

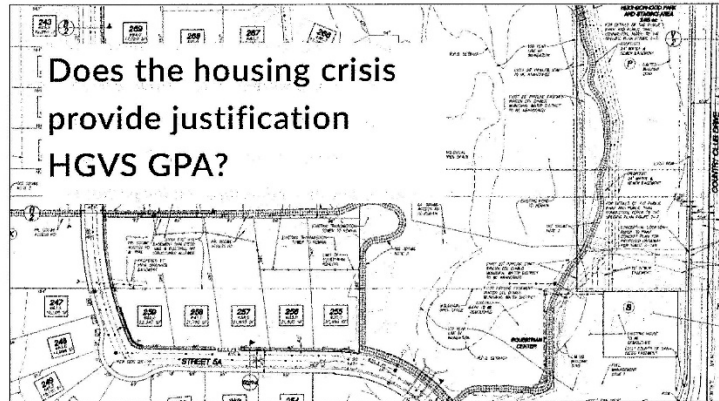
COMMENTS

RESPONSES

Comment Letter No. PCI9

**grow the
san diego way**

WHITE PAPER



Project Comment Letter


Prepared for: County of San Diego Planning Commission
 Prepared by: JP Theberge, Vice-chair, Elfin Forest Harmony Grove Town Council and private citizen, founder of Grow the San Diego Way
 Date: May 22, 2018
 PROJECT: Harmony Grove Village South; PDS2015-SP-15-002, PDS2015-GPA-15-002, PDS2015-REZ-15-003, PDS2018-TM-5626, PDS2015-MUP-15-008, PDS2018-STP-18-011; PDS2015-ER-15-08-006


PCI9-1


Response to Comment PCI9-1

These comments address the important issue of affordable housing in the County. The comments are not, however, at variance with the EIR or support documents. The Project does not represent itself as providing affordable housing as defined by state requirements for low-income residents. It would, however, provide a range of housing that will provide a variety of housing choices for residents working in the Project vicinity. Relative to General Plan requirements for amendment and the HGV South Project, please see the Global Responses to Project Consistency with General Plan Policy LU-1.4, and General Plan/Community Plan Amendments CEQA Impact Analysis. Because this white paper does not address additional environmental issues in the FEIR, no additional response is warranted.

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<p style="text-align: right;">Comment Letter No. PCI9</p> <div data-bbox="226 263 491 331">  </div> <div data-bbox="825 345 945 365"> <p>WHITE PAPER</p> </div> <p>GROW THE SAN DIEGO WAY · JP THEBERGE · FRIDAY, MAY 22, 2018</p> <p><i>Harry Jones, of the San Diego Union Tribune recently wrote about the County's plans to rush 7 projects through approval and the consternation that "slow growth" and "environmental groups" have shown at this tactic. While, arguably, the folks concerned with this tactic may include these groups, there are many others around the County who feel that the County administration is trying to sidestep public input on the pretext of doing something to solve the housing crisis. It is important to look at the housing crisis a little more closely to see how GPAs help address this crisis, if at all.</i></p> <h3>General Plan Amendments</h3> <p>Amending the general plan is a big deal. With all General Plan Amendment (GPA) projects, the applicant needs to make a solid case for a GPA because it sets aside the "land use constitution" that is developed for a particular jurisdiction. San Diego County's General Plan took 13 years and \$18 million to develop. It received input from all the communities, the building industry and other stake holders and is the grand compromise to accommodate the the needed housing growth in the region (more on the General Plan here).</p> <p>According to the guidelines, an amendment to the General Plan can only be made if it meets two important criteria: it must be "in the public interest" and would not be detrimental to public health, safety, and welfare."</p> <p><i>Any proposed amendment will be reviewed to ensure that the change is in the public interest and would not be detrimental to public health, safety, and welfare." (San Diego County General Plan, A plan for Growth, Conservation and Sustainability), Adopted August 2011) P1-15</i></p> <div data-bbox="226 1308 285 1328"> <p>2 of 12</p> </div> <div data-bbox="464 1305 709 1328"> <p>www.growthesandiegoway.com</p> </div> <div data-bbox="846 1305 949 1326"> <p>May 11, 2018</p> </div>	<p style="text-align: center;">PCI9-1</p>

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<p style="text-align: center;">Comment Letter No. PCI9</p> <div data-bbox="233 251 501 321">  </div> <div data-bbox="840 337 961 357" style="text-align: right;"> <small>WHITE PAPER</small> </div> <p>With the Harmony Grove Village South Project, the applicant attempts to make the case that the project is in the public interest because there is a housing crisis in San Diego County and that simply building more houses would alleviate that crisis:</p> <p><i>"The reduced rate of housing production during the current Housing Element planning period has resulted in increased demand for housing in the region. Housing Element Policy H-1.3 provides direction for siting and increasing housing opportunities in the unincorporated county..." (5-24-18 HGVS Planning Commission Hearing Report) P34</i></p> <p>It is important to examine the assumptions that are being made here in order to determine the following about each particular project:</p> <ul style="list-style-type: none"> • First, what is the nature of the housing shortage? Is it about housing in general, or a particular type of housing? • Are we delivering enough these particular homes, that are affordable to a majority of San Diegans? • Is the particular project delivering the type of housing that will improve home prices in the region? <p>What is the nature of the shortage?</p> <p>The County Planning and Development Services (PDS) Planning Commission Hearing Report on the Harmony Grove Village South refers to the housing crisis as a justification for amending the General Plan. It states that because there is increased demand for housing in</p> <div data-bbox="231 1315 966 1338" style="display: flex; justify-content: space-between; font-size: small;"> 3 of 12 www.growthesandiegoway.com May 11, 2018 </div>	<p style="text-align: center; vertical-align: middle;">PCI9-1</p>

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<p style="text-align: center;">Comment Letter No. PCI9</p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div data-bbox="228 272 485 337">  </div> <div data-bbox="682 277 932 371"> <p style="text-align: center;">GROW THE SAN DIEGO WAY WHITE PAPER</p> </div> </div> <p>the region, the GPA should be allowed because it accommodates more housing in the region and that is a good thing.</p> <p>So first we need to ask some basic questions: Is housing production down? Well, so far through the 5th Element of the Regional Housing Needs Assessment (the RHNA, pronounced "ree-nuh") we are considerably below where we need to be. This interim report lays out where we are after 7 years through an 11 year cycle. The RHNA report compares the number of permits issued through 2016 with what the original goals of the RHNA were for this cycle and it shows that, overall, we are half of where we need to be at this point in time in the region.</p> <p><i>So, that settles it. We haven't built nearly enough houses by about a half, right?</i></p> <p>Yes, but as always, the devil is in the details. The biggest issue with lack of housing supply, so the story goes, is that it drives up home prices. There are more people seeking homes than there are homes available. That is standard economics.</p> <p>However, when you look at the law of supply and demand you need to factor in the high desirability of the region, the demand for the different price ranges of housing and the additional supply of people willing to move to San Diego from other areas if the housing were less expensive.</p> <p><i>more on whether or not we can build our way to affordable here</i></p> <hr/> <div style="display: flex; justify-content: space-between;"> 4 of 12 www.growthesandiegoway.com May 11, 2018 </div>	<p style="text-align: center; vertical-align: middle;">PCI9-1</p>

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<div data-bbox="722 214 963 238" data-label="Text"> <p>Comment Letter No. PCI9</p> </div> <div data-bbox="226 261 495 329" data-label="Image"> </div> <div data-bbox="823 344 949 367" data-label="Text"> <p>WHITE PAPER</p> </div> <div data-bbox="220 407 638 441" data-label="Section-Header"> <h3>What can San Diegans afford?</h3> </div> <div data-bbox="220 464 951 782" data-label="Text"> <p>Unfortunately, home prices are the highest they've ever been and 74% of County residents cannot afford the average home in San Diego County. The median household income for San Diego County is \$81,800. A person who makes \$81,800 can afford a house worth about \$295,400, at current interest rates (and with a \$20,000 downpayment) or about \$2,000 a month in rent. However, the median home price in San Diego is \$550,000 and for newly-built homes, it is even higher (\$646,000, according to CoreLogic via the Union Tribune). So there is a problem here. It is not just about lack of housing but more importantly, that the housing we are building is too expensive for the average resident. So the solution is not just to increase overall housing, but specifically, build housing that people can afford.</p> </div> <div data-bbox="367 790 804 847" data-label="Text"> <p><i>here's a nifty calculator from Zillow to figureout how much home you can afford here</i></p> </div> <div data-bbox="220 898 905 959" data-label="Section-Header"> <h3>So, how are we doing with building houses people can afford?</h3> </div> <div data-bbox="220 985 951 1122" data-label="Text"> <p>Unfortunately, not well at all. Most of the housing we've created in the past 15 years has been "above-moderate" (luxury) housing. The California Department of Housing and Community Development (HCD) has guidelines that define income categories that are used to define Moderate, Low and Very Low income levels. For San Diego, it is defined as follows:</p> </div> <div data-bbox="984 748 1056 774" data-label="Text"> <p>PCI9-1</p> </div> <div data-bbox="224 1305 287 1328" data-label="Page-Footer"> <p>5 of 12</p> </div> <div data-bbox="464 1305 711 1328" data-label="Page-Footer"> <p>www.growthesandiegoway.com</p> </div> <div data-bbox="846 1305 951 1328" data-label="Page-Footer"> <p>May 11, 2018</p> </div>	

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A person who has moderate income can afford a house that is roughly \$363,000. This is considerably lower than the median priced home, so clearly something is going on with regards to the production of different levels of housing product.

	MODERATE	LOW	VERY LOW
Household Income:	\$98,150	\$77,850	\$48,650
Can Afford:	\$362,965	\$281,318	\$152,724

<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/lu2k13.pdf>

Figure 1 shows the RHNA housing goal versus permits issued, broken out by Above Moderate, Moderate, Low and Very Low income categories. The production of moderate income housing (or lower) is severely restricted versus the high end housing. In fact, we have only produced 14% of our goal for the current period so far. High end housing appears to be right on track, however. So the biggest issue is the lack of Moderate housing (with only 11% of the need being produced).

So, what this tells us is that even though the housing need for Moderate to Low Income housing in San Diego County is the greatest, we continue to oversupply the market with luxury housing that the vast majority of San Diegans cannot afford and we have been doing so for at least 15 years.

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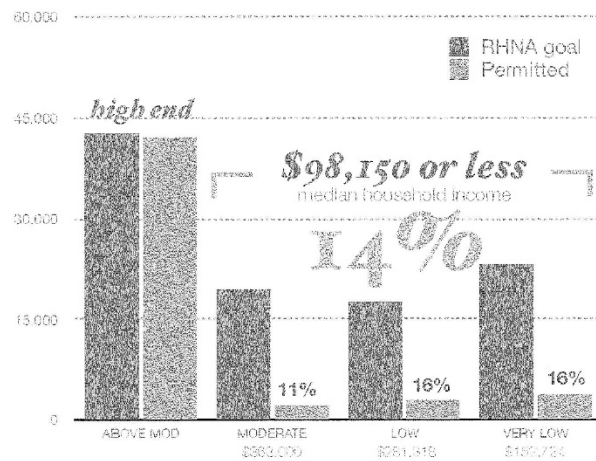


Figure 1: 5th Element RHNA (2010 - 2016)

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But if you increase the supply of housing at all levels, won't that bring costs down eventually?

That seems logical on the face of it and, in some areas of the country, it would make sense. The reasoning that the building industry uses is that if you don't build enough of the high-end housing, then the high-income buyers will go and snap up the more affordable properties that working class families might buy and thus costs go up for everybody. While this might work in Texas, in the coastal areas of California, it hasn't seemed to work out that way. There is strong evidence, in fact, that that is not the case. In fact, all over California, there is a significant surplus of high end (above moderate) housing (300,000 units at last

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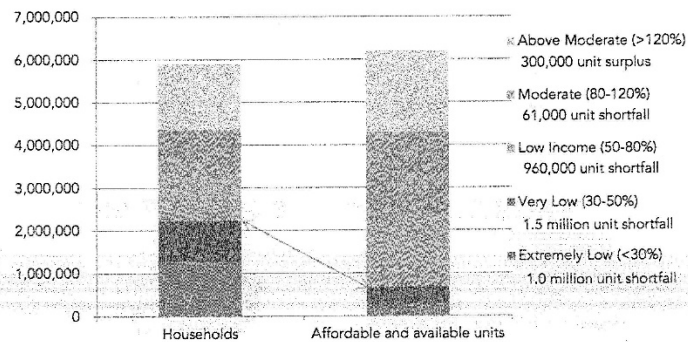
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count according to the California Department of Housing and Community Development, P28) while we are more than \$3 million short on the Moderate and lower.

Figure 1.24
Rental Housing Falls Short at All Income Levels, Except Above Moderate
Comparison of Households and Affordable and Available Units in California




Source: 2016 National Low Income Housing Coalition tabulations of 2014 American Community Survey Public Use Microdata Sample (PUMS) housing file. Graphic by HCD.

First it is important to note that Coastal California does not operate under the same assumptions as other markets because it is a "high-amenity" market, which, in economist-speak means it is an incredibly desirable place to live when compared to other markets and that demand drives up the cost because there is a ready supply of people who can afford it and are willing to move here from other cities given the desirability. (You can read more about it how this impacts affordability here: Pricing the Natural Environment: How Amenities Put a Premium on California Housing, UCLA Anderson Forecast).

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<p data-bbox="716 233 938 253" style="text-align: right;">Comment Letter No. PCI9</p> <div data-bbox="228 277 483 342">  </div> <hr data-bbox="228 349 924 352"/> <p data-bbox="812 360 924 376" style="text-align: right;">WHITE PAPER</p> <p data-bbox="289 420 865 558"><i>The General Plan Housing Element designates affordable housing at a density of 10.9 du/ac or greater. The project's proposed density will be a maximum of eight dwelling units per acre, and as such is not defined as moderate to low income housing by the County's General Plan. (5-24-18 HGVS Planning Commission Hearing Report) P33</i></p> <p data-bbox="231 615 924 704">The applicant, Kovach, says that they will provide a range of housing stock from 1800 square feet to more than 4,600 sf and that should provide housing that is affordable (though they don't substantiate how).</p> <p data-bbox="289 761 865 948"><i>The project includes a range of residential housing types. In terms of housing affordability, multi-family units as well as smaller lot and house sizes tend to be more affordable. The proposed project includes a range of lot sizes from 1,462 sq. ft. to 4.85 acres, with the large majority of lots being less than 10,000 sq. ft. Single family housing sizes will range from 1,500 – 3,000 sq. ft. (5-24-18 HGVS Planning Commission Hearing Report) P34</i></p> <p data-bbox="231 1037 924 1127">However, based on median home sales prices in the immediate vicinity, at \$266 per square foot, an "affordable" 1500 sf home would be worth \$399,000 which is significantly higher (about \$100,000 higher) than what the median income household could afford.</p> <hr data-bbox="228 1274 924 1278"/> <div data-bbox="228 1295 289 1312">11 of 12</div> <div data-bbox="466 1295 693 1312">www.growthesandiegoway.com</div> <div data-bbox="835 1295 924 1312">May 11, 2018</div>	<p data-bbox="966 776 1024 795" style="text-align: center;">PCI9-1</p>

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<p style="text-align: right;">Comment Letter No. PCI9</p> <p>grow the san diego way</p> <hr/> <p style="text-align: right;">WHITE PAPER</p> <p>In Summary:</p> <p>There does indeed appear to be a housing shortage.</p> <ul style="list-style-type: none"> • However, the shortage is limited to the Moderate to Low income housing for at least the past 15 years. • High end housing (Above Moderate) has been oversupplied considerably for most of the past 15 years. • HGVS does nothing to alleviate this problem and in fact may be exacerbating the problem as more affluent people move into San Diego to buy high end homes that locals cannot afford and therefore contributing to higher housing costs. • The main thrust for the justification of setting aside the general plan for the vast majority of these projects is therefore negated and there is no logical rationale to amend the General Plan, the "land constitution" of San Diego County. <p>Links:</p> <ul style="list-style-type: none"> • Why the Housing Crisis won't get Fixed by Building Cheaper Homes, Nickelsburg • Pricing the Natural Environment: How Amenities Put a Premium on California Housing, Nickelsburg <p style="text-align: right;">PCI9-1</p> <hr/> <p>12 of 12 www.growthesandiegoway.com May 11, 2018</p>	