provides density bonuses, incentives and waivers for projects that include senior housing units.

(c) Please clarify that this exemption for projects-in-process applies to a project that has a complete application for a discretionary permit, *regardless of whether the project requires additional or subsequent discretionary approvals* (for example, (a) grading permits are considered discretionary under the County Code and (b) large specific plan projects often obtain subdivision maps for their later phases separately from their initial specific plan/DA/MUP entitlement phase.) Additionally, please clarify that a "housing development project" that has submitted a "Preliminary Application" pursuant to Government Code section 65941.1 prior to the effective date of the program is exempt, in accordance with State law, Government Code section 65589.5.

3. <u>SET-ASIDE REQUIREMENT (Section 6341.c AFFORDABLE HOUSING UNIT COMPLIANCE REQUIREMENTS)</u>

Please consider providing a phase-in period during which projects preparing for submission of applications can appropriately accommodate the added cost of providing inclusionary units. A 5-year phase-period is currently in process within the City of San Diego. More information can be found here IAH-2020-Procedures-Manual.pdf.pdf (sdhc.org).

A phase-in allows for a reasonable transition for property owners and investors that have made investments in the County under prior rules, to ensure that the County's program will be successful in producing housing to include affordable units. In fact, this is one of the "General Best Practices" recommended in the Inclusionary Housing Economic Study, at Section 3.2.2, which reports that "A phasing-in of program parameters and/or minimum thresholds may help ensure a smooth transition for transactions and projects currently under development or in process."

This phase-in is particularly important to avoid the further decrease in housing production that the Inclusionary Housing Economic Study warns about on page 62, which states, "An affordable set-aside requirement that is considered economically infeasible by the development and landowner communities *will likely result in a decrease in housing production for two reasons: investors may look elsewhere for opportunities that offer higher return potential and less risk, and landowners may be unwilling to accept a lowered land value resulting from the inclusionary requirements and choose to hold rather than sell land*." (Emphasis added.)

(1)(a)-(c). <u>Minimum Set-Aside</u>. In addition to the comments above regarding the relationship of the minimum project size to the minimum set-aside, which should take into consideration the relative burden on a project to its overall size and not unduly discourage smaller projects, the affordability levels should take into account the County Board of Supervisors' stated goals to facilitate production of moderate income and "work force" housing, in addition to its adopted RHNA goals. The required affordability level should provide flexibility to projects based on the product type (single- vs. multi-family), and whether units are for-sale or for-rent, as feasibility cannot be determined for all projects based on generalizations used in the Inclusionary Housing Economic Study.

(1)(i) <u>Rounding Rules</u>. As noted above, setting rounding up from 0.5 units means an on-site requirement would be functionally inapplicable to some small projects where the applicable inclusionary requirement is below 0.5 units, but overburden other small projects where the applicable requirement rounds up from 0.5 units. If this rule remains in place, the County's on-site requirements must be based on an appropriate minimum project size that allows a project to bear its proportionate share, rather than overburdening smaller projects.

(1)(ii)(d) Comparability. A requirement to disperse units throughout a building or site should be limited to multifamily projects only. While single-family residential developments can accommodate inclusionary units, it is very difficult to evenly disperse affordable single-family lots throughout the entire development due to differences in lot size, layout and other factors unique to single-family developments. The County's program should account for a variety in product types, not only rental and for-sale but also single-family and multifamily, as there is a need for all housing types in the County.

(1)(iii) Note that, pursuant to the State Density Bonus Law, inclusionary units provided pursuant to the proposed program are also counted towards units qualifying a project for bonus density, incentives and waivers under Government Code section 65915.

(2)(i) Please add language to clarify that after expiration of 55 years, units may be sold or rented at market rate. As noted above, there is a need for certainty in investments by housing developers, as uncertainty increases costs and reduces the investment that can be made in development housing in the County.

(3)(i) Timing for Construction of Inclusionary Housing Units. This section needs to be revised to accommodate projects that include phasing. As written, it would be impossible to provide inclusionary housing units in a phased project because all affordable units would be required to be built in the first phase.

Phasing is often used for financing, with proceeds from a first phase used to finance the next phase, etc. Financing all required affordable units regardless of phase would not be feasible in this model. Instead, each phase should be required only to provide the applicable percentage of inclusionary units based on the number of units in the phase.

Additionally, the 55 year restriction should run from occupancy of units in each phase, not the project overall.

4. ALTERNATIVE COMPLIANCE (Section 6341.d)

(1) As noted above, any compliance option including in lieu fees should be phased in over a minimum of 5 years, to ensure that the County's program will be successful in producing housing to include affordable units.

(2)(d) Off-site construction options: Please provide a map of eligible areas within High or Highest resource areas and VMT efficient or Infill Areas in order to illustrate actual capacity for off-site construction. With the current housing crisis, there should be *no extra hurdles* to constructing affordable units off-site. Off-site construction should be encouraged, not penalized with distance limits or higher set-asides because off-site already leads to more total units. For example, if a 100 unit project has a 10% set-aside, then only 100 units are constructed (90 market rate and 10 affordable). However, if off-site is permitted/encouraged, then a 100 unit project with a 10% set-aside yields 110 total units (100 market rate on site and 10 affordable units off-site).

In discussions with the San Diego Housing Commission, they are confused why policy makers make off-site development harder because when you have a housing crisis, the focus should be on maximizing affordable and market rate housing. Because you get more units with off-site construction, the County should revolutionize the thinking on off-site development. The County should consider further incentivizing it by offering extra incentives and extra density bonuses for applicants who propose off-site affordable development. Additionally, as noted in the Inclusionary Housing Economic Study, the County should allow for for-rent affordable units to satisfy the requirement for for-sale market rate development, as the most cost-effective method of providing affordable housing.

While far too conservative and contrary to the system described above, if the concern is exporting affordable requirements to one part of the County, then at a minimum, expand the proposed 1 mile restriction to anywhere in the Board district. In truth, this should not be a concern, especially as affordable housing projects are considered to be screened out from VMT analysis. To reverse the demographic trend of residents and businesses leaving California for states with lower costs of living for families and employees, and often higher GHG and VMT impacts, we need market rate *and* affordable housing - and lots of it - so this is no time to create artificial, political, geographic limitations on where affordable housing can be developed.

Finally, this section should expressly allow for flexibility in the timing of providing off-site affordable units. Coordinating timing of providing market rate development and off-site affordable can be very difficult, especially where an affordable housing developer is employed to develop the off-site units. It can take years for an affordable housing developer to obtain the financing from competitive grant and tax credit programs. If market rate development and occupancy is tied to the affordable development, then the market rate projects cannot get financed until the affordable developer gets financed. This leads to years of unnecessary delay in constructing the housing. Consider allowing an option for the market rate developer to post a bond for the off-site construction (similar to way bonds are posted for off-site infrastructure improvements in a Subdivision Improvement Agreement) when a project seeks to obtain a final map.

(3) Accessory Dwelling Units:

(iii) Please remove the cap on the number of ADUs that may be provided to meet the inclusionary requirements. As the State has recognized, allowing ADUs in zones that allow single-family and multifamily uses provides additional rental housing and is an essential component in addressing California's housing needs. (Gov. Code section 65852.150.) A 5-ADU limit is arbitrary and does not account for either the size of the overall project or the value of ADUs in meeting affordable housing goals.

Additionally, please address how ADUs are considered for purposes of calculating a project's overall VMT, if ADUs are required to meet inclusionary requirements. A lack of clarity in this important metric creates uncertainty in a project's ability to meet the County's regulations, which again reduces the likelihood of investments in housing projects in the County.

(i) and (iv) Please remove the requirement that ADUs provided to meet inclusionary requirements must be comparable in terms of unit size, which conflicts with the requirements of Section 6156.x(5) and (6), which limit the total floor area to 50% of the floor area or 1200 square feet. We do not believe the intent of the IHO is to limit all market rate housing to 1200 square feet.

(4)(ii)-(iii) Land Donation. Similar to the comment above, please provide maps indicating the available suitable locations of donated land, including the location of High or Highest resource areas and VMT-efficient or Infill Areas, and zoned for residential use.

(4)(ii)(7) Please revise "*and* Zoning designations" to "*or* Zoning designations" consistent with State law, Government Code sections 65915 and 65589.

(5) Rehabilitation. Given the limitations on location and availability of units for rehabilitation, consider loosening the comparability requirements applicable to rehabilitated units. Additionally, consider adding the option to rehabilitate units in a greater geographic area, not only in High or Highest resource areas and VMT-efficient or Infill Areas. The need for rehabilitation of housing in the County extends far beyond these limited geographic areas.

5. INCENTIVES (Section 6341.e)

Given the current constraints on discretionary approval of housing projects, it is unlikely expedited processing will significantly increase development of housing in the County. The greatest incentive that motivates developers to offer affordable housing (by far) is the opportunity to process its project via a ministerial approval process. Again, this is reflected in the "General Best Practices" outlined in the Inclusionary Housing Economic Study, at Section 3.2.2, which acknowledges that "evidence exists that programs lacking incentives may suppress overall production. These can include reduced or waived permitting fees, expedited or *ministerial* entitlement and approvals, and density bonuses." (Emphasis added.)

The City of San Diego's Complete Communities model[2] is being used extensively to provide affordable housing because it is ministerial. The program helped the City of San Diego to be recognized by the State Department of Housing and Community Development (HDC) as one of only seven "pro-housing" communities in the State. Due to the fact that the County's greatest need in meeting its RHNA allocation is in the very low income category, consider offering ministerial processing to projects that provide 5% of their pre-density units (or similar attainable set-aside) as very low income affordable (on-site or off-site).

Streamlining housing projects that include affordable units by providing ministerial processing is precisely the kind of policy solution recommended by Statewide experts to help solve California's housing crisis and ensure the County is building its share of housing, both affordable and market-rate. We urge the County to seriously consider ministerial processing for projects that include affordable units.

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[2] See https://www.sandiego.gov/sites/default/files/ib-411_complete_communities_housing_solutions.pdf for information about the City's program.

Comments to the Inclusionary Housing Economic Study

As noted above, we appreciate the County's effort to seriously consider the impacts of the proposed inclusionary program on development of housing in the County, analyzed in detail in the Inclusionary Housing Economic Study prepared by AECOM. Many of the "General Best Practices" identified in the Inclusionary Housing Economic Study support our comments above, and we urge the County to take these into consideration and build upon the experience of the many jurisdictions analyzed by the County's expert.

As an overarching comment, however, it should be recognized that the report relies on assumptions and generalizations that do not necessarily accommodate the practical realities of any particular project in any particular location, or in the unincorporated County as such. As the Terner Center report referenced above discusses, among the barriers to achieving affordable housing goals throughout the State is the uncertainty and delay relating to discretionary permitting. In the County, as the Inclusionary Housing Economic Study recognizes, investment in housing projects is reduced due to long and uncertain discretionary entitlement processes, which includes the analysis of a project's VMT (Vehicle Miles Travelled), and lack of options for feasible mitigation. The County should consider a streamlined ministerial process that helps provide added certainty to housing projects providing a minimum amount of affordable units, similar to the City of San Diego's Complete Communities Housing Solutions, but tailored to the County's lower density housing market and zoning.

Moreover, the inclusionary housing program must consider the *cumulative costs* of mitigating for VMT and other impacts in considering the feasibility of housing projects that include affordable units. Where a project can barely offset the cost of providing affordable units, the added cost of VMT and other mitigation on the margin will likely render the project infeasible. As the Inclusionary Housing Economic Study recognizes, "A de-facto moratorium or mitigation fee on development in high VMT areas could impact the decisions of developers and landowners and alter the number, residential type, and location of future housing unit growth in the County." Even if subsidies are available for affordable units, the expertise, time and cost to obtain subsidies to offset these costs may, as recognized in the Terner Center study, ultimately increase the cost of the affordable units even as compared to the market rate units. In order for the County to meet its housing goals, these cumulative costs must be considered in determining the Inclusionary Housing program's feasibility.

One of the issues we are deeply concerned about is that the Inclusionary Housing Economic Study evaluates feasibility based on 30 percent reduction in land values.[3] Even assuming this is

[3] AECOM Inclusionary Housing Study at page 62 states, "…established approach to determining economic feasibility, which has been employed in other inclusionary housing studies, is to set a feasibility threshold of 30 percent reduction in land value: if a scenario lowers residual land value by less than 30 percent compared to the Base Case (*where the base case achieves a typical market return*), then it is considered feasible. This approach meets the economic standard of feasibility by assuming landowners will absorb up to a 30 percent loss in value without a change in their willingness to sell. It should be noted that in jurisdictions with inclusionary programs there is historical evidence that transacted land value does eventually shift to accommodate the impact of inclusionary requirements, *but this transition can be prolonged as land markets are typically "sticky" and slow to reflect factor changes. This tendency can be exacerbated where there is long-term land ownership and owners are accustomed to waiting out market fluctuations*. The 30 percent reduction in land value approach is used to evaluate GP-Compliant projects."

an accurate assumption, it does not account of all the other costs and regulatory changes that are currently reducing land values in the County, such as cost of compliance with pending GHG regulations, VMT mitigation and Community Benefit Agreements, among others. If the affordable housing set-aside and AMI levels are set not to exceed this threshold, but do not account for other pending County regulatory impacts on land values, then the set-aside percentage proposed is too high. That is why programs like the City of San Diego only have a 10 percent set-aside and are phased in over time to ensure they do not inadvertently tip the scales to infeasibility based on a landowner's initial investment, which may not have considered any of these recent changes in costs. The City of San Diego understood that inclusionary housing regulations are not being proposed in a vacuum but as part of the overall fabric of regulations in the jurisdiction. Accordingly, the County should consider postponing adoption of the Inclusionary Housing Ordinance until VMT mitigation, GHG regulations and other efforts that may increase the costs of providing housing are adopted and can be evaluated as part of an project's overall feasibility.

The Inclusionary Housing Economic Study assumes the 30 percent reduction in land valuable is feasible "where the base case achieves a typical market return." The housing market in San Diego County cannot achieve a typical market return due to the VMT regulations and GHG regulations, which is why the County has stopped receiving development applications for any significant number of housing units. Given all the uncertainty in development costs in the County, landowners and developers are on the sidelines in the County and focusing their development efforts elsewhere in the state or nation. The County cannot achieve its housing goals, affordable or market rate, without investment by owners and developers.

Comments to the Proposed Addendum Prepared pursuant to CEQA

Finally, we note that the proposed Addendum prepared pursuant to CEQA Guidelines section 15164 is based on the assumptions in the Inclusionary Housing Economic Study regarding feasibility of the proposed options to be presented for the Board's consideration. However, as noted above, feasibility as evaluated in the Inclusionary Housing Economic Study does not take into account the cumulative impacts of discretionary entitlements, including delay and mitigation for impacts under CEQA, including but not limited to VMT and GHG, or other regulations. Nor does the proposed Addendum consider the Board's potential adoption of program options that are not considered to be feasible.

As the Inclusionary Housing Economic Study recognizes, "An affordable set-aside requirement that is considered economically infeasible by the development and landowner communities will likely result in a decrease in housing production for two reasons: investors may look elsewhere for opportunities that offer higher return potential and less risk, and landowners may be unwilling to accept a lowered land value resulting from the inclusionary requirements and choose to hold rather than sell land." Thus, the Inclusionary Housing program, depending on the selected options, could result in significant impacts not analyzed in the Addendum, for example, impacts to public services due to loss of property tax revenues as a result of lowered land value, or impacts relating to increased commute times due to displacement of future housing development.

Accordingly, the County should revise and reconsider the Addendum once further direction is provided as to the selected program options in order to adequately investigate and analyze whether the proposed Inclusionary Housing program may have significant impacts not adequately discussed in the 2011 General Plan Update EIR.

Finally, to the extent the ultimately selected program, which may or may not include options that are not considered feasible (including in consideration of other requirements such as VMT mitigation), reduces or effects a de facto moratorium on housing development, it could violate prohibitions under State law, SB 330, relating to downzoning and moratoria on residential and mixed-use projects in “affected” areas of the County. The County should evaluate this potential legal limit before adopting and implementing its inclusionary program.

We appreciate this opportunity to submit comments and your consideration of the above in the development of the Inclusionary Housing Ordinance. We understand the critical need for affordable housing in the unincorporated County and share the County’s goals in facilitating housing development to accommodate all County residents. We are available to discuss our comments with you at your convenience and look forward to working with you to develop the best program for the County and its residents.

Sincerely,

Jeff Forrest

Jeffrey Forrest
for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

SMRH:4858-9171-1573.3

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 12:38 PM
To: got40acresyet@gmail.com; Larson, Ben
Subject: RE: [External] failure of inclusion reason for homeless crisis

Hello,

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: Billie johnson.jr <got40acresyet@gmail.com>
Sent: Sunday, January 22, 2023 9:04 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] failure of inclusion reason for homeless crisis

it is joke having the option instead low income housing to just paying in to housing authority fee less than 1% so not to have poor people live north of 8 highway,Just think if inclusion was enforce instead of weaken During the home boom downtown ,north county south county eastlake ocean development near highway 905 how many thousand housing would available Not to mention city council getting rd single occupancy for low income it the shame of elect office who fail the homeless so middle class america can feel safe not live next to poor people shane on you

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 1:47 PM
To: got40acresyet@gmail.com; Larson, Ben
Subject: RE: [External] SHAME OF NOT PROVIDING AFFORTABLE HOUING OF INCLUSIONARY ACT

Hello,

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: Billie johnson.jr <got40acresyet@gmail.com>
Sent: Monday, January 23, 2023 8:16 AM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] SHAME OF NOT PROVIDING AFFORTABLE HOUING OF INCLUSIONARY ACT

Shame shame on the failure of the inclusionary act from less than 10% affordable housing that was set aside. and even more failure for the option to option out including affordable houses in middle class neighborhoods. Elective officials fail those who are less than who may never contribute to campaigns like big real estate business . When the fund was ignored and allowed to be under fund and opt out by funding section 8 and existing low income housing . Our city and county officials failed them by allowing reduced single occupancy rooms .then the weak rent control The only affordable house being built is MTS public transportation building on their property   The SHAME is what is the number of homes built and the number that is affordable What the comparison were the affordable housing is in the neighbors SHAME is south of 8 highway really south el cajon boulevard The SHAME of 49% of the thousand of downtown and little Italy housing is empty use by world's wealth investors hedge against inflation ,most out of town The only reason the percentage of occupan;y is high is because big Financial will not fund building project requirement of 50%. *SHAME SHAME SAN DIEGO COUNTY HOME OF THE CONSERVATIVE ONCLIVE NOT FOR LESS THAN*

Easland, Camila

From: Long Range Planning, PDS
Sent: Monday, January 23, 2023 8:38 AM
To: Larson, Ben; Easland, Camila
Subject: FW: [External] STOP THE OPTION IN INCLUSIONARY HOUSING ORDIANCE

From: Billie johnson.jr <got40acresyet@gmail.com>
Sent: Monday, January 23, 2023 7:17 AM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] STOP THE OPTION IN INCLUSIONARY HOUSING ORDIANCE

Not providing affordable housing because it's :;"bad for business" is the original sin of America and San Diego. Since the founding of America there has been a history Business and later Corporations were allowed to be supported over we the people not for the Good of its People.. How many times was the inclusion fund cut due to the statement ":Its bad for business ? The Sin continue by allowing out state Corporation to build in high density housing area and take the money back East, not supporting the San Diego community. What is so offensive of not allowing low and moderate income people to live next to middle upper income neighbors. Which was were most of development takes place/ The open lands of Poway Torrey Pines Chula Vista, Otay Mesa, Santee, Lakeside ,Alpine even imperial valley and Temecula. Hell two thirds of San Diego. If in those areas under the inclusionary act the number affordable housing But as we drive by those unshelter family as if they did dome wrong to be on the streets They fail to pay the ever increasing rents maybe its was because no no affordable housing. The original sin of bad for business for the wealthy

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 1:56 PM
To: Larson, Ben; got40acresyet@gmail.com
Subject: RE: [External] WHAT WAS GOAL OF INCLUSION FUND WAS IT REACH

Hello,

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: Billie johnson.jr <got40acresyet@gmail.com>
Sent: Monday, January 23, 2023 4:13 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] WHAT WAS GOAL OF INCLUSION FUND WAS IT REACH

What was the indent of the inclusionary housing act ? How was the goal achieved and if not what happened ? The planning committee could start the discussion there. San Diego county has experienced exponential growth was the ordinance enacted NO. Instead the inclusionary house act was reduce by conservatives crying it was bad for business The original reason to provide affordable housing fail thank you conservatives where did the money go not to homeless they would like to know

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 3:00 PM
To: Larson, Ben; got40acresyet@gmail.com
Subject: RE: [External] What are the number of affordable housing build to date under inclusion housing

Hi Billie,

The County of San Diego does not have an inclusionary housing ordinance. The Board directed staff to develop an inclusionary housing ordinance to require new development to provide some affordable housing units. We are receiving comment on the criteria for the ordinance (here).

Please let me know if you have any questions. I can give you a call and discuss your questions.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning
Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123
camila.easland@sdcounty.ca.gov
(619) 323-7362

From: Billie johnson.jr <got40acresyet@gmail.com>
Sent: Thursday, January 26, 2023 8:52 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] What are the number of affordable housing build to date under inclusion housing

To know to go forward we must know what has the inclusion housing done what are today number of unit build under ordinance compare to total number of housing build i bet very little due option of in lieu of building affordable homes what is reason honestly for option out So please answer number of unit build to day over number years and what is the reason opt out not building any affordable housing

Easland, Camila

From: Easland, Camila
Sent: Thursday, February 2, 2023 2:38 PM
To: Larson, Ben; ryangifted84@yahoo.com
Subject: RE: [External] Mandating low income housing in new developments

Hello,

Thank you so much for your feedback. This email is to confirm that your input has been recorded. Please let me know if you would like to provide additional feedback.

Thank you!

Best regards,

Camila Easland
Pronouns: she/her/hers
Land Use / Environmental Planner, Long Range Planning Planning & Development Services
5510 Overland Ave., Suite 310, San Diego, CA, 92123 camila.easland@sdcounty.ca.gov
(619) 323-7362

-----Original Message-----
From: Sharon Ryan <ryangifted84@yahoo.com>
Sent: Thursday, January 26, 2023 10:14 AM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] Mandating low income housing in new developments

Mandating low income housing in ALL new developments makes absolutely no sense. Mandates for ALL do not ever work, and mandates for ALL often have undesirable unintended consequences. Instead lower income housing should be built in areas that match the already existing surrounding housing market.

If low income housing is built in affluent areas, like downtown San Diego, low income households will be faced with economic hardships that will only make their life more difficult. Building affordable housing in high rent districts will cause low income households to pay higher gas prices, higher food prices, and to have a lack of access to lower income retail.

If low income housing is built in areas that already include affordable housing, low income households will pay LOWER prices and LOWER food PRICES, so that they could keep more of the wages that they earn, instead of attempting to live where gas, food, and clothing are more expensive.

An additional benefit of building low-income housing in areas that already include affordable housing is that it will be CHEAPER to purchase land and build housing, which allows you to build more housing to serve low-income families.

As such it is difficult for me to understand how this MANDATE for all new housing developments is an option that will best serve low income households.

Regards,
Sharon Ryan

Easland, Camila

From:	Long Range Planning, PDS
Sent:	Monday, January 23, 2023 8:36 AM
To:	Larson, Ben; Easland, Camila
Subject:	FW: Torquato, Jozelle

From: Jozelle Torquato <jozelle11961@gmail.com>
Sent: Saturday, January 21, 2023 5:50 PM
To: Long Range Planning, PDS <PDS.LongRangePlanning@sdcounty.ca.gov>
Subject: [External] Torquato, Jozelle

Sent from Mail for Windows
I feel after being on the section 8 waitimglist since 2002 I love hearing anything positive. I really feel all the thank and praise should gp out to the employees at Land and Planning an the Housing Authority for their hard work and their caring help in all needing help with housing. You all should be blessed.

Respectfully,

Jozelle Torquato

Monday, March 6th, 2023

Planning & Development Services Department
County of San Diego
5510 Overland Ave,
San Diego, CA 92123

Greetings,

The Pacific Southwest Association of REALTORS® (PSAR), one of San Diego County's largest real estate trade associations with more than 4,000 members, supports the removal of proposed deed restrictions from the draft Inclusionary Housing Ordinance that would require affordable for-sale units to remain affordable for 55 years.

As discussed during a recent workshop hosted by County Staff, while the original underlying intent of that deed restriction is commendable, this requirement would mean that any families who purchase the affordable for-sale units will be restricted on the equity they can build from the unit that they purchase, since they would not be able to sell their unit at market rate for 55 years. Homeownership has been a key onramp to the middle class for many generations of American families, since it has allowed them to build equity. An unintended consequence of this deed restricted affordability for 55 years is that the families who we are trying to help will be prevented from building equity through their purchase. If the County could consider allowing the affordable units to rise to market rate after they are purchased by removing that deed restriction, it would uplift the families who purchase the units. The equity that they would build would create economic ripple effects. It would provide those families with the same opportunities that other families have to use the equity from their home to invest in themselves and their children's educations, therefore, it would provide both financial equity and socioeconomic equity.

At the recent workshop, County Staff was attentive and understanding of this concern, so we commend County Staff for engaging with the community to avoid unintended consequences for families and support the removal of this deed restriction. Please feel free to reach out if any questions come up regarding this topic.

Sincerely,
Jason Lopez
2023 PSAR President

Attachment E – SUMMARY OF OUTREACH ACTIVITIES

AECOM

County of San Diego, Planning & Development Services – Advance Planning
Inclusionary Housing Program

Revised Public Outreach Summary

Overview

Purpose of this Memorandum

This memorandum summarizes public outreach activities conducted in support of the County of San Diego Inclusionary Housing Program Study (Study). The overarching goal of the Study is to develop a set of policy and program options, to be included in a proposed Inclusionary Housing Ordinance, to expand the supply of affordable housing in the unincorporated County area for households at all income levels and life stages.

Public outreach conducted between 2020 and 2023 in support of the Study included key stakeholder interviews, a supplemental questionnaire, focus groups and four public workshops. Input received through the public outreach activities was used to inform development of policy and program options included in the draft ordinance.

Summary of Public Outreach Activities

In compliance with COVID-19 public health guidelines and conditions, all public outreach activities were conducted virtually. The table below summarizes virtual input methods for each of the public outreach activities. The sections of this memorandum are structured by outreach activity[1].

Section	Outreach Activity	Timing	Opportunity for Public Input
1	Key Stakeholder Interviews	October 6 – October 26, 2020	One-on-one telephone interviews
2	Supplemental Questionnaire	December 11, 2020 – January 7, 2021	Online questionnaire administered through Survey Monkey
3	Public Workshops: Study Overview (2) *Recordings can be viewed here*	December 7, 2020 December 9, 2020	Zoom Webinar with Polling and opportunity to submit questions/ comments through the Q&A Feature
4	Focus Group Meetings (3)	February 28 and March 2, 2022	Zoom Webinar with Polling and opportunity to submit questions/ comments through the Q&A Feature
5	Public Workshop: Ordinance Considerations (1)	June 29, 2022	Zoom Webinar with Polling and opportunity to submit questions/ comments through the Q&A Feature
6	Public Workshop: Draft Ordinance (1)	March 1, 2023	Zoom Webinar with Polling and opportunity to submit questions/ comments through the Q&A Feature

Key themes that were raised during public outreach included:

[1] The participant feedback presented in the sections that follow was lightly edited for clarity.

Comment Category	Overview of Comments
Minimum Threshold	• Program should provide flexibility and not limit where affordable housing can go • Program should include different standards depending on project size and type, for-sale or for-rent, and location • The Inclusionary Housing program should not be used as a growth management tool
Affordability Requirement	• Set-aside requirements must be economically feasible • Program should focus on lower income groups

Incentives	• To help reduce costs associated with producing affordable housing, participants noted multiple incentives are important, and generally supported incentives such as:
	    • Additional Waiver of Development Standard
	    • Expedited Review
	    • Fee Waiver and Financial incentives

Alternative Compliance	• Participants emphasized the need for alternative compliance mechanisms that can provide program flexibility • Commenters requested that specific criteria apply to off-site development, including not allowing it in high and very-high fire and outside high resource areas; for it to be considered on a project-by-project basis • Accessory Dwelling Units (ADUs) should be available as an alternative compliance method • If an in-lieu fee option is provided, it should be financially feasible • VMT efficiency should be considered for off-site or land dedication options
General Plan Amendments	• General Plan Amendments (GPAs) should provide additional affordable housing • GPAs should not be eligible for in-lieu fee • GPAs should only occur in villages or VMT efficient areas
Other	• Minimum project thresholds, alternative compliance, and concessions are all interrelated, necessitating the need to look at potential criteria holistically across these three areas • Participants identified challenges to developing in unincorporated areas • The use of ADUs as an alternative compliance option should be more flexible through expansion of the maximum number of deed restricted ADUs to beyond five • Incentives allowed should be beyond what is currently allowed in the County’s current affordable housing program • Program should have a phase-in approach for the inclusionary housing requirement to allow housing market to adjust over time

	• Additional incentives should be provided to projects that include labor agreements, prevailing wages, and apprentice programs

For a complete understanding of the breadth and depth of public input, please review the body of this memorandum. Additionally, please note that questions and comments from the public that appear throughout this document have been lightly edited for clarity. Grammar and word choice have not been edited.

1 Key Stakeholder Interviews

The purpose of the key stakeholder interviews was to help inform policy option development. A total of 10 key stakeholder interviews were conducted via telephone. Interviewees included representatives from nine affordable and market-rate developers, brokers, housing advocates, and business representatives. The interviews were conducted between October 6, 2020, and October 26, 2020. The key stakeholder interview questions are provided in Attachment A. Results of the key stakeholder interviews are provided below.

Results

Market-Rate Developers

Key Findings	Details
Challenges to developing in County unincorporated areas	Long and uncertain process for General Plan Amendment project approval due long entitlement process, California Environmental Quality Act (CEQA), traffic impact (vehicle miles traveled requirement), and threat of voter referenda.
	Lack of land near transit corridors zoned for large-scale residential development.
	Topographical and environmental challenges on available land add cost and delays.
	Limited market demand for denser residential types outside the incorporated cities; (the market favors small lot single family residential and detached condominiums (4.3-10.9 dwelling units per acre [DU/AC]).
	Financial burden and limited sources of equity for large developments.
Challenges of an affordable housing requirement	Requiring affordable units on site of "like kind" could create an extraordinary burden.
	Inclusionary housing ordinances reduce land value; one interviewee opined that this is unlikely to reduce land sales in the long term because developers adjust quickly to new realities.
	Several interviewees indicated that a project size of approximately 100 units would be necessary for financial feasibility. Fifty units would be more challenging especially for on-site.
	Several developers interviewed concur that 10% set aside is likely the upper limit for financial feasibility.
	Inclusionary housing ordinances are effectively a tax on residential property, raising their development costs. This increases the relative value of non-residential land uses, such as office or retail, which are not required to pay for affordable housing.
	A 30% reduction in residual land value is a common threshold for determining the feasibility of inclusionary requirements (set-asides that create a greater reduction are unlikely to remain feasible for a developer). While this is a crude metric for determining development feasibility, there is likely no better rule of thumb to apply for the entire unincorporated County.
Alternative compliance ideas	Flexibility in compliance would allow for the provision of more affordable units.
	In general, clear guidelines with maximum flexibility to allow for tailor-made solutions would best support low and middle income housing production, as all projects are different in terms of geography, type, timing, price-point, site-constraints, etc.
	In-lieu fees, off-site compliance, and land donation are all crucial to create an inclusionary housing ordinance that works.
	Several developers mentioned the use of affordable housing credits or an affordable housing bank that would allow affordable developers to sell credits to market rate developers to meet inclusionary requirements. Affordable units could be pooled together, and projects would achieve economies of scale.

Key Findings	Details
	Several developers would be willing to exchange affordable housing units for expedited processing, guaranteed timelines, or reductions in impact fees (i.e., new traffic impact fee).
	Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
	Allow for for-rent affordable units to satisfy requirement of for-sale market rate development. This is the most cost-effective method of providing affordable housing.
	All inclusionary requirements should be phased in.
Offsets the County might provide	Self-certification for inspections.
	By-Right development if affordable is included.
	Several developers proposed original compliance mechanisms for inclusionary housing requirements. One option is an Affordable Housing Bank that would allow market-rate developers to purchase credits and affordable developers to sell credits through a bank. This would allow affordable housing developments to pool credits from several market-rate developments, achieve efficiencies of scale, and apply for additional funding from state and federal sources. A second option is to create a zoning overlay that allows tax breaks for developments that include affordable housing. This would function similarly to Tax Increment Financing (TIF) used to fund community improvements or infrastructure.

Affordable Housing Developers

Key Findings	Details
AH Financing Tools and Program Administration	Affordable housing requires the provision of social and financial services, administrative and compliance requirements, and other legal obligations that favor larger developments that are 100% affordable.
	The cites of San Diego, Carlsbad, and Chula Vista all leverage their own city funds to help finance affordable projects. The City of San Diego has issued many bonds; land donations from jurisdictions are also commonly used.
	Most sources of federal and state funding target very low- and low-income groups, but there should be more options for around 110% area median income. There is a significant gap between 60% area median income and 110% area median income.
	There are almost no tax credits or funding sources for household incomes at 120% area median income.
	Successful projects layer sources of funding and financing.
	Affordable housing credit bank – Affordable housing developers can finance units through the sale of credits to market rate developers. In turn, the purchase of credits would satisfy the inclusionary housing requirements for market rate development. A bank would act as the intermediary to facilitate transactions and allow the pooling of resources for multiple projects. This method could reduce restrictions and burdens on market-rate developers and allow affordable projects access to funding and the benefits of economies of scale . Ultimately, this would produce more affordable units.
Affordable Development Guidelines for General Plan Amendments	Affordable housing development requires a skillset and access to financial resources that are rare among market-rate developers.
	The goal of any inclusionary housing ordinance should be to maximize the number of affordable units produced.
	Site and resource identification are crucial for affordable provision. This is often collaboration between private affordable developers, market rate developers and the jurisdiction.

Key Findings	Details
	Affordable housing should be located near employment, transit, and site amenities that are seldom available in a General Plan Amendment Planned Unit Development (PUD) project.
	For sale affordable housing requires complex equity sharing agreements that often make them infeasible or undesirable: difficult to regulate, difficult to find buyers, tends to be inefficient.
	For sale affordable housing for income groups below 80%–120% area median income creates an affordability gap that is too large to fill.
	Inclusionary housing ordinances require a careful trade-off between market-rate and affordable housing. Too steep of a requirement will produce less affordable housing if it dampens supply of market-rate housing.
	Affordable housing set-aside requirements should be capped at 10% of total dwelling units of a project; 15% would be the upper limit of feasibility. Greater set-asides would create substantial burdens for market-rate development.
	The most cost-efficient density for creating homes is usually 24 dwelling units per acre.
Alternative Compliance Options	On-site compliance is less appealing for market-rate developers than in-lieu fees. The fee option can make both market rate and affordable housing more feasible.
	Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
	The in-lieu fee option should address the affordability gap of a unit, not more.
	Developers often favor credits or off-site pooled projects over in-lieu fees due to questions of transparency.
	Reductions in parking requirements are often desirable and feasible for affordable developments.
	There are numerous sources of gap-funding available for 2020–2021. Projects with greater numbers of affordable units and deeper levels of affordability are more competitive for funding.
	Extremely low and very low income levels are difficult to finance and require significant outside financing.

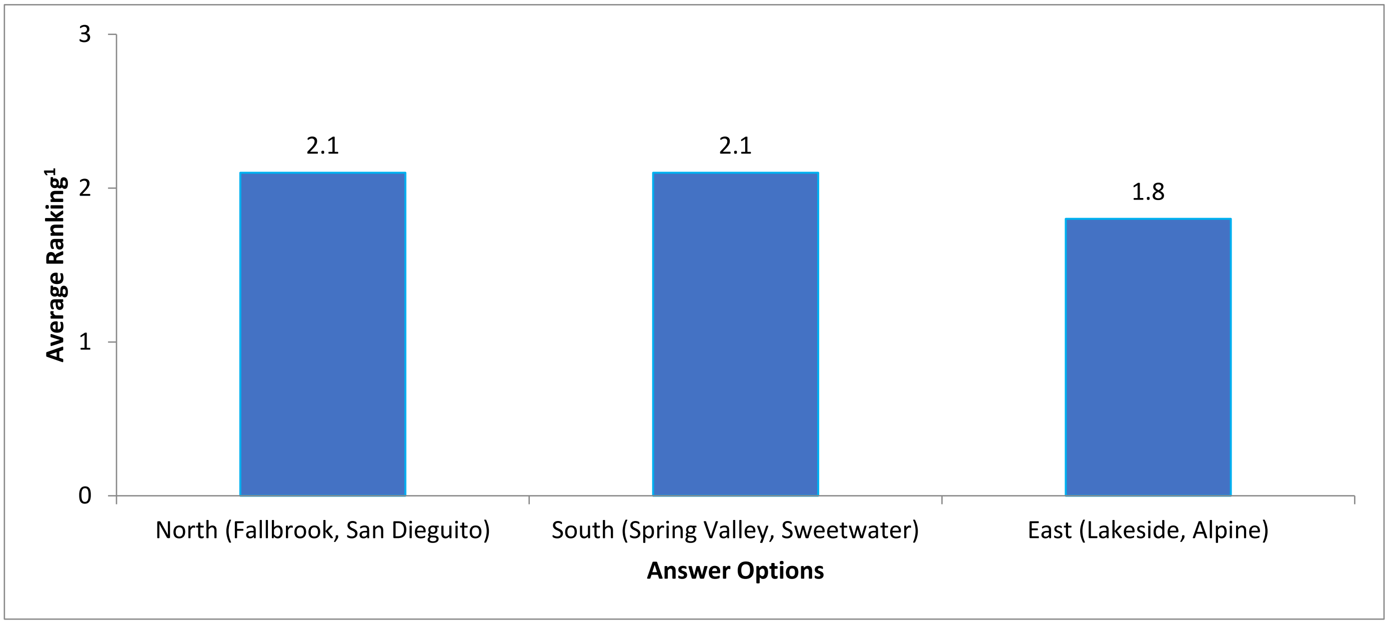
2 Supplemental Questionnaire

The supplemental questionnaire was intended to provide an opportunity to supplement key stakeholder interviews by providing an additional means for stakeholders to provide feedback. The supplemental questionnaire was provided to affordable and market-rate developers, brokers, housing advocates, and business representatives. The supplemental questionnaire was available from December 11, 2020 through January 13, 2021. Ten individuals completed the questionnaire.

Results

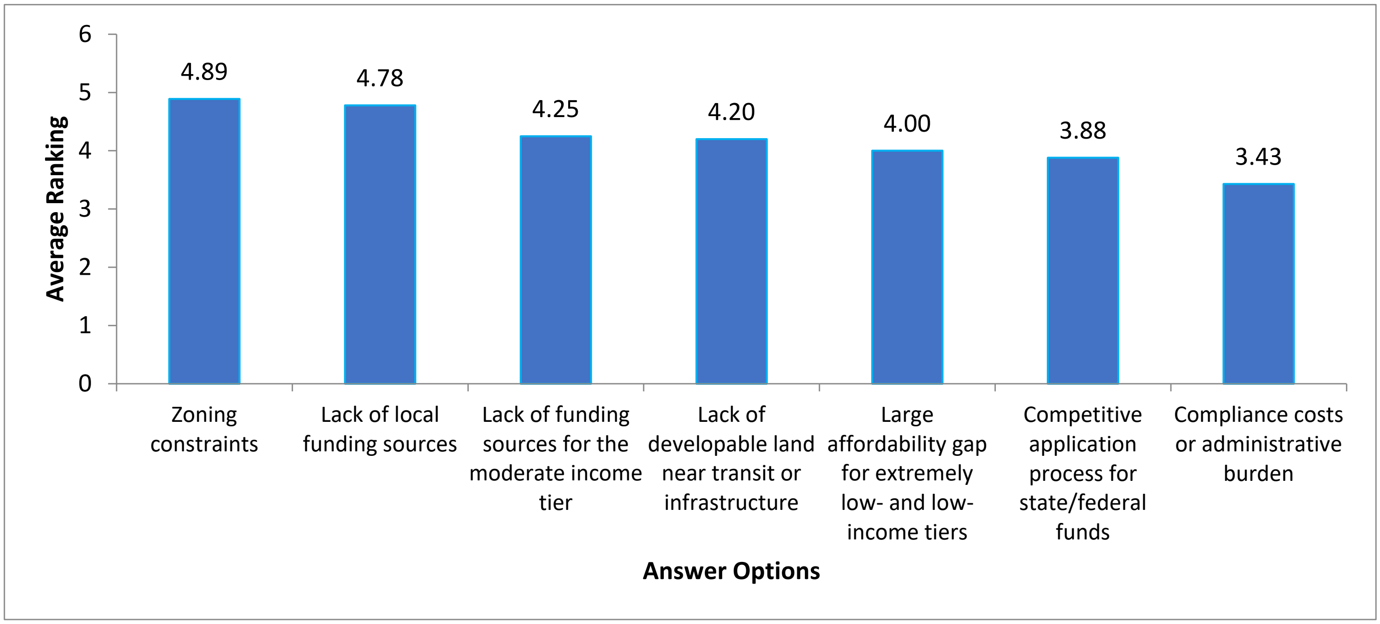
1. In what unincorporated County sub-regions are the housing needs greatest? Please rank the following sub-regions to indicate the sub-region with the greatest housing needs.

H2 - 309



Notes: [1] Average ranking calculated using a weighted average. In other words, the respondent's most preferred choice has the largest weight, and their least preferred choice has the least weight. This question had 10 total responses. The average ranking is intended to illustrate which answer choice was most preferred overall (the largest average ranking is the most preferred choice).

2. What are the greatest challenges to affordable housing development in the unincorporated County area? Please rank all that apply.



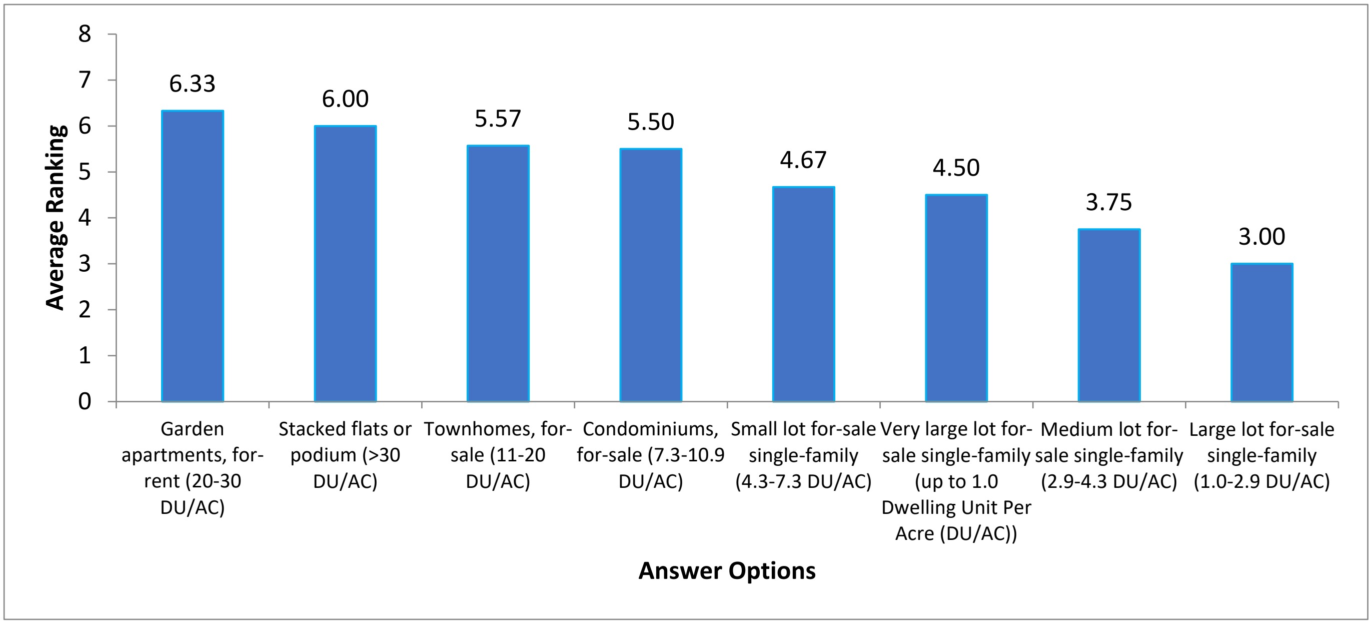
Notes: This question had 10 total responses.

3. Do you think incentives are needed for the private sector to produce middle-income housing? (Middle-income housing is defined as housing that's affordable for households earning between 120% and 150% of area median income.) If yes, what type of incentives would you recommend?

Answer	Additional Details
No	Most of my market rate developments are already in the 120–150% bracket. The key is to allow the developer to establish the density based on FAR.
No	–
N/A	–
–	If the County could process permits in a reasonable amount of time, I don't believe you would need incentives.
Yes	Density Bonus – Reduced impact fees – Streamlined review times at the agency having jurisdiction.
Yes	Property tax reductions/incentives to help deals pencil for units between 120% and 150%. More density and less parking required. Local gap financing for these units.
Yes	Funding for building of low-income housing
Yes	Parking reductions if near transit, height increases, reduced setbacks, reduced open space requirements
Yes	Density bonus, ease permitting process
Yes	Money is the incentive. We need to look at subsidizing the cost of building, either through tax incentives or direct payments (to compensate for additional incurred states). Also, we can dramatically reduce costs by speeding up the permitting/inspection processes.

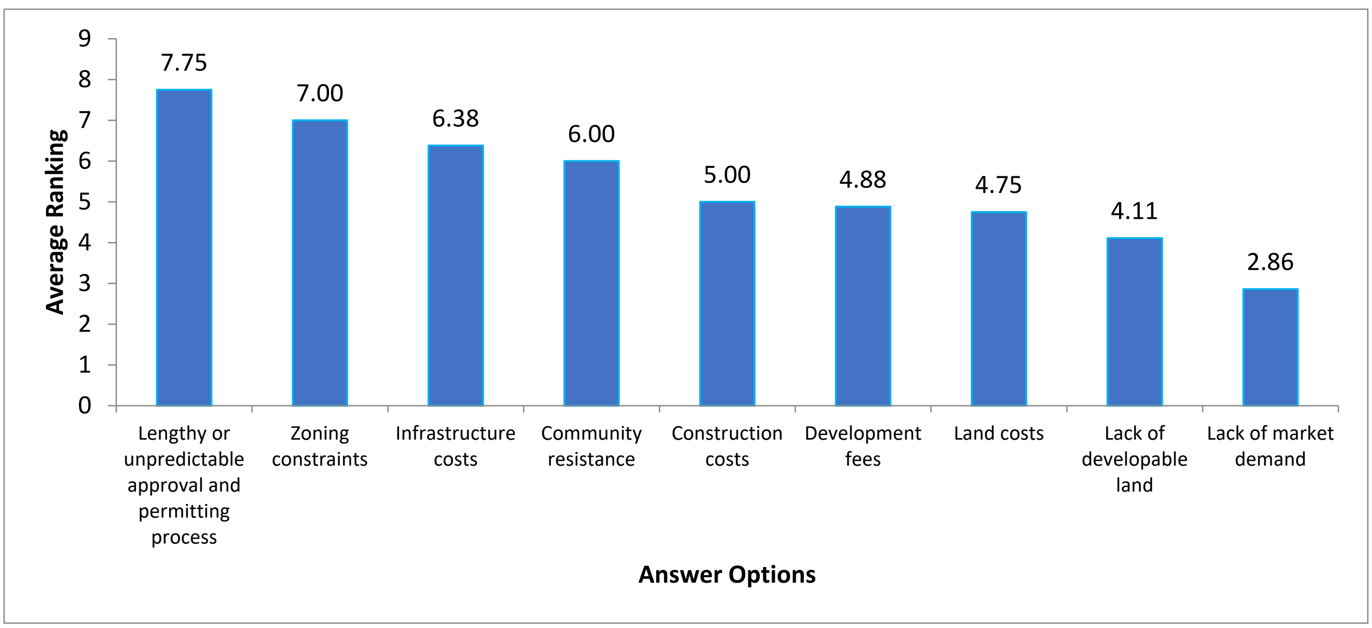
Notes: This question had 10 total responses.

4. Which of these residential product types would best support a required inclusionary housing program in the unincorporated County area? Please rank all that apply.



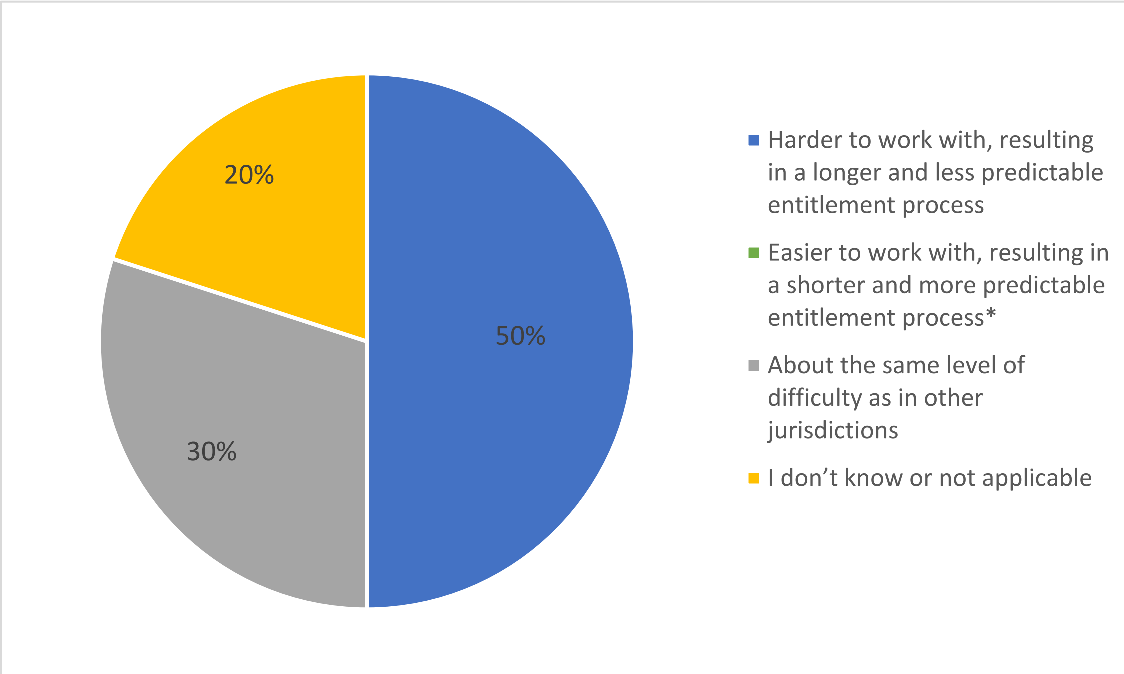
Notes: This question had 9 total responses.

5. What are the greatest challenges to residential development in the unincorporated County area?



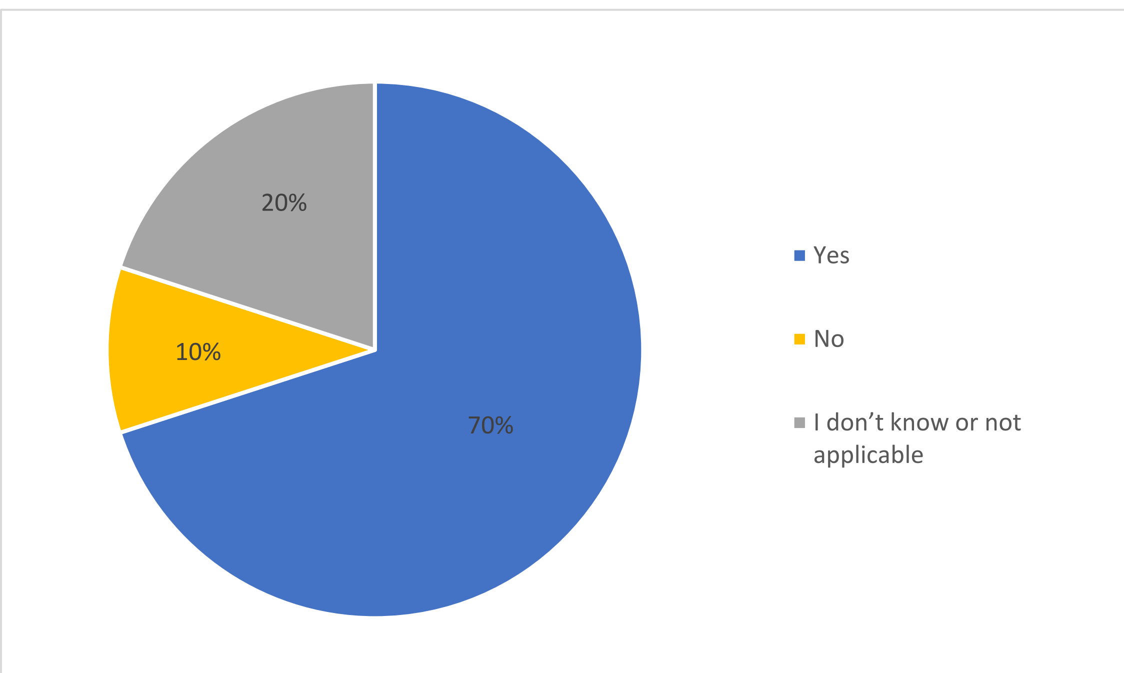
Notes: This question had 10 total responses.

6. How does the County's development entitlement and approval process compare with other jurisdictions in which you've worked?



Notes: This question had 10 total responses.
** Indicates no responses received (0%)*

7. The State Density Bonus Law (SDBL) provides a schedule of density bonuses and other concessions in exchange for setting aside a portion of units as affordable. Would you consider developing a project in the unincorporated County area that uses the SDBL? Why or why not?

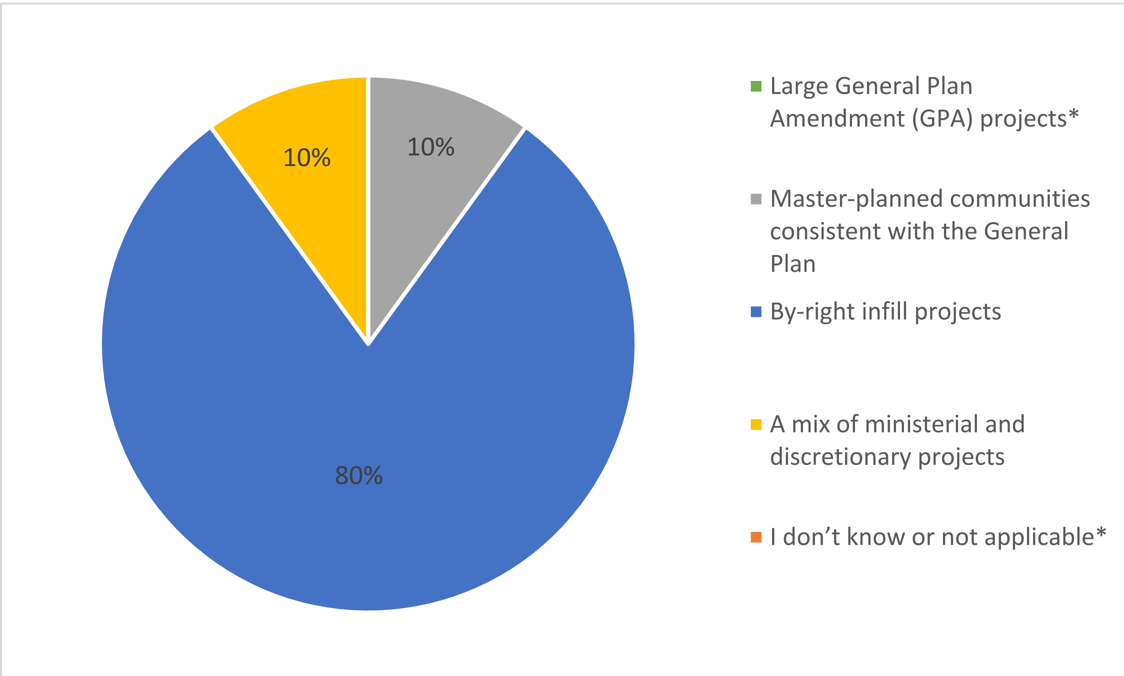


Notes: This question had 10 total responses.

Why or why not?

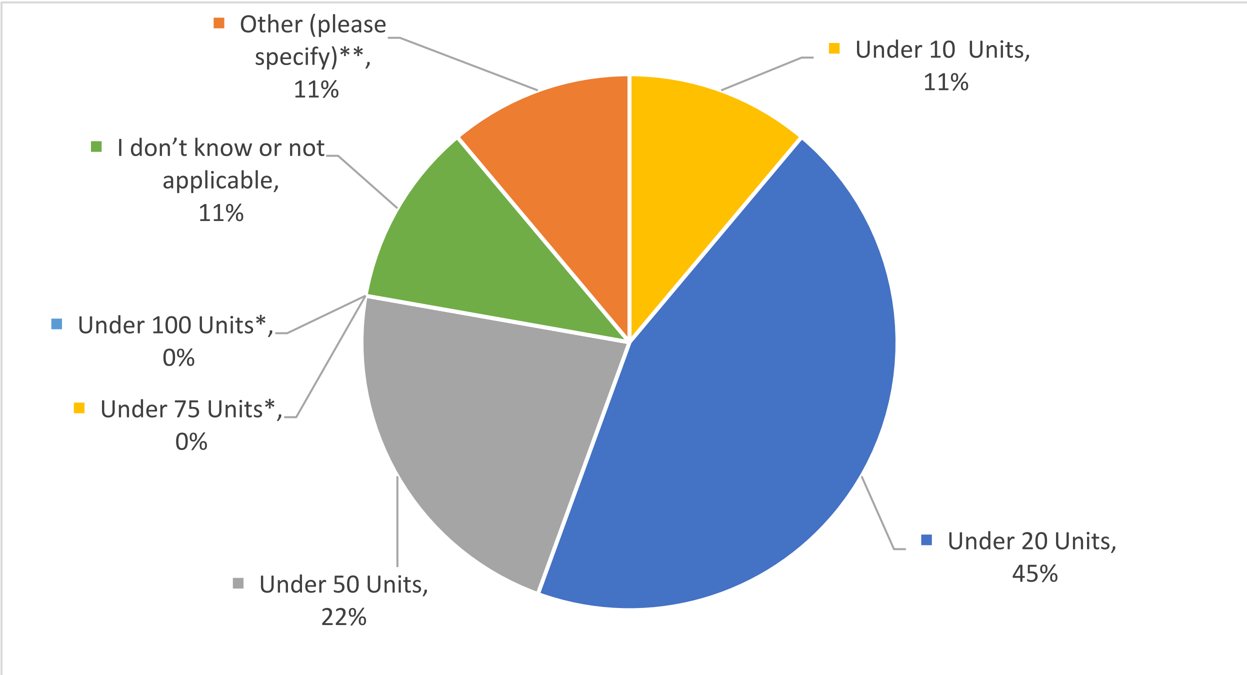
No, to make the development financially feasible, the cost is shifted to the market rate units making them unfairly more expensive. Adding to that is the ongoing financial burden required to administer the small percentage of affordable housing.
Yes, City of San Diego is at the forefront of density bonus regulations. They go above and beyond the State regulations, this is something the County should seriously consider to incentivize developers.
Yes, building regulation exemptions make more sites feasible.
Yes, but it again comes back to process with planning staff to implement concessions/incentives.

8. What's the best development type for accelerating housing development in the unincorporated County area?



*Notes: This question had 10 total responses. * Indicates no responses received (0%)*

9. For an inclusionary housing program targeted at General Plan Amendment (GPA) projects, is there a size below which a project should be exempt from compliance?

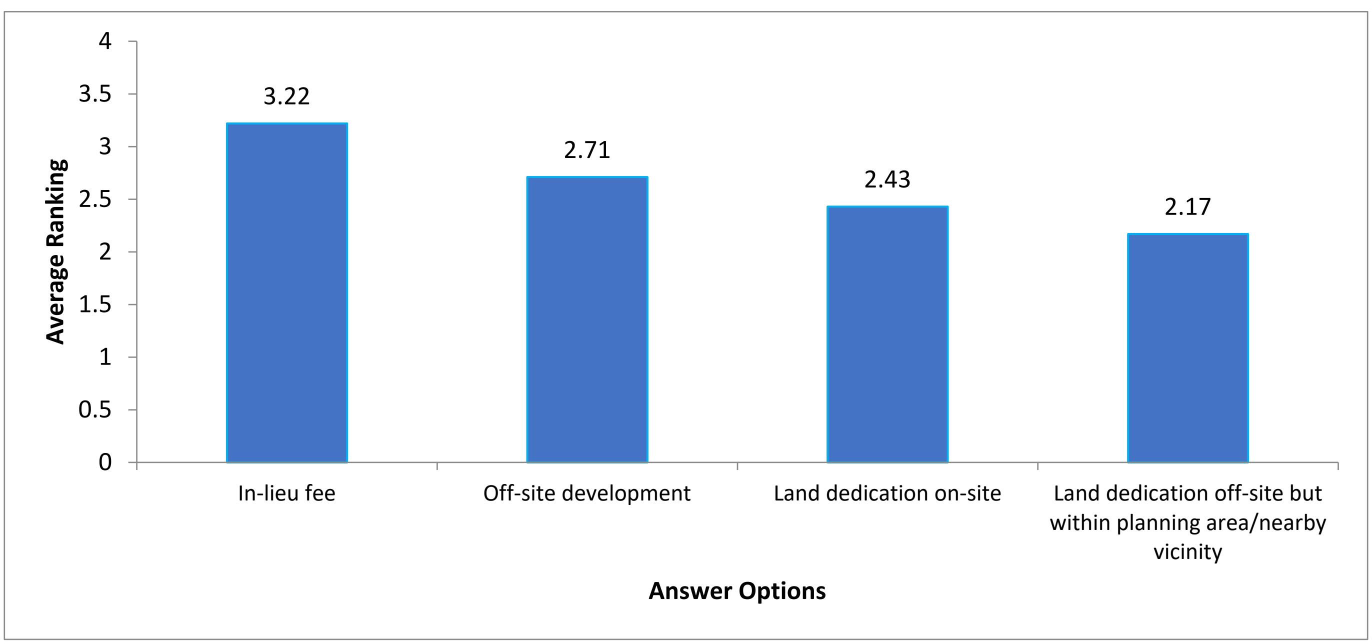


Notes: This question had 9 total responses.

** Indicates no responses received (0%)*

***The respondent who selected "Other" specified: "Any project that will be 100% affordable should be exempt."*

10. Many inclusionary housing programs offer developers alternative compliance options to providing affordable units on site. Please rank the following potential alternative compliance options in order of preference.



Notes: This question had 9 total responses.

11. Are there components of inclusionary housing programs in other jurisdictions that you think do not work well? If so, what are they?

Answers
In general, I'm not in favor of programs that place the cost of the inclusionary housing on the developer, which in turn shifts the costs to the market rate units.
N/A
No
No

Notes: This question had 4 total responses.

12. Are there components of inclusionary housing programs in other jurisdictions that you think work well? Is so, what are they?

Answers
Tax credits or other means that gives incentives to private investors to fund inclusionary housing. Also expedited review/approval processes by the jurisdiction.
Provide a minimum number of affordable units.
Alignment of inclusionary and density bonus regulations so that they can clearly be met in concert with each other.
Providing applicants with several options to meet their inclusionary requirement allowing them to choose.
No
No
Expedited approval process for 100% affordable projects. Form based/FAR restricted zoning. Fee waivers.

Notes: This question had 7 total responses.

13. Are there any other opportunities and challenges related to low- and middle-income housing production in unincorporated San Diego County that you wish to mention that were not included in this questionnaire?

Answers
The County's public transportation infrastructure should be expanded to serve the increased density in the unincorporated areas.
Previous BOS elected officials for unincorporated areas in San Diego County and lack of persistence when dealing with upset neighbors/NIMBY's
No
No
By-right zoning, increased staff knowledge on use of state density bonus laws
Many of our developers cite the inconsistent permitting and inspection process as a huge barrier and source of cost. Though they complain about environmental regulations and having to build within California's regulatory environment, they uniformly call out the long wait times and ambiguity (present in the County's process) as their biggest cost drivers.

Notes: This question had 6 total responses.

3 Public Workshops

Workshop 1

Overview

Date: Monday, December 7, 2020
Start time: 6:00 PM (PST) **End time:** 7:15 PM (PST)

Attendance		
Attendees	**County of San Diego**	**Consultant Team**
7	4	7

Workshop 1 included a 30-minute presentation overview of the study followed by a question and answer session. The workshop included four Zoom polls followed by a set of three additional discussion questions to promote discussion. Additional details regarding each section of the workshop are provided below.

Zoom Poll Results

1. Please indicate whether you agree or disagree with the following statement: "Accommodating a range of housing needs in the unincorporated County area is important to support the young adults, families, and seniors in our communities."

Answer Options	Count	Percentage
Agree	6	100%
Disagree	0	0%
Neutral	0	0%

Notes: 6 total respondents

2. In what unincorporated County area(s) are affordable housing needs greatest? Select all that apply.

Answer Options	Count	Percentage
East (Lakeside, Alpine)	4	67%
North (Fallbrook, San Dieguito)	3	50%
South (Spring Valley, Sweetwater)	3	50%
I don't know or not applicable	1	17%

Notes: 6 total respondents; respondents were allowed to select all that apply

3. What are the greatest challenges to affordable housing development in the unincorporated County area? Select all that apply.

Answer Options	Count	Percentage
Lack of developable land near transit or infrastructure	3	75%
Zoning constraints	3	75%
Large affordability gap for extremely low- and low-income tiers	3	75%
Compliance costs and/or administrative burden	3	75%
Lack of local funding sources	2	50%
Competitive application process for state/federal funds	2	50%
Lack of funding sources for the moderate income tier	1	25%
Other	0	0%
I don't know	0	0%

Notes: 4 total respondents; respondents were allowed to select all that apply

4. Many inclusionary housing programs offer developers alternatives to providing affordable units on site. Select those that you feel are most appropriate for the unincorporated County area.

Answer Options	Count	Percentage
In-lieu fee	2	100%
Land dedication on-site	2	100%
Land dedication off-site but within planning area/nearby vicinity	0	0
Off-site development	0	0
Other	0	0
I don't know	0	0

Notes: 2 total respondents; respondents were allowed to select all that apply

Additional Discussion Questions and Feedback

1. Are there components of inclusionary housing programs or density bonus programs in other jurisdictions that you think work well? If so, what are they?

Comment	County Response, where provided
Somerville, Massachusetts: program done neighborhood by neighborhood to balance the needs specifically rather than in gross general terms.	–
This is very general without considering how many liquor stores, low schools that are not funded as well which correspond with transportation. You need to look at the whole picture.	The County agrees and we are also working on the Housing Element which is looking at a broader picture and this study is one part of that.
Cooperative housing: Los Angeles EcoVillage	–

2. Are there components of inclusionary housing programs or density bonus programs in other jurisdictions that you think do not work well? If so, what are they?

Comment	County Response, where provided
Arbitrary percentages that are not flexible to market shifts	–
Not collecting pro-rated Development Impact Fees for affordable housing or having a Development Impact Fees program that isn't onerous but helps mitigate the density needs for parks/streets	–
Opting in only doesn't work well. We need a range of affordable housing requirements to at least get a baseline of AH built and incentivize more as the project includes more housing	–

3. Are there other opportunities and challenges related to low and middle-income housing production in unincorporated San Diego County that you wish to mention?

Comment	County Response, where provided
Use County Land to build affordable housing and homeless transitional housing (aligned with mental health services)	The County has been looking at County properties for their abilities to provide housing both within cities and outside of cities. The County is also pursuing opportunities to obtain credit towards housing goals as a part of the County Legislative Program. Housing and Community Development Services is located within the County's Health and Human Services Agency, which was a change to ensure that the two services are aligned.
A number of landowners (2–16 acres) want to build more than one accessory dwelling unit (ADU) and junior accessory dwelling unit (JADU) on their property.	State law and existing ordinance are structured so that you can build one ADU and one JADU but that's something as well that the County can continue to explore in certain areas and communities.
Enable easy permits for temporary homeless shelters to help people transition to permanent supportive housing, such as the YIGBY [Yes In God's Back Yard] (tiny homes on church parking lots).	The County has a separate program that is looking at the County's zoning ordinance for temporary and other transitional shelters.

Public Comments/Questions

Comment/Question
Why would there be difference in the way affordable units would be determined for a General Plan Amendment Affordable housing program versus an Inclusionary Housing Program? In a General Plan Amendment situation, a development is requesting additional rights than allowed in the General Plan. Does this mean that these Projects would require a higher number of affordable units than a Project that fits in the General Plan designation?
Did Measure A change how General Plan Amendments (GPAs) are proposed in the County?
I believe you mentioned 10 of the 18 areas were affected. Where can I find out which are these?
How many people are responding in the polls?
In general, how many projects with over 50 units are proposed on average every year? Is it more than half, about half or less than half of the housing projects proposed?
Would the County consider providing subsidies or grants for Group Residential homes, similar to the single residential Down Payment Closing Cost Assistance program?
Why is this process so prolonged when there are 10 of 18 cities in the County that have more than a decade of data available for the County to review? The County has promised California Department of Housing and Community Development (HCD) that it would implement policy H-1.9 since 2011.

Workshop 2

Overview

Date: Wednesday, December 9, 2020
Start time: 6:00 PM (PST) **End time:** 7:15 PM (PST)

Attendance		
Attendees	**County of San Diego**	**Consultant Team**
4	5	7

Workshop 2 included a 30-minute presentation overview of the study followed by a question and answer session. The workshop included four Zoom polls followed by a set of three additional discussion questions to promote discussion. Additional details regarding each section of the workshop are provided below.

Zoom Poll Results

1. Please indicate whether you agree or disagree with the following statement: "Accommodating a range of housing needs in the unincorporated County area is important to support the young adults, families, and seniors in our communities."

Answer Options	Count	Percentage
Agree	3	100%
Disagree	0	0%
Neutral	0	0%

Notes: 3 total respondents

2. In what unincorporated County area(s) are affordable housing needs greatest? Select all that apply.

Answer Options	Count	Percentage
North (Fallbrook, San Dieguito)	2	50%
East (Lakeside, Alpine)	2	50%
South (Spring Valley, Sweetwater)	2	50%
I don't know or not applicable	0	0%

Notes: 4 total respondents; respondents were allowed to select all that apply

3. What are the greatest challenges to affordable housing development in the unincorporated County area? Select all that apply.

Answer Options	Count	Percentage
Compliance costs and/or administrative burden	3	75%
Lack of local funding sources	2	50%
Competitive application process for state/federal funds	2	50%
Lack of funding sources for the moderate income tier	2	50%
Lack of developable land near transit or infrastructure	1	25%
Zoning constraints	1	25%
Large affordability gap for extremely low- and low-income tiers	1	25%
Other	0	0%
I don't know	0	0%

Notes: 4 total respondents; respondents were allowed to select all that apply

4. Many inclusionary housing programs offer developers alternatives to providing affordable units on site. Select those that you feel are most appropriate for the unincorporated County area.

Answer Options	Count	Percentage
Land dedication off-site but within planning area/nearby vicinity	3	75%
Off-site development	2	50%
In-lieu fee	1	25%
Land dedication on-site	1	25%
Other	0	0%
I don't know	0	0%

Notes: 4 total respondents; respondents were allowed to select all that apply

Additional feedback received during this poll question: Off-site development is the only way you can assure that the units will be built. In-lieu fees are often negotiated down as they were in the City of San Diego and don't provide nearly enough funds to build equivalent units (City of San Diego: $10–18 per square foot is not nearly enough).

Additional Discussion Questions and Feedback

1. Are there components of inclusionary housing programs or density bonus programs in other jurisdictions that you think work well? If so, what are they?

Comment	County Response, where provided
Requiring units to be built is important; otherwise, there is a long delay before affordable units hit the market	–

2. Are there components of inclusionary housing programs or density bonus programs in other jurisdictions that you think do not work well? If so, what are they?

Comment	County Response, where provided
Too low a number of units required, not being aggressive enough with the requirement, allowing in lieu fees that are simply too low to generate any meaningful housing	–
Lack of survey areas destinated for businesses and many people wouldn't like to live there	–

3. Are there other opportunities and challenges related to low- and middle-income housing production in unincorporated San Diego County that you wish to mention?

Comment	County Response, where provided
Can you tie in public funding from state, federal or County to help incentivize developers to build the affordable units?	Yes, definitely. We can tie in public funding from state, federal, and County to help incentivize developers. Typically, when funding is available Notices of Funding Availability are publicized and developers that wish to somehow take advantage of that and to help them build the affordable units will definitely apply so that's definitely an opportunity to help tie in that money when it's available. The intent of a program would be to have additional funding and the County has directed local funding through the Housing Trust Fund, but this could be another funding source.
Maybe, some sort of public/private partnership (LIHTC or other sources), but wrapping it into the inclusionary units?	Yes, inclusionary density bonus is a method of getting a developer to build units on site with the development that is deed restricted but if the funding sources are paid then that can be partnered with other monies.

Public Comments/Questions

Comment/Question
Do you have any sense for in-lieu fees in other peer jurisdictions?
You noted that in-lieu fees or other alternatives would be equivalent to the cost of building the units. Do you mean the cost per SF for building incremental units or standalone units?
What was the process that led the County to add a new category, Middle Income, and how was it determined that it would be 120% to 150%?
The key is to help take the sting out of development costs for the developer.
RE: Middle income housing, seems that the middle income housing is included in the RHNA "Above Moderate" category. And RHNA progress, countywide, has been producing Above Moderate at sufficient levels, and your study seems to point that the market is already addressing this segment. So, are you going to recommend not moving forward with the MI density bonus program?
Agreed. Low, very low, and moderate are where we are in the most trouble.
I'm interested in understanding slide 22 better when you have a chance. Which number are you using? 30% or 35% in your calculations on this slide and on the other aspects of this study? Why 35% and not the HUD, HCD definition which is 30%.
From an affordability standpoint, shouldn't we include a transportation factor? Transportation makes up 15% of the average household budget, but in SD it is higher, and it is higher the further away from job centers the housing is. So, to create affordable units in remoter parts of the County Borrego Springs) would create a burden for those people (and additionally, VMT issues). I guess I would to see a factor applied that takes into account transportation costs as well as you go further out (for Mod, Low and VL). You can see the Smart Growth Calculator (Dr. Appleyard), which does a lot of great math on a GIS program.

Workshop 3

Overview

Date: Wednesday, June 29, 2022
Start time: 6:00 PM (PST) **End time:** 7:15 PM (PST)

Attendance		
Attendees	**County of San Diego**	**Consultant Team**
48	11	5

Workshop 3 included a presentation overview on certain aspects of the Inclusionary Housing Ordinance. The workshop also included twelve Zoom polls followed by an informal question-and-answer opportunity. Additional details regarding each section of the workshop are provided below.

Zoom Poll Results

1. Are there specific types of locations where affordable housing is needed?

Answer Options	Count	Percentage
Map 1: Across all the unincorporated areas (all Community Planning Areas)	13	41%
Map 2: Within all villages. Villages areas where a higher intensity and a wide range of land uses are established or have been planned, such as, for example, the Fallbrook Village.	16	50%
Map 3: Access to Transit, including bus and bike routes	16	50%
Map 4: Near jobs, amenities, services and infrastructure that would allow for less use of cars	19	59%
Map 5: High opportunity areas often have attributes that, based on research, have a positive effect on the economic mobility of residents. For example, areas with high quality schools and high income;	11	34%
Map 6: Multiple Criteria - Village, Transit, Jobs/Amenities/Services/Infrastructure, High Opportunity Areas	14	44
Other	4	13%

Notes: 32 total respondents; respondents were allowed to select all that apply

Comment
Are you considering Work force housing as affordable? That is 80% AMI +
Are these options for Apartments or Single Family Homes or Both?
To solve our climate and housing crises concurrently, we must prioritize developing onsite dense, affordable housing near VMT-efficient areas, jobs, transit, and services that aid in minimizing sprawl and reducing GHG emissions.

I selected "Other" because I think all these criteria are useful, but some may be higher priority than others. Also, we should consider where the transportation goes (to other things like jobs & amenities) not just that it exists.
There is a significant amount of job opportunities along the Scripps Poway parkway corridor that should include Ramona as a nearby community.
None of these poll choices seem to have been formulated w/ a mind toward expanding housing choice to promote equal housing opportunity.
Another criteria for where to have housing: Prioritize affordable housing in areas with greatest need from residents in area based on income and access to affordable housing.
Regarding transit, the slide that showed areas that are close to transit did not appear to be accurate. Until real accessible consistent transit is available in the county, transit can't be as a qualifier.
The proximity to mass transit objection can be resolved by County-city TDR agreements

2. What minimum project size should require affordable housing, if any?

Answer Options	**Count**	**Percentage**
All projects	5	17%
5 units	2	7%
10 units	9	30%
20 units	6	20%
50 units	7	23%
None	1	3%

Notes: 30 total respondents

Comment
I did not feel equipped to answer this question without understanding the financial impact to the developer for, for example, a 5 unit vs 10 unit. It seems that the value of the units also should be considered.
Not sure of I understood what you were asking. Are you saying that a minimum of 50 units per construction project or 50 units total to build in that area?
minimum project size requirements incentivize project applicants to simply submit separate development permit applications in order to come in under the requirement. For example, instead of a 10 unit project, two 5 unit projects.
I did not vote because the question should have included in lieu fees alternatives (in lieu fees for projects smaller than ten)

3. What percent of total homes in a given project should be affordable?

Answer Options	Count	Percentage
5% (e.g., a project proposing 200 units would provide 10 affordable housing units; a project proposing 60 units would provide 3 affordable housing units)	5	16%
10% (e.g., a project proposing 200 units would provide 20 affordable housing units; a project proposing 60 units would provide 6 affordable housing units)	2	6%
15% (e.g., a project proposing 200 units would provide 30 affordable housing units; a project proposing 60 units would provide 9 affordable housing units)	9	29%
20% (e.g., a project proposing 200 units would provide 40 affordable housing units; a project proposing 60 units would provide 12 affordable housing units)	14	45%
Other	1	3%

Notes: 31 total respondents

Comment
It is difficult to say what percentage of units should be also knowing what the affordability level would be because they are closely associated.
Affordable housing should include the concept that people can buy starter homes, not just become renters for life. Developers of affordable housing should provide for starter home prices for low income buyers.
Inflation and interest rates are impacting projects now. Those projects that were entitled last year now can't be built. The answers aren't black and white.
I voted "other", because I think the percentage depends on other characteristics of the housing: location, etc...
Should be 10% low and 10% very low

4. Which income levels should the affordable homes target for a family of four (two adults and two kids)?

Answer Options	Count	Percentage
<$20,000 (extremely low)	11	35%
$20,000-$40,000 (very-low)	16	52%
$40,000-$65,000 (low)	20	65%
$65,000-$100,000 (moderate)	14	45%
$100,000-$130,000 (above-moderate)	6	19%
Other	1	3%

Notes: 31 total respondents; respondents; respondents were allowed to select all that apply

Comment
The affordable housing should not target a single income level, but support a range in the sub $65,000 range
According to the SDHC, the highest qualifying income is $100,000 a year.
I think a criterion for 1st time home buyers should be included in inclusionary housing. Our children are literally having to move out of our community/state to find affordable housing.
In San Diego (and other places) we way OVERBUILD high income housing 152 % of need and Way UNDERBUILD medium 18% of need and low income 23% of need. Why can't we disincentivize high income building SLIGHTLY increase building permits etc. and incentivize middle and low income with LOWER building permits etc.?

5. Which Incentives do you feel are best suited to increasing affordable housing supply in the unincorporated County?

Answer Options	Count	Percentage
Density Increases	16	44%
Reduction of Development Standards	10	28%
Reduced Parking Requirements	12	33%
Expedited Permit Processing	26	72%
Reduced Development Impact Fees	13	36%
Direct Financial Subsidies/Tax Exemptions	18	50%
Other	4	11%

Notes: 36 total respondents; respondents were allowed to select all that apply

Comment
Again, density bonus laws are already too lenient. Do not
Parking should be reduced if located in close proximity to transit as measured by walking distance.
Reduced parking is not working in Mission Valley. Especially for handicap persons.
I got house and I'm working in project for two apartments next to my house city require a discretionary permit do I have any other option?
Reduced DIFs have, in the City of SD, historically resulted in under resourced neighborhoods with deficient/inadequate infrastructure, please do not repeat this mistake w the County.
Comment
Much of the unincorporated areas do not have adequate mass transit, parking in unincorporated areas is very necessary
We should be careful of reducing the quality of inclusionary housing! It trends towards being segregation.
All incentives should be used/offered
Do not rule out any potential incentives. We have an affordable housing crisis. A variety of incentives are needed.

In any case, no density increases in ANY area which is NOT VMT compliant should be allowed!

6. Are there any incentives you feel should not be used?

Answer Options	Count	Percentage
Density Increases	6	19%
Waivers of Development Standards	12	39%
Reduced Parking Requirements	14	45%
Expedited Permit Processing	4	13%
Reduced Development Fees	9	29%
Direct Financial Subsidies	9	29%
Other	4	13%

Notes: 31 total respondents; respondents were allowed to select all that apply, and were asked to indicate in the Zoom chat function why the incentive should not be used, if desired

Comment
If Developer is granted Density Increases, they shouldn't be granted Reduced Parking Requirements. This will cause a problem with visitor parking.
We should reduce simplify and/or eliminate state income taxes as they do in 7 other states BEFORE we use taxes to subsidies.
Development standard waivers create projects that often are inconsistent w/ community characteristics
Reduced parking requirements will ONLY make sense if the development is within an identified mobility hub area
Expedited processing may make sense, but not any waiver or reduction of environmental review
Financial incentives or tax reductions only if the % of affordability to low/very low is increased
Incentives for developers such as density bonus waivers or deferral of impact fees can result in the displacement of costs onto the public, either directly or indirectly.
Waivers and deferrals only create a financial vacuum somewhere. They are not free. In the end taxpayers pay for them.
In-lieu fees have proven to be not sufficient, and not wisely spent to actually produce affordable units. They have been a political concession to developers and have not been productive
In-lieu fees sounds like buying your way out of participating.
Incentives are needed for projects to pencil out for units
All incentives sound good, but doesn't that usually result in free-for-alls? Limits foster controls... And limits reinforce authority.
There should be NO incentives, in any case, for "higher income brackets"
Wrong - Incentives need to be more for the higher AMI levels - Work Force Housing! There has been and continues to be plenty of sources of funds for low income/homeless projects.

7. Should alternative compliance options be available to all developers?

Answer Options	Count	Percentage
Alternative compliance should only be available to developers that cannot accommodate affordable housing on site due to physical constraints.	17	46%
Alternative compliance should be an elective option available to all developers.	20	54%

Notes: 37 total respondents

Comment

Some of the incentives come at a public cost and will keep land costs high. The county should not use incentives that come at a public cost. What you should do in limit them and phase the IH requirements over a period of a few years to allow for the land markets to adjust.
Elective, but based on specific criteria...
I chose "elective" because I felt it might increase creativity in solutions

8. If a developer requests alternative compliance, which options should be available, if any?

Answer Options	**Count**	**Percentage**
Off-site Development	23	68%
In-lieu Fees	18	53%
Land Dedication	23	68%
Accessory Dwelling Units	19	56%
None	1	3%

Notes: 34 total respondents; respondents were allowed to select all that apply

Comment
In lieu fees for small projects
To all, but near the project
ADU benefits for the single home development should also be considered. If I build a Single family dwelling and what to include a ADU for low income housing, I should get the incentive as well.
Developers electing to participate in Affordable Housing Program have earned a few perks. They have an option to build without considering AHP.
ADUs, if not cost/rent controlled for a long period of time, will not be affordable.
RE: land dedication, the land so dedicated must be in an already developed/urbanized area, e.g., mobility hubs. The County can establish allowance in city jurisdictions by agreement.
ADUs are clever but challenging. Homeowners may not be qualitied in screening affordable rental applicants, and ensuring compliance with the deed restriction / affordable housing agreement. This is usually all done by professional property management companies.
Accessory units may bypass community infrastructure needs
Maybe in-lieu fees are less fair to small developers

9. Are there any alternative compliance options that should not be allowed?

Answer Options	Count	Percentage
Off-site Development	6	18%
In-lieu Fees	10	30%
Land Dedication	4	12%
Accessory Dwelling Units	7	21%
None	14	42%

Notes: 33 total respondents; respondents were allowed to select all that apply, and were asked to indicate in the Zoom chat function why the incentive should not be used, if desired

Comment
In the city of San Diego, alternative compliance in the form of off-site and in lieu fees (because they result in off-site) have functioned to perpetuate the development of affordable housing in a manner that limits housing choice and equal housing opportunity. Under its obligation to Affirmatively Further Fair Housing, the County should minimize the availability of these alternative compliance methods to the greatest extent possible.
Every advantage should be given to affordable housing. Offering just one of each not the way to go, offer all incentives to get it to work and built
Again, it is important to have a variety of alternative compliance options due to the severity of the affordable housing crisis and high land costs in San Diego County
Off-site development could lead to dangerous and inequitable sprawl. All inclusionary housing development must be on-site to avoid negative environmental affects
If the county/state were serious about affordable housing they would offer all incentives to get the housing.
In any case, no density increases in ANY area which is NOT VMT compliant should be allowed!
Accessory units may bypass community infrastructure needs

10. If off-site development or land dedication was allowed, what should be taken into consideration?

Answer Options	Count	Percentage
Proximity to jobs/amenities/services	22	65%
In high opportunity areas (“high opportunity areas” are typically thought of as areas with strong economic, environmental, and educational outcomes, or quality schools)	21	62%
Near transit	20	59%
Same Community Planning Area	13	38%
Other	3	9%

Notes: 34 total respondents; respondents were allowed to select all that apply

Comment
If land dedication to county is allowed, the land must be viable and dedicated or deeded to affordable housing, not open space dedication.
Limiting inclusionary housing to transportation hubs or mass transit is not conducive to unincorporated areas. Build the housing and then focus on mass transit
Alternative compliance should incentivize the development of affordable housing in communities that have historically denied these housing opportunities to tenants who are members of constitutionally protected classes
Other: again, in mobility hub areas of the region.
I am one tenant in a six-unit complex. I would not want to be the one affordable renter…

11. When should in-lieu fees be allowed?

Answer Options	Count	Percentage
Should be an option for all projects	8	25%
Only small projects should be allowed to pay In-Lieu Fee (e.g., less than 5 units);	10	31%
Only projects that cannot feasibly accommodate affordable housing on-site should be allowed to pay In-Lieu Fee	15	47%
Other	7	22%

Notes: 32 total respondents; respondents were allowed to select all that apply, and were asked to indicate in the Zoom chat function why the incentive should/should not be used, if desired

Comment
Please minimize the availability of in lieu fees to the greatest extent possible for the reason provided in an earlier comment that I provided
In-Lieu Fees are a great option but they need to be reasonable.
In lieu fees may be too easily abused where the fees disappear into the general funds and never used for housing…
Agree with minimizing in lieu fees as option as much as possible
In-lieu fees should only be allowed when there is FULL accountability to see they are in fact USED for affordable housing.
AHP is crucial for our County. ILF should not be an option.
In-lieu fees have proven to be not sufficient, and not wisely spent to actually produce affordable units. They have been a political concession to developers and have not been productive
If the County's inclusionary requirement is good enough, e.g., 15-20%, then less than 5 unit projects could provide in-lieu fee since their requirement would be less than 1 unit. Note however, the fee must be substantial enough to actually produce affordable
In-Lieu fees should be available for Profit Affordable housing developers and not just non-profits. Non-profits in my experience, band widths are not as large and actually prevent affordable housing from being built. Additionally, in San Diego County, especially with the San Diego Housing Authority s has favorites non-profits on whom get the sources of funds.
Seems to me that in-lieu fees should be larger, not limited; it's a ticket not to comply.
Please note: the City of San Diego inclusionary and in-lieu example should NOT be followed!

12. Should General Plan Amendments that request density increases be required to provide more, less, or the same amount of affordable housing as other projects?

Answer Options	Count	Percentage
More affordable units	21	72%
Less affordable units	0	0%
Same amount of affordable units	8	28%
No affordable units	0	0%

Notes: 29 total respondents

Comment
GP amendment sounds very similar to density bonus increase and should probably function in a similar manner
More affordable housing than required by the IH ordinance

Why would developers submit a general plan amendment, if more affordable units are required? They could simply take advantage of the density bonus law and be entitled to incentives and concessions.
GPA density should include ADU development within SFD developments.
If the general plan worked, then take more units, but it doesn't. GPAs are needed to modify an antiquated document, don't penalize housing.
Yes, GP amendments should be considered individually given each proposal's unique circumstances.
I second that GPAs should only be in VMT efficient areas and/or designated mobility hubs with SANDAGs Sustainable Communities Strategy
A GPA exception available for ADU tied to inclusionary housing would be a significant incentive for existing homeowners in unincorporated areas. Are you considering language in the ordinance for this?
NO general plan amendments that increase density on County lands should be approved at all. The County's current capacity is more than adequate to meet its regional allocations for housing development.
G. Plan amendments increasing density are almost ALWAYS used to spread sprawl
So, GPAs comes down to flexibility. Excellent, within "no-cheating" limits ;-)
The City of San Diego requires 20 percent affordable housing in the North City/Future Urbanizing Area. There is no in lieu fee option. This is approach is appropriate for County GPAs.
Also, I agree with [Participant] that GPAs should not be allowed on rural or semi-rural land. GPAs should only be considered in VMT efficient areas.
Q12: does not have a "should not be allowed"

Public Comments/Questions

Comment	County Response, where provided
Will the slideshow be available after this webinar? We're going a little fast! Thanks	We will be posting the recording and presentation on the project website.
Can you discuss how a land value recapture provision might work as part of an inclusionary housing program?	General Plan Amendments typcially raise the value of land through upzoning. The County is considering a requirement that projects that receive this density increase thorugh upzoning provide affordable housing on site. In this way, the County recaptures some value created through the General Plan Amendment.
How does the County plan to meet its obligation to Affirmatively Further Fair Housing through the implementation of an inclusionary housing ordinance?	The program can be developed to help increase affordable housing opportunities within high resource areas, for example, by allowing offsite development within high resource areas.
Regarding transportation in rural areas. Nearly all only have 2 stops per day. Will that increase if density increases?	Bus routes and frequency are determined by SANDAG (the regional planning agency) and the Metropolitian Transit system (MTS) based on a variety of factors. Increased density and ridership in an area could potentially lead to increased frequency in the future.
Aren't most rural residences in the affordable range already?	There is a wide range of housing prices in the more rural areas of the unincorporated County. The inclusionary program would only apply to projects of certain size, 100 units for example. They are also considering areas (especially in the east County) to be exempt based on the local housing markt there
Please define your High and Highest requirements? Based on HCD / TCAC	High and Highest Opportunity Areas are defined by the California Tax Credit Allocation Comittee and Housing and Community Development (TCAC/HCD). This includes environmental, economic, and educational factors. You can learn more about Opportunity Areas here: https://www.treasurer.ca.gov/ctcac/opportunity.asp
Existing incentives are based on what percentages?	Incentives are based on the percentage of affordable housing provided as part of the development project.

Comment	County Response, where provided
Do income levels [in the presentation] align with the State HCD income categories?	Yes, the income levels presented are aligned with State HCD 2022 maximum incomes: https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf
Why should there be any concessions or incentives? A universal inclusionary requirement will affect the market by reducing land costs, offsetting the cost automatically.	State Law (AB 1505) currently requires all jurisdictions with mandatory inclusioanry housing programs to provide incentives and concessions to offset costs.
Incentives come at a public cost - such as eliminating DIFs - No incentives. BUT phase in the IH requirements to allow for the land market to adjust to the IH requireemnts.	The IH requirement would be phased in over time to allow for the market to adjust.
Expediting permit processing sounds like a shortcut to safety concerns; maybe builders are more interested in the bottom line? i.e...$$$?	—
If fees of any sort are reduced, who picks up the slack?	—
Some projects that increase density may have some infrastructure upgrades built into the projects. The communities may have further concerns about their exit roads during an emergency, and traffic that they weren't set up for. Will any of these programs offer funds to address the Community at whole concerns.	Additional density on-site is not always feasible because of concnerns of traffic and environmental impacts. This is why alternative compliance options are available. In the case of upzoned areas, these projects take on additonal infrastructure costs in order to increase development capacity. This is inherently an exchange of increased land value for the provision of required community benefits. Affordable housing could be a community benefit that is considered as a requirement.
Do these inclusionary laws take into account existing neighborhoods? I mean, going into an existing neighborhood and affecting property values...are the County and Developers protected from law suits if existing residents don't want more affordable housing?	—
Are any inclusionary housing builds required, or is it all voluntary?	There is currently no inclusionary housing ordinance in the unincorporated area. The Board has directed the County to develop a mandatory inclusionary ordinance that would apply to all projects over a certain size. We are receiving input today on the public's preference for project size and other componets.
If the Affordable Housing is located offsite, will those tenants have access to all amenities built by Developer?	The off-site units would be required to be of like kind to the on-site units. This would incclude of comparable size and type. Thank you for this additional comment and consideration.
How long will landlords be required to keep their accessory dwelling units as "affordable housing", or are there any such standards in the plan?	Hi [Participant], units would be income deed restricted, including ADUs. The ordinance will include an affordability period. Most jurisdictions require 55 years, but some jurisdcitions may require more or less years. Please feel free to share your feedback on the appropirate period of affordability.
If an ADU is built on one's property, how difficult would it be to evict a bad tenant?	This would be goverened by California eviction laws and not by an inclusionary housing program.
If the Affordable Housing is located offsite, will those tenants have access to all amenities built by Developer?	The off-site units would be required to be of like kind to the on-site units. This would include of comparable size and type. Thank you for this additional comment and consideration.
If developers build without any AH units, and only high end, wouldn't the home they move out of be considered more affordable?	Increased housing in general is a goal sought by the County, and households moving from older homes to new ones should in theory free up more affordable homes for others. This is one way to create naturally occuring affordable housing. The extent to which a hosuehold that qualifies for affordable housing move into the newly vaccated home is not clear. The goal of the inclusionary

Comment	County Response, where provided
	program would be to provide affordable housing to lower income families without materally impacting market rate homes.
Does AFP also consider Seniors in that program?	Hi [Participant], our program is still under development. So this is somehting that we can consider as we develop the program. Thank you for your feedback.
What is to keep developers from raising the price of non-AH units to cover the AH shortfalls.	—

Additional Discussion Questions and Feedback

Comment
Alternative Compliance Option: purchase an existing apartment building, fix it up and deed restrict it.
The regional standard inclusionary % is 15%; this should be the minimum County inclusionary requirement
On-site childcare available, washer/dryer in every unit.
A suggestion: consider a sliding scale in which more incentives are offered in return for creating AH for the lowest income brackets and less incentives for the highest income brackets
GPA density should include ADU development within SFD developments.
Tying VMT and inclusionary housing together in a huge mistake for unincorporated areas: Lakeside, Alpine Ramona, etc. have no mass transit and tying in VMT will only limit, not incentivize, inclusionary housing in these urban areas. VMT GPA should be allow for inclusionary housing
One additional compliance option: huge developers required to subsidize small developers?
If increased density results in MORE affordable units, that changes the entire neighborhood.
The City of San Diego requires 20 percent affordable housing in the North City/Future Urbanizing Area. There is no in lieu fee option. This is approach is appropriate for County GPAs.
City of SD "future urbanizing area" - problem is, the City will commonly remove lands from "future urbanizing" and 20% will not apply. City of SD requirement is now an absolutely horrible 6%
Re: "greenfield areas" - no incentives, this would be sprawl driving climate change and not providing housing where lower income households need to have housing

Stakeholder Focus Groups

Overview

Date	Focus Group	Attendees	Topics Selected for Discussion[1]
February 28, 2022 from 10:00 to 11:00 AM (PST)	#1 – Affordable Housing Developers and Advocacy Groups	14	A – Minimum project thresholds C - Incentives and concessions
February 28, 2022 from 1:00 to 2:00 PM (PST)	#2 – Environmental and Equity Groups, and Labor Unions	7	A – Minimum project thresholds B – Alternative compliance
March 2, 2022 from 9:00 to 1:00 AM (PST)	#3 – Market Rate Developers and Building Industry	12	B – Alternative compliance C – Incentives and concessions

[1]As indicated in the overview of the Zoom Poll results for Question 1 below, focus group participants were given the opportunity to select preferred topics for discussion from the following options: A. Minimum Project Thresholds; B. Alternative Compliance; and C. Incentives and Concessions.

The purpose of the stakeholder focus groups was to help inform the development of the San Diego County's Inclusionary Housing Program. Specifically, the focus groups were designed to understand which potential Inclusionary Housing Program criteria participants might support, and where there might be potential unintended consequences resulting from a potential criterion.

A total of three focus group sessions were conducted via Zoom virtual meetings. Thirty-three stakeholders who represent affordable and market-rate developers, environmental groups, and equity and labor groups participated in the three sessions. The focus groups were conducted on February 28, 2022, and March 2, 2022.

Zoom Poll Results

The Zoom Poll Results for the Stakeholder Focus Groups have been aggregated to summarize the feedback heard across all three focus groups, as applicable, based on the topics selected for discussion.

Topic Selection

1. Which topics would you prefer to focus on for today's discussion? Please select up to two.

Answer Options	Count	Percentage
A. Minimum Project Thresholds	19	66%
B. Alternative Compliance	15	52%
C. Incentives and Concessions	17	59%

Notes: 29 total respondents. All three focus groups were asked to select which topics they would like to discuss during the session. The top two answers were selected for each group.

Comment
Impossible to separate these categories. They are all interrelated when it comes to the economic feasibility of a project relative to the potential costs associated with whatever is required within an IH ordinance.

Don't know how you can talk about alternative compliance if you don't know what the thresholds are going to be. Make sure that all three topics are looked at together when presented to the Board of Supervisors. This is an important and potentially consequential discussion, so I believe time should be provided for full discussion. But understand [that more engagement opportunities will be provided as the program details get developed further]

A. Alternative Compliance

(A1.1) What minimum project size should trigger the inclusionary housing ordinance?

Answer Options	Count	Percentage
1	2	10%
5	8	38%
10	6	29%
20	3	14%
50	1	5%
>50	1	5%

Notes: 21 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions)

Comment
There are parts of the City of San Diego that have an inclusionary requirement for any project, i.e., not only projects of 10+ units. Those parts of the City include "greenfield" development areas. For housing affordability in the unincorporated area, there should be a tiered system that offers different things based on county location and product type.
Currently there is already a lot of competition of available units. Low threshold would create more housing opportunities in general.
There are high-resourced areas that do not have larger project sizes, and a lower threshold would allow lower-income households to access these areas.
In the County we have village boundaries. In villages, there are opportunity to have small projects (5-15 units in size) However, for the unincorporated county, there's opportunity for lot splits; classification of projects that can meet affordability on-site. Maybe 5-20 units in size in these areas. We should think about capturing estate lot divisions with half-acre to acre lots. Provide an in-lieu fee for smaller projects that are on-going in semi-rural locations.
There are key factors to considering project size: depends on locations, type of construction, and what percentage of units will be affordable. Incentives for density sound good on the surface, but increased density can include higher cost per square foot, often by 12-25 percent.
Need to think about who are building smaller projects. We need housing, middle income, low-income, and this is a policy that could make smaller developments infeasible.

(A1.2) What Residential Products/Typologies do you think represent the best opportunity for future residential development in the unincorporated County?

Answer Options	Count	Percentage
Single Family Large Lot (<4 du/ac)	4	19%
Single Family Small Lot (4-10 du/ac)	10	48%
Townhomes (10-20 du/ac)	12	57%
Garden Apartments and Stacked Flats (20-30 du/ac)	12	57%
Higher Density (>30 du/ac)	15	71%
Other	1	5%

Notes: 21 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions); respondents were allowed to select all that apply

(A2.1) Which Submarkets should be considered subareas where the affordable housing requirements apply?

Answer Options	Count	Percentage
North (Fallbrook, San Dieguito)	14	93%
Central (Lakeside, Ramona)	14	93%
South (Spring Valley, Sweetwater)	13	87%
Mountain (Central Mountain, Julian)	11	73%
Back-country (Desert, Mountain Empire)	9	60%

Notes: 15 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions); respondents were allowed to select all that apply.

(A2.2) Why should those submarkets be considered?

Answer Options	Count	Percentage
Strong Housing Market	9	60%
General Plan Capacity	9	60%
Low Environmental Impact	9	60%
High Resource Area	10	67%
Other	9	60%

Notes: 15 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions); respondents were allowed to select all that apply

(A2.3) Should the County consider the following factors in applying the inclusionary housing?

Answer Options	Count	Percentage
Infill Areas	12	71%
Village Areas	10	59%
VMT-efficient Areas	7	41%
High Resource Areas	13	76%
Avoid Fire Prone Areas	9	53%
Transit Opportunity Areas	15	88%
Other	2	12

Notes: 17 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions); respondents were allowed to select all that apply

Comment
There is already so much competition and restrictions, so the more free market, the more opportunity there will be build affordable housing. What’s driving us is factors beyond our control (Fire-prone, high-resource, etc.)
Important to consider how this affordable housing program may affect immigrant populations. Siting affordable housing units where educational and employment opportunities are at.
An inclusionary housing ordinance with appropriate thresholds/fee options should apply countywide. The County can develop other policy mechanisms/planning documents to encourage/discourage development in various subareas. For instance, inclusionary housing ordinance should not be a de facto growth management policy.
Concerned that this question is siloed and not taking into consideration the cost to produce a unit of housing relative to median incomes and if inclusionary by itself will help or hurt access to new housing. If the inclusionary policy is so burdensome that a project won’t pencil, no new housing will be produced and so having an inclusionary policy that requires 10% of affordable units be affordable, 10% of 0 new units is 0. Any decision on this needs to take into basic data which includes average land sales prices, average cost of labor to produce housing, average materials costs, average government impact fees, etc. and how all of those relate to the county’s median income
Important to consider how this affordable housing program may affect immigrant populations. Siting affordable housing units where educational and employment opportunities are at.
SANDAG passed regional plan with mobility hubs, placing affordable housing units near VMT areas is a great place to start.
The other component to keep in mind is the county’s compliance with AB686, and the policy that the county develops with AFFH law. The goal is to have a state-compliant housing element from 5th cycle to 6th cycle RHNA. This policy can help bring the county into compliance with state law

(A3) What minimum affordable housing set-aside would work best for the County?

Answer Options	Count	Percentage
5% Very Low Income (50% AMI)	2	10%
10% Low Income (80% AMI)	2	10%
15% Moderate Income (120% AMI)	1	5%
10% Low + 5% Moderate	0	0%
5% Very Low + 5% Low	1	5%
5% Very Low + 10% Moderate	0	0%
Menu of options for flexibility	12	57%
Other	3	14

Notes: 21 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions); A middle-income option was not available but had interest from participants. The County noted that the Board direction is not geared toward middle-income housing incentives at this time

Comment
Asked about the AMI for the area and what the stock of naturally affordable housing is already. Gave example of comparing Borrego to a coastal area where you will see a big variance if availability of naturally affordable housing. Consider including up to 150% of AMI as one of the choices when creating a menu
150% AMI should be a menu option
Make it less competitive, and truly give everyone the right and access to affordable housing. This will help our partners who are looking for housing for people experiencing homelessness, and it will help families and individuals whose income is not keeping up with the increasing prices of general goods and services, etc. Most importantly, it will promote diversity in housing with mixed income levels living together

(A4) How long should the affordable units created through an inclusionary ordinance remain affordable?

Answer Options	Count	Percentage
Less than 55 years	2	17%
55 years	5	42%
Greater than 55 years	1	8%
Perpetuity	3	25%
Other	1	8%

Notes: 12 total respondents, which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #2 (Environmental and Equity Groups, and Labor Unions)

Comment
For homeownership projects, 15 years. There needs to be a difference between ownership and rental projects and affordability periods.
Look at Muni Community Land Trust models in Irvine to achieve perpetual affordability

B. Alternative Compliance

(B1) If off-site compliance were to be included, what factors should direct the location of the off-site units?

Answer Options	Count	Percentage
Infill Areas	12	75%
Village Areas	10	63%
VMT-efficient Areas	9	56%
High Resource Areas	13	81%
Avoid Fire Prone Areas	7	44%
Same CPA	10	63%
Other	1	6%

Notes: 16 total respondents, which included participants from Focus Group #2 (Environmental and Equity Groups, and Labor Unions) and Focus Group #3 (Market Rate Developers and Building Industry); respondents were allowed to select all that apply

Comment
Would love to see an opportunity for off-site compliance to include funding into a pool of capital for Naturally Occurring Affordable Housing (NOAH) preservation and / or gap financing for affordable projects that are shovel ready
The cost of housing is way too expensive in San Diego County now. We should not be burdening a small group of home buyers with additional costs. If this problem is so large that Government has to be involved, it should be paid for from a source where the entire population pays for supplying the units.
Working with SD District 1 on pilot program for NOAH preservation. Acquiring market rate or non-deed restricted housing, which is presently affordable, but in danger of no longer being so. Voluntary covenants and Capping rent at 80% AMI. Financial model of property tax abatement facilitates acquisition of property. Also, fix rents for 55 years and peg to growth rates that are set by HUD.

(B2.1) Should the County allow for the payment of fees in-lieu of building affordable units?

Answer Options	Count	Percentage
Yes, for all projects	11	73%
Yes, only for small projects	2	13%
Yes, only if on-site units are a clear obstacle to feasibility	2	13%
No	3	20%
Other	0	0%

Notes: 15 total respondents, which included participants from Focus Group #2 (Environmental and Equity Groups, and Labor Unions) and Focus Group #3 (Market Rate Developers and Building Industry)

(B2.2) If in-lieu fees were to be included, what factors should determine the fees to be paid?

Answer Options	Count	Percentage
Square feet of market rate units	10	63%
Project size	6	38%
Project characteristics	9	56%
Affordability gap	6	38%
Production costs	2	13%
VMT efficiency	2	13%
Location in different subareas	3	19%
In-lieu fees should not be an option	1	6%
Other	2	13%

Notes: 16 total respondents, which included participants from Focus Group #2 (Environmental and Equity Groups, and Labor Unions) and Focus Group #3 (Market Rate Developers and Building Industry); respondents were allowed to select all that apply

Comment
High resource areas are where we want inclusionary housing. Resources should be distributed more equitably than they were before and allowing In-lieu fees may exacerbate existing segregation. High-resource communities should include inclusionary housing. There are 50 or so communities in San Diego that do not have more than 5% affordable housing in their housing stock
In the City of San Diego's North County Future Urbanizing Area, thousands of affordable units have been developed. But for the City's inclusionary ordinance, I don't think home builders would have developed rental units, much less affordable units.
In-lieu fees can be used to provide for 100% affordable projects that can then also magnify unit count by pursuing tax credit financing. As opposed to placing a few units into a market rate project. If you care about getting as many units as possible, in lieu fees can provide an importance source of funding
Work with affordable housing developer. In-lieu fees have been used in SD to provide more than one round of funding because of how they can leverage those funds. Fees need to be able to provide affordable housing also.
in lieu fees are critical because they can be leveraged with state and fed dollars providing flexibility and greater economy of scale to produce housing
In-lieu fees are cost prohibitive typically, so it likely would force market rate developers to include the affordable units. The County should think hard about who occupies L and VL affordable units, and that is traditionally the service industry. The service industry is largely not in County land. Therefore, if there are in lieu fees proposed, make sure they are digestible and also perhaps look at utilization of the collected fees by incorporated cities that have the employment for the L and VL units
There should be no additional costs applied to constructing new housing. We are pricing the entire population out of California. Spread this cost to the entire Population, via Bonds or broad-based increased tax.

(B3) If land dedication were to be included, what standards must be met for the land?

Answer Options	Count	Percentage
Equivalent Cost	5	33%
Capacity	11	73%
Location in a High Resource Area	9	60%
Low VMT Area	3	20%
Within same CPA	5	33%
Outside High Fire Hazard Area	6	40%
No environmental constraints	5	33%
Land dedication should not be an option	0	0%
Other	0	0%

Notes: 15 total respondents, which included participants from Focus Group #2 (Environmental and Equity Groups, and Labor Unions) and Focus Group #3 (Market Rate Developers and Building Industry); respondents were allowed to select all that apply

Comment
There has to be also an approach around community land trusts as a mechanism, Not counting on developers to do it. If we can reduce the cost of the land, that makes it more viable for affordable housing development. Jurisdictions can own more land, i.e., a SANDAG-type structure for community housing. Even if you put up great concessions, which doesn't mean people will take advantage. Land dedication model isn't widely used but if what we're currently doing isn't working, this should be a model that at least is explored.
Regarding capacity of units, if we can't build housing on it, then that seems counterproductive. Land dedication should be ineligible as an alternative compliance option if the land being contributed does not have capacity for the relatively easy construction of housing

(B4) If ADUs were to be included as an alternative compliance option, what factors should apply?

Answer Options	Count	Percentage
Must be on-site	1	17%
Equivalent bedrooms	1	17%
Bought and sold through credit bank	0	0%
High resource, Low VMT	0	0%
ADUs should not be an option	5	83%

Notes: 6 total respondents, which included participants from Focus Group #2 (Environmental and Equity Groups, and Labor Unions) and Focus Group #3 (Market Rate Developers and Building Industry); respondents were allowed to select all that apply

Comment
ADU's are nibbling around the edges, left to homeowners to develop, won't make a significant impact, and hard to track to ensure compliance. I do not agree that ADU's should be part of this program
The provision of ADUs would be so nominal it won't meet goals
There is no reason ADUs should not be part of the program. Every unit helps.

C. Incentives and Concessions

Participants from Focus Group #1 – 'Affordable Housing Developers and Advocacy Groups' and #3 'Market Rate Developers and Building Industry' selected Topic C for discussion.

(C1) If a project were to provide more affordable housing than the minimum set-aside requirement established by the ordinance, which of the following offsets would best help project feasibility?

Answer Options	**Count**	**Percentage**
Expedited Processing	16	73%
Additional Waivers of Development Standards	14	64%
Additional Density Bonus	12	55%
Other	4	18%

Notes: 22 total respondents which included participants from Focus Group #1 (Affordable Housing Developers and Advocacy Groups) and Focus Group #3 (Market Rate Developers and Building Industry); this question was in a single-response format for Focus Group #1. Participants shared additional responses in the chat function of Zoom, which have been added to the results depicted in this table. Focus Group #3 was given the option to select all options that apply.

Comment
The benefit [of affordable housing] is so great because losing that unit is more harmful than accepting the raise in salary that would push you out of the income bracket for the unit. You're allowed to earn 140% AMI household income and still pay the rent year-over-year at 30 percent. It's incorrect that you lose your housing immediately when you are no longer in the income bracket at which you were approved
Increased density is not always a solution. Additional density bonus is helpful, but at some point, more of something that is financially infeasible doesn't help. By right = more predictability = less risk = lower cost of capital. Additional waivers of development standards are helpful. I have two projects in LA where we bypassed the Transit Oriented Communities program in favor of the State Density Bonus because it provides more flexibility around open space and setback standards.
Additional Waivers of development standards should not be used. Should be context dependent, but could lead to potential discriminatory effects
Higher density can trigger different construction type thereby increasing overall costs.
If the goal is to produce more housing than is already being produced, more incentives are needed. Other offsets can be prioritizing CIPs in areas where you want new housing.
Make them by-right and no discretionary processing whatsoever
By-right - no fees at all; all fees - water etc. covered by County
Offsets of other development requirements could help make additional units economically feasible. Reducing costs in one area to provide cost offset for affordable housing is the right approach. Make sure an expedite program actually works. Other jurisdictions that have that option, it is simply another in box. By-right is a better approach.

D. General Plan Amendments

All three focus groups were asked to discuss Topic D – General Plan Amendments.

(D1) Do you think that the County should have the same inclusionary requirements for both GPA in Infill Locations and GPA in Greenfield/Rural locations?

Answer Options	Count	Percentage
Same IH requirements for GPA in Infill and GPA in Greenfield	4	16%
IH requirement to regular housing projects (not GPA)	7	28%
Require more IH units for GPA in Greenfield than GPA in Infill	1	4%
IH requirement should reflect each project's increased land value	9	36%
Additional IH requirement should increase proportionally based on density increase	8	32%
Other	5	20%

Notes: 25 total respondents which included participants from all three Focus Groups

Comment
With the county's restrictive VMT policy it is unlikely that GPAs will be economically feasible outside VMT efficient areas.
If we can't build housing on it, then that seems counterproductive. Land dedication should be ineligible as an alternative compliance option if the land being contributed does not have capacity for the relatively easy construction of housing
VMT policy is prescriptive against development. The VMT policy is to curb GHGs. However, affordable housing should be where the employment centers are for the residents.
How the County will consider in-fill will be important
Question was too nuanced to commit to a response

Workshop 4

Overview

Date: Wednesday, March 1, 2023
Start time: 6:00 PM (PST) **End time:** 7:30 PM (PST)

Attendance		
Attendees	**County of San Diego**	**Consultant Team**
29	13	5

Workshop 4 included a presentation overview of the County's Inclusionary Housing efforts to date, and the Draft Inclusionary Housing Ordinance and Criteria Options. The workshop included fourteen Zoom polls and an informal question-and-answer opportunity. Additional details regarding each section of the workshop are provided below.

Zoom Poll Results

1. What minimum project size should require affordable housing for General Plan compliant projects?

Answer Options	Count	Percentage
5 units	6	35%
10 units	7	41%
Other	4	24%

Notes: 17 total respondents

Comment
1 DU should be subject to the IHO
All
Assuming this chat is accurate, for MF, if the minimum set aside is 5%, then it should only apply to projects of at least 20 units so that at least 1 full unit would be required (though in-lieu fees could be paid). For For-Sale, 10 units is probably the appropriate size.

2. What minimum project size should require affordable housing for General Plan Amendment projects?

Answer Options	Count	Percentage
1 unit	3	18%
10 units	7	41%
Other	7	41%

Notes: 17 total respondents

Comment
All
5 units
Upon reflection, I take that sentiment back. 10 units ins probably the appropriate size
Comment
This one is tough!
Depends on the area of the APN. Maybe dividing lots?
For GPAs, for-sale projects probably 4 units as that is the maximum allowed to be prepared with a Parcel Map

More than 10 units, at least ~30, for developer ROI/proforma feasibility
I was thinking about the first set of questions regarding which projects should this program apply the wrong way. I was only considering providing units on-site, and not thinking about payment of the in-lieu fee. The program should apply to all projects, regardless of size. Smaller projects would just pay the fee instead of providing on-site deed restricted units.

3. Please select your top two preferences for set-asides for GP Compliant For Sale developments.

Answer Options	Count	Percentage
5% Very Low Income ($65,050)	8	38%
10% Low Income ($104,400)	8	38%
5% Low Income ($104,400) + 10% Moderate Income ($128,300)	15	71%
15% Moderate Income ($128,300)	3	14%

Notes: 21 total respondents; respondents were asked to select two options

Comment
20% minimum

4. Please select your top two preferences for set-asides for GP Compliant For Rent developments.

Answer Options	Count	Percentage
5% Extremely Low Income ($39,050)	3	17%
5% Very Low Income ($65,050) + 5% Low Income ($104,000) + 5% Moderate Income ($128,300)	12	67%
10% Low Income ($104,400)	8	44%
15% Low Income ($104,400)	4	22%

Notes: 18 total respondents; respondents were asked to select two options

Comment
20% for all
False choice limiting options
This is all nonsense, with false choices, attempting to provide a false narrative about what is supported

5. Please select your top two preferences for set-asides for GPA developments.

Answer Options	Count	Percentage
10% Extremely Low Income ($39,050)	4	19%
5% Very Low Income ($65,050) + 15% Low Income ($104,000)	8	38%
10% Very Low Income ($65,050) + 5% Low Income ($104,400) + 5% Moderate Income ($128,300)	14	67%
20% Low Income ($104,400)	8	38%

Notes: 21 total respondents; respondents were asked to select two options

6. Please indicate your most preferred alternative compliance option.

Answer Options	Count	Percentage
Offsite development	6	38%
Land dedication	1	6%
In-lieu fees	3	19%
ADUs	4	25%
Rehabilitation of units	2	13%

Notes: 16 total respondents

7. Please indicate your second preference for an alternative compliance option.

Answer Options	Count	Percentage
Offsite development	3	19%
Land dedication	6	38%
In-lieu fees	2	13%
ADUs	2	13%
Rehabilitation of units	3	19%

Notes: 16 total respondents

8. Please indicate your least preferred alternative compliance option.

Answer Options	Count	Percentage
Offsite development	3	19%
Land dedication	2	13%
In-lieu fees	4	25%
ADUs	4	25%
Rehabilitation of units	3	19%

Notes: 16 total respondents

9. If off-site development were to be allowed, how many affordable units should be required?

Answer Options	Count	Percentage
Same as on-site development	10	77%
5% more affordable units than on-site	0	0%
Offsite development should not be an alternative compliance option	3	23%

Notes: 13 total respondents

10. Where should in-lieu fees be allowed?

Answer Options	Count	Percentage
All projects	6	38%
Only small projects (<10)	5	31%
In-lieu fee should not be an alternative compliance option	5	31%

Notes: 16 total respondents

11. If the County allows for the Rehabilitation and Preservation of affordable units as an alternative compliance option, the developer should:

Answer Options	Count	Percentage
Provide the same number and level of affordability required by the set-aside	7	47%
Provide twice the number of required affordable units	4	27%
Rehabilitation and preservation should not be an alternative compliance option	4	27%

Notes: 15 total respondents

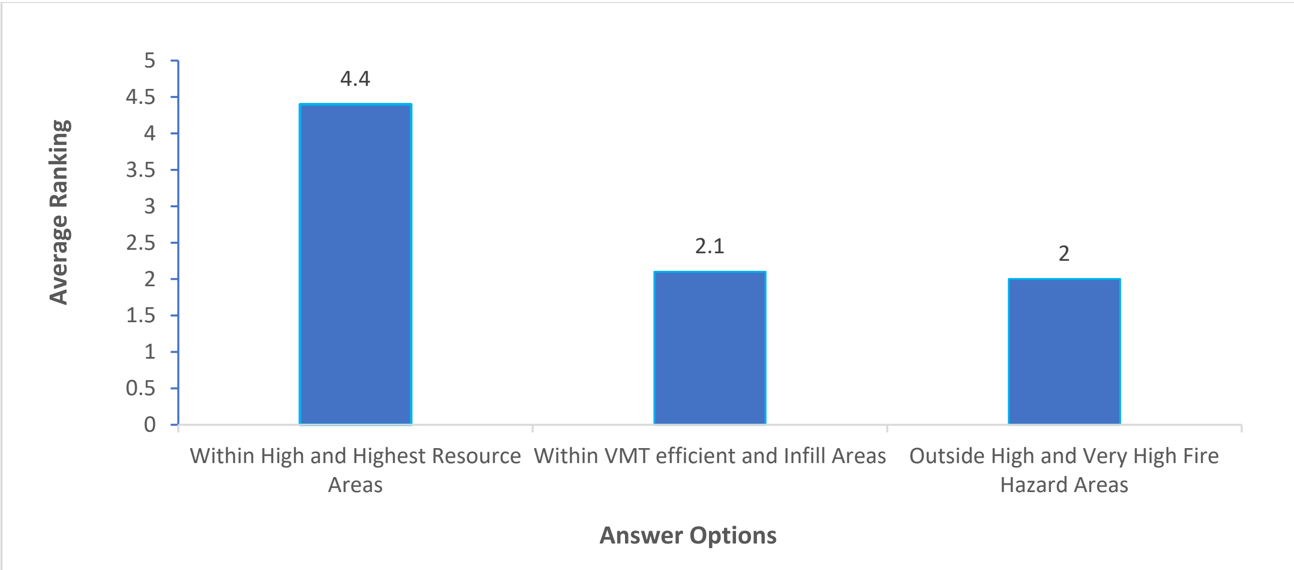
12. Should location criteria be applied to projects seeking to use off-site development or land dedication to satisfy affordable housing requirements?

Answer Options	Count	Percentage
Yes	7	50%
No	6	43%
Other	1	7%

Notes: 14 total respondents

Comment
Off-site should be considered on a project-by-project basis. There may be benefits that can't be captured by overly broad criteria

13. If off-site development or land dedication were to be allowed outside a 1-mile radius of the market-rate units, please rank your preference for location criteria options, with 1 being the most preferred and 3 the least preferred.



Notes: 15 total respondents; Average ranking calculated using a weighted average. In other words, the respondent's most preferred choice has the largest weight, and their least preferred choice has the least weight. The "Outside High and Very High Fire Hazard Areas" and "Within VMT efficient and Infill Areas" options were ranked by 14 of the 15 respondents.

Comment
While I don't think the proximity to VMT should be eliminated as a consideration, MTS is actively trying to increase mass transit use, which means it's not being effectively used and, therefore, should not be the #1 consideration , as it has been with the recent TPA>SDA vote

14. The County should allow for expedited review if:

Answer Options	Count	Percentage
The project is fully affordable	3	21%
The project contains 50% more affordable units than the set-aside requirement	10	71%
Expedited review should not be an option	2	14%

Notes: 14 total respondents

Comment
Expedited review should be an incentive for a developer providing any percentage of affordable housing. The developer is helping to address a critical problem: housing.
This is all an income-based analysis. Where is the more appropriate representative cost analysis to develop or build. Unless you can determine the cost to build or the increased fees added to the cost, there is no ability to make a realistic analysis of whether the development costs can match up with the perceived income capability. If you can’t affordably build or extra fees are increasing costs, then this is an exercise in futility.
Expedited review of affordable housing negatively impacts normal construction

Public Comments/Questions

Comment	County Response, where provided
Only 40 people particpated in the June Webinar. The population in unincorporated SD is 510,780. 40 particpants is .0078%. Hardly a mandate. Why don't you attend local community planning group meetings to get meaningful input?	Hi [Participant], we have been coordinating with CPGs and meeting with interested community and stakeholder groups. For instance we met with the Jamul CPG last night and plan to meet with the Casa De Oro CPG and San Dieguito CPG next week. We have other meetings planned as well and we would be happy to meet with your group too if you don't mind sharing more information with us in the chat.
In your quest for public input, how many people did you interview in that income bracket who would be expected to finance, purchase, maintain, pay taxes upon, and otherwise exhibit the basics of home ownership?	Hi [Participant], we interviewed stakeholders that develop housing, both market rate and affordable housing developers. We did not collect income level information from any of the people that we interviewed. I'll add that we did reference the regional housing needs allocation (RHNA) for the unincorporated County, which estimates housing needs at different income tiers.
Does issues such as food deserts, minimal employment opportunities and the lack of public mass transit factor into whether a community should be targeted/bypassed for denser or affordable housing focus? That fire risk should not be the only factor.	Alternative Compliance includes an option for off site development. This is further refined through additional options for where this off site development can occur. Option 3 considers high and low resource areas as defined by State HCD. High and low resource areas consider factors such as access to jobs, education, and resources. Thank you for your input on additional considerations such as transit and access to food.
Why is the County proposing that a higher percentage for For-Sale homes (20%) be subject to the IHO than For-Rent homes (5%)? If both are deed-restricted, what is the difference?	Hi [Participant], we are not recommending any specific option at this time. We tested 29 scenarios of affordable housing set aside (percentage of affordable housing and income level). All of these scenarios were tested for GP compliance, GP for Sale and GPA. We have a range of options, including six feasible options for GP sale, nine GP feasible options for rent, and 26 feasible options for GPA. We are asking for public feedback on these feasible option in terms of preferences for any of the feasible options.
Will the recording of this webinar be available for viewing after its conclusion? I know others who were unable to attend who'd like to be able to view these slides and hear your comments.	Yes, the recording of this webinar as well as a summary of questions and answers will be provided on the project website here: https://www.sandiegocounty.gov/content/sdc/pds/advance/housingstudy.html
How many participants are here tonight?	There are currently 25 attendees.

Comment	County Response, where provided
Has the County considered using building electrification as part of the affordable housing developer incentives? There are already major cost-savings by building all-electric as well. For example, if a developer builds all-electric, not only will it be less expensive but it could also provide access to the expedited permitting incentive or others.	We have not seen building electrification as an inclusionary housing incentive as part of our best practice research. Do you have any examples that you can share with us? - Participant Response: "Climate Action Campaign will be sending a recommendation for the IHO and I will make sure to ask my colleague that works on BE to include examples for you all in our letter. Thanks!"
This is a scam.	Hi [Participant], could you confirm which option your comment relates to?
Has the county considered assisting the needy income groups directly with expansion of Section 8 for rentals and expand first-time home buyer programs rather than finance for-profit developers?	Thank you for your question. The Department of Housing and Urban Development (HUD) provides jurisdictions with a finite amount of funding and number of Section 8 (or HCV) vouchers. Expansion of this program is not within the County's control. The County is however exploring a number of program opportunities to increase availability of affordable housing options including rental programs/opportunities and the expansion of first time homebuyer programs. The draft Housing Bldueprint, available on Engage San Diego's website is currently open for public comment and offers opportunity to comment on the County's efforts to address housing affordability and availability. https://engage.sandiegocounty.gov/housing-blueprint
In the first few polling questions, there wasn't a choice that I really liked: specifically, one designating much higher %s (>25%) to Very/Extremely Low + Low Income (in some combination, probably with higher % low lowest income), PLUS at least 15-20% to Moderate Income families. Looking forward to watching the rest of recording. Thanks for hosting this!	—
This policy appears to be income based. The intrinsic question is what is the COST BASIS to provide any of the alternatives. If you can not build is cost effectively then, how is this proposed policy feasible? Adding in lieu fees just drives up costs in addtion to other construction mandates ie Title 14 and 24 making housing even less affordable?	Hi [Participant], Yes--if I understand your question correctly--the affordability gap used in the in-lieu fee calculatons is based on the difference in income value between affordable and market-rate units. The reason we used this as a basis--rather than the cost basis--is it allows us to directly tie the fee to the economics of the applicant's project. What this enables is the fee to fund an equivalent # of units on-site or nearby. It also leads to a fee that--being roughly eqivalent in value to onsite development--doesn't create incentive one way or another to pay the fee or develop onsite affordable units.

Comment	County Response, where provided

How does rehab of units make more affordable housing?	Hi [Participant], the rehabilitation of the unit would work by taking a existing market-rate unit, rehabilitating it, and deed-restricting it as an affordable housing unit. To your point, it would not increase the overall housing stock, but you increase the stock of housing that is restricted for lower- or moderate-income families.
the BOS recently ditched A-110 (the no tolerance policy of illegal drugs in tax payer funded housing). Can you elaborate on how this is being considered?	The A-110 policy was out of compliance with current law. The termination of the policy does not eliminate rules and regulations that rental assistance participants must comply with. We would be happy to discuss this with you in further detail. You may reach out to me directly at Kelly.Salmons@sdcounty.ca.gov for more information.
Thank you for accepting comments. This comment relates to the requirement for the housing units to remain affordable for 55 years. While the intent may be noble, this requirement would also mean that any families who purchase the affordable for-sale units will be restricted on the equity they can build from the unit that they purchase, since they would not be able to sell their unit at market rate for 55 years. Homeownership has been a key onramp to the middle class for many generations of American families, since it has allowed them to build equity. An unintended consequence of this deed restricted affordability for 55 years is that the families who we are trying to help will be prevented from building equity through their purchase. If the County could consider allowing the affordable units to rise to market rate after they are purchased by removing that deed restriction, it would really uplift the families who purchase the units. The equity that they would build would create economic ripple effects.	[live answered]
Are concessions on square footage for ADU's on the table? Or JADU considerations?	At this time ADUs for alternative compliance would be required to be comply with the requirements established in State law and the County's Zoning Ordinance. With regards to concessions, do you have additional feedback on what concessions you think should be provided?
Because you are providing options to the PC and BOS, will there be one public hearing, or is the intent to get direction, revise the plan and then going back for a final hearing?	Hi [Participant], we are currently planning on two hearings: One for the PC to get their recommendations and feedback and one for the BOS to adopt the ordinance.

Additional Comments and Feedback

Comment
This is all an income based analysis. Where is the more appropriate representative cost analysis to develop or build. Unless you can determine the cost to either build or the increased fees added to the cost, there is no ability to make a

realistic analysis of whether the actual development costs can match up with the perceived income capability. If you can't affordability build or extra fees are increasing costs then, this is an exercise in futility. The answer to the question was [sic]
How are the Incentives that are provided any different than what the County already is required to do? Density Bonus is already on the books, and Policy A-68 already provides for expedited review.

Attachment A: Key Stakeholder Interview Questions

1. Where are the greatest opportunities for residential development in the unincorporated County area? Are there meaningful market distinctions between submarkets in the North (Fallbrook, San Dieguito), East (Lakeside, Alpine), and South (Spring Valley, Sweetwater)? How much of this potential is for rental projects and how much for sale?

2. What residential typologies and densities represent the best opportunity for future residential development in the unincorporated County area? Do these typologies vary by the three sub-markets noted in the previous question?

3. How does the County's development entitlement and approval process compare with other cities in which you operate?

4. The County of San Diego has a density bonus program that goes beyond the State Density Bonus Law (SDBL). It provides a schedule of density bonuses and other concessions in exchange for setting aside a portion of units as affordable. Would you consider using the density bonus program in the unincorporated County area? Why or why not?

5. Ten of the 18 incorporated cities in San Diego County have inclusionary housing programs in place. Can you identify any particular element(s) of these programs that stand out to you as effective or detrimental?

6. Do you think that residential projects seeking General Plan Amendments in the unincorporated area should be required s to set aside a portion of units as affordable? Why or why not?

7. For an inclusionary housing program that applies to General Plan Amendments, should there be a project size threshold to exempt a project from setting aside affordable units? What should that threshold be and why?

8. For on-site development of affordable housing within a 50+ unit residential project, what form or forms would this housing typically take? How could this affordable housing be mixed with market-rate housing? How would this affordable housing be financed?

9. Most inclusionary housing programs require the developer to build units on site, but most also provide alternative compliance options such as an in-lieu fee, land dedication, and off-site development. Which of these would be an optimal strategy for you to fulfill the requirement and why?

10. Is a program supporting production of middle-income housing needed in the County unincorporated areas? Why or why not? How would you define "middle-income" housing?

11. Would expansion of the State Density Bonus Law to include units at a middle-income tier (e.g., 120%-150% AMI) be effective?

12. What other strategies should the County consider to encourage production of Middle-Income Housing?

13. What are the greatest challenges or impediments to residential development in the unincorporated area?